Woods Hole, Martha's Vineyard and Nantucket

Steamship Authority

2013 ANNUAL REPORT

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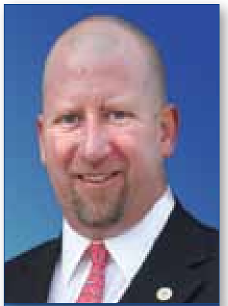
AUTHORITY MEMBERS • 2013

Robert F. Ranney

NANTUCKET
CHAIRMAN



Robert L. O'Brien

BARNSTABLE
VICE CHAIRMAN

Marc N. Hanover

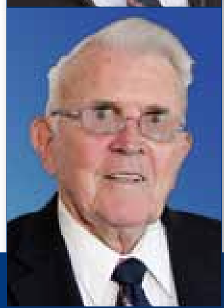
MARTHA'S VINEYARD
SECRETARY

Robert S. Marshall

FALMOUTH
(JANUARY – NOVEMBER)

John A. Tierney

NEW BEDFORD



To: His Excellency, the Governor

To: The Members of the General Court

The 2013 Annual Report of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority is respectfully submitted in accordance with Section 13 of Chapter 701 of the Acts of 1960, as amended by Chapter 276 of the Acts of 1962.

Sincerely,

Robert L. O'Brien
Barnstable
Chairman, 2014

Port Council Members - 2013

Robert V. Huss - Oak Bluffs, Chairman

Robert R. Jones - Barnstable, Vice Chairman

George J. Balco - Tisbury, Secretary

Frank J. Rezendes - Fairhaven

S. Eric Asendorf - Falmouth

Nathaniel E. Lowell - Nantucket

Edward C. Anthes-Washburn - New Bedford

Wayne C. Lamson - General Manager
Robert B. Davis - Treasurer/Comptroller
Steven M. Sayers - General Counsel

THE STEAMSHIP AUTHORITY • 2013 OVERVIEW

The Steamship Authority successfully completed another year of providing safe, efficient, convenient and economical ferry service for the islands of Nantucket and Martha's Vineyard. In 2013, it carried 2,846,691 passengers, 452,286 automobiles and 162,148 other vehicles (including trailers, pickups, vans, buses, campers and miscellaneous trucks of all sizes) on 22,050 vessel trips between the mainland of Cape Cod and the islands. These statistics represent increases of 1.6% in passengers; 0.5% in automobiles; 5.5% in other vehicles; and 1.9% in vessel trips, from the previous year.

The Authority's total operating revenues in 2013 were $90,123,372, an increase of $4,751,114, or 5.6%, versus the previous year. The major sources of operating revenues were from carrying passengers (31.8%), automobiles (31.1%), trucks and other commercial vehicles (25.6%), and from parking (6.3%). Other miscellaneous sources of revenue accounted for the remaining 5.2% of the Authority's total operating revenues.

The Authority's 2013 total operating expenses were $85,963,747, an increase of $5,163,350, or 6.4%, compared to the previous year. The major categories of operating expenses included wages, benefits and payroll taxes (52.3%); depreciation (11.6%); vessel fuel oil (10.6%); direct maintenance, excluding labor (10.3%); and insurance (3.7%). Other operating expenses made up the remaining 11.5% of the Authority's total operating expenses. The cost of repairs and upgrades to the Oak Bluffs pier, due to damage caused by Hurricane Sandy, totaled $2,153,884.

Fixed charges, such as interest on bonds, were offset by nonoperating income, including license income, which brought the Authority's net income from operations for 2013 to $2,838,804 compared to the restated amount of $2,831,615 in 2012. Net operating income in 2013 amounted to 3.1% of the Authority's total operating revenues for the year.

It was the 51st consecutive year without a deficit assessment on the taxpayers of the Authority's port communities. A more detailed analysis of the Authority's financial statements is included in the Management's Discussion and Analysis section of this report.

2013 OVERVIEW *(continued)*

Hyannis Harbor Channel Dredging Project

The U.S. Army Corps of Engineers completed emergency dredging work during 2013 in response to the Steamship Authority's request for maintenance dredging of the federal channel into Hyannis Harbor. In early 2013, some of the Steamship Authority's ferry trips on the Nantucket route began to experience delays and cancellations during extreme low-tide cycles in the Hyannis Harbor channel. The channel had not been dredged for 15 years, and the situation had been exacerbated by various recent storms, including Hurricane Sandy.

The Corps did a tremendous job in conducting a survey of the current conditions of the channel and working with all of the appropriate federal, state and local environmental officials to obtain the necessary approvals and permits for the emergency dredging in an expedited manner. The dredging was completed in two phases, the initial work in late June and then the remaining work during November and December. The work was scheduled with consideration for the availability of the dredge, previously committed projects in New England and regulations to protect winter flounder and horseshoe crab spawning.

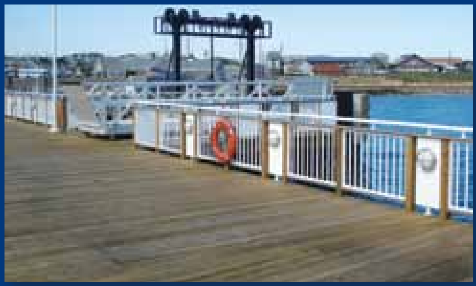
We greatly appreciate the Corps' efforts in response to the Steamship Authority's request and, in addition, would like to thank U.S. Representative William Keating, State Representative Timothy Madden and the towns of Barnstable and Nantucket for their support and assistance in connection with this project. The Hyannis Harbor serves as a vital link for transporting essential supplies, such as food and fuel, for Nantucket Island residents and visitors.

Repairs to the Oak Bluffs Pier

In January 2013, the Authority Members voted to authorize the award of a contract to repair the storm damage to the Authority's Oak Bluffs pier caused by Hurricane Sandy. MIG Corporation Inc. of Acton, Massachusetts was awarded the contract as the lowest eligible and responsible bidder.

The work included removing the damaged electrical equipment, lighting, pier decking, stringers, pile caps and wooden piles, and installing new piles, pile caps and pier decking. Steel piles and pile caps were installed to help mitigate possible future damage from storms of similar strength and force. The Oak Bluffs terminal reopened for the summer season as scheduled on May 16, 2013.

The total cost of repairs to the pier, including the additional mitigation upgrades, was $2,153,884. This cost was included in the Authority's operating expenses for 2013 and accounted for approximately 42% of the increase in its annual operating expenses compared to the previous year. The Authority expects to be reimbursed for 73% of the repair costs ($1,581,177) by the Federal Emergency Management Agency pursuant to a Major Disaster Declaration signed by President Barack Obama in December 2012.



2013 OVERVIEW *(continued)*

Massachusetts Ferry Transportation Compact

In 2013, the Steamship Authority entered into a Memorandum of Understanding for the creation of the Massachusetts Ferry Transportation Compact. The Massachusetts Ferry Transportation Compact consists of various water transportation stakeholders throughout the coastal communities of Massachusetts, including the Legislature's Joint Committee on Transportation, representatives from the Massachusetts Department of Transportation, the Seaport Advisory Council, the Massachusetts Port Authority, the Massachusetts Bay Transportation Authority, the cities of Boston, Lynn and New Bedford and the towns of Hull, Winthrop and Provincetown.

The purpose and role of the Compact will be to examine the opportunities and challenges of providing additional transportation mobility options for the Commonwealth's residents and visitors, reducing traffic congestion, and improving air quality and economic development. The Compact will make recommendations with respect to investments in infrastructure improvements and water transportation projects throughout the Commonwealth.

MassDOT's Office of Transportation Planning recognizes that the islands' residents and visitors are dependent on the Steamship Authority's ferry service for the transportation of persons and all the necessities of life and that the Steamship Authority has successfully provided essential services for the islands of Martha's Vineyard and Nantucket on its own, as an independent state authority, for many years. As such, there is no intention on the part of the Office of Transportation Planning or the Massachusetts Ferry Transportation Compact to interfere with, or propose any changes to, the Steamship Authority's current autonomy or independence.

The Steamship Authority's involvement with the Compact will include sharing relevant knowledge and expertise in such areas as service development, operations, safety, security and sustainability.

Feasibility Study for the Woods Hole Terminal Reconstruction Project

In April 2013, the Authority Members awarded a contract for a feasibility study for the Woods Hole Terminal Reconstruction Project to Bertaux + Iwerks Architects of Boston, Massachusetts. The design team, led by Bertaux + Iwerks, in association with the marine engineering firm of Moffatt & Nichol of New York, New York was identified by the State Designer Selection Board as the first-ranked finalist for the contract by a vote of 9 to 1.

The objective of the study was to determine how all of the Woods Hole terminal's current and future operational needs, including the current and future functions associated with the Steamship Authority's administrative offices and maintenance shops, can best be accomplished on the terminal property itself or at one or more other locations.

The present terminal building is located in a velocity flood zone, and it's not possible to build a new building in that area without raising its elevation by nine feet. Therefore, any new building will have to be located further away from the water.

Bertaux + Iwerks received around 400 comments from interviews with various stakeholders including representatives from the Woods Hole Community Association and the Woods Hole Business Association. The desired outcomes for the new terminal were then summarized into three categories: "functional" outcomes, which are important to the Steamship Authority's operation at the terminal; "customer experience" outcomes, which are important to how the Authority's customers will travel through the terminal; and "community" outcomes, which are important to how the terminal will interface with the community.

Bertaux + Iwerks developed three design concept alternatives: one premised on maintaining all of the terminal's operations on one level; another that would create a split level with an elevated building and elevated passenger walkways to make the terminal more efficient; and a third that would have a deck with a passenger drop-off and pick-up area, a new terminal building, elevated passenger walkways to the ferry slips, and vehicle staging underneath to create more space for terminal operations.

All three design concepts provided for the reconstruction of three ferry slips and a total waterside shift of 90 feet (including longer transfer bridges). Each of the concepts also assumed that the Authority's administrative offices and maintenance shops will be moved off-site so that the Woods Hole terminal will house only the ferry terminal operations.

The feasibility study is expected to be completed in mid-2014 after the development of a consensus solution or a preferred alternative that will meet the Authority's operational needs and address the community's concerns to the fullest extent possible.

2013 OVERVIEW *(continued)*

Launch of Redesigned Website

The Steamship Authority launched its new website, SteamshipAuthority.com, in June 2013. The staff worked with an outside web design company to develop a more customer-friendly website with full functionality to allow customers to make, change and cancel vehicle and high-speed passenger reservations. This redesigned website also gives users the ability to filter pages and ferry information by island and according to the needs of our visitors and island residents. The new site provides real-time information on current operations including the estimated wait time for the vehicle standby line at each terminal, off-site parking lot information and vessel tracking. Customers can readily check the availability of vehicle space or high-speed passenger reservations from the home page. Contact information, a link to our new online store and GPS directions to each of the terminals are also prominently displayed.

Palmer Avenue Parking Lot Improvements

In September 2013, the Authority Members awarded a contract to Lawrence-Lynch Corp. of Falmouth, Massachusetts, for Phase 2 of the Palmer Avenue Parking Lot Improvements Project. The first phase of the project, completed by Lawrence-Lynch Corp. in May 2013, consisted of demolishing the old Falmouth Youth Hockey League ice arena and replacing it with additional parking spaces, and constructing a new parking lot entrance at Skating Lane. Phase 2 of the project includes regrading the existing parking area for improved drainage; installing four infiltration chamber recharge systems and seven bioretention fields to manage stormwater runoff; constructing a new bike path connector; resurfacing the entire parking area; and installing lights, landscaping and irrigation. After Phase 2 is completed in May 2014, the Steamship Authority will have up to 1,800 spaces at its Palmer Avenue parking lot, representing an overall increase of approximately 350 spaces. The increase in parking capacity at the Palmer Avenue parking lot will allow the Steamship Authority to avoid opening its other off-site parking lots during portions of the off-season (its Gifford Street lot this upcoming year and its new consolidated parking lot off Thomas B. Landers Road in later years).

Design Contract for New Vessel

In December 2013, the Authority Members awarded a contract to Elliott Bay Design Group, LLC of Seattle, Washington for professional design and engineering services for the Steamship Authority's replacement ferry for the *M/V Governor.* Elliott Bay was selected after a competitive proposal process between three design firms who were prequalified by management.

The preliminary design parameters for the new vessel include:

- 235 feet in overall length, with a beam of 64 feet
- Hull form similar to the *M/V Martha's Vineyard*, if possible
- Drive-through freight deck design
- Maximum draft of 10 feet, 6 inches
- Maximum service speed of 16 knots, fully loaded
- Vehicle capacity for 10 tractor-trailer trucks or 50 cars
- Minimum passenger capacity for 384 passengers
- Interior seating for 250 passengers
- Main propulsion consisting of two diesel engines
- Full ADA passenger accessibility

Preliminary design plans are scheduled to be completed by June 2014, with final contract design plans and specifications to be issued to potential shipyards in October 2014. A vessel construction contract is projected to be awarded by January 2015, pursuant to a competitive bid process and the new vessel is expected to be placed in line service by summer 2016. The vessel will be capable of operating on all of the Authority's routes on a year-round basis and its vehicle deck will have the flexibility to be used primarily for trucks during the week and mostly for passenger vehicles on weekends.

2013 OVERVIEW *(continued)*

Final Design and Engineering: Thomas B. Landers Road Parking Lot Facility

Also in December 2013, the Authority Members awarded a contract to Green Seal Environmental, Inc. of Sagamore Beach, Massachusetts, for final design, engineering and construction phase services so that the Authority can construct a new parking lot facility off Thomas B. Landers Road in Falmouth. The 18-acre property was previously used for the manufacturing of precast concrete materials.

The new parking facility, scheduled to be open from April through November, will be constructed using porous asphalt to manage stormwater runoff. Although the cost of using porous asphalt is higher than regular asphalt, the Steamship Authority will be able to avoid or eliminate other stormwater management features, such as bio-retention areas and subsurface systems, which would otherwise have to be constructed at significant cost.

After the new parking facility is completed in spring 2015, the Steamship Authority will consolidate and discontinue its use of a number of smaller off-site parking lots in Falmouth and Cataumet. The new facility is expected to provide about the same combined capacity, or approximately 1,900 parking spaces.

Source: Falmouth, MA - PeopleGIS, accessed April 14, 2014, http://www.peoplegis.com/mapsonline

Ferry Embarkation Fees

On behalf of its port communities, the Authority collected town-imposed ferry embarkation fees totaling $923,183 from passengers traveling on its vessels during 2013.

A state law passed in 2003 allows any city or town in Barnstable, Dukes, Nantucket and Bristol Counties to accept the provision that requires the Authority and certain other private ferry operators to impose a 50-cent per person ferry embarkation fee for travel originating from its community. The law exempts certain passengers from the town-mandated fee, including certain island residents traveling at excursion rates, commuters using ticket books and those traveling in school-related groups.

The fees collected under the statute by the various ferry operators are distributed to the respective cities and towns through the Massachusetts Department of Revenue. The statute requires each city or town to deposit the monies received into a special fund "to be solely appropriated for the purpose of mitigating the impacts of ferry service on the city or town. Monies deposited may be appropriated for services including, but not limited to, providing harbor services, public safety protection, emergency services or infrastructure improvements within and around the harbor."

The ferry embarkation fees collected by the Authority were distributed through the Massachusetts Department of Revenue to the following port towns that have accepted the provisions of the statute:

	2013	2004 through 2013
Barnstable*	$ 82,874	$ 781,289
Falmouth	354,016	3,513,466
Nantucket	110,171	1,031,427
Oak Bluffs	104,762	990,115
Tisbury	243,735	2,470,422
Yarmouth**	27,625	260,430

* 75% of fees collected from passengers departing from the town of Barnstable
** 25% of fees collected from passengers departing from the town of Barnstable

By the end of 2013, a cumulative total of $9,047,149 in ferry embarkation fees had been collected from passengers traveling on the Authority's vessels for the port towns that have accepted the provisions of Chapter 46 of the Acts of 2003, as amended by Chapter 55 of the Acts of 2003 and Chapter 65 of the Acts of 2004.

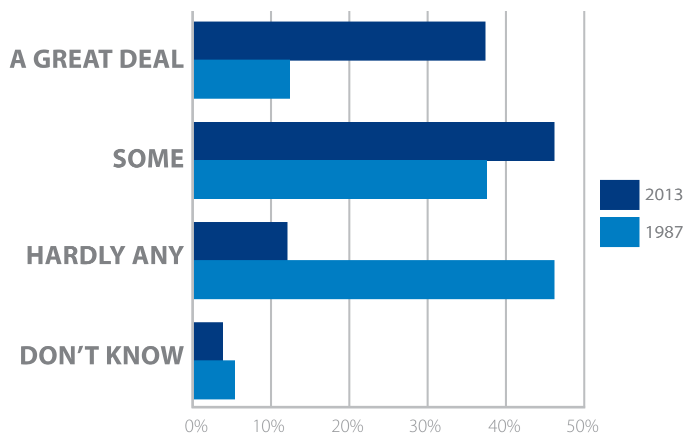
2013 OVERVIEW *(continued)*

A Word of Thanks to the Employees of the Steamship Authority

Our success and accomplishments in 2013 would not have been possible without the dedication and commitment of our employees. Our vessel crews completed more than 22,000 trips during 2013, or 96.3% of all scheduled trips. Most of the cancelled trips were due to weather (364) or for mechanical reasons (346). The Authority's customer service and reservation call centers answered nearly 460,000 calls, supplemented by our online reservation system, which processed 46% of all vehicle reservations, and our mobile website, which provides real-time data on ferry and parking operations and handled more than 4,500,000 visits.

The *Vineyard Gazette* commissioned a national polling firm, in 1987 and 2013, to gauge seasonal and year-round residents' opinions and attitudes about life on the Vineyard, ranging from quality of services to confidence in leadership. The island newspaper reported that the most recent polling results regarding the Steamship Authority were a "sea change in opinion."

Confidence in Leadership of the Steamship Authority (2013 vs. 1987)



Source: Vineyard Gazette - Harris Polls, 1987 & 2013

We thank all of our employees for their contributions toward our continued ability to provide safe and reliable ferry service for the millions of island residents, visitors and freight shippers who rely on us as their lifeline each year.

Passengers Carried

Number of passengers carried from each port during 2013.

FROM: / TO:	WOODS HOLE	VINEYARD HAVEN	OAK BLUFFS	NANTUCKET	HYANNIS
WOODS HOLE		873,547	253,338		
VINEYARD HAVEN	885,923				
OAK BLUFFS	250,900				
NANTUCKET					290,531
HYANNIS				292,452	
TOTAL: 2013	1,136,823	873,547	253,338	292,452	290,531
TOTAL: 2012	1,127,334	858,656	258,451	279,724	278,815
CHANGE:	0.8%	1.7%	-2.0%	4.6%	4.2%

Passengers Carried and Revenue - 2013 vs. 2012

	NUMBER OF PASSENGERS			TICKETED REVENUE FROM PASSENGERS CARRIED*			AVERAGE REVENUE PER PASSENGER		
MONTH	2012	2013	CHANGE	2012	2013	CHANGE	2012	2013	CHANGE
JANUARY	106,588	106,944	0.3%	$ 801,138	$ 796,567	-0.6%	$ 7.52	$ 7.45	-0.9%
FEBRUARY	102,926	86,742	-15.7%	767,625	652,897	-14.9%	7.46	7.53	0.9%
MARCH	119,979	120,268	0.2%	916,732	906,371	-1.1%	7.64	7.54	-1.3%
APRIL	170,202	164,637	-3.3%	1,370,204	1,468,052	7.1%	8.05	8.92	10.8%
MAY	248,171	251,021	1.1%	2,414,622	2,532,180	4.9%	9.73	10.09	3.7%
JUNE	309,675	313,603	1.3%	3,070,969	3,193,796	4.0%	9.92	10.18	2.6%
JULY	452,277	452,451	0.0%	4,651,174	4,765,572	2.5%	10.28	10.53	2.4%
AUGUST	479,942	496,365	3.4%	5,014,253	5,280,295	5.3%	10.45	10.64	1.8%
SEPTEMBER	299,269	306,224	2.3%	3,103,177	3,205,629	3.3%	10.37	10.47	1.0%
OCTOBER	218,888	242,211	10.7%	2,106,526	2,352,747	11.7%	9.62	9.71	0.9%
NOVEMBER	155,903	154,475	-0.9%	1,488,077	1,428,210	-4.0%	9.54	9.25	-3.0%
DECEMBER	139,160	151,750	9.0%	1,307,554	1,523,647	16.5%	9.40	10.04	6.8%
TOTAL	2,802,980	2,846,691	1.6%	$ 27,012,051	$28,105,963	4.0%	$ 9.64	$ 9.87	2.4%

* Ticketed revenue from passengers carried differs from passenger revenue in the financial statements due to classification and timing differences.

TRAFFIC STATISTICS *(continued)*

Automobiles Carried

Number of automobiles carried from each port during 2013.

FROM:	WOODS HOLE	VINEYARD HAVEN	OAK BLUFFS	NANTUCKET	HYANNIS
TO:					
WOODS HOLE		162,420	31,436		
VINEYARD HAVEN	158,760				
OAK BLUFFS	36,248				
NANTUCKET					32,096
HYANNIS				31,326	
TOTAL: 2013	195,008	162,420	31,436	31,326	32,096
TOTAL: 2012	193,339	159,122	33,092	31,784	32,513
CHANGE:	0.9%	2.1%	-5.0%	-1.4%	-1.3%

Automobiles Carried and Revenue - 2013 vs. 2012

	NUMBER OF AUTOMOBILES			TICKETED REVENUE FROM AUTOMOBILES CARRIED*			AVERAGE REVENUE PER AUTOMOBILE		
MONTH	2012	2013	CHANGE	2012	2013	CHANGE	2012	2013	CHANGE
JANUARY	21,221	21,407	0.9%	$ 636,047	$ 671,629	5.6%	$ 29.97	$ 31.37	4.7%
FEBRUARY	20,862	18,245	-12.5%	618,905	555,386	-10.3%	29.67	30.44	2.6%
MARCH	25,068	25,180	0.4%	781,975	836,469	7.0%	31.19	33.22	6.5%
APRIL	31,570	29,234	-7.4%	1,589,814	1,487,798	-6.4%	50.36	50.89	1.1%
MAY	38,147	38,881	1.9%	2,378,989	2,475,663	4.1%	62.36	63.67	2.1%
JUNE	47,759	48,144	0.8%	3,652,065	3,710,056	1.6%	76.47	77.06	0.8%
JULY	60,057	59,225	-1.4%	5,006,410	5,001,655	-0.1%	83.36	84.45	1.3%
AUGUST	64,538	65,340	1.2%	5,538,861	5,702,556	3.0%	85.82	87.28	1.7%
SEPTEMBER	46,827	47,802	2.1%	3,292,424	3,345,499	1.6%	70.31	69.99	-0.5%
OCTOBER	35,237	38,137	8.2%	1,988,844	2,180,275	9.6%	56.44	57.17	1.3%
NOVEMBER	30,116	30,369	0.8%	1,089,212	1,089,388	0.0%	36.17	35.87	-0.8%
DECEMBER	28,448	30,322	6.6%	904,128	1,044,841	15.6%	31.78	34.46	8.4%
TOTAL	**449,850**	**452,286**	**0.5%**	**$ 27,477,674**	**$28,101,215**	**2.3%**	**$ 61.08**	**$ 62.13**	**1.7%**

* Ticketed revenue from automobiles carried differs from automobile revenue in the financial statements due to classification and timing differences.

Trucks Carried

Number of trucks carried from each port during 2013.

FROM:	WOODS HOLE	VINEYARD HAVEN	OAK BLUFFS	NANTUCKET	HYANNIS
TO:					
WOODS HOLE		53,190	6,018		
VINEYARD HAVEN	53,796				
OAK BLUFFS	5,918				
NANTUCKET					21,847
HYANNIS				21,379	
TOTAL: 2013	59,714	53,190	6,018	21,379	21,847
TOTAL: 2012	56,615	50,313	6,030	20,199	20,600
CHANGE:	5.5%	5.7%	-0.2%	5.8%	6.1%

Trucks Carried and Revenue - 2013 vs. 2012

	NUMBER OF TRUCKS			TICKETED REVENUE FROM TRUCKS CARRIED*			AVERAGE REVENUE PER TRUCK		
MONTH	2012	2013	CHANGE	2012	2013	CHANGE	2012	2013	CHANGE
JANUARY	9,879	10,441	5.7%	$ 1,165,561	$ 1,330,784	14.2%	$117.98	$127.46	8.0%
FEBRUARY	10,061	9,406	-6.5%	1,192,037	1,222,244	2.5%	118.48	129.94	9.7%
MARCH	12,447	12,134	-2.5%	1,483,076	1,526,653	2.9%	119.15	125.82	5.6%
APRIL	13,519	14,419	6.7%	1,786,764	2,060,037	15.3%	132.17	142.87	8.1%
MAY	15,819	16,975	7.3%	2,217,459	2,534,753	14.3%	140.18	149.32	6.5%
JUNE	15,374	15,861	3.2%	2,305,827	2,467,004	7.0%	149.98	155.54	3.7%
JULY	14,402	15,883	10.3%	2,235,746	2,619,476	17.2%	155.24	164.92	6.2%
AUGUST	13,965	14,433	3.4%	2,186,598	2,402,357	9.9%	156.58	166.45	6.3%
SEPTEMBER	12,652	14,136	11.7%	1,713,291	2,006,383	17.1%	135.42	141.93	4.8%
OCTOBER	12,455	14,474	16.2%	1,634,034	1,994,226	22.0%	131.20	137.78	5.0%
NOVEMBER	12,024	12,118	0.8%	1,395,552	1,451,717	4.0%	116.06	119.80	3.2%
DECEMBER	11,160	11,868	6.3%	1,227,284	1,460,022	19.0%	109.97	123.02	11.9%
TOTAL	**153,757**	**162,148**	**5.5%**	**$20,543,229**	**$23,075,656**	**12.3%**	**$133.61**	**$142.31**	**6.5%**

* Ticketed revenue from trucks carried differs from freight revenue in the financial statements due to classification and timing differences.

TRAFFIC STATISTICS *(continued)*

A 10-YEAR HISTORY

Passengers Carried

	MARTHA'S VINEYARD	NANTUCKET	TOTAL
2004	2,164,169	508,990	**2,673,159**
2005	2,098,037	511,798	**2,609,835**
2006	2,105,128	515,437	**2,620,565**
2007	2,143,160	549,206	**2,692,366**
2008	2,174,185	517,846	**2,692,031**
2009	2,179,567	513,611	**2,693,178**
2010	2,213,800	522,347	**2,736,147**
2011	2,189,530	522,517	**2,712,047**
2012	2,244,441	558,539	**2,802,980**
2013	2,263,708	582,983	**2,846,691**

Vehicles Under 20′ in Length Carried

(including automobiles, pickup trucks, vans, etc.)

	MARTHA'S VINEYARD	NANTUCKET	TOTAL
2004	432,593	83,657	**516,250**
2005	437,197	86,303	**523,500**
2006	436,794	89,023	**525,817**
2007	432,331	88,022	**520,353**
2008	434,246	84,554	**518,800**
2009	440,058	81,212	**521,270**
2010	445,662	81,789	**527,451**
2011	446,360	80,180	**526,540**
2012	455,894	80,551	**536,445**
2013	462,148	79,928	**542,076**

Vehicles 20′ and Over in Length Carried

(including trucks, trailers, buses, campers, etc.)

	MARTHA'S VINEYARD	NANTUCKET	TOTAL
2004	45,833	26,635	**72,468**
2005	45,703	28,074	**73,777**
2006	47,072	30,499	**77,571**
2007	47,856	30,992	**78,848**
2008	47,335	28,615	**75,950**
2009	44,246	24,137	**68,383**
2010	44,467	23,233	**67,700**
2011	44,037	23,524	**67,561**
2012	42,617	24,545	**67,162**
2013	45,638	26,720	**72,358**

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Years Ended December 31, 2013 and 2012

INDEPENDENT AUDITORS' REPORT

McGladrey

To the Woods Hole, Martha's Vineyard and
Nantucket Steamship Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority"), as of December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

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 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Member of the RSM International network of independent accounting, tax and consulting firms.

Emphasis of Matter

As described in Note 12 to the financial statements, the Authority adopted the recognition and disclosure requirements of the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ending December 31, 2013. Net position as of January 1, 2012 has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, the pension plans schedules of funding progress, and the other post employment benefits schedules of funding progress*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 31, 2014 and April 15, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McGladrey LLP

Boston, Massachusetts
March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEARS ENDED DECEMBER 31, 2013 AND 2012

As management of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority" or "Steamship Authority"), we offer readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended December 31, 2013 and 2012. The Steamship Authority is a public instrumentality created by the legislature of the Commonwealth of Massachusetts under Chapter 701 of the Acts of 1960, as amended (the "Act"), "in order to provide adequate transportation of persons and necessaries of life for the islands of Nantucket and Martha's Vineyard".

Overview of the Financial Statements

This overview and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special-purpose governmental entity engaged in only business-type activities. As such, its financial statements consist of only those required for enterprise funds and the related notes. The Authority's financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. In addition to the basic financial statements, this report includes notes to the financial statements and also contains required supplementary information pertaining to the pension plans and other postemployment benefit plan of the Authority.

The statements of net position report assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference between them as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position consists of three sections: net investment in capital assets; restricted; and unrestricted. The net investment in capital assets component of the net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. All other net position is unrestricted.

The Authority restated its fiscal year 2012 beginning net position by a reduction of $414,158. As a result of implementing the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, deferred bond issuance costs of $414,158 were retroactively fully amortized.

The statements of revenues, expenses and changes in net position report the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the year with the difference, the net income or loss, being combined with any capital grants and contributions; income from special-purpose restricted funds; and special items to determine the change in net position for the year. That change combined with the net position at the end of the previous year reconciles to the net position at the end of the current year.

The statements of cash flows report cash and cash equivalents activities for the year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net results of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current year.

Condensed Financial Information

Condensed financial information from the statements of net position and the statements of revenues, expenses and changes in net position for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012 (AS RESTATED)
Current and other noncurrent assets	$ 18,073,644	$ 16,075,076
Special-purpose restricted funds	29,611,088	28,344,970
Capital assets, net	125,789,632	129,312,320
Total assets	173,474,364	173,732,366
Deferred outflows of resources	64,157	119,147
Total assets and deferred outflows of resources	**$ 173,538,521**	$ 173,851,513
Current liabilities	$ 12,299,681	$ 11,191,596
Liabilities payable from special-purpose restricted funds	6,229,742	6,072,273
Noncurrent liabilities	65,904,818	71,671,854
Total liabilities	84,434,241	88,935,723
Net position:		
Net investment in capital assets	71,656,772	69,708,398
Restricted	28,886,346	27,547,697
Unrestricted	(11,438,838)	(12,340,305)
Net position	89,104,280	84,915,790
Total liabilities and net position	**$ 173,538,521**	$ 173,851,513
Operating revenues:		
Passengers	$ 28,646,065	$ 27,516,903
Automobiles	28,004,478	27,336,773
Freight	23,083,056	20,558,972
Parking and other	10,389,773	9,959,610
Total operating revenues	**90,123,372**	85,372,258
Operating expenses:		
Operation of vessels	23,557,758	24,176,940
Operation of terminals and parking lots	10,039,574	9,639,935
Maintenance	14,743,682	10,164,512
Reservations, advertising, and other traffic	2,571,636	2,642,076
Depreciation and amortization	9,962,523	9,737,074
General and administration	25,088,574	24,439,860
Total operating expenses	**85,963,747**	80,800,397
Operating income	**4,159,625**	4,571,861
Interest on bonds and other obligations	(2,766,703)	(3,016,145)
Miscellaneous revenue	1,742,870	1,298,842
Miscellaneous expense	(296,988)	(22,943)
Net nonoperating (expenses) revenues	(1,320,821)	(1,740,246)
Income before capital grants and contributions, income from special-purpose restricted funds and special item - Teamsters pension merger	2,838,804	2,831,615
Capital grants and contributions	2,313,421	1,033,017
Income from special-purpose restricted funds	36,265	1,979
Special item - Teamsters pension merger	(1,000,000)	-
Change in net position	**4,188,490**	3,866,611
Net position, beginning of year - as restated	**84,915,790**	81,049,179
Net position, end of year	**$ 89,104,280**	$ 84,915,790

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEARS ENDED DECEMBER 31, 2013 AND 2012

FINANCIAL ANALYSIS

Comparison of Financial Condition at December 31, 2013 and 2012

The Authority's total assets and liabilities were $173,474,364 and $84,434,241, respectively, as of December 31, 2013, as compared to $173,732,366 and $88,935,723, respectively, at December 31, 2012. The net position as of December 31, 2013, was $89,104,280, a 4.9% increase from the prior fiscal year-end.

The increase in total net position was $4,188,490 for the year ended December 31, 2013, up from the $3,866,611 increase in total net position posted in 2012. Income before capital grants and contributions; income from special-purpose restricted funds; and the special item for pension merger in 2013 increased $7,189, or 0.3%, compared to the prior year.

The increase in income before capital grants and contributions; income from special-purpose restricted funds; and the special item for pension merger was primarily attributed to a $4,751,114, or 5.6% increase in the Authority's total operating revenues. Total operating expenses for the year ended December 31, 2013 increased by $5,163,350, or 6.4% versus the previous year while nonoperating expenses decreased by $419,425, or 24.1%. These changes are discussed in greater detail in the following sections.

During 2013, the Steamship Authority was awarded grants under the Ferry Boat Discretionary Program, the Port Security Program and from the Federal Emergency Management Agency (FEMA) Public Assistance (PA) Program. These awards are recorded under the heading Capital Grants and Contributions in the Statements of Revenues, Expenses and Changes in Net Position.

Operating Revenues

The Steamship Authority's total operating revenues in 2013 were $90,123,372. Total operating revenues increased by approximately $4,751,000 or 5.6% for the year ended December 31, 2013. In order to ensure sufficient income to meet the cost of service in 2013, the Authority Members approved certain rate increases that became effective January 1, 2013.

The number of passengers carried increased by 43,711 or 1.6% in 2013 from 2012. Ridership on the conventional service increased by 13,049 riders or 0.5%, while passenger traffic carried on the *M/V Iyanough* increased by 30,662 passengers or 11.5% for the year as compared to 2012. In addition, the average revenue per passenger increased from $9.82 in 2012 to $10.06 in 2013 due, in part, to the increase in riders on the high-speed service as well as the rate increases which became effective January 1, 2013.

The number of automobiles carried increased by 2,436 or 0.5% in 2013 versus 2012. The average revenue per automobile increased from $60.77 in 2012 to $61.92 in 2013 due, in part, to a change in the mix of automobiles carried on the Martha's Vineyard and Nantucket routes as well as the rate increases which became effective January 1, 2013.

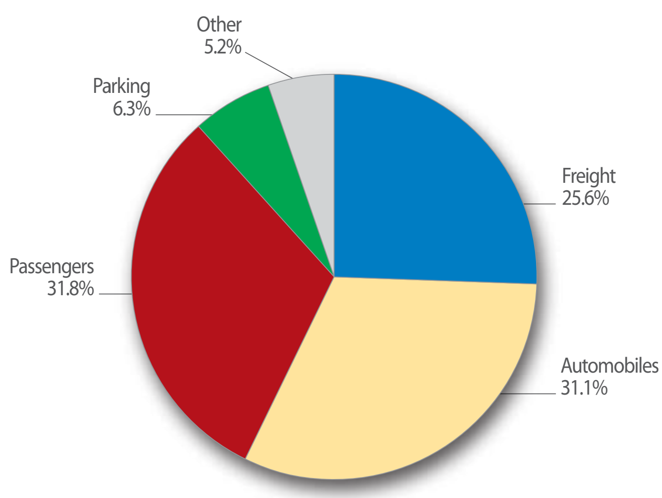
FINANCIAL ANALYSIS...continued
Operating Revenues...continued

The number of trucks carried increased by 8,391 or 5.5% in 2013 from 2012 traffic levels. The average revenue per truck increased from $133.71 in 2012 to $142.36 during 2013 due, in part, to an overall increase in trucks carried to Nantucket and Martha's Vineyard as well as the rate increases which became effective January 1, 2013.

Parking revenue in 2013 increased by approximately $145,000 from 2012, primarily as a result of an increase in cars parked at the Hyannis area lots as well as the rate increases which became effective January 1, 2013. The total number of cars parked increased by 103 or 0.1% versus 2012. Total parking revenues in 2013 were $5,658,267, an increase of 2.6% versus the previous year.

Other miscellaneous operating revenues increased by approximately $285,000 or 6.4% in 2013, primarily due to increases in cancellation penalties and miscellaneous service charges for driver services.

The major sources of operating revenues for the year ended December 31, 2013, were as follows:



FINANCIAL ANALYSIS...continued

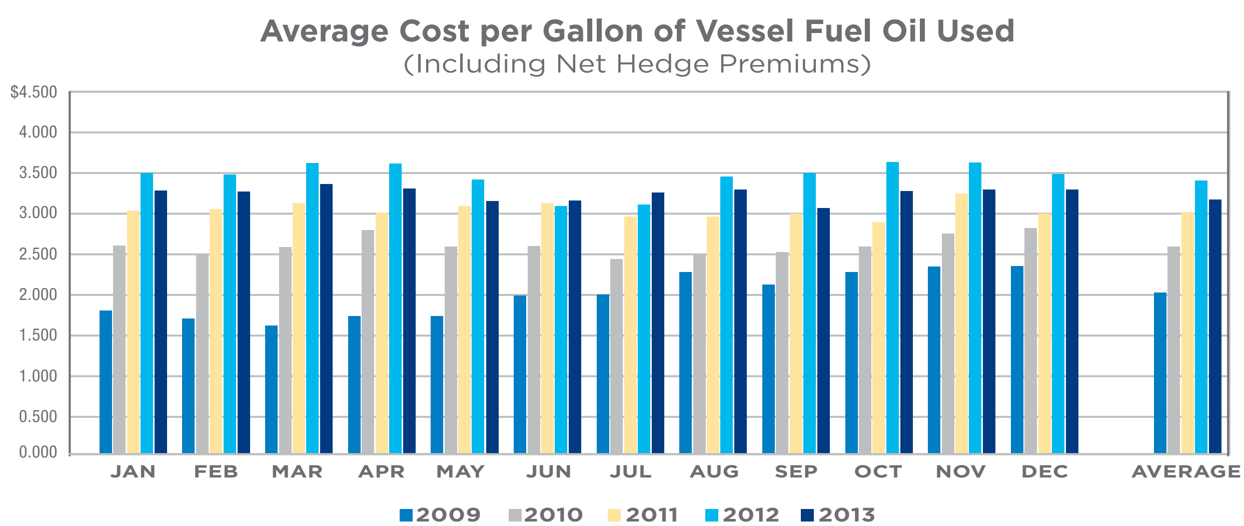
Operating Expenses

The Authority's total operating expenses in 2013 were $85,963,747; in 2012, total operating expenses were $80,800,397. Total operating expenses in 2013 were $5,163,350, or 6.4% higher than the previous year. Increases in maintenance expense, wages and benefits, depreciation expense, and utilities were partially offset by lower vessel fuel oil costs, insurance expense and advertising expenses, compared to the prior year.

Maintenance expense increased in 2013 versus 2012 by approximately $4,579,000, or 45.1%. The increase was primarily attributable to dolphin and dock work increases of $1,955,000; vessel dry-dock expense increases of $1,114,000; engine parts and engine repairs expense increases of $486,000; miscellaneous vessel repairs increases of $472,000 and life raft inspections and renewals increases of $164,000. The dolphin and dock work increase was primarily attributed to the repairs to the Oak Bluffs pier for Hurricane Sandy damage.

Depreciation and amortization expense increased in 2013 versus 2012 by approximately $225,000, or 2.3%. This increase was primarily attributable to the addition of a full year's depreciation for Phase II of the *M/V Eagle*'s Mid-Life Refurbishment project.

Vessel operating expenses decreased by approximately $619,000, or 2.6% versus 2012. This decrease was chiefly due to lower vessel payroll as well as lower fuel oil expense. Vessel payroll expense in 2013 decreased by $261,000 or 1.9% versus 2012 payroll expense. Vessel fuel oil expense, including hedging premiums and commissions, was $9,103,000, which was $249,000 or 2.7% lower in 2013 than in 2012. The average cost per gallon of fuel used operating in 2013 was $3.249, which represents a decrease of 5.0% over the average cost per gallon of fuel used in 2012 of $3.419.



During 2013, the Authority operated 22,050 vessel trips, which represented an increase of 409 trips, or 1.9% versus 2012.

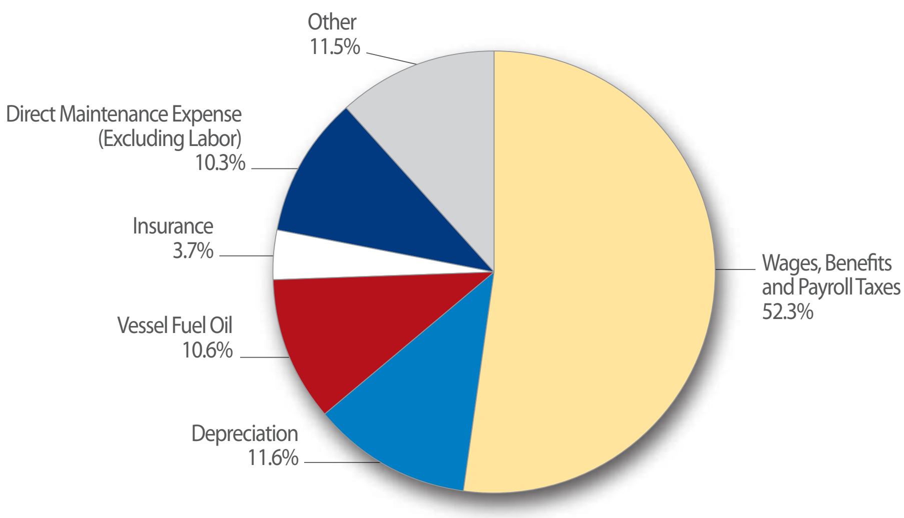
FINANCIAL ANALYSIS...continued
Operating Expenses...continued

Expenses related to the Operation of Terminals and Parking Lots increased in 2013 versus 2012 by approximately $400,000, or 4.1%. This increase was primarily attributed to a 4.5% or $354,000 increase in payroll costs; a $76,000 increase in utilities cost; and a $15,000 decrease in telephone expenses.

Expenses to operate Reservations and Customer Service decreased in 2013 versus 2012 by approximately $70,000, or 2.7%. This decrease was primarily attributed to lower advertising expense and other traffic expense of $54,000 along with a $12,000 decrease in payroll expense.

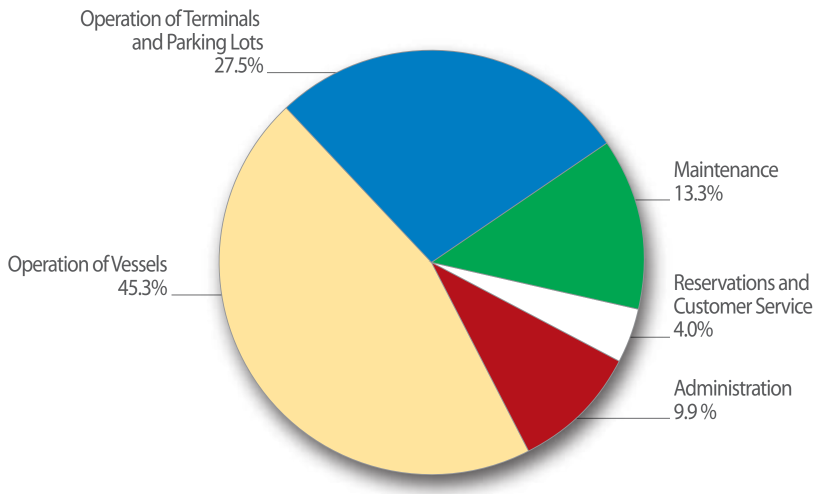
General and administration expense, which includes insurance, payroll taxes, rents, pension and health care costs, increased by approximately $649,000 in 2013, or 2.7% versus 2012. Increases in pension expense of $355,000; unemployment contributions of $195,000; credit card processing fees of $81,000; and payroll expenses of $101,000 were partially offset by a $150,000 decrease in insurance and casualties.

The major sources of operating expenses for the year ended December 31, 2013, were as follows:



FINANCIAL ANALYSIS...continued
Operating Expenses...continued

Over 52% of the Authority's operating expenses in 2013 were attributed to wages and the cost of employee benefits. The Authority's payroll in 2013 was distributed to the following functions:



Comparison of Financial Condition at December 31, 2012 and 2011

The Authority's total assets and liabilities were $173,732,366 and $88,935,723, respectively, as of December 31, 2012, as compared to $173,192,756 and $92,330,134, respectively, at December 31, 2011. The net position as of December 31, 2012, was $84,915,790, a 4.8% increase from the prior fiscal year-end.

The increase in total net position was $3,866,611 for the year ended December 31, 2012, up from the $11,624,694 decrease in total net position posted in 2011. Income before capital grants and contributions; income from special-purpose restricted funds; and the special item for pension withdrawal in 2012 decreased $929,412, or 24.7%, compared to the prior year.

The decrease in income before capital grants and contributions; income from special-purpose restricted funds; and the special item for pension withdrawal was primarily attributed to a $3,410,016 increase in the Authority's total operating expenses. Total operating revenues in 2012 were $2,159,234 higher than in 2011. The Steamship Authority's total operating revenues in 2012 increased by 2.6% versus 2011. Total operating expenses for the year ended December 31, 2012 increased by $3,410,016, or 4.4% versus the previous year while nonoperating expenses decreased by $321,370, or 15.6%. These changes are discussed in greater detail in the following sections.

During 2011, the Steamship Authority was awarded grants under the Ferry Boat Discretionary Program and the Port Security Program. These awards are recorded under the heading Capital Grants and Contributions in the Statements of Revenues, Expenses and Changes in Net Position.

FINANCIAL ANALYSIS ...continued

Operating Revenues

The Steamship Authority's total operating revenues in 2012 were $85,372,258. Total operating revenues increased by approximately $2,159,000 for the year ended December 31, 2012.

The number of passengers carried increased by 90,933 or 3.4% in 2012 from 2011. Ridership on the conventional service increased by 46,570 riders or 1.9%, while passenger traffic carried on the *M/V Iyanough* increased by 44,363 passengers or 20.0% for the year as compared to 2011. In addition, the average revenue per passenger increased from $9.72 in 2011 to $9.82 in 2012 due, in part, to the increase in riders on the high-speed service.

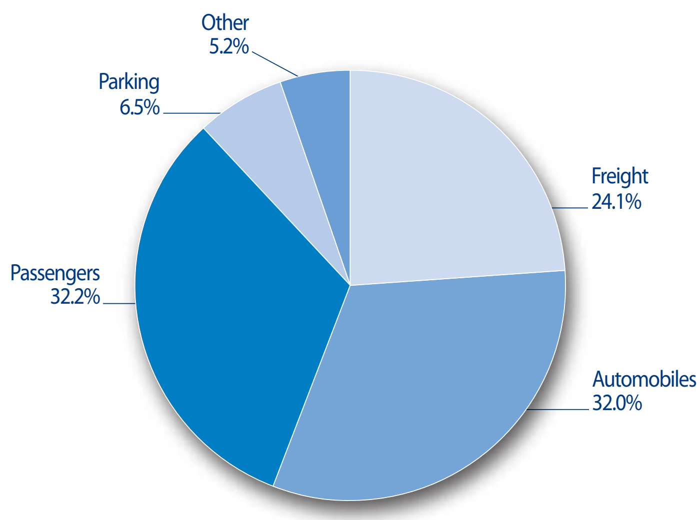
The number of automobiles carried increased by 10,129 or 2.3% in 2012 versus 2011. The average revenue per automobile decreased from $60.83 in 2011 to $60.77 in 2012 due, in part, to a change in the mix of automobiles carried on the Martha's Vineyard and Nantucket routes.

The number of trucks carried decreased by 623 or 0.4% in 2012 from 2011 traffic levels. The average revenue per truck increased from $133.10 in 2011 to $133.71 during 2012 due, in part, to an overall increase in trucks carried to Nantucket.

Parking revenue in 2012 increased by approximately $297,000 from 2011, primarily as a result of an increase in cars parked. The number of cars parked increased by 8,814 or 5.5% versus 2011. Total parking revenues in 2012 were $5,513,211, an increase of 5.7% versus the previous year.

Other miscellaneous operating revenues increased by approximately $110,000 or 2.5% in 2012, primarily due to increases in cancellation penalties and miscellaneous service charges for driver services.

The major sources of operating revenues for the year ended December 31, 2012, were as follows:



FINANCIAL ANALYSIS...continued

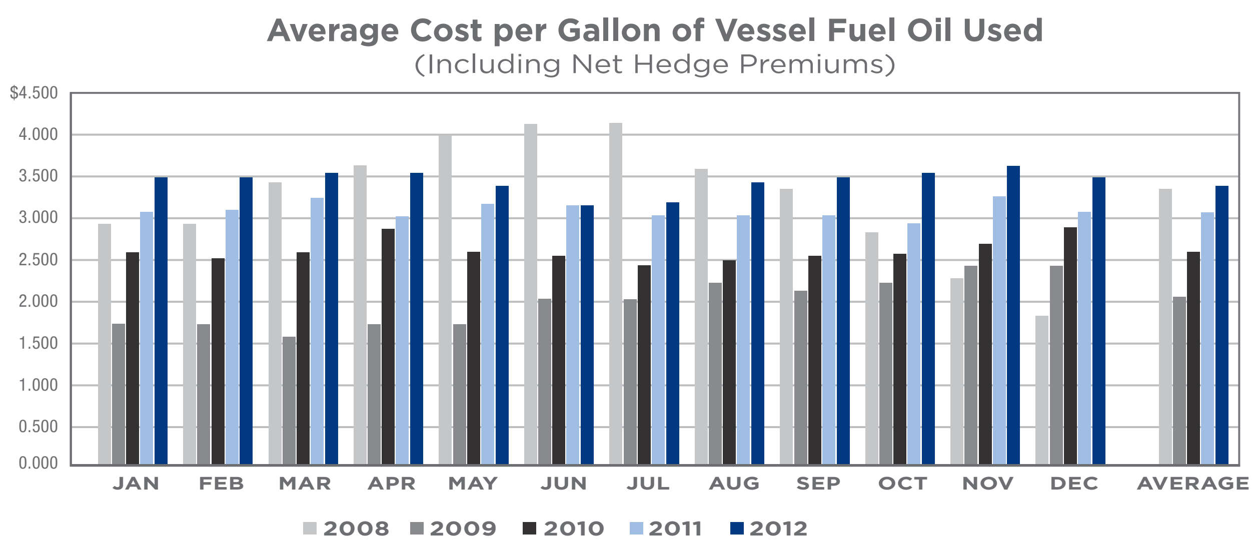
Operating Expenses

The Authority's total operating expenses in 2012 were $80,800,397; in 2011, total operating expenses were $77,390,381. Total operating expenses in 2012 were $3,410,016, or 4.4% higher than the previous year. Increases in vessel fuel oil costs, maintenance expense, depreciation expense, and advertising were partially offset by lower insurance expense, legal expenses and rent expense, compared to the prior year.

Maintenance expense increased in 2012 versus 2011 by approximately $1,042,000, or 11.4%. The increase was primarily attributable to engine parts and engine repairs expense increases of $847,000; miscellaneous terminal repairs increases of $472,000 and dolphin and dock work increases of $229,000. Vessel dry-dock expense decreased by $429,000 versus the previous year.

Depreciation and amortization expense increased in 2012 versus 2011 by approximately $493,000, or 5.3%. This increase is primarily attributable to the additions of a full year's depreciation for the *M/V Governor*'s re-powering project and a partial year's depreciation for Phase II of the *M/V Eagle*'s Mid-Life Refurbishment project.

Vessel operating expenses increased by approximately $803,000, or 3.4% versus 2011. This increase was chiefly due to higher fuel oil expense. Vessel payroll expense in 2012 decreased by $208,000 or 1.5% versus 2011 payroll expense. Vessel fuel oil expense, including hedging premiums and commissions, was $9,352,000, which was $1,140,000 or 13.9% higher in 2012 than in 2011. The average cost per gallon of fuel used operating in 2012 was $3.419, which represents an increase of 12.6% over the average cost per gallon of fuel used in 2011 of $3.036.



During 2012, the Authority operated 21,641 vessel trips, which represented an increase of 165 trips, or 0.8% versus 2011.

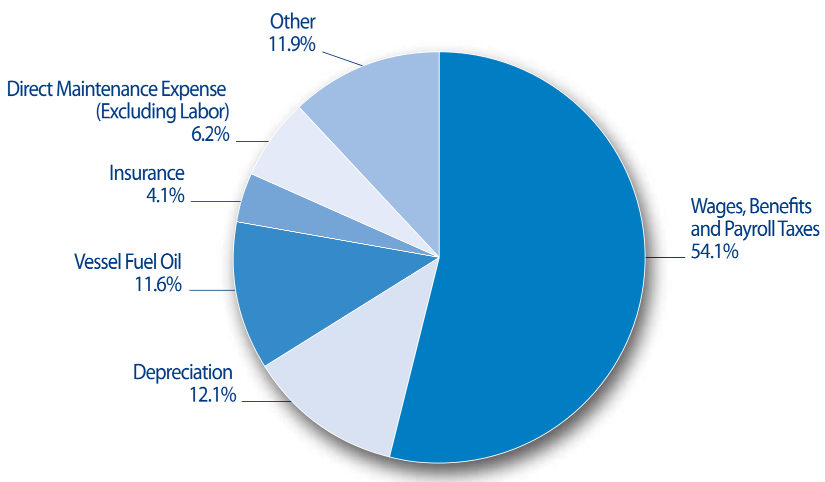
FINANCIAL ANALYSIS...continued
Operating Expenses...continued

Expenses related to the Operation of Terminals and Parking Lots increased in 2012 versus 2011 by approximately $290,000, or 3.1%. This increase was primarily attributed to a 2.1% or $165,000 increase in payroll costs; a $25,000 increase in uniforms cost; and a $49,000 increase in parking lot expenses.

Expenses to operate Reservations and Customer Service increased in 2012 versus 2011 by approximately $402,000, or 18.0%. This increase was primarily attributed to higher advertising expense and other traffic expense along with an $81,000 increase in payroll expense.

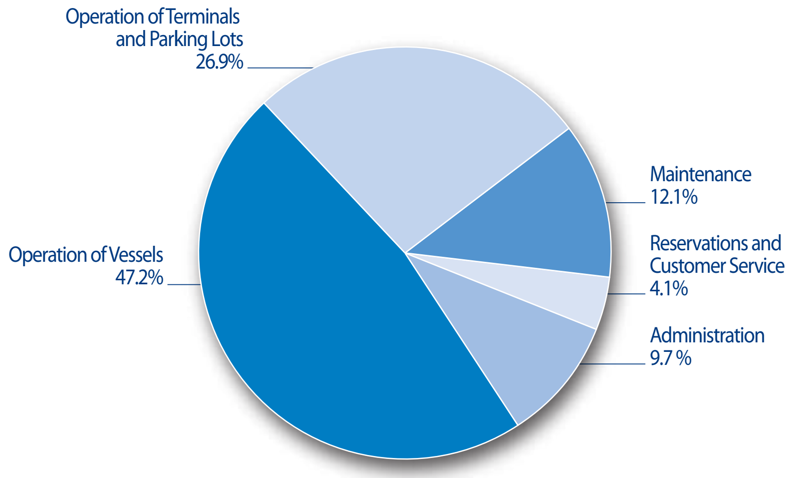
General and administration expense, which includes insurance, payroll taxes, rents, pension and health care costs, increased by approximately $380,000 in 2012, or 1.6% versus 2011. Increases in health care costs for the Authority's self-funded plans; credit card processing fees; and payroll expenses were the primary cause for the increase.

The major sources of operating expenses for the year ended December 31, 2012, were as follows:



FINANCIAL ANALYSIS...continued
Operating Expenses...continued

Over 54% of the Authority's operating expenses in 2012 were attributed to wages and the cost of employee benefits. The Authority's payroll in 2012 was distributed to the following functions:



Special-Purpose Restricted Funds and Fund Transfers in 2013

The Authority's Enabling Act requires revenue derived from its operation to be set aside each month in a specific order and in amounts as follows:

(1) to the Operations Fund, an amount sufficient to pay the cost of maintenance, repair, and operation of the Steamship Line for the current month and the next ensuing month, and to maintain working capital for such purposes in an amount not exceeding one thirty-sixth of the operating budget for the then-current fiscal year;

(2) to the Sinking Fund, an amount sufficient to provide for the payment of the interest on and for the amortization and payment of the principal of all bonds as the same shall become due and payable;

(3) to the Property Replacement Fund, such amount as the Authority may deem necessary or advisable for depreciation of property and for obsolescence and losses in respect to property sold, destroyed, or abandoned, and for improvements to, and acquisitions of, real and personal property (the Authority's current policy is to limit any transfers to the Property Replacement Fund in any given year to the amount of the prior year's depreciation expense);

(4) to the Reserve Fund, an amount sufficient to maintain the fund at a level equal to the greater of 5% of the principal amount of all bonds outstanding, exclusive of bonds considered as defeased, or $600,000, whichever is greater; and

(5) to the Bond Redemption Fund, all of the remaining revenue to be used within a reasonable time for the purchase or redemption of bonds or, in the Authority's discretion, to be transferred to the Property Replacement Fund or to the Capital Improvement Fund to be used for any purposes for which bonds may be issued.

FINANCIAL ANALYSIS...continued
Special-Purpose Restricted Funds and Fund Transfers in 2013...continued

The Authority's cash flow during 2013 allowed for transfers to be made to the Sinking Fund to meet the scheduled bond interest payment of $1,075,231 on September 1, 2013, and to provide for the payment of bond interest and principal due on March 1, 2014, in the amount of $1,075,231 and $5,505,000, respectively.

In addition, $8,600,075 was transferred from the Operations Fund to the Property Replacement Fund, a decrease of $643,831 over the previous year's transfers. Disbursements from the Property Replacement Fund in 2013, totaling $7,498,308, were comprised of the following:

Vessel Sewage Pump Out Stations	$ 2,445,328
Palmer Avenue Parking Lot Re-Development – Phase I	1,379,518
Acquisition of Property on 50 Bernard St. Jean Drive Falmouth, MA	986,721
Website Development	659,284
Shuttle Buses (4) and Maintenance Vehicle (1)	613,296
Network Upgrades and Server Replacements	344,596
M/V Island Home Sewer Pump Out Modifications	307,700
M/V Katama Sewer Pump Out Modifications	226,776
Other miscellaneous projects under $100,000, individually	535,089

At December 31, 2013, the Property Replacement Fund balance was $15,746,164, including income earned from investments of $23,211 during 2013.

The Authority's Capital Improvement Fund balance as of December 31, 2013, was $295,127, including income from investments of $484. During 2013, no disbursements from the Capital Improvement Fund were made. Unexpected proceeds from Steamship Bonds are reported as assets of the Capital Improvement Fund.

The Authority's Reserve Fund balance at December 31, 2013, was $2,642,500, including income from investments of $5,317 during 2013. $269,068 was transferred from the Reserve Fund to the Bond Redemption Fund during 2013.

The Bond Redemption Fund balance was $4,340,728 at December 31, 2013, including income from investments of $7,253 during 2013. $269,068 was transferred from the Reserve Fund to the Bond Redemption Fund.

Investment income from the special-purpose restricted funds amounted to $36,265 during 2013, excluding income from investments in the Sinking Fund of $7,972.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets as of December 31, 2013, amounted to $125,789,632, net of accumulated depreciation. The Authority's investment in capital assets includes vessels, buildings and structures, office and terminal equipment, motor vehicles, land, leasehold improvements, and construction projects in progress. During 2013, the Authority invested $3,014,178 in various capital assets and an additional $3,695,545 was invested in construction projects in progress. Capital asset additions were funded through the Authority's operations funds and special-purpose restricted funds.

During 2013, the Steamship Authority recognized a net loss on the sale of assets of $232,292, which is reported as nonoperating miscellaneous revenues and expenses.

Debt Administration

The Authority is currently authorized under the provisions of the Enabling Act, as amended, to issue bonds in an amount not to exceed $75,000,000 outstanding at any one time. The Authority's Enabling Act further provides that if at any time any principal or interest is due or about to become due on the Authority's bonds and the funds to pay the same are not available, the Authority shall certify to the State Treasurer the amount required to meet such obligations and the Commonwealth shall pay over to the Authority the amount so certified. In the opinion of the Authority's bond counsel, the obligation of the Commonwealth of Massachusetts (the "Commonwealth") to pay the required amount to the Authority is a general obligation of the Commonwealth and the full faith and credit of the Commonwealth is pledged to make such payment. The Commonwealth has never been called upon to make payments to the Authority to meet such obligations under the provisions of the Enabling Act.

The Authority made scheduled principal payments of $5,275,000 during 2013. In 2012, the Authority made scheduled principal payments of $5,060,000. The total amount of bonds outstanding, net of unamortized premiums of $1,347,017, was $52,850,000 as of December 31, 2013. At December 31, 2013, there were no bond anticipation notes outstanding.

More detailed information regarding the Authority's capital assets and debt administration activities for 2013 can be found in the notes to the financial statements (Notes 2 and 3, respectively).

ECONOMIC FACTORS

The Authority's traffic statistics for the past five years are as follows:

	2009	2010	2011	2012	2013
Passengers	2,693,178	2,736,147	2,712,047	2,802,980	2,846,691
Automobiles	433,042	438,515	439,721	449,850	452,286
Trucks	156,611	156,636	154,380	153,757	162,148
Cars parked	160,675	163,418	160,699	169,513	169,616
Trips made	21,445	21,260	21,476	21,641	22,050
Nautical Miles	319,026	315,192	318,724	319,428	326,968

The Authority's automobile and truck traffic statistics for 2009 have been adjusted to reflect a reclassification of 23,436 vehicles previously classified as automobiles to the truck classification.

Demand for the Authority's services is mainly affected by the overall economic activity on Martha's Vineyard and Nantucket, both seasonally and year-round. The economic activity is a reflection of the overall construction on the islands and other factors, such as weather-related conditions, capacity constraints, and operational limitations, which can also have an impact on the Authority's annual ridership volumes.

In order to ensure sufficient income to meet the cost of service in 2014, the Authority Members approved certain rate increases, effective January 1, 2014, that are expected to raise $1,000,000 in additional operating revenue based on 2013 traffic volumes. These rate increases were needed to offset the expected increases in operating expenses, primarily vessel fuel oil expense, wages, benefits and maintenance expense.

REQUESTS FOR INFORMATION

This report is intended to provide an overview of the Authority's financial condition. Questions concerning any of the information in this report or requests for additional information should be addressed to the Authority's Treasurer/Comptroller, P.O. Box 284, Woods Hole, MA 02543.

Statements of Net Position
December 31, 2013 and 2012

ASSETS	2013	2012 (AS RESTATED)
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,770,605	$ 9,694,323
Receivables, net	1,709,396	1,423,143
Grants receivable	1,656,802	959,448
Receivable from the Town of Falmouth	196,395	289,315
Inventories	704,820	791,539
Prepaid insurance and other	2,732,557	2,426,042
Prepaid fuel hedge	303,069	491,266
TOTAL CURRENT ASSETS	**18,073,644**	16,075,076
SPECIAL-PURPOSE RESTRICTED FUNDS:		
Cash and cash equivalents:		
Sinking fund:		
Current bond maturities and interest	6,586,569	6,458,482
Redemption of bonds	4,340,728	4,064,407
Property replacement fund	15,746,164	14,621,186
Reserve fund	2,642,500	2,906,251
Capital improvement fund	295,127	294,644
TOTAL SPECIAL-PURPOSE RESTRICTED FUNDS	**29,611,088**	28,344,970
CAPITAL ASSETS:		
Vessels	116,086,042	115,499,749
Terminal buildings and equipment	94,763,487	90,905,709
Land and land improvements	23,510,404	22,988,837
Construction in progress	4,203,545	5,045,677
Less - accumulated depreciation	(112,773,846)	(105,127,652)
TOTAL CAPITAL ASSETS, NET	**125,789,632**	129,312,320
TOTAL ASSETS	**173,474,364**	173,732,366
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflow loss from advance refunding	64,157	119,147
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 173,538,521**	$ 173,851,513

See notes to financial statements.

Statements of Net Position
December 31, 2013 and 2012

LIABILITIES AND NET POSITION	2013	2012 (AS RESTATED)
CURRENT LIABILITIES:		
Accounts payable	$ 5,586,537	$ 4,348,960
Accrued wages, vacation pay and expenses	3,876,552	4,269,971
Unearned revenue	2,406,922	2,159,032
Pension withdrawal obligations	429,670	413,633
TOTAL CURRENT LIABILITIES	**12,299,681**	11,191,596
LIABILITIES PAYABLE FROM SPECIAL-PURPOSE RESTRICTED FUNDS:		
Accrued interest on Steamship Bonds	724,742	797,273
Current portion of long-term debt	5,505,000	5,275,000
TOTAL LIABILITIES PAYABLE FROM SPECIAL-PURPOSE RESTRICTED FUNDS	**6,229,742**	6,072,273
NONCURRENT LIABILITIES:		
Long-term debt, net of current portion	48,692,017	54,448,069
Net pension obligations	1,611,534	1,315,666
Other postemployment benefits	866,074	743,255
Pension withdrawal obligations	14,735,193	15,164,864
TOTAL NONCURRENT LIABILITIES	**65,904,818**	71,671,854
TOTAL LIABILITIES	**84,434,241**	88,935,723
NET POSITION:		
Net investment in capital assets	71,656,772	69,708,398
Restricted	28,886,346	27,547,697
Unrestricted	(11,438,838)	(12,340,305)
TOTAL NET POSITION	**89,104,280**	84,915,790
TOTAL LIABILITIES AND NET POSITION	**$ 173,538,521**	$ 173,851,513

See notes to financial statements.

FINANCIAL STATEMENTS

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012 (AS RESTATED)
OPERATING REVENUES:		
Passenger	$ 28,646,065	$ 27,516,903
Automobile	28,004,478	27,336,773
Freight	23,083,056	20,558,972
Parking	5,658,267	5,513,211
Other	4,731,506	4,446,399
TOTAL OPERATING REVENUES	**90,123,372**	85,372,258
OPERATING EXPENSES:		
Operation of vessels	23,557,758	24,176,940
Operation of terminals and parking lots	10,039,574	9,639,935
Maintenance	14,743,682	10,164,512
Reservations, advertising, and other traffic	2,571,636	2,642,076
Depreciation and amortization	9,962,523	9,737,074
General and administrative	25,088,574	24,439,860
TOTAL OPERATING EXPENSES	**85,963,747**	80,800,397
OPERATING INCOME	**4,159,625**	4,571,861
NONOPERATING (EXPENSES) REVENUES:		
Interest on bonds and other obligations	(2,766,703)	(3,016,145)
Miscellaneous revenue	1,742,870	1,298,842
Miscellaneous expense	(296,988)	(22,943)
TOTAL NONOPERATING (EXPENSES) REVENUES	**(1,320,821)**	(1,740,246)
Income before capital grants and contributions, income from special-purpose restricted funds and special item - Teamsters pension merger	2,838,804	2,831,615
Capital grants and contributions	2,313,421	1,033,017
Income from special-purpose restricted funds	36,265	1,979
Special item - Teamsters pension merger	(1,000,000)	-
CHANGE IN NET POSITION	**4,188,490**	3,866,611
NET POSITION, Beginning of year - as restated	**84,915,790**	81,049,179
NET POSITION, End of year	**$ 89,104,280**	$ 84,915,790

See notes to financial statements.

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments from customers	$ 90,176,800	$ 85,656,683
Payments to employees for services	(30,229,657)	(28,789,979)
Payments to suppliers and contractors	(44,793,215)	(39,955,488)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15,153,928**	16,911,216
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Principal payments on withdrawal obligations	(413,633)	(398,194)
Principal payments on merger obligations	(1,000,000)	-
Receipts from other funds and license activities	1,413,096	1,071,453
NET CASH USED IN / PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**(537)**	673,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on Steamship Bonds	(5,275,000)	(5,060,000)
Proceeds from capital debt	-	(47,481)
Interest paid	(2,197,877)	(2,362,888)
Interest paid on withdrawal liability	(586,367)	(601,806)
Proceeds from sales of capital assets	37,596	5,000
Capital expenditures	(6,456,829)	(10,788,524)
Capital grant received	1,616,067	815,146
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(12,862,410)**	(18,040,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	15,154	18,202
Interest from special-purpose restricted funds	36,265	1,979
NET CASH PROVIDED BY INVESTING ACTIVITIES	**51,419**	20,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,342,400**	(435,897)
CASH AND CASH EQUIVALENTS, Beginning of year	**38,039,293**	38,475,190
CASH AND CASH EQUIVALENTS, End of year	**$ 40,381,693**	$ 38,039,293
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 4,159,625	$ 4,571,861
Depreciation and amortization	9,962,523	9,737,074
Changes in assets and liabilities:		
Receivables	(194,462)	14,264
Inventories	86,719	(160,894)
Prepaid insurance and other and prepaid fuel hedge	(118,318)	124,518
Accounts payable	984,683	1,572,842
Accrued wages, vacation pay, and expenses	(393,419)	454,516
Other postemployment benefits	122,819	96,340
Net pension obligations	295,868	230,534
Unearned revenue	247,890	270,161
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 15,153,928**	$ 16,911,216

Supplemental disclosure of noncash transactions:

At December 31, 2013 and 2012, the Authority had capital expenditures in the amount of $1,025,759 and $772,865, respectively, that were included in accounts payable.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority") is a public instrumentality created by the legislature of the Commonwealth of Massachusetts under Chapter 701 of the Acts of 1960, as amended (the "Act"). The Authority has no stockholders or equity holders.

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) codification section 2100, is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under these standards, the Authority is defined as a special-purpose governmental entity engaged only in business-type activities.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized at the time transportation, parking, and other services are provided. Unearned revenue represents cash received in advance of future service.

The Authority distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Position Net position represents the residual interest in the Authority's assets, plus deferred outflows of resources less liabilities, and deferred inflows of resources and consists of: (1) net investment in capital assets, (2) amounts restricted, and (3) amounts that are unrestricted. Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds. Net position is reported as restricted when there are third party limitations (statutory, contractual or bond covenant) on its use. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

Transfers and Use of Funds The Act and the provisions of the Bond Resolutions with the Authority's bondholders govern the disposition of revenue and prescribe certain accounting practices of the Authority, which include the conditions for transfers between the various accounts and the use of such funds. The Act was amended in 1985 to increase the maximum amount of funds allowed in the Operations Fund and Reserve Fund.

Cash and Cash Equivalents Cash includes cash on hand, amounts in demand deposits and cash equivalents, which are short-term, highly liquid securities with known market values. For purposes of the accompanying statements of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments The Authority's investments are reported at fair value using quoted market price or the best available estimate thereof. Fair value is defined by GASB Statement No. 31, *Certain Investments and External Investment Pools*, as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in participating interest-earning contracts that have a remaining maturity at the time of purchase of one year or less, are reported at amortized costs. All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenues, expenses and changes in net position. The Authority's investments in 2013 and 2012 qualified to be reported as cash equivalents.

Inventories Materials and supplies are stated at cost on a first-in, first-out basis.

Capital Assets Vessels, terminal property, and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated service lives of the related assets. The Authority's capitalization threshold for a single item is $5,000 or $10,000 for a group of items. The estimated service lives are as follows:

Vessels	10–30 years
Buildings and structures:	
Buildings and wharves	30 years
Sheds, fences and pavement	10–20 years
Office and terminal equipment:	
Computer equipment	3–5 years
Other	10 years
Motor vehicles	5 years
Leasehold improvements	Shorter of remaining term of lease or estimated useful life

The Authority capitalizes interest costs incurred in the construction of certain qualifying assets. For the years ended December 31, 2013 and 2012, the Authority incurred interest expense from operations of $2,766,703 and $3,016,145, respectively. Capitalized interest was $52,220 and $58,324 in 2013 and 2012, respectively.

Accounts Receivable Accounts receivable are reported net of an allowance for doubtful accounts. The Authority fully reserves for all receivables greater than 90 days.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Unamortized Bond Premiums, Discounts, and Cost of Refunding Discounts of bonds, premium on bonds, and the cost of refunding on bonds are amortized using the straight-line method over the life of the related bond issue since the results are not significantly different from the effect interest method of amortization.

Risk Financing and Related Insurance Issues The Authority is self-insured with respect to medical benefits provided to certain employees and retirees. With respect to these medical benefits, the Authority purchases stop-loss insurance, which covers all incurred claims in excess of approximately $6,700,000 in the aggregate; up to a maximum aggregate benefit payment of $1,000,000 per person per year. The Authority purchases commercial insurance to cover all other risks of loss. During the current and previous three years, there have been no settlements in excess of insurance coverage maintained by the Authority.

Accrued Sick Leave and Vacation Employees are granted sick leave and vacation in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick leave and vacation (subject to certain limitations) at their then-current rates of pay. The accumulated amount of sick and vacation leave is recorded as an expense and liability as the benefits accrue to employees.

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 of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant use of estimates includes the accrual for claims to be submitted under the Authority's self-funded health insurance and the allowance for uncollectible accounts.

Operating Revenues and Expenses The Authority distinguishes operating revenues and expenses from nonoperating revenues and expenses in its statement of revenues, expenses and changes in net position. Operating revenues consists of those revenues earned from customers for passage of passengers and vehicles, from parking operations and ancillary activities such as concessions and driver services.

Operating expenses relate to the cost of providing those services and also include administration expenses and depreciation of capital assets. All other revenues and expenses that are not a direct result of the Authority's functions are considered nonoperating. Examples of nonoperating items include investment earnings, interest expense, gains and losses on the disposal of capital assets and licensing fees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Unearned Revenue Unearned revenue consists primarily of fares received from customers for future reservations. Such amounts are recognized as revenue in subsequent periods as they are earned.

Adoption of New Accounting Pronouncements 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. The Authority implemented this statement during fiscal year 2013. As a result of the adoption of this standard, the Authority restated its fiscal year 2012 beginning net position by a reduction of $414,158 as deferred bond issuance costs of $414,158 were retroactively fully amortized.

In March 2012, the GASB issued GASB Statement No. 66, *Technical Corrections – 2012 – 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 adoption of this standard did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to December 31, 2013, and are applicable to the Authority. The Authority has not yet adopted these statements, and the implications on the fiscal practices and financial reports are being evaluated.

GASB STATEMENT NO.		ADOPTION REQUIRED IN FISCAL YEAR
67	*Financial Reporting for Pension Plans*	2014
68	*Accounting and Financial Reporting for Pensions*	2015
69	*Government Combinations and Disposals of Government Operations*	2014
70	*Accounting and Financial Reporting for Nonexchange Financial Guarantees*	2014
71	*Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB No. 68*	2015

2. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Land	$ 21,044,458	$ 986,721	$ -	$ 22,031,179
Construction in progress	5,045,677	3,695,545	(4,537,677)	4,203,545
Total capital assets, not being depreciated	26,090,135	4,682,266	(4,537,677)	26,234,724
Capital assets, being depreciated:				
Vessels	115,499,749	632,638	(46,345)	116,086,042
Buildings and structures	79,213,209	23,860	2,802,920	82,039,989
Office and terminal equipment	8,643,803	667,454	(135,352)	9,175,905
Motor vehicles	3,048,697	703,505	(204,609)	3,547,593
Leasehold improvements	1,944,379	-	(465,154)	1,479,225
Total capital assets, being depreciated	208,349,837	2,027,457	1,951,460	212,328,754
Less accumulated depreciation for:				
Vessels	(58,943,081)	(5,841,283)	29,738	(64,754,626)
Buildings and structures	(35,110,966)	(3,066,180)	774,315	(37,402,831)
Office and terminal equipment	(7,403,323)	(741,009)	853,235	(7,291,097)
Motor vehicles	(1,757,856)	(290,154)	201,943	(1,846,067)
Leasehold improvements	(1,912,426)	(23,897)	457,098	(1,479,225)
Total accumulated depreciation	(105,127,652)	(9,962,523)	2,316,329	(112,773,846)
Total capital assets, being depreciated, net	103,222,185	(7,935,066)	4,267,789	99,554,908
Total capital assets, net	$ 129,312,320	$ (3,252,800)	$ (269,888)	$ 125,789,632

Capital asset activity for the year ended December 31, 2012, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Land	$ 20,711,821	$ 332,637	$ -	$ 21,044,458
Construction in progress	5,889,556	9,560,780	(10,404,659)	5,045,677
Total capital assets, not being depreciated	26,601,377	9,893,417	(10,404,659)	26,090,135
Capital assets, being depreciated:				
Vessels	106,925,118	82,785	8,491,846	115,499,749
Buildings and structures	77,347,384	-	1,865,825	79,213,209
Office and terminal equipment	8,143,324	529,571	(29,092)	8,643,803
Motor vehicles	3,048,697	-	-	3,048,697
Leasehold improvements	1,944,379	-	-	1,944,379
Total capital assets, being depreciated	197,408,902	612,356	10,328,579	208,349,837
Less accumulated depreciation for:				
Vessels	(53,231,582)	(5,711,499)	-	(58,943,081)
Buildings and structures	(32,114,819)	(3,043,135)	46,988	(35,110,966)
Office and terminal equipment	(6,759,625)	(672,790)	29,092	(7,403,323)
Motor vehicles	(1,496,130)	(261,726)	-	(1,757,856)
Leasehold improvements	(1,864,502)	(47,924)	-	(1,912,426)
Total accumulated depreciation	(95,466,658)	(9,737,074)	76,080	(105,127,652)
Total capital assets, being depreciated, net	101,942,244	(9,124,718)	10,404,659	103,222,185
Total capital assets, net	$ 128,543,621	$ 768,699	$ -	$ 129,312,320

3. STEAMSHIP BONDS OUTSTANDING

The Steamship Bonds outstanding at December 31, are as follows:

	2013	2012
2001 Series A, including unamortized bond premium of $0 and $31 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 4.00% to 4.35%, requiring annual payments of principal beginning March 1, 2004 and semiannual interest payments through March 1, 2013	$ -	$ 690,031
2003 Series A, including unamortized bond premium of $34,618 and $64,292 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 2.50% to 4.50%, requiring annual payments of principal beginning March 1, 2004 and semiannual interest payments through March 1, 2015	1,414,618	2,094,292
2004 Series B, including unamortized bond premium of $680,972 and $774,899 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 3.00% to 5.00%, requiring annual payments of principal beginning March 1, 2011 and semiannual interest payments through March 1, 2021	28,815,972	30,754,899
2005 Series A, including unamortized bond premium of $128,834 and $188,296 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 2.95% to 5.00%, requiring annual payments of principal beginning March 1, 2008 and semiannual interest payments through March 1, 2016	4,438,834	5,828,296
2009 Series A, including unamortized bond premium of $136,416 and $155,451 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 2.50% to 4.00%, requiring annual payments of principal beginning March 1, 2011 and semiannual interest payments through March 1, 2021	4,286,416	4,675,451
2009 Series B, including unamortized bond premium of $102,745 and $109,519 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 2.00% to 4.00%, requiring annual payments of principal beginning March 1, 2011 and semiannual interest payments through March 1, 2029	8,977,745	9,374,519
2011 Series A, including unamortized bond premium of $263,432 and $305,581 at December 31, 2013 and 2012, respectively, bearing interest at rates ranging from 2.00% to 3.00%, requiring annual payments of principal beginning March 1, 2017 and semiannual interest payments through March 1, 2020	6,263,432	6,305,581
Total Steamship Bonds	**54,197,017**	59,723,069
Less bonds due within one year	**(5,505,000)**	(5,275,000)
Total Steamship Bonds - excluding current portion	**$ 48,692,017**	$ 54,448,069

2001 Series A Steamship Bonds — On March 1, 2001, the Authority issued $5,800,000 of 2001 Series A Steamship Bonds with interest rates ranging from 4.00% to 4.35%. The proceeds of the bonds were used for the following purposes: (i) for refunding the principal of $3,000,000 bond anticipation notes of the Authority, the proceeds of which were used to acquire a parcel of land located in Fairhaven, Massachusetts, to provide for an offsite maintenance facility (the "Maintenance Facility"); (ii) for the design and renovation of the Maintenance Facility; (iii) to acquire a passenger vessel, the *M/V Schamonchi*, including certain costs related to such acquisition; and (iv) to pay for costs of issuing the bonds.

2003 Series A Steamship Bonds — On March 1, 2003, the Authority issued $9,315,000 of 2003 Series A Steamship Bonds with interest rates ranging from 2.50% to 4.50%. The proceeds of the bonds were used to refund $3,260,000 of the Authority's 1992 Series B Bonds maturing in the years 2004 through 2007 and to advance refund $5,670,000 of the Authority's 1995 Series A Bonds maturing in the years 2006 through 2015 and to pay for costs of issuing the bonds. The portion of the bond proceeds used to refund the prior bond obligations was used to purchase U.S. Government obligations, which were deposited into an irrevocable trust to pay the scheduled principal and interest on the 1992 Series B Steamship Bonds and the 1995 Series A Steamship Bonds. As a result, these bonds are considered defeased by the Authority. Accordingly, the trust account assets and the liability for the defeased bonds have not been included in the Authority's financial statements. Prior refunded obligations outstanding at December 31, 2013 and 2012, totaled $1,390,000 and $2,025,000, respectively.

2004 Series B Steamship Bonds — On December 21, 2004, the Authority issued $31,150,000 of 2004 Series B Steamship Bonds with interest rates ranging from 3.00% to 5.00%. The proceeds were used for the following purposes: (i) for the design, construction, and delivery of a new 255-foot passenger/vehicle vessel, the *M/V Island Home*, with a capacity of approximately 1,200 passengers and 76 cars; and (ii) to pay the cost of issuance.

2005 Series A Steamship Bonds — On October 6, 2005, the Authority issued $9,380,000 of 2005 Series A Steamship Bonds with interest rates ranging from 2.95% to 5.00%. The proceeds were used for the following purposes: (i) for the design, construction, and delivery of a new high-speed passenger-only vessel, the *M/V Iyanough*, with a capacity of approximately 350 passengers; and (ii) to pay the cost of issuance.

2009 Series A Steamship Bonds — On July 21, 2009, the Authority issued $5,000,000 of 2009 Series A Steamship Bonds with interest rates ranging from 2.50% to 4.00%. The proceeds of the bonds were used to refund $5,000,000 in bond anticipation notes, the proceeds of which were used: (i) for the reconstruction and refurbishment of the *M/V Nantucket*, including without limitation the reconstruction of the deck, the reconstruction of the bridge, and the refurbishment of the vessel's seating and eating areas; and (ii) to pay the cost of issuance.

3. STEAMSHIP BONDS OUTSTANDING...continued

2009 Series B Steamship Bonds — On December 1, 2009, the Authority issued $10,000,000 of 2009 Series B Steamship Bonds with interest rates ranging from 2.00% to 4.00%. The proceeds are to be used for the following purposes: (i) to acquire four (4) parcels of land located in Falmouth, Massachusetts, for parking and other purposes ("Project A"); (ii) the reconstruction of vessel berthing slips in Hyannis, Massachusetts, for operational efficiency purposes, including without limitation the reconstruction of dolphins, wharves, and transfer bridge and gangways ("Project B" and together with Project A, the "Projects"); and (iii) to pay the cost of issuance.

2011 Series A Steamship Bonds — On December 13, 2011, the Authority issued $6,000,000 of 2011 Series A Steamship Bonds with interest rates ranging from 2.00% to 3.00%. The proceeds of the bonds are to be used for (i) the reconstruction and refurbishment of the *M/V Eagle*, including without limitation the replacement of decking, doors and windows; the reconstruction of the snack bar; refurbishment of the vessel's seating and eating areas and the installation of a marine evacuation slide; and (ii) to pay the cost of issuance.

Arbitrage — The Authority, as of December 31, 2013, has expended approximately $4,841,000 of the $5,000,000 of the 2009 Series B Steamship Bonds proceeds allocable to Project A, for the acquisition of land in Falmouth, Massachusetts. Pursuant to the applicable Internal Revenue Service laws and regulations relating to the issuance of tax-exempt bonds, the Authority must rebate to the federal government any earnings on bond proceeds prior to expenditure, unless the issue qualifies for an exception to the rebate requirement. The applicable exception for Project A requires that the bond proceeds for such project be spent within six months of the date of issue. If the Authority does not spend the proceeds within such period, the Authority will make the required rebate calculation and pay the rebate due, if any, to the federal government. The Authority meets such rebate exception with respect to Project A.

In addition, the Authority, as of December 31, 2010, had expended all of the $5,000,000 of the 2009 Series B Steamship Bonds proceeds allocable to Project B for the reconstruction of vessel berthing slips in Hyannis, Massachusetts. The applicable exception to the rebate requirement with respect to Project B requires that the bond proceeds allocable to such project be spent subject to certain interim milestones, within 24 months of the date of issue. The Authority meets such rebate exception with respect to Project B.

3. STEAMSHIP BONDS OUTSTANDING...continued

Scheduled Debt Service Requirements The annual scheduled debt service requirements of all Steamship Bonds outstanding at December 31, 2013, are as follows, exclusive of bonds defeased:

YEARS ENDING DECEMBER 31	PRINCIPAL PAYMENTS	INTEREST PAYMENTS	TOTAL PAYMENTS
2014	$ 5,505,000	$ 2,039,687	$ 7,544,687
2015	5,740,000	1,816,381	7,556,381
2016	5,980,000	1,582,950	7,562,950
2017	6,215,000	1,339,125	7,554,125
2018	6,440,000	1,088,200	7,528,200
2019–2023	18,980,000	1,978,788	20,958,788
2024–2028	3,255,000	482,150	3,737,150
2029	735,000	14,700	749,700
TOTAL	**$ 52,850,000**	**$ 10,341,981**	**$ 63,191,981**

Principal payments reported above are exclusive of the deferred loss arising from prior bond defeasances of $(64,157) and unamortized bond premium of $1,347,017.

Bonds payable activity for the year ended December 31, 2013, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds payable:					
Steamship Bonds	$ 58,125,000	$ -	$ (5,275,000)	$ 52,850,000	$ 5,505,000
Less deferred amounts:					
For issuance premiums	1,598,069	-	(251,052)	1,347,017	-
On refunding	(119,147)	-	54,990	(64,157)	-
Total bonds payable	**$ 59,603,922**	**$ -**	**$ (5,471,062)**	**$ 54,132,860**	**$ 5,505,000**

Bonds payable activity for the year ended December 31, 2012, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds payable:					
Steamship Bonds	$ 63,185,000	$ -	$ (5,060,000)	$ 58,125,000	$ 5,275,000
Less deferred amounts:					
For issuance premiums	1,859,968	-	(261,899)	1,598,069	-
On refunding	(186,557)	-	67,410	(119,147)	-
Total bonds payable	**$ 64,858,411**	**$ -**	**$ (5,254,489)**	**$ 59,603,922**	**$ 5,275,000**

4. LEASE COMMITMENTS

Operating Leases — The Authority has several noncancelable operating lease commitments at December 31, 2013, with terms in excess of one year. Future minimum lease payments under operating leases are as follows:

YEARS ENDING DECEMBER 31	
2014	$ 488,112
2015	390,512
2016	250,512
2017	192,585
2018	192,585
2019–2023	498,778
2024	69,750
TOTAL	**$ 2,082,834**

Aggregate rental expense for the years ended December 31, 2013 and 2012, was $716,097 and $708,669, respectively.

5. DEPOSITS AND INVESTMENTS

The Steamship Authority's Board has the sole responsibility for establishing and revising investment policy. In June 2003, the Authority adopted a formal investment policy for all of its operations funds and special-purpose restricted funds. The investment strategy is to invest substantially in short-term securities. Permitted investments will consist of obligations issued or secured by the U.S. Government or agencies of the U.S. Government and overnight repurchasing agreements with banks. The Authority can also invest in the Massachusetts Municipal Depository Trust (MMDT) or in mutual funds composed of the above types of investments. The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Authority's fair value of its investment in the MMDT represents the value of the pool's shares. In March 2013, the Steamship Authority's Board reaffirmed the investment policy.

5. DEPOSITS AND INVESTMENTS...continued

Custodial Credit Risk Custodial credit risk exists for cash deposits when, in the event of a failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority does not have a formal policy with regard to custodial credit risk but generally invests in securities or financial institutions which have either short-term rating of "A" or government securities of "AAA." Bank deposits are Federal Depository Insurance Corporation (FDIC) or Massachusetts Depositors Insurance Fund (DIF) insured as of December 31, 2013. Custody agreements include pledged securities issued by financial institutions to the Authority as the pledgee. The total amounts of Authority deposits in financial institutions, per the bank statements, at December 31, respectively, are as follows:

	2013	2012
Balance per banks	$ 12,220,386	$ 7,534,340
Deposits covered by:		
Federal Depository Insurance Corporation	(3,443,802)	(4,691,993)
Massachusetts Depositors Insurance Fund	(439,360)	-
Bank trust and custody agreements	(8,337,224)	(2,842,347)
TOTAL UNINSURED AND UNCOLLATERALIZED DEPOSITS	**$ -**	$ -

Interest Rate Risk and Credit Risk Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Authority does not have a formal policy with regard to interest rate risk. The majority of the Authority's investments are in short-term U.S. Government instruments, which are expected to maintain a constant dollar value despite changes in interest rates, due to the short-term period for which such investments are held.

Credit risk exists when there is a possibility that the issuer of an investment may be unable to fulfill its obligations. The Authority does have a formal policy with regard to credit risk, as the diversity of the investment portfolio may be no more than 25% invested in securities of a single issuer, except for obligations of the U.S. Government.

	2013	INVESTMENT MATURITIES (IN YEARS)			
INVESTMENT TYPE	FAIR VALUE	LESS THAN 1	1-5	6-10	MORE THAN 10
MMDT	$ 31,349,423	$ 31,349,423	$ -	$ -	$ -
Trust and custody agreements	766,885	766,885	-	-	-
Repurchase agreements	-	-	-	-	-
TOTAL	**$ 32,116,308**	**$ 32,116,308**	**$ -**	**$ -**	**$ -**

	2012	INVESTMENT MATURITIES (IN YEARS)			
INVESTMENT TYPE	FAIR VALUE	LESS THAN 1	1-5	6-10	MORE THAN 10
MMDT	$ 28,002,977	$ 28,002,977	$ -	$ -	$ -
Trust and custody agreements	2,842,347	2,842,347	-	-	-
Repurchase agreements	5,329,733	5,329,733	-	-	-
TOTAL	**$ 36,175,057**	**$ 36,175,057**	**$ -**	**$ -**	**$ -**

5. DEPOSITS AND INVESTMENTS...continued
Interest Rate Risk and Credit Risk...continued

The Authority is authorized to invest in the Massachusetts Municipal Depository Trust (MMDT), a pooled money-market-like investment fund managed by the Commonwealth of Massachusetts and established under General Laws, Chapter 29, Section 38A. The MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio investments are carried at amortized cost, which approximates fair value. The Short Term Bond Portfolio investments are carried at fair value.

The Authority maintains cash, cash equivalents, and investments available for use by all funds, in the manner provided below, as set forth by the Authority's Enabling Act, as amended.

The revenues derived from the operation of the Steamship Line are set aside in Revenue Funds. Monies in the Revenue Funds on the last day of the preceding month shall be transferred:

- ***To the Operations Fund*** — such amount, if available, as may be required to pay the cost of maintenance, repair, and operation of the Steamship Line for the current month and the next ensuing month and to maintain working capital for such purposes in an amount not to exceed one thirty-sixth of the operating budget for the then-current fiscal year;
- ***To the Sinking Fund*** — such amount, if any, as may be required for the payment of the interest on and the principal of all bonds as the same shall become due and payable;
- ***To the Property Replacement Fund*** — such amount, if any, as may be deemed necessary or advisable for depreciation of property and for obsolescence and losses with respect to property sold, destroyed, or abandoned (the Authority's current policy is to limit any transfers to the Property Replacement Fund in any given year to the amount of the prior year's depreciation expense);
- ***To the Reserve Fund*** — such amount, if any, as may be required to make the balance therein equal to 5% of the principal amount of all outstanding bonds, exclusive of bonds considered as defeased, or $600,000, whichever is greater; and
- ***To the Bond Redemption Fund***— all of the remaining revenue to be used within a reasonable time for the purchase or redemption of bonds or, in the Authority's discretion, to be transferred to the Property Replacement Fund or to the Capital Improvement Fund to be used for any purposes for which bonds may be issued.

Neither the Enabling Act nor the bond resolutions place limitations on the nature of the deposits and investments of the Authority. The Authority's policies are to maintain deposits (including demand deposits, money markets, and certificates of deposit) in financial institutions and to make investments in U.S. Government securities.

5. DEPOSITS AND INVESTMENTS...continued

Cash, Cash Equivalents and Short-Term Investments The total amount of the Authority's cash and cash equivalents at December 31, respectively, are as follows:

	2013	2012
Cash, including trust and custody agreements	$ 9,032,270	$ 4,706,583
Overnight repurchase agreements	-	5,329,733
MMDT	31,349,423	28,002,977
TOTAL	$ 40,381,693	$ 38,039,293

Cash and cash equivalents reported in the accompanying balance sheets as of December 31, respectively, are as follows:

	2013	2012
Current assets, cash and cash equivalents	$ 10,770,605	$ 9,694,323
Special-purpose restricted funds	29,611,088	28,344,970
TOTAL	$ 40,381,693	$ 38,039,293

6. PENSION PLANS

The Authority provides retirement benefits to its employees through various defined benefit and defined contribution pension plans.

Defined Benefit Pension Plans Sponsored by the Authority

Description of Plans

Nonunion Plan

The Authority has in effect a single employer, defined benefit pension plan established in 1968 for eligible nonunion employees (the "Nonunion Plan").

Administration of the Plan The Nonunion Plan is administered by the Authority. The Trustee, Principal Mutual Life Insurance Company, holds the investment securities of the Nonunion Plan and executes related transactions under custodial agreements with the Nonunion Plan and the Authority. Separate financial statements are not issued for the Nonunion Plan.

Participation and Vesting Employees not under collective bargaining agreements whose customary employment with the Authority is for at least 30 hours per week and are employed or expected to be employed on a year-round basis may participate in the Nonunion Plan.

Participants' benefits become fully vested after five years of service in the Nonunion Plan. Benefit payments are made to participants of the Nonunion Plan or their beneficiaries in varying amounts according to the provisions of the Nonunion Plan.

Plan Amendment and Termination The Nonunion Plan may be amended or terminated in whole or in part, at any time by the Authority, provided that no such modification, amendment, or termination shall be made that would deprive a current participant of rights or benefits provided under the Nonunion Plan.

Normal Retirement Benefits The normal form of retirement benefit is a monthly annuity payable for life with payments guaranteed for five years (optional forms of payment may be elected in advance of retirement), commencing on the normal retirement date. The normal retirement date for participants who joined the Nonunion Plan prior to March 1, 1992, is the earliest of (a) attainment of age 65 and completion of 20 years of service, (b) attainment of age 62 and completion of 25 years of service, or (c) attainment of age 60 and completion of 30 years of service. The amount of benefits is equal to 75% of average compensation for the last three years multiplied by an accrued benefit adjustment (as defined in the Nonunion Plan). The normal retirement date for participants who joined the Nonunion Plan on or after March 1, 1992, is the earliest of (a) attainment of age 65 and completion of five years of service, (b) attainment of age 62 and completion of 25 years of service, or (c) attainment of age 60 and completion of 30 years of service. The amount of benefits is equal to 2.5% of average compensation multiplied by years of service (maximum of 30 years). The normal retirement date for participants who join the Nonunion Plan on or after March 1, 2011, is the attainment of age 65 and completion of 10 years of service. The amount of benefits is equal to 2.0% of average compensation multiplied by years of service (maximum of 30 years). Average compensation is defined as average monthly pay received during the three-year period preceding the normal retirement date.

Participants in the Nonunion Plan prior to March 1, 1992, are entitled to a benefit based upon the greater of the benefits allowed under the plan as it existed prior to March 1, 1992 or the benefits allowed to participants who join on or after March 1, 1992.

As of March 1, 2002, the Nonunion Plan was amended to include an annual cost of living increase to participants receiving monthly payments under the Nonunion Plan. The cost of living increase is based on half of the percentage increase in the consumer price index from year to year with the aggregate cost of living increase not to exceed 50% of the value of the participant's benefit as of the annuity starting date.

As of March 1, 2011, the Nonunion Plan was amended to exclude an annual cost of living increase to participants receiving monthly payments under the Nonunion Plan who became participants on or after March 1, 2011. No lump sum optional benefit is available for participants who became participants on or after March 1, 2011.

Disability Benefits There are no disability benefits payable under the Nonunion Plan.

Early Retirement Benefits Early retirement benefits are in the same form as normal retirement benefits and commence on the early retirement date. The early retirement date must be within the 10-year period preceding the normal retirement date. Benefits are reduced for each year that the early retirement date precedes the normal retirement date.

Funding Policy and Annual Pension Cost (APC) The contribution requirements of members and the Authority are established by the Authority. Participants in the Nonunion Plan are required to make contributions equal to 3% of their monthly compensation. The Authority currently contributes 15% of annual covered payroll for the Nonunion Plan. The annual required contribution (ARC) for the current year was determined as part of the actuarial valuation as of March 1, 2013, for the Nonunion Plan, using the entry age normal-frozen initial liability method. The actuarial assumptions included (a) 6.75% investment rate of return for the Nonunion Plan, and (b) salary increases are assumed to vary by age according to Table S-5 from the Actuary's Pension Handbook, plus 1.75% per year until retirement for the Nonunion Plan. The actuarial value of assets was determined using market value adjusted by spreading the expected value minus the actual value over four years.

Annual Pension Cost and Net Pension Obligation The Authority's annual pension cost and net pension obligation for the current year, as determined by the actuarial valuations based upon the individual plan's year, were as follows:

NONUNION PLAN:	FEBRUARY 28, 2013	FEBRUARY 29, 2012
Annual required contribution (ARC)	$ 1,183,188	$ 948,441
Interest on net pension obligation	86,337	81,385
Adjustment to annual required contribution	(130,782)	(148,335)
Annual pension cost (APC)	1,138,743	881,491
Contributions made	757,045	736,787
Change in net pension obligation	(381,698)	(144,704)
Net pension obligation, beginning of year	(1,229,836)	(1,085,132)
Net pension obligation, end of year	**$ (1,611,534)**	$ (1,229,836)

THREE-YEAR TREND INFORMATION

FISCAL YEARS ENDED	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
NONUNION PLAN:			
February 28, 2011	$ 1,328,336	55%	$ 1,085,132
February 29, 2012	881,491	84	1,229,836
February 28, 2013	1,138,743	66	1,611,534

Funded Status and Funding Progress As of March 1, 2013, the most recent actuarial valuation date, the Nonunion Plan was 75.6% funded. The actuarial accrued liability (AAL) for benefits was $22,830,628 and the actuarial value of assets was $17,252,151, resulting in an unfunded actuarial accrued liability (UAAL) of $5,578,477. The covered payroll (annual payroll of active employees covered by the plan) was $4,013,205, and the ratio of the UAAL to the covered payroll was 139.0%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions In the March 1, 2013 actuarial valuation, the entry age normal-frozen initial liability actuarial cost method was used. The actuarial assumptions included (a) 6.75% investment rate of return (net of investment expenses), (b) projected salary increases from Table S-5 from the Actuary's Pension Handbook plus 1.75% per year, (c) cost of living adjustments of one-half of consumer price index for the prior calendar year, not to exceed 150% of original benefit, and (d) 5% adjusted for the rate adjustment for size and special charges, if applicable. The actuarial value of assets was determined using techniques that spread the expected value minus the actual value over a four-year period. The UAAL is being amortized as a level-dollar-closed period.

Licensed Deck Officers Plan

The Authority had in effect a single employer, defined benefit pension plan established in 1983 for the Authority's Licensed Deck Officers (the "L.D.O. Plan"). The L.D.O. Plan was terminated and merged into a multiemployer plan in December 2013.

Administration of the Plan The L.D.O. Plan is administered by the Authority. The Trustee, Principal Mutual Life Insurance Company, held the investment securities of the L.D.O. Plan and executed related transactions under custodial agreements with the L.D.O. Plan and the Authority. Separate financial statements are not issued for the L.D.O. Plan.

Participation and Vesting All licensed deck officers (captains, pilots, and mates) were eligible to participate in the L.D.O. Plan.

Participants' benefits became fully vested after five years of service in the L.D.O. Plan. Benefit payments are made to participants of the L.D.O. Plan or their beneficiaries in varying amounts according to the provisions of the L.D.O. Plan.

Plan Amendment and Termination The L.D.O. Plan may be amended or terminated in whole or in part, at any time by the Authority, provided that no such modification, amendment, or termination shall be made that would deprive a current participant of rights or benefits provided under the L.D.O. Plan. In December 2013 the L.D.O. Plan was terminated and the accrued benefits merged into a multiemployer plan.

Normal Retirement Benefits The normal form of retirement benefit is a monthly annuity payable for life (optional forms may be elected in advance of retirement), commencing on the normal retirement date. The normal retirement date is the later of age 65 or upon completion of five years of service. The amount of benefits is equal to the sum of $27.73 multiplied by credited service before January 1, 1975; $38.83 multiplied by credited service on and after January 1, 1975, and before January 1, 1979; $41.60 multiplied by credited service on and after January 1, 1979, and before January 1, 1981; $44.38 multiplied by credited service on and after January 1, 1981, and before January 1, 1985; and 1.93% of employer contributions on or after January 1, 1985.

Disability Benefits Participants who became disabled and have five years of credited service were eligible to receive disability benefits. Disability benefits are payable monthly until normal retirement, death, or recovery, and a deferred annuity is payable at the normal retirement date. Disability benefits are equal to accrued benefits at the date of disability.

Early Retirement Benefits Early retirement benefits are in the same form as normal retirement benefits and commence on the early retirement date. The early retirement date occurs at the attainment of age 55 and completion of 10 years of service. Benefits are reduced by one-half of 1% for each month the early retirement date precedes the attainment of age 65.

Funding Policy and Annual Pension Cost (APC) The contribution requirements of members and the Authority are established by the Authority and collective bargaining agreements. No employee contributions were required under the L.D.O. Plan. The Authority contributed $8 per day based on days assigned for the L.D.O. Plan. The annual required contribution (ARC) for the current year was determined as part of the actuarial valuation as of January 1, 2013 for the L.D.O. Plan, using the entry age normal-frozen initial liability method. The actuarial assumptions included (a) 7.0% investment rate of return for the L.D.O. Plan, and (b) no salary increases were assumed for the L.D.O. Plan as benefits are not based upon compensation. The actuarial value of assets was determined using market value adjusted by spreading the expected value minus the actual value over four years.

6. PENSION PLANS...continued
Defined Benefit Pension Plans Sponsored by the Authority...continued
L.D.O. Plan...continued

Annual Pension Cost and Net Pension Obligation The Authority's annual pension cost and net pension obligation for the current year, as determined by the actuarial valuations based upon the individual plan's year, were as follows:

L.D.O. PLAN	DECEMBER 31, 2012	DECEMBER 31, 2011
Annual required contribution (ARC)	$ 261,704	$ 209,734
Interest on net pension obligation	6,008	-
Adjustment to annual required contribution	(10,270)	-
Annual pension cost (APC)	257,442	209,734
Contributions made	119,144	123,904
Change in net pension obligation	(138,298)	(85,830)
Net pension obligation, beginning of year	(85,830)	-
Net pension obligation, end of year	**$ (224,128)**	$ (85,830)
Percentage of APC contributed	46%	59%

THREE-YEAR TREND INFORMATION

FISCAL YEARS ENDED	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
L.D.O. PLAN:			
December 31, 2010	$ 121,232	100%	$ -
December 31, 2011	209,734	59	85,830
December 31, 2012	257,442	46	224,128

Funded Status and Funding Progress As of January 1, 2013, the most recent actuarial valuation date, the L.D.O. Plan was 61.5% funded. The actuarial accrued liability for benefits was $6,647,012 and the actuarial value of assets was $4,085,267, resulting in an UAAL of $2,561,745. The covered payroll (annual payroll of active employees covered by the plan) was $3,450,690, and the ratio of the UAAL to the covered payroll was 74.2%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions In the January 1, 2013 actuarial valuation, the entry age normal-frozen initial liability actuarial cost method was used. The actuarial assumptions included (a) 7% investment rate of return (net of investment expenses), (b) no projected salary increases, (c) no adjustments for cost of living, and (d) expenses are deducted from the fund according to expense scales in the Service Agreement. The actuarial values of assets was determined using techniques that spread the expected value minus the actual value over a four-year period. The UAAL is being amortized as a level-dollar-closed period.

Defined Contribution Plans Sponsored by the Authority

Licensed Deck Officers Plan

The Authority also has a defined contribution plan for its licensed deck officers. Prior to July 27, 2013, the Authority was required to contribute an amount equal to 10.75% of base weekly earnings for each employee. Effective July 27, 2013, the Authority was required to contribute an amount equal to 7.50% of base weekly earnings for each employee. The Authority's required and actual contributions aggregated $324,950 and $371,218 for 2013 and 2012, respectively.

Administration of the Plan The Plan is administered by the Authority. The Trustee, Principal Mutual Life Insurance Company, holds the investment securities of the Plan and executes related transactions under custodial agreements with the Plan and the Authority.

Participation and Vesting All licensed deck officers (captains, pilots, and mates) are eligible to participate in the Plan. Participants are 100% vested at all times.

Employee Contributions No employee contributions are made under the Plan.

Parking Lot Employees & Shuttle Bus Drivers Plan

The Authority also has a defined contribution plan for its permanent parking lot employees/shuttle bus drivers. The Authority is required to contribute an amount equal to 5.5% of base weekly earnings for each permanent parking lot employee/shuttle bus driver prior to May 27, 2011. Effective May 28, 2011, the Authority is required to contribute an amount equal to 5.0% of base weekly earnings for each permanent parking lot employee/shuttle bus driver. The Authority's required and actual contributions for this plan aggregated $38,437 and $38,562 for 2013 and 2012, respectively.

Administration of the Plan The Plan is administered by the Authority. The Trustee, Wachovia Securities LLC, holds the investment securities of the Plan and executes related transactions under custodial agreements with the Plan and the Authority.

Participation and Vesting All permanent parking lot employees/shuttle bus drivers are eligible to participate in the Plan. Participants are 100% vested at all times.

Employee Contributions No employee contributions are made under the Plan.

6. PENSION PLANS...continued
Defined Contribution Plans Sponsored by the Authority...continued

Security Employees Plan

The Authority also has a defined contribution plan for its permanent security employees. The Authority is required to contribute an amount equal to 5% of base weekly earnings for each security employee. The Authority's required and actual contributions for this plan aggregated $16,310 and $15,439 for 2013 and 2012, respectively.

Administration of the Plan The Plan is administered by the Authority. The Trustee, Wachovia Securities LLC, holds the investment securities of the Plan and executes related transactions under custodial agreements with the Plan and the Authority.

Participation and Vesting All permanent security employees are eligible to participate in the Plan. Participants are 100% vested at all times.

Employee Contributions No employee contributions are made under the Plan.

Unlicensed Vessel Employees Plan

The Authority also has a defined contribution plan for its permanent unlicensed vessel employees. The Authority is required to contribute an amount equal to 10% of base weekly earnings effective April 15, 2000. Prior to that, the Authority was required to contribute an amount equal to 9% of base weekly earnings for the period April 17, 1999 through April 14, 2000; 7.5% from April 18, 1998 through April 16, 1999; and 6% through April 17, 1998. The Authority's required and actual contributions aggregate $694,240 and $734,710 for 2013 and 2012, respectively.

Administration of the Plan The Plan is administered by the Authority. The Trustee, Prudential Trust Company, holds the investment securities of the Plan and executes related transactions under custodial agreements with the Plan and the Authority.

Participation and Vesting All permanent unlicensed vessel employees are eligible to participate in the Plan. Participants are 100% vested at all times.

Employee Contributions No employee contributions are made under the Plan.

6. PENSION PLANS...continued
Defined Contribution Plans Sponsored by the Authority...continued

Multiemployer - Licensed Engineering Officers Plan

The Authority contributes to a multiemployer defined contribution plan for its licensed engineering officers. The Authority is required to contribute an amount equal to 10.667% of base weekly earnings for each employee on the permanent Chief Engineers roster as of August 1, 2008, and $12.50 per day for each engineering officer not on the permanent Chief Engineers roster as of August 1, 2008. In January 2012, the Authority discontinued contributing to the multiemployer defined contribution plan and instead began contributing to a multiemployer pension plan, administered by the Marine Engineers Beneficial Association Pension Trust at a rate of 11.7% of earnings. The Authority's required and actual contributions to the defined contribution plan aggregated $0, $31,620, and $209,308, for 2013, 2012, and 2011, respectively.

Administration of the Plan The Plan is administered by the Marine Engineers Beneficial Association Pension Trust, Trustee. The Trustee holds the investment securities of the Plan and executes related transactions under custodial agreements with the Plan.

Participation and Vesting All engineering officers (chief engineers, third assistant engineers) are eligible to participate in the Plan. Participants are 100% vested at all times.

Employee Contributions No employee contributions are made under the Plan.

Deferred Compensation Plan

The Authority has a deferred compensation plan, in accordance with Internal Revenue Code Section 457, available to all regular full-time employees. Under the terms of the plan, employees who wish to participate may have contributed up to a maximum of $17,500 in 2013 and $17,000 in 2012 of their annual compensation. The Authority did not contribute to the plan in 2013 or 2012.

Multiemployer Pension Plans

The Authority provides benefits to certain of its employees by making contributions to various multiemployer pension plans. Such plans are available to all full-time union employees not covered by the Authority's single employer pension plans, and their eligibility in the plans commences upon employment. Employees' benefits become fully vested upon completion of between five and fifteen years of vesting service, as defined in the Plans. The covered payroll of such employees was $11,938,747, $9,474,967 and $6,739,164 in 2013, 2012 and 2011, respectively.

Funding Policy The Authority makes contributions to the multiemployer plans annually based on the Plans' funding requirements. Generally, such funding requirements are based on specified contribution rates times employees' person-days and person-hours of service (as defined in the Plans). The Authority's contributions to the Plans met the contribution requirements in 2013, 2012, and 2011, and aggregated $2,002,854 (16.8% of covered payroll for employees participating in the Plans in 2013), $1,538,133 (16.2% of covered payroll for employees participating in the Plans in 2012), and $1,300,647 (19.3% of covered payroll for employees participating in the Plans in 2011).

In March 2011, the Steamship Authority entered into successor collective bargaining agreements, with Teamster Local 59, with respect to its maintenance employees and its agency and terminal employees. Terms of the agreements allow the Authority to withdraw from the New England Teamsters and Trucking Industry Pension Fund (the "Fund"). The agreements provide that the Authority shall fully satisfy its withdrawal liability to the Fund by making 300 monthly withdrawal liability payments, each in the amount of $83,333, beginning October 2011. In addition, the Authority will enter into the New England Teamsters and Trucking Industry Pension Fund "New Employer Pool". The Authority's participation in the New Employer Pool requires that any future withdrawal liability be computed by the Direct Attribution Method under terms of the Employee Retirement Income Security Act of 1974 (ERISA §4211). In 2013 and 2012, the Authority made payments totaling $1,000,000, respectively, towards the withdrawal liability. Pension withdrawal obligation is recorded in the Statements of Net Position using the present value of the obligation based upon incremental borrowing costs.

In October 2013, the Steamship Authority entered into successor collective bargaining agreement, with Teamster Local 59, with respect to its licensed deck officers. Terms of the agreement allow the Authority to terminate the single employer, defined benefit pension plan established for the licensed deck officers and to transfer the assets and liabilities to the New England Teamsters and Trucking Industry Pension Fund "New Employer Pool" (the "Fund"). The agreement provides that the Authority shall fully satisfy its merger liability to the Fund by making 300 monthly merger liability payments, each in the amount of $7,390, beginning January 2014. The Authority's participation in the New Employer Pool requires that any future withdrawal liability be computed by the Direct Attribution Method under terms of the Employee Retirement Income Security Act of 1974 (ERISA §4211). In December 2013, the Authority made a payment totaling $1,000,000 to settle, in full, its obligation associated with the merger obligation. As this transaction is unusual in nature and within the control of management it is reported as a "Special Item" in the Statements of Revenues, Expenses and Changes in Net Position.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description In addition to the pension benefits described in Note 6, the Authority provides postemployment health care benefits for eligible employees who render at least 20 years of service and attain age 62 while in service until the employee is eligible for Medicare. The benefits, benefit level, employee contributions, and employer contributions are governed by the Authority and collective bargaining agreements. As of December 31, 2012, the actuarial valuation date, approximately 271 active employees and 5 retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

Benefits Provided Medical coverage, excluding dental, under the group health insurance plan for regular full-time nonunion employees, licensed deck officers, and unlicensed vessel personnel with 20 or more years of service who retire after reaching age 62 will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period provided that the employee pay 50% of the enrollment cost as established annually by the Plan administrator. Once the retired employee is entitled to Medicare, health care coverage for the employee's spouse will continue as provided for under COBRA, provided that the employee pay 100% of the enrollment costs as established annually by the Plan administrator.

Funding Policy Effective January 1, 2011, the unlicensed vessel retired employee must pay 10% of the enrollment cost (the "working rate") as established annually by the Plan administrator. Effective January 1, 2013, the nonunion retired employee must pay 20% of the enrollment cost (the "working rate") as established annually by the Plan administrator. Effective July 27, 2013, the licensed deck officer retired employee must pay 20% of the enrollment cost (the "working rate") as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)...continued

Annual OPEB Costs and Net OPEB Obligation The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The components of the Authority's annual OPEB cost for the years ended December 31, 2013 and 2012, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation based on an actuarial valuation as of December 31, are as follows:

	2013	2012
Annual required contribution (ARC)	$ 187,260	$ 178,167
ARC adjustment	29,730	25,877
Interest on net OPEB obligation	(28,402)	(24,720)
Annual OPEB cost	188,588	179,324
Contributions made	(65,769)	(82,984)
Increase in net OPEB obligation	122,819	96,340
Net OPEB obligation, beginning of year	743,255	646,915
Net OPEB obligation, end of year	**$ 866,074**	$ 743,255

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 are as follows:

THREE-YEAR TREND INFORMATION

FISCAL YEARS ENDED	ANNUAL OPEB COST	PERCENTAGE ANNUAL OPEB CONTRIBUTION	NET OPEB OBLIGATION
December 31, 2011	$ 208,405	40.3%	$ 646,915
December 31, 2012	179,324	46.3	743,255
December 31, 2013	188,588	34.9	866,074

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2012, was as follows:

Actuarial accrued liability (AAL)	$ 2,130,447
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 2,130,447
Funded ratio (actuarial value of plan assets/AAL)	- %
Covered payroll (active plan members)	$ 17,170,992
UAAL as a percentage of covered payroll	12.4%

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 health care 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 that shows 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 plan as understood by the Authority and 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit method was used. The actuarial value of assets was not determined as the Authority has not funded its obligation in advance. The actuarial assumptions included a 4.0% investment rate of return and an annual health care cost trend rate of 7.0% initially, reduced by 0.5% per year to an ultimate rate of 5.0% after four years. Both rates include a 3.0% general inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

8. COMMITMENTS

Construction in progress at December 31, 2013 consisted of expenditures by the Authority for various construction projects, which management expects will be completed in the years 2014 and 2015. At December 31, 2013, remaining construction commitments for these projects aggregated $4,307,014. In addition, dry-docking and overhaul commitments for vessels aggregated $914,567.

In October 2009, the Authority entered into a Purchase and Sale Agreement with Four Stones LLC for the purchase of four properties located in Falmouth, Massachusetts. As of December 31, 2013 the parties have finalized the transfer of three of these properties and the Authority is responsible for a balance of $3,415,191 on the remaining property.

9. CONTINGENCIES

In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse effect on the Authority's financial position.

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance for these risks, except for those risks identified in the following paragraph, which the Authority accounts for in accrued expenses.

Group Health The Authority has chosen to establish a risk financing fund for risks associated with the employees' health insurance plan. The total charge is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are recorded as a component of accounts payable in the Authority's statement of net position. Claim liabilities are calculated based on recent claim settlement trends, including frequency and amount of pay-outs. The calculation includes a weighted-three-year-average of claims paid by group with an adjustment made to claims to account for increases in medical cost based on the Consumer Price Index — Medical ("CPI-Med"). The Authority carries stop-loss insurance on individual medical claims in excess of $150,000 per person and approximately $6,700,000 in the aggregate, up to a maximum aggregate benefit payment of $1,000,000 per person per year. An analysis of claims activities is presented below:

	2013	2012
Liability, January 1	$ 925,541	$ 729,532
Current-year charges and changes in estimate	5,034,161	4,974,046
Actual claims paid	(5,126,930)	(4,778,037)
Liability, December 31	**$ 832,772**	$ 925,541

Such amounts are recorded as a component of current liabilities in the statements of net position.

11. HEDGE PROGRAM

The Authority manages a fuel oil hedging program, which is intended to take advantage of market conditions to cap fuel expense. The objectives of the program are to (1) identify exposure to movements in energy prices, (2) understand the impact to the Authority's financial position, (3) employ all reasonable and prudent measures to mitigate the impact of price movements, and (4) manage the volatility of energy costs to acceptable levels. The hedge program attempts to transform the unacceptable risks of skyrocketing energy prices into an acceptable form, similar to an insurance policy.

The Steamship Authority's hedging program operates under a non-speculative philosophy and transactions are limited to expected energy volumes anticipated in the normal course of operations. The Authority's hedging strategy may include fixed-price swaps, collars, or caps. The program is designed to allow the Authority to benefit from prices that fall below the cap while offering some protection that pricing will not exceed the cap price.

As of December 31, 2013, the Authority had executed hedging transactions for 1,596,000 gallons of fuel out of the approximate 2,850,000 gallons of fuel which is expected to be used in 2014. The cost of these call options totaled $303,069. As the Authority's hedging is for fuel oil used in the operation of its vessels and the monthly call options are for quantities lower than the quantities reasonably expected to be consumed, these activities would be subject to the exclusion provided for in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and not required to be reported as derivative instruments.

12. RESTATEMENT OF BALANCES

The Authority restated its fiscal year 2012 beginning net position by $414,158 due to the implementation of the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Deferred bond issuance costs of $414,158 were retroactively fully amortized.

13. SUBSEQUENT EVENTS

The Authority evaluated subsequent events through March 31, 2014, when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

SCHEDULE OF FUNDING PROGRESS OF THE WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

PENSION PLANS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2013 AND 2012

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY ("AAL")	(3) UNFUNDED AAL ("UAAL") (2) MINUS (1)	(4) FUNDED RATIO (1) DIVIDED BY (2)	(5) COVERED PAYROLL	(6) UAAL AS A PERCENTAGE OF COVERED PAYROLL (3) DIVIDED BY (5)
NONUNION PLAN:						
March 1, 2004	$ 9,569,680	$ 11,433,369	$ 1,863,689	83.7%	$ 3,208,251	58.1%
March 1, 2005	10,441,374	12,911,237	2,469,863	80.9	3,291,315	75.0
March 1, 2006	11,094,694	14,046,302	2,951,608	79.0	3,622,566	81.5
March 1, 2007	12,221,252	14,829,791	2,608,539	82.4	3,854,169	67.7
March 1, 2008	12,422,133	15,869,358	3,447,225	78.3	4,136,517	83.3
March 1, 2009	10,338,427	17,219,930	6,881,503	60.0	4,364,363	157.7
March 1, 2010	13,169,377	20,442,913	7,273,536	64.4	4,468,181	162.8
March 1, 2011	13,749,726	18,502,026	4,752,300	74.3	4,454,583	106.7
March 1, 2012	14,418,382	20,657,993	6,239,611	69.8	4,286,564	145.6
March 1, 2013	17,252,151	22,830,628	5,578,477	75.6	4,013,205	139.0
L.D.O. PLAN:						
January 1, 2004	$ 2,688,394	$ 3,126,784	$ 438,390	86.0%	$ 3,609,077	12.1%
January 1, 2005	2,880,347	3,550,762	670,415	81.1	3,373,897	19.9
January 1, 2006	3,103,262	3,772,488	669,226	82.3	3,324,570	20.1
January 1, 2007	3,401,689	3,935,324	533,635	86.4	3,468,462	15.4
January 1, 2008	3,657,703	4,188,039	530,336	87.3	3,500,821	15.1
January 1, 2009	3,369,816	4,432,975	1,063,159	76.0	3,576,029	29.7
January 1, 2010	3,656,704	4,718,617	1,061,913	77.5	3,446,844	30.8
January 1, 2011	3,713,830	5,182,033	1,468,203	71.7	3,450,630	42.5
January 1, 2012	3,763,704	5,615,834	1,852,130	67.0	3,543,094	52.3
January 1, 2013	4,085,267	6,647,012	2,561,745	61.5	3,450,690	74.2

L.D.O. Plan merged December 2, 2013 into New England Teamsters and Trucking Industry Pension Fund.

SCHEDULE OF FUNDING PROGRESS OF THE WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

OTHER POSTEMPLOYMENT BENEFIT PLAN (UNAUDITED)
YEARS ENDED DECEMBER 31, 2012, 2010 AND 2008

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY (AAL)	(3) UNFUNDED AAL (UAAL)	(4) FUNDED RATIO	(5) COVERED PAYROLL	(6) UAAL AS A PERCENTAGE OF COVERED PAYROLL
			(2) MINUS (1)	(1) DIVIDED BY (2)		(3) DIVIDED BY (5)
December 31, 2008	$ -	$ 1,981,264	$ 1,981,264	0.0%	$ 16,639,010	11.9%
December 31, 2010	-	2,152,225	2,152,225	0.0	16,305,706	13.2
December 31, 2012	-	2,130,447	2,130,447	0.0	17,170,992	12.4

The Steamship Authority
SteamshipAuthority.com
P.O. BOX 284 • WOODS HOLE, MA 02543