MARTHA'S VINEYARD LAND BANK

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTAL INFORMATION

JUNE 30, 2017

MARTHA'S VINEYARD LAND BANK

Financial Statements, Required Supplementary Information, and Supplemental Information

June 30, 2017

C O N T E N T S

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, 2017, 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, 2017, and

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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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5, the schedule of proportionate share of the net pension liability on page 29, the schedule of contributions on page 30, the notes to the required supplementary information on page 31, and the schedule of funding progress – OPEB on page 32 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 12, 2017, 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 12, 2017

MARTHA’S VINEYARD LAND BANK

Management’s Discussion and Analysis (Unaudited)

Fiscal Year Ended June 30, 2017

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.

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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.

MARTHA'S VINEYARD LAND BANK

Management's Discussion and Analysis (Unaudited) - Continued

Fiscal Year Ended June 30, 2017

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

Net Position of the Land Bank for the fiscal years ended June 30, 2017 and 2016, was as follows:

	2017	2016
Current assets	**$ 11,074,528**	$ 11,705,728
Capital assets	**194,831,119**	189,449,094
Deferred outflow of resources	**777,757**	387,460
Total	**206,683,404**	201,830,735
Current and other liabilities	**4,602,307**	5,224,433
Long-term debt	**59,875,263**	64,295,747
Deferred inflows of resources	**199,312**	198,755
Total	**64,676,882**	69,718,935
Net position:		
Investment in capital assets, net	**132,309,778**	121,975,722
Restricted	**743,483**	773,529
Unrestricted	**8,953,261**	9,362,549
Total Net Position	**$ 142,006,522**	$ 132,111,800

Changes in net position for the fiscal years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Operating revenues	**$ 13,650,334**	$ 13,313,694
Operating expenses	**1,546,014**	1,596,306
Net Operating Income	**12,104,320**	11,717,388
Non-Operating Revenue (Expense)	**(2,209,598)**	(2,699,314)
Changes in Net Position	**$ 9,894,722**	$ 9,018,074

MARTHA'S VINEYARD LAND BANK

Management's Discussion and Analysis (Unaudited) - Continued

Fiscal Year Ended June 30, 2017

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

Total net position increased 7.5% from 2016 to 2017 and 7.3% from 2015 to 2016. 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 4.4% from 2016 to 2017 and increased by 13.8% from 2015 to 2016.

Fiscal year 2017 had an increase in fee revenues of approximately $337,000 from 2016 levels. Fee revenues represent 100% of all operating revenues of the Land Bank for fiscal years ended June 30, 2017 and 2016.

The Land Bank increased its investment in land, development rights and land improvements during fiscal year 2017 by approximately $5 million.

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, 2017

MARTHA'S VINEYARD LAND BANK

Statement of Net Position

June 30, 2017

Assets and Deferred Outflow of Resources

Current Assets:	
Cash and equivalents	**$ 5,017,873**
Investments:	
Unrestricted	**5,313,172**
Restricted	**743,483**
Total Current Assets	**11,074,528**
Capital Assets:	
Property and equipment, net of accumulated depreciation of $711,754	**383,257**
Land, development rights and land improvements, net of accumulated depreciation of $66,487	**194,447,862**
Total Capital Assets	**194,831,119**
Total Assets	**205,905,647**
Deferred Outflow of Resources:	
Deferred loss on bond refunding	**608,059**
Pension related, net	**169,698**
Total Deferred Outflows of Resources	**777,757**
Total Assets and Deferred Outflow of Resources	**$ 206,683,404**

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	**$ 716,078**
Current portion of bonds payable	**1,930,000**
Accounts payable and accrued expenses	**476,466**
Total Current Liabilities	**3,122,544**
Long-Term Liabilities:	
Notes payable, net of current portion	**3,156,988**
Bonds payable, net of current portion	**56,718,275**
Net pension liability	**698,054**
Other post-employment benefits	**781,709**
Total Long-Term Liabilities	**61,355,026**
Total Liabilities	**64,477,570**
Deferred Inflows of Resources:	
Deferred gain on bond refunding	**187,713**
Pension related, net	**11,599**
Total Deferred Inflows of Resources	**199,312**
Net Position:	
Investment in capital assets, net	**132,309,778**
Restricted	**743,483**
Unrestricted	**8,953,261**
Total Net Position	**142,006,522**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 206,683,404**

MARTHA'S VINEYARD LAND BANK

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2017

Operating Revenues:	
Fee revenues	**$ 13,650,334**
Operating Expenses:	
Administrative	**1,546,014**
Operating Income	**12,104,320**
Non-operating Revenues and Expenses:	
Interest income	**73,753**
Interest expense	**(2,283,351)**
Total Non-operating Revenues and Expenses	**(2,209,598)**
Increase in Net Position	**9,894,722**
Net Position, Beginning of Year	**132,111,800**
Net Position, End of Year	**$ 142,006,522**

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, 2017

Cash Flows from Operating Activities:	
Cash received from fee revenue	**$ 13,650,334**
Cash payments to suppliers	**(754,414)**
Cash paid to employees for services	**(877,925)**
Net Cash Provided by Operating Activities	**12,017,995**
Cash Flows from Capital and Related Financing Activities:	
Principal payments on notes payable	**(1,591,078)**
Principal payments on bonds payable	**(4,147,672)**
Interest payments on notes and bonds	**(2,314,536)**
Net Cash Applied to Capital and Related Financing Activities	**(8,053,286)**
Cash Flows from Investing Activities:	
Acquisition of land, development rights and land improvements	**(4,503,196)**
Acquisition of property and equipment	**(134,972)**
Purchase of investments	**(25,000)**
Interest income	**26,079**
Net Cash Applied to Investing Activities	**(4,637,089)**
Net Increase in Cash and Equivalents	**(672,380)**
Cash and Equivalents, Beginning of Year	**5,690,253**
Cash and Equivalents, End of Year	**$ 5,017,873**
Supplemental Non-Cash Activities:	
Land acquired through notes payable	**$ 500,000**
Issuance of Series 2017 Bonds	**$ 20,105,000**
Refunding of Series 2006 Bonds	**$ 23,560,000**

MARTHA'S VINEYARD LAND BANK

Statement of Cash Flows - Continued

For the Year Ended June 30, 2017

Reconciliation of Increase in Net Position to Net Cash Provided by Operating Activities:	
Operating Income	**$ 12,104,320**
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	**44,596**
Amortization of bond related accounts	**(254,117)**
Changes in assets and liabilities:	
Accounts payable and accrued expenses	**(13,199)**
Net pension activity	**40,034**
Other post employment benefits payable	**96,361**
Net Adjustments	**(86,325)**
Net Cash Provided by Operating Activities	**$ 12,017,995**

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

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements

June 30, 2017

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 liability, and the recoverability of long-lived assets.

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**

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.

New Governmental Accounting Pronouncements

GASB Statement 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. As discussed in Note 7, management anticipates that implementation of this standard will require the restatement of balances as of July 1, 2017.

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

New Governmental Accounting Pronouncements - continued

GASB Statement 85 - *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 86 - *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and disclosures in the financial statements for debt that is defeased in substance. Management has not completed its review of the requirements of this standard.

GASB Statement 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. Management has not yet evaluated the effects of the implementation of this Statement.

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2017

Note 2 - **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, 2017.

Note 3 - **Investments**

The Land Bank categorizes short-term investments according to the level of risk assumed. At June 30, 2017, 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.

Concentration of Credit Risk

At June 30, 2017, the Land Bank had invested $5,186,257 with a single issuer representing 85.6% of the Land Bank's investment.

June 30, 2017

Investment Maturities (in Years)

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Certificate of deposit	**$ 1,000,000**	**$ -**	**$ 1,000,000**	**$ -**	**$ -**
Money market	**5,056,655**	**-**	**-**	**-**	**-**
Total	**$ 6,056,655**	**$ -**	**$ 1,000,000**	**$ -**	**$ -**

Note 3 - **Investments - Continued**

Concentration of Credit Risk - continued

The following table summarizes the quality ratings of the Land Bank's debt investments at June 30, 2017:

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	A	Unrated
Certificates of deposit	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000
Money market	5,056,655	5,056,655	-	-	-
Total	$ 6,056,655	$ 5,056,655	$ -	$ -	$ 1,000,000

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.

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, 2017, 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, 2017

Note 4 - **Capital Assets**

Capital Assets consist of the following at June 30, 2017:

	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		184,145,547	5,003,196	-	-	189,148,743
Total not depreciated		189,242,007	5,003,196	-	-	194,245,203
Capital assets depreciated:						
Buildings and improvements	11-40	233,589	7,150	-	-	240,739
Furnishings and equipment	3-10	621,100	127,822	-	-	748,922
Land improvements	15-40	374,496	-	-	-	374,496
Total depreciated		1,229,185	134,972	-	-	1,364,157
Less accumulated depreciation:						
Buildings and improvements		127,952	6,511	-	-	134,463
Furnishings and equipment		543,634	33,657	-	-	577,291
Land improvements		62,059	4,428	-	-	66,487
Total accumulated depreciation		733,645	44,596	-	-	778,241
Net depreciable assets		495,540	90,376	-	-	585,916
Capital Assets, net		$ 189,737,547	$ 5,093,572	$ -	$ -	$ 194,831,119

Note 5 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2017 consist of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	**$ 4,964,144**	**$ 500,000**	**$ 1,591,078**	**$ 3,873,066**	**$ 716,078**
Bonds payable	**62,797,681**	**22,297,020**	**26,446,426**	**58,648,275**	**1,930,000**
Total notes and bonds payable	**67,761,825**	**22,797,020**	**28,037,504**	**62,521,341**	**2,646,078**
Other long-term liabilities:					
Pension payable	**552,157**	**145,897**	**-**	**698,054**	**-**
Other post-employment benefit	**685,348**	**96,361**	**-**	**781,709**	**-**
Total other long-term liabilities	**1,237,505**	**242,258**	**-**	**1,479,763**	**-**
Total Long-Term Liabilities	**$ 68,999,330**	**$ 23,039,278**	**$ 28,037,504**	**$ 64,001,104**	**$ 2,646,078**

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2017

Note 5 - **Long-Term Liabilities - Continued**

Notes Payable
Notes payable at June 30 2017, are as follows:

Fielding and Elizabeth Ann Lewis; annual principal payments of $100,000, plus interest at 1.46%, due June 2021, secured by land.	**$**	**400,000**
Arnold M. Fischer 1994 Trust; annual principal payments of $277,778, plus interest at 1.50%, due September 2022, secured by land.		**1,666,666**
James A. Richards and Lynne G. Silva; annual principal payments of $150,000, plus interest at 1.73%, due February 2019, secured by land.		**300,000**
Ann B. Floyd: annual principal payments $188,300, plus interest at 3.06% due June 30, 2025, secured by land.		**1,506,400**
Total notes payable		**3,873,066**
Less: current portion		**(716,078)**
Notes payable, net of current portion	**$**	**3,156,988**

Note 5 - **Long-Term Liabilities - Continued**

Notes Payable - continued
Future principal maturities of long-term debt subsequent to June 30, 2017 are as follows:

Years Ending June 30,	
2018	$ 716,078
2019	716,078
2020	566,078
2021	566,078
2022	466,078
2023-2025	842,676
	$ 3,873,066

Bonds Payable
Bonds payable at June 30 2017, 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.	**$ 17,805,000**
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**
	52,830,000
Plus: bond premium net of accumulated amortization of $38,456, Series 2017.	**2,153,564**
Plus: bond premium net of accumulated amortization of $646,713, Series 2014.	**3,664,711**
Total bonds payable	**58,648,275**
Less: current portion	**(1,930,000)**
Bonds payable, net of current portion	**$ 56,718,275**

Note 5 - **Long-Term Liabilities - Continued**

Bonds Payable - continued

Aggregate payments of principal and interest on bonds payable subsequent to June 30, 2017 are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 1,930,000	$ 2,407,788	$ 4,337,788
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 - 2027	13,215,000	9,251,740	22,466,740
2028 - 2032	16,555,000	6,024,502	22,579,502
2033 - 2037	12,480,000	2,082,800	14,562,800
	$ 52,830,000	$ 28,586,982	$ 81,416,982

During the year ended June 30, 2017, the Land Bank completed the issuance of $20,105,000 Revenue Refunding Bonds, Series 2017, for the purpose of refunding the remaining Land Acquisition Revenues Bonds, Series 2006, along with paying any costs associated with the issuance of the bonds. The liability of the Series 2006 defeased bonds was subsequently called and is no longer outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $619,000. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is charged to operations through the year 2036, the maturity date of the bonds. As a result, the Land Bank decreased its total debt service over the next 20 years by approximately $4 million, and it obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $2.5 million.

Note 6 - **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.

Benefit Provisions
The System 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 Public Employee Retirement Systems ("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 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 prior to age 60.

Note 6 - **Pensions - Continued**

Contributions
The System's 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 System's 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 to the System 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 11.27% of annual covered payroll for the fiscal year ended June 30, 2017. The Land Bank contributed $77,093 for the fiscal year ended June 30, 2017, equal to 100% of the required contributions for the year.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources
At June 30, 2017, the Land Bank reported a liability of $698,054 for its proportionate share of the net pension liability related to its participation in the System. The net pension liability was measured as of December 31, 2016, 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, 2016 rolled forward to December 31, 2016. The Land Bank's proportion of the net pension liability was based on the proportionate share of total pension liability as of January 1, 2016. At June 30, 2017, the Land Bank's proportion was 1.520%. For the year ended June 30, 2017, the Land Bank recognized pension expense of $117,127.

MARTHA'S VINEYARD LAND BANK

Notes to the Financial Statements - Continued

June 30, 2017

Note 6 - **Pensions - Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources – continued

At June 30, 2017, amounts reported as deferred outflows and inflows of resources related to pensions from the following sources:

	Outflows (Inflows)
Differences between expected and actual experience	$ 9,428
Changes assumptions	76,891
Net difference between projected and actual investment earnings on pension plan investments	43,631
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,748
Changes in proportion and differences between employer contributions and proportionate share of contributions	(11,599)
Total Outflows / Inflows	$ 158,099

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

Years Ending June 30,	
2018	$ 36,534
2019	36,536
2020	37,817
2021	24,459
2022	21,887
Thereafter	866
	$ 158,099

Note 6 - **Pensions - Continued**

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 pre-retirement of RP-2000 employee 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.00%	6.60%
International equity	15.00%	3.70%
Fixed income	25.00%	2.40%
Real estate	10.00%	7.00%
Timber	2.50%	4.40%
Alternatives - private equity	5.00%	11.10%
Hedge funds	2.50%	2.00%
Total	100.00%	

Note 6 - **Pensions – Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.75% at December 31, 2016. 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%)
$ 1,017,468	$ 698,054	$ 427,914

Note 7 - **Other Post-Employment Benefits (OPEB)**

Plan Description

The Land Bank's healthcare plan (the "Plan") is a single-employer defined-benefit healthcare plan administered by the Land Bank. The Plan provides medical, dental, and life insurance benefits to eligible retirees and their covered dependents. Chapter 32B of the Massachusetts General Law assigns the authority to establish and amend benefit provisions. The Plan does not issue a stand-alone financial report.

Funding Policy

The contribution requirements of Plan members and the Land Bank are established and may be amended by the state legislature. The required contribution is based on the current pay-as-you-go financing requirement. During the year ended June 30, 2017, 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 $126,915 at June 30, 2017.

Note 7 - **Other Post-Employment Benefits (OPEB) - Continued**

Annual OPEB Cost and Net OPEB Obligation

The Land Bank recognizes an expense equal to the annual required contribution ("ARC") of the employer, determined actuarially in accordance with GASBS 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for the year ended June 30, 2017 was determined based on an actuarial valuation performed as of July 1, 2014.

The Land Bank's annual OPEB cost and the net OPEB obligation for the year ended June 30, 2017 were as follows:

Annual required contribution (ARC)	$ 96,610
Interest on net OPEB obligation	23,559
Adjustments to ARC	(18,212)
Annual OPEB Cost	101,957
Contributions made (including subsidy)	(5,596)
Net obligation at beginning of year	685,348
Net obligation at end of year	$ 781,709

The Land Bank's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and its net OPEB obligation for 2017 and the two years preceding are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 88,407	5.6%	$ 580,533
June 30, 2016	$ 110,391	5.6%	$ 685,348
June 30, 2017	$ 101,957	5.5%	$ 781,709

Note 7 - **Other Post-Employment Benefits (OPEB) - Continued**

Funded Status and Funding Progress
The funded status of the Plan as of July 1, 2014 (the date of the most recent valuation), was as follows:

Actuarial Accrued Liability (AAL)	$ 1,371,302
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,371,302
Funded ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Annual Covered Payroll (Active Plan Members)	$ 657,818
UAAL as a Percentage of Covered Payroll	208.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. 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 are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities and benefits.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the Plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The projected unit credit actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 4.0% discount rate; an annual healthcare cost trend rate of 7.5% progressively declining to 5% after 5 years; and a 30 year level percent of pay method of amortization assumed to be increasing at 4.5% per year.

Note 7 - **Other Post-Employment Benefits (OPEB) - Continued**

New Accounting Guidance Effective for Fiscal 2018
As discussed in Note 1, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for fiscal 2018 and is applicable for employees participating in a cost-sharing multiple employer plan such as the Dukes County Pooled OPEB Trust. The College will be required to restate beginning net position as of July 1, 2017 to recognize the employer's proportionate share of the plan's net OPEB obligation. OPEB expense reported in the Land Bank's financial statements will reflect the change in the net OPEB liability for the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

MARTHA'S VINEYARD LAND BANK

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

For the Years Ended June 30,

	2017	2016	2015
Valuation date	**January 1, 2016**	January 1, 2014	January 1, 2014
Measurement date	**December 31, 2016**	December 31, 2015	December 31, 2014
Proportion of the collective net pension liability	**1.520%**	1.405%	1.405%
Proportionate share of the collective net pension liability	**$ 698,054**	$ 552,157	$ 506,430
Covered-employee payroll	**$ 683,842**	$ 662,624	$ 637,138
Proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	**102.08%**	83.33%	79.49%
Plan fiduciary net position as a percentage of the plan's total pension liability	**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)

For the Years Ended June 30,

	2017	2016	2015
Contractually required contribution	**$ 77,093**	$ 88,825	$ 105,995
Contributions in relation to the contractually required contribution	**77,093**	88,825	105,995
Contribution excess	**$ -**	$ -	$ -
Covered-employee payroll	**$ 683,842**	$ 662,624	$ 637,138
Contribution as a percentage of covered-employee payroll	**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, 2017

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

The mortality rates and mortality improvement scale were updated to reflect fully generational mortality improvement.

MARTHA'S VINEYARD LAND BANK

Schedule of Funding Progress – OPEB (Unaudited)

June 30, 2017

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (b-a)	Funded ratio (a/b)	Covered payroll (c)	Unfunded liability as percentage of covered payroll
7/1/2014	$ -	$ 1,371,302	$ 1,371,302	0.00%	$657,818	208.5%
7/1/2012	$ -	$ 1,125,757	$ 1,125,757	0.00%	$615,291	183.0%
7/1/2010	$ -	$ 1,071,938	$ 1,071,938	0.00%	$531,125	201.8%

SUPPLEMENTAL INFORMATION

MARTHA'S VINEYARD LAND BANK

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

For the Year Ended June 30, 2017

	Chilmark	Edgartown	Aquinnah Gay Head	Oak Bluffs	Tisbury	West Tisbury	Central Fund	Total
Total Land, Development Rights and Land Improvements, June 30, 2016	$ 20,524,326	$ 39,005,738	$ 2,933,392	$ 10,775,777	$ 13,088,896	$ 15,529,473	$ 87,591,492	**$ 189,449,094**
Additions during year:								
Toad Rock	-	-	912,284	-	-	-	608,190	**1,520,474**
Beech Tree	-	-	-	-	463,664	-	309,109	**772,773**
Middle Line Woods	403,000	-	-	-	-	-	268,666	**671,666**
Middle Ridge	722,490	-	-	-	-	-	481,660	**1,204,150**
Sailor's Burying Ground	-	-	-	-	230,036	-	153,358	**383,394**
Three Ponds	-	189,049	-	-	-	-	126,033	**315,082**
Menemsha Neck	-	-	-	-	-	-	74,678	**74,678**
Priester's Pond	-	-	-	-	-	-	4,000	**4,000**
Edgartown Great Pond Beach	-	31,547	-	-	-	-	21,032	**52,579**
Ripley's Field	-	-	-	-	-	-	2,400	**2,400**
Aquinnah Headlands	-	-	600	-	-	-	400	**1,000**
Short Cove	-	-	-	-	600	-	400	**1,000**
Less: Depreciation of land improvements	-	-	-	-	-	-	(4,428)	**(4,428)**
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**

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, 2017, 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 12, 2017.

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 12, 2017