

NANTUCKET MEMORIAL AIRPORT
An Enterprise Fund of the Town of
Nantucket, Massachusetts

Schedule of Passenger Facility Charges
and Expenditures

Year Ended June 30, 2016

NANTUCKET MEMORIAL AIRPORT
AN ENTERPRISE FUND OF THE TOWN OF NANTUCKET, MASSACHUSETTS

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
REQUIREMENTS ISSUED BY THE FEDERAL AVIATION ADMINISTRATION**

Nantucket Memorial Airport Commission
Nantucket Memorial Airport
Nantucket, Massachusetts

Report on Compliance for Passenger Facility Charge Program

We have audited the Nantucket Memorial Airport's (the "Airport"), an enterprise fund of the Town of Nantucket, Massachusetts, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Airport's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Airport's passenger facility charge program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges and Expenditures

We have audited the financial statements of the Airport as of and for the year ended June 30, 2016, and have issued our report thereon dated October 4, 2016 which contained an emphasis paragraph on the implementation of new accounting standards. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of passenger facility charges and expenditures for the year ended June 30, 2016 is presented for purposes of additional analysis as specified in the Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated in all material respects in relation to the financial statements taken as a whole.

Roselli, Clark and Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
October 4, 2016

NANTUCKET MEMORIAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGES AND EXPENDITURES
YEAR ENDED JUNE 30, 2016

	<u>1st Quarter</u> July 2015 to September 2015	<u>2nd Quarter</u> October 2015 to December 2015	<u>3rd Quarter</u> January 2016 to March 2016	<u>4th Quarter</u> April 2016 to June 2016	<u>FY 2016 Total</u>
Revenues:					
Passenger facility charges collected	\$ 287,632	\$ 111,711	\$ 28,707	\$ 138,778	\$ 566,828
Interest earned	<u>337</u>	<u>507</u>	<u>536</u>	<u>584</u>	<u>1,964</u>
	<u>287,969</u>	<u>112,218</u>	<u>29,243</u>	<u>139,362</u>	<u>568,792</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ 287,969</u>	<u>\$ 112,218</u>	<u>\$ 29,243</u>	<u>\$ 139,362</u>	568,792
					<u>444,455</u>
					<u>\$ 1,013,247</u>

See accompanying notes to schedule of passenger facility charges and expenditures.

NANTUCKET MEMORIAL AIRPORT
AN ENTERPRISE FUND OF THE TOWN OF NANTUCKET, MASSACHUSETTS

SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Noncompliance material to the financial statements noted?	No
Noncompliance material to the PFC program?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

None.

NANTUCKET MEMORIAL AIRPORT
AN ENTERPRISE FUND OF THE TOWN OF NANTUCKET, MASSACHUSETTS

NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES AND EXPENDITURES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – PASSENGER FACILITY CHARGES

Passenger Facility Charges (“PFCs”) are fees imposed on enplaned passengers by the Airport for the purpose of generating revenue for Airport projects that enhance safety, security or capacity; reduce noise; or increase air carrier competition in accordance with Federal Aviation Administration (“FAA”) approvals.

Effective July 1, 2014, the Nantucket Memorial Airport (the “Airport”) began imposing PFCs of \$4.50 per enplaned passenger with collection and use authority of \$6,942,081. Authority for the imposition of these PFCs was granted by the FAA on May 28, 2014. The PFC program exempts that class of air carrier defined as Air Taxi/Commercial Operations from the requirement to collect PFCs.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of passenger facility charges and expenditures for the year ended June 30, 2016 presents the revenues received from PFCs and expenditures incurred on approved projects.

PFCs collected represent the cash collected through June 30, 2016 as reported to the FAA in accordance with 14 CFR Part 158. The interest earned represents the actual interest collected and accrued on invested PFC funds for the periods reported.

NOTE C – PFC APPROVED PROJECTS AND EXPENDITURES

The Airport commenced its PFC program effective July 1, 2014. During the year ended June 30, 2016, no amounts were expended under the PFC program. The following table illustrates FAA approved projects, PFC approved amounts and cumulative expenditures through June 30, 2016:

<u>Project Title</u>	<u>Identifying Number</u>	<u>PFC Approved Amount</u>	<u>Cumulative Expenditures</u>
Passenger terminal building renovation and expansion	14-01-C-00-ACK	\$ 6,865,761	\$ —
Re-align and widen south apron taxiway connector	14-01-C-00-ACK	16,833	—
Airport master plan and sustainability program	14-01-C-00-ACK	24,487	—
PFC Program administration	14-01-C-00-ACK	<u>35,000</u>	<u>—</u>
		<u>\$ 6,942,081</u>	<u>\$ —</u>



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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

Nantucket Memorial Airport Commission
Nantucket Memorial Airport
Nantucket, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Nantucket Memorial Airport (the "Airport"), an enterprise fund of the Town of Nantucket, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Airport's basic financial statements and have issued our report thereon October 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport'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 Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport'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 Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
October 4, 2016