

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

Report on Examination of  
Basic Financial Statements

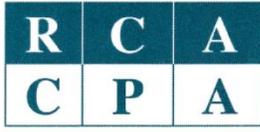
Year Ended June 30, 2013

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

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**JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

Nantucket Memorial Airport Commission  
Nantucket Memorial Airport  
Nantucket, Massachusetts

### Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In fiscal year 2013, the Airport implemented Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See Note B for detail regarding the impact this GASB Statement had on 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2013, and the changes in financial position and, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the funding and contribution progress for pension benefits and other post-employment benefits information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required By Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated December 5, 2013 on our consideration of the Town of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report was issued in conjunction with the audit of the Airport, which is an enterprise fund of the Town of Nantucket, Massachusetts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
December 5, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Nantucket Memorial Airport's (the "Airport") financial performance provides an overview of the Airport's financial activities for the fiscal year ended June 30, 2013. The Airport is an enterprise fund of the Town of Nantucket, Massachusetts (the "Town"). We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### FINANCIAL HIGHLIGHTS

- The assets of the Airport exceeded its liabilities at the close of the most recent fiscal year by \$53,954,831 (*total net position*).
- The Airport's total net position at June 30, 2013 decreased \$946,506, or 1.7%, from June 30, 2012. This decrease was due primarily to the net loss from operations sustained by the Airport in fiscal year 2013 offset by intergovernmental revenues and transfers from the Town.
- The Airport's unrestricted net asset total at June 30, 2013 was \$5,522,096, which is approximately 38.4% of its fiscal year 2013 operating expenses.
- The Airport's general obligation bonds increased to \$9,235,000 at June 30, 2013 from \$8,529,000 at June 30, 2012 as fiscal year 2013 borrowings of \$1,235,000 exceeded scheduled principal repayments of \$619,000. In addition, the Airport retired \$5,414,224 in bond anticipation notes in fiscal year 2013 and received an additional \$1,110,029 from bond anticipation notes sales.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two parts: management's discussion and analysis and the basic financial statements. The financial statements also include notes that explain information in the financial statements in more detail. The Airport is an enterprise fund of the Town. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Airport. These statements are presented in a manner similar to a private business.

The *statement of net position* presents information on all of the Airport's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position* (formerly referred to as *net assets*). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Airport is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the Airport's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables and earned but unused vacation leave.)

The *statement of cash flows* presents information on the Airport's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

**FINANCIAL ANALYSIS**

**Exhibit I - Net Position**

|                                 | June 30,<br>2013     | June 30,<br>2012     |
|---------------------------------|----------------------|----------------------|
| <u>Assets</u>                   |                      |                      |
| Current assets                  | \$ 8,776,192         | \$ 13,404,306        |
| Capital assets, net             | <u>62,602,733</u>    | <u>62,502,239</u>    |
| Total assets                    | <u>71,378,925</u>    | <u>75,906,545</u>    |
| <u>Liabilities</u>              |                      |                      |
| Current liabilities             | 6,585,362            | 11,279,251           |
| Noncurrent liabilities          | <u>10,838,732</u>    | <u>9,725,957</u>     |
| Total liabilities               | <u>17,424,094</u>    | <u>21,005,208</u>    |
| <u>Net Position</u>             |                      |                      |
| Invested in capital assets, net | 48,432,735           | 49,535,778           |
| Unrestricted                    | <u>5,522,096</u>     | <u>5,365,559</u>     |
| Net Position                    | <u>\$ 53,954,831</u> | <u>\$ 54,901,337</u> |

**Exhibit II - Changes in Net Position**

|                                  | Year Ended June 30,  |                      |
|----------------------------------|----------------------|----------------------|
|                                  | 2013                 | 2012                 |
| <u>Revenues:</u>                 |                      |                      |
| Charges for services             | \$ 11,824,972        | \$ 12,921,369        |
| Total revenues                   | <u>11,824,972</u>    | <u>12,921,369</u>    |
| <u>Expenses:</u>                 |                      |                      |
| Operating expenses               | 10,419,693           | 11,286,461           |
| Employee benefits                | 1,349,739            | 1,324,716            |
| Depreciation expense             | 2,337,481            | 2,403,673            |
| Provision for bad debts          | <u>230,890</u>       | <u>36,210</u>        |
| Total expenses                   | <u>14,337,803</u>    | <u>15,051,060</u>    |
| Nonoperating revenues, net       | <u>611,658</u>       | <u>3,947,882</u>     |
| Transfers in, net                | <u>954,667</u>       | <u>3,246,470</u>     |
| Change in net position           | <u>(946,506)</u>     | <u>5,064,661</u>     |
| Net position - beginning of year | <u>54,901,337</u>    | <u>49,836,676</u>    |
| Net position - end of year       | <u>\$ 53,954,831</u> | <u>\$ 54,901,337</u> |

As noted earlier, net position may serve over time as a useful indicator of the Airport's financial condition. In the case of the Airport, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,954,831 at June 30, 2013.

The Airport's net position is categorized as either invested in capital assets, net, or unrestricted. The vast majority of the Airport's net position is classified as invested in capital assets, net. This includes the historical cost or donated value of land, buildings, infrastructure, vehicles, machinery and equipment less any related debt used to acquire those assets outstanding at year end. The Airport uses these assets to serve its customers and consequently these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets, net decreased \$1,103,043, or 2.2%, in fiscal year 2013.

Unrestricted net position totaled \$5,522,096 at June 30, 2013 and may be used by the Airport to meet its future obligations, subject to statutory restrictions. Unrestricted net position increased \$159,537 in fiscal year 2013 as a result of the intergovernmental revenues and net transfers in from the Town offset by the Airport's net operating loss.

The Airport's operations are subject to annual appropriations by Town Meeting. Statutory accounting differs greatly from accounting generally accepted in the United States of America, or GAAP. A reconciliation of the Airport's statutory accounting and the financial statements presented herein can be found in Note K to the financial statements.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

The Airport's capital assets, net of accumulated depreciation totaled \$62,602,733 at June 30, 2013. This was \$100,494 greater than the June 30, 2012 balance as fiscal year 2013 additions exceeded fiscal year 2013 depreciation expense. Note E to the financial statements presents a detailed analysis of the Airport's capital assets, net.

General obligations bonds payable, net of unamortized bond premiums, totaled \$9,506,103 at June 30, 2013. In fiscal year 2013, the Airport received \$1,325,000 in proceeds from the sale of general obligation bonds and made scheduled principal repayments of \$619,000 on its general obligation bonds. In addition, the Airport retired \$5,414,224 in bond anticipation notes in 2013 and received an additional \$1,110,029 from bond anticipation notes sales. Notes G and H to the financial statements present detailed analyses of long-term and short-term debt.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Airport's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nantucket Memorial Airport, 14 Airport Road, Nantucket, Massachusetts 02554 or to the Town of Nantucket's Finance Department, 16 Broad Street, Nantucket, Massachusetts, 02554.

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

**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

|  |               |
|--|---------------|
| <b>Assets:</b>                                   |               |
| Current assets:                                  |               |
| Cash and cash equivalents                        | \$ 7,645,000  |
| Trade receivables, net of allowance of \$267,100 | 670,650       |
| Intergovernmental receivables                    | 15,713        |
| Inventory  | 444,829       |
| Total current assets                             | 8,776,192     |
| Noncurrent assets:                               |               |
| Nondepreciable capital assets                    | 9,610,325     |
| Capital assets, net of accumulated depreciation  | 52,992,408    |
| Total noncurrent assets                          | 62,602,733    |
| <b>Total Assets</b>                              | 71,378,925    |
| <b>Deferred outflows of resources</b>            | -             |
| <b>Liabilities:</b>                              |               |
| Current liabilities:                             |               |
| Warrants payable                                 | 550,001       |
| Due to other fund                                | 23,122        |
| Accrued payroll                                  | 71,137        |
| Accrued interest                                 | 95,330        |
| Security deposits                                | 357,078       |
| Notes payable                                    | 4,663,895     |
| Bonds payable                                    | 794,496       |
| Compensated absences                             | 30,303        |
| Total current liabilities                        | 6,585,362     |
| Noncurrent liabilities:                          |               |
| Bonds payable                                    | 8,711,607     |
| Compensated absences                             | 272,723       |
| Other post employment benefits                   | 1,854,402     |
| Total noncurrent liabilities                     | 10,838,732    |
| <b>Total Liabilities</b>                         | 17,424,094    |
| <b>Deferred inflows of resources</b>             | -             |
| <b>Net Position:</b>                             |               |
| Invested in capital assets, net of related debt  | 48,432,735    |
| Unrestricted net assets                          | 5,522,096     |
| <b>Total Net Position</b>                        | \$ 53,954,831 |

See accompanying notes to basic financial statements.

**NANTUCKET MEMORIAL AIRPORT**  
**AN ENTERPRISE FUND OF THE TOWN OF NANTUCKET, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

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|   |                      |
|---|----------------------|
| <b>Operating Revenues:</b>              |                      |
| Charges for services                    | <u>\$ 11,824,972</u> |
| <br><b>Operating Expenses:</b>          |                      |
| Operating expenses                      | 10,419,693           |
| Employee benefits                       | 1,349,739            |
| Depreciation expense                    | 2,337,481            |
| Provision for bad debts                 | <u>230,890</u>       |
| Total Operating Expenses                | <u>14,337,803</u>    |
| <b>Operating Loss</b>                   | <u>(2,512,831)</u>   |
| <br><b>Nonoperating Revenues:</b>       |                      |
| Investment income                       | 34,277               |
| Interest expense                        | (416,307)            |
| Intergovernmental grants                | <u>993,688</u>       |
| Total Nonoperating Revenues             | <u>611,658</u>       |
| <b>Transfers in, net</b>                | <u>954,667</u>       |
| <b>Change in Net Position</b>           | <u>(946,506)</u>     |
| <b>Net Position - Beginning of year</b> | <u>54,901,337</u>    |
| <b>Net Position - End of year</b>       | <u>\$ 53,954,831</u> |

See accompanying notes to basic financial statements.

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

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

|   |                     |
|---|---------------------|
| <b>Cash Flows from Operating Activities:</b>  |                     |
| Receipts from customers and users   | \$ 11,950,921       |
| Payments to vendors   | (6,901,295)         |
| Payments for salaries, wages and related employee benefits                              | (5,087,293)         |
| Net cash used for operating activities  | <u>(37,667)</u>     |
| <b>Cash Flows from Noncapital Financing Activities:</b>                                 |                     |
| Intergovernmental grants for operations   | 72,727              |
| Interfund payments  | 41,897              |
| Transfers in, net   | 954,667             |
| Net cash provided by capital and related financing activities                           | <u>1,069,291</u>    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                        |                     |
| Proceeds from the issuance of bonds and notes payable                                   | 1,325,000           |
| Intergovernmental grants for construction   | 1,528,087           |
| Acquisition and construction of capital assets  | (2,437,965)         |
| Principal payments on bonds and notes payable   | (4,923,195)         |
| Interest payments on bonds and notes payable  | (445,968)           |
| Net cash used for capital and related financing activities                              | <u>(4,954,041)</u>  |
| <b>Cash Flows from Investing Activities:</b>  |                     |
| Investment income   | <u>34,277</u>       |
| Net cash provided by investing activities   | <u>34,277</u>       |
| <b>Net Decrease in Cash and Cash Equivalents</b>  | <u>(3,888,140)</u>  |
| <b>Cash and Cash Equivalents:</b>   |                     |
| Beginning of year   | <u>11,533,140</u>   |
| End of year   | <u>\$ 7,645,000</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b> |                     |
| Operating income  | \$ (2,512,831)      |
| Depreciation  | 2,337,481           |
| Provision for bad debts   | 230,890             |
| Changes in assets and liabilities:  |                     |
| Accounts receivable   | 100,799             |
| Inventory   | (217,616)           |
| Warrants payable and accrued expenses   | (288,916)           |
| Compensated absences and other post employment benefits                                 | 287,376             |
| Security deposits   | 25,150              |
| Net cash used for operating activities  | <u>\$ (37,667)</u>  |

See accompanying notes to basic financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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**NOTE A – REPORTING ENTITY**

The Nantucket Memorial Airport (the “Airport”) is an enterprise fund of the Town of Nantucket, Massachusetts (the “Town”). The Airport operated three runways and is the second busiest airport in the Commonwealth of Massachusetts. The Airport’s operations are governed by the Nantucket Memorial Airport Commission (the “Commission”), which is a five-person board appointed by the Town’s Board of Selectmen.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Airport conform to accounting principles generally accepted in the United States of America, or GAAP, as applicable to governmental units. The Airport’s financial statements are not intended and do not present fairly the financial position of the Town.

Following are the significant accounting and reporting policies of the Airport:

*Basis of Presentation* – The Airport’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board’s (“GASB”) requirements for an enterprise fund. The Airport’s operations are accounted for as an enterprise fund, which is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result from the day-to-day operation of the Airport. All other revenues and expenses are reported as nonoperating revenues and expenses.

In 2013, the Airport implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of the implementation of this Standard, the Airport reported deferred outflows of resources and deferred inflows of resources in fiscal year 2013. In addition, the basic financial statements were renamed to the *statement of net position* and *statement of revenues, expenses and changes in net position*. These statements were formerly referred to as the *statement of net assets* and *statement of revenues, expenses and changes in net assets*. All previous references to *net assets* have been replaced with the concept of *net position* in accordance with GASB No. 63.

*Use of Estimates* – The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

*Revenue Recognition* – Revenues from the Airport’s operations are recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fair Value of Financial Instruments – The carrying amount of cash and cash equivalents, accounts receivable and warrants payable approximates fair value due to the short-term nature of these items.

Taxes – The Airport is exempt from all federal and state income taxes and local property taxes.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less. Investments are carried at fair value.

Accounts Receivable – Accounts receivable are presented net of the allowance for doubtful accounts. An allowance for uncollectible accounts is maintained for estimated losses resulting from the Airport’s inability to collect payments from customers. This allowance is established using estimates based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends.

Inventory – Inventory is stated at the lower of cost or market, with cost being determined on the first-in, first-out method. Inventory consists of aviation fuel at June 30, 2013.

Capital Assets – Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. All purchases and construction costs in excess of \$10,000 and with useful lives exceeding one year are capitalized at the date of acquisition or construction. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land) are depreciated by the Airport on a straight-line-basis. The estimated useful lives (in years) of capital assets by major asset class are as follows:

|  |          |
|--|----------|
| Infrastructure                             | 40 to 70 |
| Buildings                                  | 33 to 50 |
| Vehicles                                   | 5        |
| Machinery and equipment                    | 10 to 15 |
| Furniture, fixtures and computer equipment | 5 to 10  |

Compensated Absences – Employees earn vacation and sick time as they provide services to the Airport. Employees may accumulate (subject to certain limitations) unused sick time earned and, upon retirement, termination or death, be compensated for unused portions of the time earned. Unused vacation time may be carried for 6 months, then, it reverts to a use or lose policy. These vested and accumulated benefits are reported as a liability in these financial statements.

## **NOTE C – CASH AND CASH EQUIVALENTS**

As required by state law, the Airport’s cash is in the control of the Town’s treasurer. State laws and regulations require the treasurer to invest funds only in pre-approved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and the State Treasurer’s investment pool (“the Pool”). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (“MMDT”), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares

At June 30, 2013, the Airport maintained \$814,392 in investments that it classified as cash equivalents in these financial statements. Short-term investments consisted of \$651,787 in the MMDT and \$162,605 in repurchase agreements.

The Board of Selectmen has adopted policies related to risk for the Town, its enterprise funds, all departments and the County. These may be reviewed at the Town’s website, under the Finance Department and those that apply to the Airport are summarized below:

Custodial Credit Risk: Deposits and Investments - In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town’s current deposit requires that the Treasurer review each bank doing business with the Town on a quarterly basis. The policy does not restrict the value of uninsured or uncollateralized investments held at any time.

In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town’s current policy requires all securities not held directly by the Treasurer must be held by a third party custodian approved by the Treasurer in the Town/County’s name and tax identification number.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. All of the Airport’s investments were in the form of pooled investments with the MMDT and repurchase agreements. Approximately 80% of the Airport’s investments were in the MMDT and 20% in repurchase agreements.

Interest Rate Risk – The Town limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy limits investments of operating funds to one year or less and limits investment maturities of trust funds and other special funds to periods no longer than seven years, maintaining an average maturity no greater than three years for the investment portfolio.

Credit Risk – The Town restricts the investment of operating funds to U.S. Treasury or Agency securities which carry “AAA” ratings. The Airport’s current investments are short-term and classified as cash equivalents.

**NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2013 consisted of the following:

|                   | Gross Amount      | Allowance for<br>Uncollectible<br>Accounts | Net Amount        |
|-------------------|-------------------|--|-------------------|
| Airport fees      | \$ 937,750        | \$ (267,100)                               | \$ 670,650        |
| Intergovernmental | 15,713            | -  | 15,713            |
|                   | <u>\$ 953,463</u> | <u>\$ (267,100)</u>                        | <u>\$ 686,363</u> |

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the Airport for the fiscal year ended June 30, 2013 was as follows:

|   | Beginning<br>Balance | Increases    | Decreases      | Ending<br>Balance |
|---|----------------------|--------------|----------------|-------------------|
| Capital assets not being depreciated:       |                      |              |                |                   |
| Land  | \$ 2,736,587         | \$ -         | \$ -           | \$ 2,736,587      |
| Construction in process                     | 8,732,612            | 2,437,965    | (4,296,839)    | 6,873,738         |
| Total capital assets not being depreciated  | 11,469,199           | 2,437,965    | (4,296,839)    | 9,610,325         |
| Capital assets being depreciated:           |                      |              |                |                   |
| Infrastructure                              | 25,429,229           | 4,296,839    | -              | 29,726,068        |
| Buildings and improvements                  | 47,547,364           | -            | -              | 47,547,364        |
| Vehicles                                    | 3,741,004            | -            | -              | 3,741,004         |
| Machinery and equipment                     | 1,406,798            | -            | -              | 1,406,798         |
| Furniture, fixtures and computer equipment  | 187,739              | -            | -              | 187,739           |
| Total capital assets being depreciated      | 78,312,134           | 4,296,839    | -              | 82,608,973        |
| Less accumulated depreciation               | (27,279,084)         | (2,337,481)  | -              | (29,616,565)      |
| Total capital assets being depreciated, net | 51,033,050           | 1,959,358    | -              | 52,992,408        |
| Capital assets, net                         | \$ 62,502,249        | \$ 4,397,323 | \$ (4,296,839) | \$ 62,602,733     |

**NOTE F – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013 were as follows:

| Transfers Out              | Transfers In                     |                         | Total               |     |
|----------------------------|----------------------------------|-------------------------|---------------------|-----|
|                            | Nantucket<br>Memorial<br>Airport | Town<br>General<br>Fund |                     |     |
| General fund               | \$ 1,150,728                     | \$ -                    | \$ 1,150,728        | (1) |
| Nantucket Memorial Airport | -                                | 196,061                 | 196,061             | (2) |
|                            | <u>\$ 1,150,728</u>              | <u>\$ 196,061</u>       | <u>\$ 1,346,789</u> |     |

- (1) Transfer from Town general fund for Airport operations.
- (2) Transfer of indirect costs by Airport to Town.

**NOTE G – TEMPORARY DEBT PLAN**

The Airport is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of tax anticipation notes (“TANS”) or revenue anticipation notes (“RANS”).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes (“GANS”). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Details related to temporary debt activity for the fiscal year ended June 30, 2013 was as follows:

| Type | Interest Rate | Maturity Date | Balance July 1, 2012 | Additions           | Retirements           | Rollovers      | Balance June 30, 2013 |
|------|---------------|---------------|----------------------|---------------------|-----------------------|----------------|-----------------------|
| BAN  | 1.50%         | 6/7/13        | \$ 8,968,090         | \$ -                | \$ (5,414,224)        | \$ (3,553,866) | \$ -                  |
| BAN  | 1.25%         | 6/6/14        | -                    | 1,110,029           | -                     | 3,553,866      | 4,663,895             |
|      |               |               | <u>\$ 8,968,090</u>  | <u>\$ 1,110,029</u> | <u>\$ (5,414,224)</u> | <u>\$ -</u>    | <u>\$ 4,663,895</u>   |

Temporary notes are general obligations of the Airport and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. The BANS were issued primarily to finance costs related to the Airport’s general administration building construction, runway improvements and an Airport Master Plan update.

**NOTE H – LONG-TERM OBLIGATIONS**

The following reflects the activity in the Airport’s long-term liability accounts during the fiscal year ended June 30, 2013:

| Description of Issue                       | Beginning Balance    | Additions           | Deletions           | Ending Balance       | Due within one year |
|--|----------------------|---------------------|---------------------|----------------------|---------------------|
| General obligation bonds and notes payable | \$ 8,529,000         | \$ 1,325,000        | \$ (619,000)        | \$ 9,235,000         | \$ 765,000          |
| Unamortized premiums                       | 300,964              | -                   | (29,861)            | 271,103              | 29,496              |
| Compensated absences                       | 270,476              | 32,550              | -                   | 303,026              | 30,303              |
| Other post employment benefits             | 1,599,576            | 387,675             | (132,849)           | 1,854,402            | -                   |
| Total                                      | <u>\$ 10,700,016</u> | <u>\$ 1,745,225</u> | <u>\$ (781,710)</u> | <u>\$ 11,663,531</u> | <u>\$ 824,799</u>   |

Bond and Note Indebtedness – The Airport, through the Town, issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.”

General obligation bonds outstanding at June 30, 2013 were as follows:

| Description                              | Interest Rate | Outstanding at June 30, 2012 | Additions           | Maturities and Retirements | Outstanding at June 30, 2013 |
|--|---------------|------------------------------|---------------------|----------------------------|------------------------------|
| General obligation bonds - December 2003 | 2.25 - 5.00%  | \$ 70,000                    | \$ -                | \$ (35,000)                | \$ 35,000                    |
| General obligation bonds - October 2004  | 2.25 - 4.00%  | 385,000                      | -                   | (195,000)                  | 190,000                      |
| General obligation bonds - November 2005 | 3.75 - 5.00%  | 80,000                       | -                   | (20,000)                   | 60,000                       |
| General obligation bonds - February 2008 | 3.00 - 5.00%  | 375,000                      | -                   | (75,000)                   | 300,000                      |
| General obligation bonds - February 2011 | 2.00 - 5.00%  | 4,860,000                    | -                   | (140,000)                  | 4,720,000                    |
| General obligation bonds - June 2012     | 2.00 - 5.00%  | 2,759,000                    | -                   | (154,000)                  | 2,605,000                    |
| General obligation bonds - June 2013     | 2.00 - 3.00%  | -                            | 1,325,000           | -                          | 1,325,000                    |
|  |               | <u>8,529,000</u>             | <u>1,325,000</u>    | <u>(619,000)</u>           | <u>9,235,000</u>             |
| Unamortized premiums on June 2012 bonds  |               | 300,964                      | -                   | (29,861)                   | 271,103                      |
|  |               | <u>\$ 8,829,964</u>          | <u>\$ 1,325,000</u> | <u>\$ (648,861)</u>        | <u>\$ 9,506,103</u>          |

Future Debt Payoff – Payments on general long-term debt obligation bonds due in future years consist of the following:

| Year Ending June 30, | Principal           | Interest            | Total                |
|----------------------|---------------------|---------------------|----------------------|
| 2014                 | \$ 765,000          | \$ 340,712          | \$ 1,105,712         |
| 2015                 | 540,000             | 321,106             | 861,106              |
| 2016                 | 535,000             | 306,543             | 841,543              |
| 2017                 | 515,000             | 290,498             | 805,498              |
| 2018                 | 440,000             | 273,362             | 713,362              |
| 2019 - 2023          | 2,250,000           | 1,130,062           | 3,380,062            |
| 2024 - 2028          | 1,715,000           | 728,062             | 2,443,062            |
| 2029 - 2033          | 1,655,000           | 394,046             | 2,049,046            |
| 2034 - 2036          | <u>820,000</u>      | <u>80,156</u>       | <u>900,156</u>       |
| Total                | <u>\$ 9,235,000</u> | <u>\$ 3,864,547</u> | <u>\$ 13,099,547</u> |

At June 30, 2013, the Airport had \$12.7 million in authorized and unissued debt.

#### NOTE I – RETIREMENT SYSTEM

System Description – The Airport contributes to the Barnstable County Contributory Retirement System (the “Retirement System”), a cost-sharing, multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. A stand-alone financial report for the year ended December 31, 2012, was issued and is available at the Barnstable County Retirement Office, 750 Attucks Lane, Hyannis, Massachusetts 02601.

Substantially all Airport employees participate in the Retirement System. The members of the Retirement System do not participate in the Social Security system. Benefits paid under the Retirement System, referred to as “retirement allowances,” include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion, funded by the Airport.

Benefits – Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. Generally, the Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year average annual rate of regular compensation. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts: an annuity and a pension. Participants’ accumulated total deductions and portions of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

From time to time, the Legislature may grant cost-of-living increases to benefits being paid to retirees. These increases are expressed as a percentage of the retiree’s allowance subject to a maximum dollar increase. Since 1982, cost-of-living increases granted to members of local retirement systems have been the financial responsibility of the State. However, beginning in 1998, the funding of future cost-of-living amounts became the responsibility of the participating units. These units are responsible for the full cost-of-living amounts for all new retirees beginning that year, and for any additional cost-of-living increases granted to individuals who retired before 1998. The State shall continue to fund the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive 0%, 50% or 100% of the regular interest that has accrued upon those contributions. A vested employee under the age of 55 who elects to leave his accumulation on deposit may apply for benefits upon reaching that age. Survivor benefits are extended to eligible beneficiaries of participants whose death occurs to or following retirement.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Normal Retirement – Normal retirement occurs at age 65; however, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Disability Retirement – The Retirement System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an

accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Funding Status and Progress – Barnstable County elected provisions of Chapter 32, Section 22D of Massachusetts General Laws, which require that a funding schedule be established to fully fund the accrued liability by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. Amortization of the unfunded actuarial liability is determined using the level dollar amortization method over a 19-year period. Currently, Barnstable County’s funding schedule is calculated to fully fund the accrued liability by June 30, 2038.

Contribution Requirements and Contributions Made – The Retirement System’s funding policies have been established by Chapter 32 of the Massachusetts General Laws. The annuity portion of the retirement allowance is funded by employees who contribute a percentage of their regular compensation. Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975 and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. Additionally, employees hired after January 1979 contribute an additional 2% on earnings in excess of \$30,000.

The total Airport contributions to the Retirement System for the years ended June 30, 2013, 2012 and 2011 were \$511,951, \$485,624 and \$495,449, respectively. This equaled its required contribution for each fiscal year. At June 30, 2013, the Airport did not have a net pension obligation.

## **NOTE J – OTHER POST EMPLOYMENT BENEFITS**

Plan Description – In addition to the pension benefits previously described, the Airport provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. For purposes of the Plan, the Airport is a department within the Town, which had 463 active employees and 307 retirees, beneficiaries and dependents for a total of 770.

Funding Policy – The contribution requirements of Plan members and the Airport are established through collective bargaining agreements. Retirees contribute approximately 20% of the calculated contribution primarily through pension benefit deductions. The remainder of the cost is funded by the Airport. The Airport currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Airport.

Annual OPEB Cost and Net OPEB Obligation – The Airport’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer, and actuarially determined amount that is calculated in accordance with GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the Airport's OPEB obligation:

|                                      |                     |
|--------------------------------------|---------------------|
| OPEB obligation at beginning of year | \$ 1,599,576        |
| Annual required contribution         | 387,675             |
| Contributions made                   | <u>(132,849)</u>    |
| OPEB obligation at end of year       | <u>\$ 1,854,402</u> |

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

| Fiscal Year<br>Ending | Annual<br>OPEB Cost<br>(AOPEBC) | Percentage of<br>AOPEBC<br>Contributed | Net OPEB<br>Obligation |
|-----------------------|---------------------------------|--|------------------------|
| June 30, 2013         | \$ 387,675                      | 34%                                    | \$ 1,854,402           |
| June 30, 2012         | 412,455                         | 40%                                    | 1,599,576              |
| June 30, 2011         | 352,306                         | 41%                                    | 1,353,858              |

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2013 for the Town, for which the Airport is an enterprise fund, for the most recent actuarial valuation performed as of June 30, 2012, was as follows:

| Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age<br>Normal Cost<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B – A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--|--|--------------------------------------|--------------------------|---------------------------|---|
| \$ -                                   | \$ 88,559,116  | \$ 88,559,116                        | 0.0%                     | N/A                       | N/A   |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and 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 perspective of the calculations. The significant methods and assumptions as of the latest valuation are as follows:

|                                    |   |
|------------------------------------|---|
| Valuation date                     | June 30, 2012   |
| Actuarial cost method              | Projected Unit Credit   |
| Amortization method                | Amortization payments increasing at 4.0%                                  |
| Amortization period                | 30 years open   |
| Interest discount rate             | 4.5%  |
| Healthcare/medical cost trend rate | 8.0% decreasing by 0.5% for 6 years to an ultimate level of 5.0% per year |

## NOTE K – RECONCILIATION OF STATUTORY

The Airport's accounting records are prepared on a basis other than GAAP to conform to the Uniform Municipal Accounting System basis and for Town purposes. A reconciliation of the budgetary-basis to GAAP basis results for the Statement of Changes in Net Position for the year ended June 30, 2013 is as follows:

|                              | Statutory<br>Accounting<br>Records | GAAP<br>Adjustments   | Reclassifications  | Report<br>Balance   |
|------------------------------|------------------------------------|-----------------------|--------------------|---------------------|
| Charges for services         | \$ 12,404,310                      | \$ (579,338) A        | \$ -               | \$ 11,824,972       |
| Intergovernmental revenues   | 1,528,087                          | -                     | (1,528,087)        | -                   |
| Proceeds from bond issuances | 1,325,000                          | (1,325,000) B         | -                  | -                   |
| Interest income              | 34,276                             | -                     | (34,276)           | -                   |
| Transfers in                 | 1,150,728                          | -                     | (1,150,728)        | -                   |
| Operating revenues           | <u>16,442,401</u>                  | <u>(1,904,338)</u>    | <u>(2,713,091)</u> | <u>11,824,972</u>   |
| Operating expenses           | 10,661,696                         | (242,003) C           | -                  | 10,419,693          |
| Capital outlays              | 2,729,702                          | (2,729,702) D         | -                  | -                   |
| Employee benefits expense    | 1,062,363                          | 287,376 E             | -                  | 1,349,739           |
| Debt service: principal      | 619,000                            | (619,000) B           | -                  | -                   |
| Debt service: interest       | 445,968                            | -                     | (445,968)          | -                   |
| Depreciation expense         | -                                  | 2,337,481 D           | -                  | 2,337,481           |
| Bad debts expense            | -                                  | 230,890 F             | -                  | 230,890             |
| Transfers out                | 196,061                            | -                     | (196,061)          | -                   |
| Operating expenses           | <u>15,714,790</u>                  | <u>(734,958)</u>      | <u>(642,029)</u>   | <u>14,337,803</u>   |
| Investment income            | -                                  | -                     | 34,277             | 34,277              |
| Interest expense             | -                                  | 29,662 G              | (445,969)          | (416,307)           |
| Intergovernmental revenues   | -                                  | (534,399) H           | 1,528,087          | 993,688             |
| Nonoperating revenues, net   | <u>-</u>                           | <u>(504,737)</u>      | <u>1,116,395</u>   | <u>611,658</u>      |
| Transfers in, net            | <u>-</u>                           | <u>-</u>              | <u>954,667</u>     | <u>954,667</u>      |
| Change in net position       | <u>\$ 727,611</u>                  | <u>\$ (1,674,117)</u> | <u>\$ -</u>        | <u>\$ (946,506)</u> |

- A Accounts receivable in the statutory accounting records are fully deferred. Enterprise funds do not defer accounts receivable. Amount represents the difference between the deferred revenue balances at June 30, 2013 and 2012.
- B Proceeds from long-term general obligations and principal payments on long-term obligations are recorded in the statutory accounting records on the cash-basis of accounting. In enterprise funds, these transactions are recorded as increases and decreases to long-term debt.
- C Amount represents the increase in inventory of \$217,616 and \$24,387 increase in accrued payroll.
- D Capital outlays in the statutory accounting records are recorded as expenditures. Enterprise funds capitalize these costs and depreciate these items over their estimated useful lives.
- E Amount represents a \$32,550 increase in compensated absence costs and a \$254,826 increase in OPEB costs.
- F The allowance for uncollectible accounts increased from \$36,210 at June 30, 2012 to \$267,100 at June 30, 2013.
- G Amount represents the normal, scheduled amortization of the June 30, 2012 unamortized premium on bonds and notes and the reversal of accrued interest at June 30, 2012.
- H Amount represents the reversal of the intergovernmental receivable balance at June 30, 2012 and current accrual of \$13,265.

## **NOTE L – COMMITMENTS AND CONTINGENCIES**

The Airport's general administration building construction was in process at June 30, 2013. The original contractor awarded the construction contract was removed from the project in accordance with the terms and conditions of the construction project and applicable laws and regulations in February 2013. The bonding insurer has assumed the remainder of the project. Management believes that this construction project will be completed within its original budget.

At June 30, 2013, the Airport had open contracts totaling \$0.8 million. Of this total, \$0.7 million pertained to general administration building construction and \$0.1 million for infrastructure projects.

The Airport is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2013, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Airport at June 30, 2013.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Airport expects such amounts, if any, to be immaterial.

The Airport is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Airport expects such amounts, if any, to be immaterial.

## **NOTE M – ECONOMIC DEPENDENCE**

The Airport's operations continue to report operating losses. The operating losses for fiscal years 2013 and 2012 were \$2,440,104 and \$2,219,691, respectively. The Airport is dependent in part on intergovernmental grants from federal and state agencies as well as operating transfers from the Town. In fiscal years 2013 and 2012, the Airport recorded \$907,696 and \$4,209,521 in intergovernmental revenues, respectively, and \$954,667 and \$4,209,521 in net transfers in from the Town. Without these funds, the Airport would not generate sufficient funds from its operations to sustain its operations.

## **NOTE N – SUBSEQUENT EVENTS**

The Airport has evaluated subsequent events through November 7, 2013 which is the date the financial statements were available to be issued.

## **NOTE O – IMPLEMENTATION OF GASB PRONOUNCEMENTS**

### ***Current Year Implementations***

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement was to improve financial

reporting by addressing issues related to service concession arrangements. The provisions of GASB 60 became effective for the Airport in fiscal year 2013 and did not have a material effect on its financial statements.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement was to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of GASB 61 became effective for the Airport in fiscal year 2013 and did not have a material effect on its financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement was intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) pronouncements. The provisions of GASB 62 became effective for the Airport in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The provisions of GASB 63 became effective for the Airport in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement was to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. The provisions of GASB 64 became effective for the Airport in fiscal year 2013 and did not have a material effect on its financial statements.

### ***Future Implementations***

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Airport is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Airport is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Airport is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Airport believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013 (fiscal year 2015). The Airport is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2013 (fiscal year 2015). The Airport is currently evaluating whether adoption will have a material impact on the financial statements.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**SCHEDULES OF FUNDING PROGRESS  
(Dollars are in thousands)**

**Barnstable County Contributory Retirement System (All Participants)**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 1/1/2012                 | \$ 651,064                    | \$ 1,173,484                          | \$ 522,420                | 55.5%              | \$ 239,437          | 218.2%  |
| 1/1/2010                 | 554,877                       | 1,030,210                             | 475,333                   | 53.9%              | 234,374             | 202.8%  |
| 1/1/2009                 | 520,090                       | 966,565                               | 446,475                   | 53.8%              | 249,971             | 178.6%  |

**Other Post Employment Benefits**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 6/30/2012                | \$ -                          | \$ 5,116                              | \$ 5,116                  | 0.0%               | N/A                 | N/A   |
| 6/30/2010                | -                             | 5,429                                 | 5,429                     | 0.0%               | N/A                 | N/A   |
| 6/30/2009                | -                             | 8,725                                 | 8,725                     | 0.0%               | N/A                 | N/A   |

**SCHEDULES OF CONTRIBUTION FUNDING**

**Pension System**

| Plan Year Ended December 31, | Barnstable County Contributory Retirement System (All) |                          |                        | Airport                 |  |
|------------------------------|--|--------------------------|------------------------|-------------------------|--|
|                              | Annual Required Contributions                          | (A) Actual Contributions | Percentage Contributed | (B) Actual Contribution | (B / A) Percentage of System Wide Actual Contributions |
| 2012                         | \$ 46,702  | \$ 46,702                | 100.0%                 | \$ 512                  | 1.1%   |
| 2011                         | 43,048   | 43,048                   | 100.0%                 | 486                     | 1.1%   |
| 2010                         | 40,770   | 40,770                   | 100.0%                 | 495                     | 1.2%   |

**Other Post Employment Benefits**

| Year Ended June 30, | Annual Required Contributions | (A) Actual Contributions | Percentage Contributed |
|---------------------|-------------------------------|--------------------------|------------------------|
| 2013                | \$ 388                        | \$ 133                   | 34.3%                  |
| 2012                | 388                           | 167                      | 43.0%                  |
| 2011                | 352                           | 145                      | 41.2%                  |

See accompanying independent auditor's report.