

NANTUCKET MEMORIAL AIRPORT

***REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS***

FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

NANTUCKET MEMORIAL AIRPORT
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JUNE 30, 2012 AND 2011

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Independent Auditors' Report

To the Nantucket Airport Commission
Nantucket Memorial Airport
Nantucket, Massachusetts

We have audited the accompanying financial statements of the Nantucket Memorial Airport, an enterprise fund of the Town Nantucket, Massachusetts, as of and for the fiscal years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Town of Nantucket Massachusetts' management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements, as noted in Note 1, present only the Nantucket Memorial Airport and do not purport to, and do not present fairly the financial position of the Town of Nantucket, Massachusetts, as of June 30, 2012 and 2011, and the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Nantucket Memorial Airport of the Town of Nantucket, Massachusetts, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, 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 Nantucket Memorial 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is

required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 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.

A handwritten signature in cursive script, appearing to read "Bowers & Sullivan LLC".

October 31, 2012

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Nantucket Memorial Airport (the Airport), we offer readers of these financial statements this narrative overview and analysis of the Airport's financial activities for the fiscal years ended June 30, 2012 and 2011. The Airport complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB), and Management's Discussion and Analysis are part of these requirements. The GASB is the authoritative standards-setting body that provides guidance on the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The Airport's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Nantucket Memorial Airport's financial statements. The financial statements include the Statement of Net Assets, the Statement of Revenue, Expenses and Change in Fund Net Assets, the Statement of Cash Flows and the notes to the financial statements.

The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Assets presents information showing how the Airport's net assets changed during the most recent fiscal years. All changes in net assets 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 fees and earned but unused vacation leave).

The Statement of Cashflows presents information showing the cash inflows and outflows for the Airport.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights Fiscal 2012 and 2011

- The total of assets exceeded liabilities (i.e., net assets) by \$54.9 million and \$49.8 million respectively.
- Unrestricted net assets for the Airport totaled \$3.6 million and (\$320,000) respectively.
- Total debt totaled \$17.8 million and \$12.6 million respectively.

Financial Analysis

The following chart provides a summary of the Airport's financial data for fiscal year 2012, with comparative fiscal year 2011 information.

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets.....	\$ 13,404,306	\$ 7,617,439
Capital assets, not being depreciated.....	11,166,924	12,219,446
Capital assets, net of accumulated depreciation.....	<u>51,335,315</u>	<u>46,530,667</u>
Total assets.....	<u>75,906,545</u>	<u>66,367,552</u>
Liabilities:		
Current liabilities (excluding debt).....	1,391,197	2,305,052
Noncurrent liabilities (excluding debt).....	1,815,957	1,635,824
Current debt.....	9,888,054	6,820,000
Noncurrent debt.....	<u>7,910,000</u>	<u>5,770,000</u>
Total liabilities.....	<u>21,005,208</u>	<u>16,530,876</u>
Net Assets:		
Invested in capital assets net of related debt.....	49,535,778	50,156,616
Unrestricted.....	<u>5,365,559</u>	<u>(319,940)</u>
Total net assets.....	<u>\$ 54,901,337</u>	<u>\$ 49,836,676</u>
Operating Revenues:		
Charges for services.....	\$ 12,921,369	\$ 10,855,671
Nonoperating Revenues:		
Investment income.....	18,532	51,861
Intergovernmental capital grants.....	<u>4,209,521</u>	<u>4,027,927</u>
Total revenues.....	<u>17,149,422</u>	<u>14,935,459</u>
Operating Expenses:		
Cost of services and administration.....	11,322,671	9,248,536
Depreciation.....	2,403,673	2,409,276
Employee benefits.....	1,324,716	1,032,163
Interest expense.....	<u>280,171</u>	<u>468,431</u>
Total expenses.....	<u>15,331,231</u>	<u>13,158,406</u>
Transfers.....	<u>3,246,470</u>	<u>(169,875)</u>
Change in net assets.....	<u>\$ 5,064,661</u>	<u>\$ 1,607,178</u>

There was an increase of \$5.1 million in net assets related with the Nantucket Memorial Airport's activities during fiscal year 2012. This was partially the result of \$3.2 million in transfers from the Town General Fund, Capital Project Funds, and Revolving Funds to finance Airport projects.

Noncurrent liabilities included an accrued liability for other postemployment benefits totaling \$1.6 million as of June 30, 2012. The Airport will continue to amortize this unfunded liability on an annual basis to the extent that the net cost, including the amortization of the unfunded liability exceeds contributions.

This liability is based on an actuarially determined calculation of the cost of providing benefits, other than pension costs, to retirees and their spouses. This liability increased by \$246,000 during fiscal year 2012.

Capital Asset and Debt Administration

Capital Assets

The Airport's year end capital assets totaled \$62.5 million which represented a net increase of \$3.8 million from the prior year. Major current additions included construction costs related to the administration building and runway 33. During the current year, construction for the aircraft rescue and firefighting building (A.R.F.F) came to completion and was reclassified from construction in progress into depreciable capital assets under buildings. Depreciation expense of approximately \$2.4 million was recorded in fiscal 2012.

Debt

At the end of the fiscal years 2012 and 2011, the Nantucket Memorial Airport had total bonded debt outstanding of \$8.5 million and \$6.4 million, respectively. The Airport also retired \$12.2 million in bond anticipation notes and issued \$15.1 million in bond anticipation notes during fiscal year 2012 related to airport construction projects. The \$12.2 million was retired through a combination of long-term debt, available funds, and capital grant proceeds. The Airport's debt is fully supported by the revenue of the Airport, and does not rely upon a general fund subsidy.

Please refer to the notes to the financial statements for further discussion of the major capital assets and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Nantucket Memorial Airport finances for all those with an interest in the 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 at 14 Airport Road, Nantucket, Massachusetts 02554, or to the Finance Department of the Town of Nantucket at 16 Broad Street, Nantucket, Massachusetts 02554.

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Financial Statements

NANTUCKET MEMORIAL AIRPORT
STATEMENT OF NET ASSETS

JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 11,533,140	\$ 3,933,053
Receivables, net of allowance for uncollectibles:		
User fees.....	1,002,339	264,694
Intergovernmental.....	622,839	2,478,724
Inventory.....	227,213	539,896
Due from other funds.....	18,775	401,072
	13,404,306	7,617,439
NONCURRENT:		
Capital assets, not being depreciated.....	11,166,924	12,219,446
Capital assets, net of accumulated depreciation.....	51,335,315	46,530,667
	62,502,239	58,750,113
TOTAL ASSETS.....	75,906,545	66,367,552
LIABILITIES		
CURRENT:		
Warrants payable.....	780,548	124,191
Accrued liabilities.....	19,925	592,706
Accrued payroll.....	58,271	40,658
Security deposits.....	331,928	331,928
Accrued interest.....	95,130	90,477
Other liabilities.....	51,300	50,750
Due to other funds.....	-	1,003,851
Compensated absences.....	54,095	70,491
Notes payable.....	8,968,090	6,150,000
Bonds payable.....	919,964	670,000
	11,279,251	9,125,052
NONCURRENT:		
Compensated absences.....	216,381	281,966
Other postemployment benefits.....	1,599,576	1,353,858
Bonds payable.....	7,910,000	5,770,000
	9,725,957	7,405,824
TOTAL LIABILITIES.....	21,005,208	16,530,876
NET ASSETS		
Invested in capital assets, net of related debt.....	49,535,778	50,156,616
Unrestricted.....	5,365,559	(319,940)
TOTAL NET ASSETS.....	\$ 54,901,337	\$ 49,836,676

See notes to financial statements.

NANTUCKET MEMORIAL AIRPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Charges for services.....	\$ 12,921,369	\$ 10,855,671
OPERATING EXPENSES:		
Cost of services and administration.....	11,322,671	9,248,536
Depreciation.....	2,403,673	2,409,276
Employee benefits.....	1,324,716	1,032,163
 TOTAL OPERATING EXPENSES.....	 15,051,060	 12,689,975
 OPERATING INCOME (LOSS).....	 (2,129,691)	 (1,834,304)
NONOPERATING REVENUES (EXPENSES):		
Investment income.....	18,532	51,861
Interest expense.....	(280,171)	(468,431)
Intergovernmental capital grants.....	4,209,521	4,027,927
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 3,947,882	 3,611,357
 INCOME (LOSS) BEFORE TRANSFERS.....	 1,818,191	 1,777,053
Transfers in.....	3,246,470	4,060
Transfers out.....	-	(173,935)
 Total Transfers.....	 3,246,470	 (169,875)
 CHANGE IN NET ASSETS.....	 5,064,661	 1,607,178
 NET ASSETS AT BEGINNING OF YEAR.....	 49,836,676	 48,229,498
 NET ASSETS AT END OF YEAR.....	 \$ 54,901,337	 \$ 49,836,676

See notes to financial statements.

NANTUCKET MEMORIAL AIRPORT
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012 AND 2011

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 12,183,724	\$ 10,764,907
Payments to vendors.....	(7,931,950)	(5,271,327)
Payments to employees.....	(3,104,299)	(4,110,928)
Payments for interfund services used.....	(1,324,716)	(1,032,163)
NET CASH FROM OPERATING ACTIVITIES.....	(177,241)	350,489
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers in.....	3,246,470	4,060
Transfers out.....	-	(173,935)
Advances (to) from other funds.....	(621,554)	1,297,261
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	2,624,916	1,127,386
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....	17,816,090	11,150,000
Premium from the issuance of bonds and notes.....	376,276	-
Capital grants.....	6,065,406	4,112,619
Acquisition and construction of capital assets.....	(5,864,062)	(6,038,616)
Principal payments on bonds and notes.....	(12,909,000)	(25,596,500)
Interest expense.....	(350,830)	(525,922)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	5,133,880	(16,898,419)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	18,532	51,861
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	7,600,087	(15,368,683)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,933,053	19,301,736
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 11,533,140	3,933,053
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ (2,129,691)	(1,834,304)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,403,673	2,409,276
User fees.....	(737,645)	(90,764)
Inventory.....	312,683	(234,818)
Warrants payable.....	364,620	(381,116)
Accrued liabilities.....	(572,781)	592,706
Security deposits.....	-	(17,070)
Accrued payroll.....	17,613	(77,740)
Other liabilities.....	550	(245,105)
Accrued compensated absences.....	(81,981)	21,916
Other postemployment benefits.....	245,718	207,508
Total adjustments.....	1,952,450	2,184,793
NET CASH FROM OPERATING ACTIVITIES.....	\$ (177,241)	350,489

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present the Nantucket Memorial Airport (the Airport) an enterprise fund of the Town of Nantucket, Massachusetts. These statements are not intended to and do not present fairly the financial position of the Town of Nantucket, Massachusetts. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Nantucket Memorial Airport is an enterprise fund of the Town of Nantucket. Its operation is governed by the Nantucket Memorial Airport Commission.

B. Measurement Focus. Basis of Accounting and Financial Statement Presentation

The Nantucket Memorial Airport's financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

This operation of the Airport is accounted for as an enterprise fund, which is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

D. Accounts Receivable

The recognition of revenue related to accounts receivable reported are reported under the accrual basis of accounting.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Airport User Fees

The outstanding receivable for Airport Fees is comprised primarily of fuel sales.

E. Inventories

Inventories of the Nantucket Memorial Airport are priced at the lower of cost or market, with cost being determined on the first-in, first-out method basis. Expendable supplies and small tools are not inventoried but rather expensed when purchased.

F. Capital Assets

Capital assets, which include land; land improvements; buildings; vehicle; machinery and equipment; and furniture, fixtures and computer equipment, are reported in the statements. Capital assets are recorded at historical cost or at estimated historical cost when actual historical cost could not be determined. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Vehicles.....	5
Furniture, fixtures and computer equipment.....	5-10
Machinery and equipment.....	10-15
Infrastructure.....	40-70
Buildings.....	33-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

G. Net Assets

Net assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

H. Long-term debt

Long-term debt is reported as liabilities in the statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

I. Advertising

The Airport's policy is to expense advertising costs the first time the advertising takes place. Advertising expense for the years ended June 30, 2012 and 2011 totaled \$7,233 and \$7,329, respectively.

J. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, is reported as an expense and a liability.

K. Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Cash for the Nantucket Memorial Airport is in control of the Town Treasurer as required by state law.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool).

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.

Custodial Credit Risk – Deposits

The Town Treasurer, at times, commingles other Town cash accounts with those specifically related to the Nantucket Memorial Airport. The Airport's portion of these funds is reported on the Statement of Net Assets as cash and cash equivalents.

In the case of deposits, this is the risk that in the event of a bank failure, the Nantucket Memorial Airport's deposits may not be returned to it. The Airport does not have a deposit policy for custodial credit risk.

At fiscal year-end June 30, 2012 and 2011, the carrying amount of deposits totaled \$10,598,788 and \$2,578,548, respectively and the bank balance totaled \$10,212,625 and \$2,193,956 respectively. Of the bank balance, \$250,000 and \$250,000 were covered by the Federal Depositors Insurance Company ("FDIC"), \$9,962,625 and \$1,943,956 were collateralized, therefore the Airport did not have funds that were exposed to custodial credit risk because of being uninsured or uncollateralized.

The repurchase agreement consists of an overnight sweep agreement which is invested in U.S. Treasurer Notes.

Investments

As of June 30, 2012, the Nantucket Memorial Airport had the following investments:

	<u>Fair Value</u>	<u>Maturity Under 1 Year</u>
Investment Type:		
Repurchase Agreements.....	\$ 283,975	\$ 283,975
Other Investments:		
MMDT.....	<u>650,377</u>	
Total Investments.....	<u>\$ 934,352</u>	

As of June 30, 2011, the Nantucket Memorial Airport had the following investments:

	<u>Fair Value</u>	<u>Maturity Under 1 Year</u>
Investment Type:		
Repurchase Agreements.....	\$ 705,915	\$ 705,915
Other Investments:		
MMDT.....	<u>648,590</u>	
Total Investments.....	<u>\$ 1,354,505</u>	

The Nantucket Memorial Airport participates in MMDT. Investments in MMDT are unrated.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Airport will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Airport does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Airport does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Airport has not adopted a formal policy related to Credit Risk.

Concentration of Credit Risk

The Airport places no limit on the amount that they may invest in any one issuer.

100% of the Airport’s investments in fiscal year 2012 were in MMDT and repurchase agreements.

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Repurchase Agreements.....	30%
MMDT.....	70%

More than 5% of the Airport’s investments are in the following securities for 2011:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Repurchase Agreements.....	52%
MMDT.....	48%

NOTE 3 – RECEIVABLES

At June 30, 2012 and 2011, receivables for the Airport consist of the following:

2012 Receivables:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Airport fees.....	\$ 1,038,549	\$ (36,210)	\$ 1,002,339
Intergovernmental.....	<u>622,839</u>	<u>-</u>	<u>622,839</u>
Total.....	<u>\$ 1,661,388</u>	<u>\$ (36,210)</u>	<u>\$ 1,625,178</u>

2011 Receivables:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Airport fees.....	\$ 339,694	\$ (75,000)	\$ 264,694
Intergovernmental.....	<u>2,478,724</u>	<u>-</u>	<u>2,478,724</u>
Total.....	<u>\$ 2,818,418</u>	<u>\$ (75,000)</u>	<u>\$ 2,743,418</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Nantucket Memorial Airport for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,434,312	\$ -	\$ -	\$ 2,434,312
Construction in progress.....	9,785,134	5,920,705	(6,973,227)	8,732,612
Total capital assets not being depreciated.....	<u>12,219,446</u>	<u>5,920,705</u>	<u>(6,973,227)</u>	<u>11,166,924</u>
<u>Capital assets being depreciated:</u>				
Infrastructure.....	25,731,511	-	-	25,731,511
Buildings.....	40,482,903	7,064,461	-	47,547,364
Vehicles.....	3,650,742	90,262	-	3,741,004
Machinery and equipment.....	1,353,197	53,598	-	1,406,795
Furniture, fixtures and computer equipment.....	187,739	-	-	187,739
Total capital assets being depreciated.....	<u>71,406,092</u>	<u>7,208,321</u>	<u>-</u>	<u>78,614,413</u>
Less accumulated depreciation.....	<u>(24,875,425)</u>	<u>(2,403,673)</u>	<u>-</u>	<u>(27,279,098)</u>
Total capital assets being depreciated, net.....	<u>46,530,667</u>	<u>4,804,648</u>	<u>-</u>	<u>51,335,315</u>
Total capital assets.....	<u>\$ 58,750,113</u>	<u>\$ 10,725,353</u>	<u>\$ (6,973,227)</u>	<u>\$ 62,502,239</u>

Capital asset activity for the Nantucket Memorial Airport for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,434,312	\$ -	\$ -	\$ 2,434,312
Construction in progress.....	6,947,945	2,953,667	(116,478)	9,785,134
 Total capital assets not being depreciated.....	 9,382,257	 2,953,667	 (116,478)	 12,219,446
<u>Capital assets being depreciated:</u>				
Infrastructure.....	25,020,203	711,308	-	25,731,511
Buildings.....	39,722,581	760,322	-	40,482,903
Vehicles.....	3,650,742	-	-	3,650,742
Machinery and equipment.....	1,330,308	22,889	-	1,353,197
Furniture, fixtures and computer equipment.....	187,739	-	-	187,739
 Total capital assets being depreciated.....	 69,911,573	 1,494,519	 -	 71,406,092
Less accumulated depreciation.....	(22,582,627)	(2,292,798)	-	(24,875,425)
Total capital assets being depreciated, net.....	47,328,946	(798,279)	-	46,530,667
Total capital assets.....	\$ 56,711,203	\$ 2,155,388	\$ (116,478)	\$ 58,750,113

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables resulting from transactions of a buyer/seller nature between the Town of Nantucket’s general fund and Nantucket Memorial Airport are classified as “due to other funds” and “due from other funds”.

Interfund receivables and payables at June 30, 2012 are summarized as follows:

Due From:	Due To:
	Nantucket Memorial Airport
Town Nonmajor Fund.....	\$ 18,775

Interfund receivables and payables at June 30, 2011 are summarized as follows:

Due From:	Due To:		
	Nantucket Memorial Airport	Town Internal Service Fund	Total
Town General Fund.....	\$ -	\$ 401,072	\$ 401,072
Nantucket Memorial Airport.....	1,003,851	-	1,003,851
Total.....	\$ 1,003,851	\$ 401,072	\$ 1,404,923

Interfund transfers for the fiscal year ended June 30, 2012 are summarized as follows:

Transfers Out:	Transfers In:	
	Nantucket Memorial Airport	
Town General Fund.....	\$ 2,792,264	(1)
Capital Projects.....	54,206	(2)
Town Nonmajor funds.....	400,000	(3)
Total.....	\$ 3,246,470	

- (1) Transfer from the Town General Fund to fund prior year deficits raised by the Town.
- (2) Transfers from Town Capital Projects funds to Airport Capital funds.
- (3) Transfers from Town Revolving funds to the Airport fund.

Interfund transfers for the fiscal year ended June 30, 2011 are summarized as follows:

Transfers Out:	Transfers In:		
	Town General Fund	Nantucket Memorial Airport	Total
Nantucket Memorial Airport.....	\$ 173,935	\$ -	\$ 173,935 (1)
Town General Fund.....	-	4,060	4,060 (2)
Total.....	\$ 173,935	\$ 4,060	\$ 177,995

- (1) Transfer to the Town General Fund for Indirect costs.
- (2) Transfer from the Town General Fund for runway improvements.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
 - Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute.

Details related to the short-term debt activity for the fiscal year ended June 30, 2012, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
BAN	Bond Anticipation Note.....	1.50	02/24/12	\$ 6,150,000	\$ -	\$ 6,150,000	\$ -
BAN	Bond Anticipation Note.....	1.00	06/08/12	-	6,089,000	6,089,000	-
BAN	Bond Anticipation Note.....	1.25	06/07/13	-	8,968,090	-	8,968,090
<i>Total short term debt.....</i>				<u>\$ 6,150,000</u>	<u>\$ 15,057,090</u>	<u>\$ 12,239,000</u>	<u>\$ 8,968,090</u>

Details related to the short-term debt activity for the fiscal year ended June 30, 2011, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	Bond Anticipation Note.....	1.50	02/25/11	\$ 24,916,500	\$ -	\$ 24,916,500	\$ -
BAN	Bond Anticipation Note.....	1.50	02/24/12	-	6,150,000	-	6,150,000
<i>Total short term debt.....</i>				<u>\$ 24,916,500</u>	<u>\$ 6,150,000</u>	<u>\$ 24,916,500</u>	<u>\$ 6,150,000</u>

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes The Town of Nantucket indebtedness up to a limit of 5% of the Town’s equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Airport's outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Municipal purpose bonds 2004.....	2014	\$ 390,000	2.25 - 5.00	\$ 110,000	\$ -	\$ 40,000	\$ 70,000
Municipal purpose bonds 2005.....	2014	1,751,000	2.50 - 4.00	580,000	-	195,000	385,000
Municipal purpose bonds 2006.....	2016	219,000	3.75 - 5.00	100,000	-	20,000	80,000
Municipal purpose bonds 2008.....	2017	1,522,312	3.00 - 5.00	650,000	-	275,000	375,000
Municipal purpose bonds 2011.....	2036	5,000,000	3.00 - 5.00	5,000,000	-	140,000	4,860,000
Municipal purpose bonds 2012.....	2032	2,759,000	2.00 - 5.00	-	2,759,000	-	2,759,000
Total Bonds Payable.....				<u>6,440,000</u>	<u>2,759,000</u>	<u>670,000</u>	<u>8,529,000</u>
Unamortized Premiums on Bonds and Notes.....				-	300,964	-	300,964
Total.....				<u>\$ 6,440,000</u>	<u>\$ 3,059,964</u>	<u>\$ 670,000</u>	<u>\$ 8,829,964</u>

Debt service requirements for principal and interest for Airport bonds payable in future fiscal years as of June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2013.....	\$ 619,000	\$ 334,180	\$ 953,180
2014.....	615,000	313,921	928,921
2015.....	395,000	298,333	693,333
2016.....	395,000	287,343	682,343
2017.....	380,000	274,049	654,049
2018.....	310,000	259,561	569,561
2019.....	310,000	246,662	556,662
2020.....	315,000	235,262	550,262
2021.....	325,000	221,963	546,963
2022.....	330,000	205,712	535,712
2023.....	345,000	189,212	534,212
2024.....	350,000	174,012	524,012
2025.....	350,000	158,737	508,737
2026.....	365,000	144,737	509,737
2027.....	320,000	131,274	451,274
2028.....	330,000	119,300	449,300
2029.....	340,000	106,570	446,570
2030.....	350,000	93,058	443,058
2031.....	355,000	78,933	433,933
2032.....	360,000	64,298	424,298
2033.....	250,000	51,182	301,182
2034.....	260,000	39,306	299,306
2035.....	275,000	26,956	301,956
2036.....	<u>285,000</u>	<u>13,894</u>	<u>298,894</u>
Total.....	<u>\$ 8,529,000</u>	<u>\$ 4,068,455</u>	<u>\$ 12,597,455</u>

Details related to the Airport's outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Municipal purpose bonds.....	2011	\$ 975,000	4.00 - 4.25	\$ 95,000	\$ -	\$ -	\$ -
Municipal purpose bonds 2004.....	2014	390,000	2.25 - 5.00	150,000	-	40,000	110,000
Municipal purpose bonds 2005.....	2014	1,751,000	2.50 - 4.00	775,000	-	195,000	580,000
Municipal purpose bonds 2006.....	2016	219,000	3.75 - 5.00	170,000	-	70,000	100,000
Municipal purpose bonds 2008.....	2017	1,522,312	3.00 - 5.00	930,000	-	280,000	650,000
Municipal purpose bonds 2011.....	2036	5,000,000	3.00 - 5.00	-	5,000,000	-	5,000,000
Total Bonds Payable.....				<u>\$ 2,120,000</u>	<u>\$ 5,000,000</u>	<u>\$ 585,000</u>	<u>\$ 6,440,000</u>

Debt service requirements for principal and interest for Airport bonds payable in future fiscal years as of June 30, 2011 are as follows:

Fiscal Year	Principal	Interest	Total
2012.....	\$ 670,000	\$ 251,266	\$ 921,266
2013.....	465,000	232,526	697,526
2014.....	470,000	213,509	683,509
2015.....	250,000	201,546	451,546
2016.....	250,000	194,906	444,906
2017.....	235,000	187,412	422,412
2018.....	165,000	180,174	345,174
2019.....	170,000	174,400	344,400
2020.....	175,000	169,300	344,300
2021.....	185,000	162,300	347,300
2022.....	190,000	153,050	343,050
2023.....	205,000	143,550	348,550
2024.....	210,000	135,350	345,350
2025.....	215,000	126,950	341,950
2026.....	230,000	118,350	348,350
2027.....	190,000	108,862	298,862
2028.....	200,000	100,788	300,788
2029.....	210,000	92,038	302,038
2030.....	220,000	82,587	302,587
2031.....	225,000	72,688	297,688
2032.....	240,000	62,282	302,282
2033.....	250,000	51,182	301,182
2034.....	260,000	39,306	299,306
2035.....	275,000	26,956	301,956
2036.....	<u>285,000</u>	<u>13,894</u>	<u>298,894</u>
Total.....	<u>\$ 6,440,000</u>	<u>\$ 3,295,172</u>	<u>\$ 9,735,172</u>

At June 30, 2012 and June 30, 2011, the Airport had the following authorized and unissued debt:

Purpose	2012 Amount	2011 Amount
Nantucket Memorial Airport.....	\$ 30,032,100	\$ 25,966,000

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Current Portion
Nantucket Memorial Airport:					
Long-Term Bonds and Notes.....	\$ 6,440,000	\$ 2,759,000	\$ (670,000)	\$ 8,529,000	\$ 919,964
Compensated Absences.....	352,457	11,490	(93,471)	270,476	54,095
Other Postemployment Benefits.....	1,353,858	412,962	(167,244)	1,599,576	-
Total Long-Term Liabilities	<u>\$ 8,146,315</u>	<u>\$ 3,183,452</u>	<u>\$ (930,715)</u>	<u>\$ 10,399,052</u>	<u>\$ 974,059</u>

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Current Portion
Nantucket Memorial Airport:					
Long-Term Bonds and Notes.....	\$ 2,120,000	\$ 5,000,000	\$ (585,000)	\$ 6,535,000	\$ 670,000
Compensated Absences.....	330,541	88,024	(66,108)	352,457	70,491
Other Postemployment Benefits.....	1,146,350	388,357	(180,849)	1,353,858	-
Total Long-Term Liabilities.....	<u>\$ 3,596,891</u>	<u>\$ 5,476,381</u>	<u>\$ (831,957)</u>	<u>\$ 8,241,315</u>	<u>\$ 740,491</u>

NOTE 8 – RISK FINANCING

The Airport is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town of Nantucket is self-insured for its health insurance activities, the Airport is included in the Town's insurance plan. The Airport pays the Town's health insurance fund for its proportionate share of coverage.

NOTE 9 – PENSION PLAN

Plan Description - The Airport contributes to the Barnstable County Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees of the Airport are members of the System.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Barnstable County Retirement Board and are borne by the System. The System issues a publicly available, unaudited, financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 99 Willow Street, Yarmouthport, Massachusetts, 02675.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Airport is required to pay into the System their share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Airport. The Airport's contributions to the System for the fiscal year ended June 30, 2012, 2011 and 2010 totaled \$485,624, \$495,449, and \$415,234, respectively, which equaled its required contributions for each fiscal year.

The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Airport is one participating employer, as well as the Airport's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Airport.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Nantucket administers a single-employer defined benefit healthcare plan (the plan), in which the Nantucket Memorial Airport participates. The plan provides lifetime healthcare for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including the Town's school teachers. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Airport and the unions representing Airport employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Airport and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Airport contributes 80% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 20% of their premium costs. For fiscal year 2012, the Airport contributed approximately \$167,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation – The Airport's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual Required Contribution.....	\$	388,390
Interest on net OPEB obligation.....		67,445
Adjustment to the ARC.....		(43,380)
Annual OPEB cost (expense).....		<u>412,455</u>
Contributions made.....		<u>(166,737)</u>
Increase in net OPEB obligation.....		245,718
Net OPEB obligation - beginning of year.....		<u>1,353,858</u>
Net OPEB obligation - end of year.....	\$	<u><u>1,599,576</u></u>

The Airport's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 412,455	40%	\$ 1,599,576
6/30/2011	352,306	41%	1,353,858
6/30/2010	858,157	21%	1,146,350

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits totaled approximately \$5.4 million, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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 plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% investment return assumption, which is based on the expected yield on the assets of the Airport, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% decreasing by .75% for 6 years and by .50% for 1 year to an ultimate level of 5% per year. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.50% per year. The remaining amortization period at June 30, 2012 is 26 years.

NOTE 11 – COMMITMENTS

As of June 30, 2012 the Nantucket Memorial Airport has open contracts totaling approximately \$6.7 million. Of that amount, \$3.4 million is for building renovation, \$2.2 million is for runway paving and the remaining \$1.1 million is remaining open contracts for various maintenance and rehabilitation projects.

NOTE 12 – CONTINGENCIES

The Airport participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012 and 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the Airport's financial position at June 30, 2012 and 2011.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the Airport has implemented the following GASB pronouncements:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, was implemented in fiscal year 2012. This pronouncement did not require additional disclosure and not impact the financial statements.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact that the implementation of these pronouncements will have on the financial statements.

Required Supplementary Information

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Airport is one participating employer, as well as the Airport's proportionate share of the plan's annual contributions.

BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2011	\$ 651,063,981	\$ 1,173,483,848	\$ 522,419,867	55.5%	\$ 239,437,303	218.2%
1/1/2010	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%
1/1/2009	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%
1/1/2007	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
1/2/2006	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
1/1/2004	378,317,300	647,655,411	269,338,111	58.4%	190,614,004	141.3%
1/1/2002	362,911,896	553,531,966	190,620,070	65.6%	173,610,557	109.8%
1/1/2000	300,396,700	462,462,500	162,065,800	65.0%	152,293,100	106.4%
1/1/1998	235,247,660	404,215,695	168,968,035	58.2%	121,161,677	139.5%
1/1/1996	157,044,089	276,107,221	119,063,132	56.9%	108,456,079	109.8%
1/1/1993	97,194,645	226,430,792	129,236,147	42.9%	97,074,725	133.1%

The Airport's share of the UAAL, as of January 1, 2011, is approximately 1.11%.

See notes to required supplementary information.

BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended December 31	System Wide			Nantucket Memorial Airport	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Airport's Percentage of System Wide Actual Contributions
2011	\$ 43,807,158	\$ 43,807,158	100%	\$ 485,624	1.11%
2010	41,327,508	41,327,508	100%	495,449	1.20%
2009	36,943,817	36,943,817	100%	415,234	1.12%
2008	34,360,912	34,360,912	100%	419,860	1.22%
2007	32,038,146	32,038,146	100%	343,055	1.07%
2006	31,044,132	31,044,132	100%	350,906	1.13%
2005	27,846,430	27,846,430	100%	311,318	1.12%

The Airport's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Other Postemployment Benefit Plan Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER COONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 5,428,722	\$ 5,428,722	0%	\$ N/A	N/A
7/1/2009	-	8,725,000	8,725,000	0%	N/A	N/A
7/1/2007	-	2,935,000	2,935,000	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2012	\$ 388,390	\$ 166,737	43%
6/30/2011	352,306	144,798	41%
6/30/2010	858,157	176,433	21%
6/30/2009	608,014	143,388	24%

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit Cost Method
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	30 years, open

Actuarial Assumptions:

Investment rate of return.....	5.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10% decreasing by .75% for 6 years and by .50% for 1 year to an ultimate level of 5% per year.

Plan Membership, Town Wide:

Current retirees, beneficiaries, and dependents.....	213
Current active members.....	<u>474</u>
 Total.....	 <u><u>687</u></u>

See notes to required supplementary information.

NOTE A – PENSION PLAN

The Airport contributes to the Barnstable County Contributory Retirement System (“Retirement System”), a cost-sharing, multiple-employer defined benefit pension plan (“Plan”) administered by the Barnstable County Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Airport is required to pay into the Retirement System its share of the systemwide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Airport is one participating employer, as well as the Airport’s proportionate share of the plans annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Airport.

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year after fiscal 2015
Remaining Amortization Period.....	28 years from July 1, 2010 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability
Asset Valuation Method.....	5-year smoothing of investment returns greater (less) than expected.

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	Varies by length of service with 4.75% and 5.25% for Groups 1 and 4, respectively
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income, increasing to \$13,000 in fiscal 2012.

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,422
Terminated participants entitled to a return of their employee contributions.....	649
Terminated participants with a vested right to a deferred or immediate benefit.....	123
Active participants.....	<u>4,786</u>
Total.....	<u><u>7,980</u></u>

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The Nantucket Memorial Airport participates in the Town's healthcare plan. The Town administers a single-employer defined benefit healthcare plan ("the Retiree Health plan"). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Airport currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets

Projections of benefits for financial reporting purposes are based on the substantive plan and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.