

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Financial Statements
and
Required Supplementary Information

Years Ended December 31, 2020 and 2019

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2020 and 2019

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RSM US LLP

Independent Auditor's Report

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 business-type activities, and fiduciary activities of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the Authority), as of and for the years ended December 31, 2020 and 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial position of the business-type activities and fiduciary activities of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, as of December 31, 2020 and 2019 and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America (GAAP) require that the *Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios of the Woods Hole, Schedule of Employer Contributions to the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority Pension Plan, Schedule of Employer Contributions to the Multiemployer Pension Plan, Schedule of Total OPEB Liability and Related Ratios of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, and Notes to Required Supplementary Information* 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.

RSM US LLP

Boston, Massachusetts

April 28, 2021

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

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, 2020 and 2019. The Steamship Authority is a public instrumentality created by the legislature of the Commonwealth of Massachusetts (the Commonwealth) under Chapter 701 of the Acts of 1960, as amended (the Act), "in order to provide adequate transportation of persons and necessities 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. After the adoption of Government Accounting Standards Board (GASB) Statement No. 84 in the fiscal year 2020, its financial statements consist of those required for enterprise funds, non-union pension fiduciary fund 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 (RSI) pertaining to the pension plans and the other postemployment benefit plan (OPEB) 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 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 equivalent 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.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The basic financial statements can be found on pages 25-60 of this report. In addition to the basic financial statements and accompanying notes, this report also presents certain RSI. RSI contains data related to the Authority's defined benefit pension plan, OPEB plan provided to its employees, and contributions made to the multiemployer plans. The RSI can be found on pages 61-65 of this report.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

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, are as follows:

	2020	2019	2018
Current assets	\$ 19,396,899	\$ 19,400,733	\$ 20,154,172
Special-purpose restricted funds	32,161,486	22,165,378	35,430,444
Capital assets, net	213,671,051	208,771,625	199,672,741
Other noncurrent assets	<u>239,862</u>	<u>-</u>	<u>-</u>
Total assets	<u>265,469,298</u>	<u>250,337,736</u>	<u>255,257,357</u>
Deferred outflows of resources	<u>7,561,781</u>	<u>4,340,859</u>	<u>3,773,696</u>
Total assets and deferred outflows of resources	<u>\$ 273,031,079</u>	<u>\$ 254,678,595</u>	<u>\$ 259,031,053</u>
Current liabilities	\$ 17,019,866	\$ 15,512,995	\$ 14,532,652
Liabilities payable from special-purpose restricted funds	9,013,346	8,640,774	8,381,097
Noncurrent liabilities	<u>116,269,355</u>	<u>102,628,911</u>	<u>109,941,031</u>
Total liabilities	<u>142,302,567</u>	<u>126,782,680</u>	<u>132,854,780</u>
Deferred inflows of resources	<u>1,262,408</u>	<u>936,518</u>	<u>1,259,046</u>
Net position:			
Net investment in capital assets	130,949,143	128,242,237	118,463,899
Restricted	23,068,633	20,539,513	25,726,106
Unrestricted deficit	<u>(24,551,672)</u>	<u>(21,822,353)</u>	<u>(19,272,778)</u>
Total net position	<u>129,466,104</u>	<u>126,959,397</u>	<u>124,917,227</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 273,031,079</u>	<u>\$ 254,678,595</u>	<u>\$ 259,031,053</u>
Operating (loss) income:			
Total operating revenues	\$ 97,880,974	\$ 110,673,583	\$ 104,806,611
Total operating (expenses)	<u>(108,635,362)</u>	<u>(110,995,500)</u>	<u>(104,546,098)</u>
Operating (loss) income	<u>(10,754,388)</u>	<u>(321,917)</u>	<u>260,513</u>
Nonoperating revenues (expenses):			
Interest on bonds and other obligations	(935,766)	(2,300,560)	(2,045,766)
Income from special-purpose restricted funds	137,379	476,385	524,661
Miscellaneous revenue	1,085,396	2,762,553	2,361,590
Miscellaneous expense	<u>(318,267)</u>	<u>(26,929)</u>	<u>(820,951)</u>
Nonoperating revenues (expenses)	<u>(31,258)</u>	<u>911,449</u>	<u>19,534</u>
(Loss) income before grants and contributions	(10,785,646)	589,532	280,047
Grants and contributions	13,292,353	1,452,638	407,050
Change in net position	2,506,707	2,042,170	687,097
Net position—beginning of year	<u>126,959,397</u>	<u>124,917,227</u>	<u>124,230,130</u>
Net position—end of year	<u>\$ 129,466,104</u>	<u>\$ 126,959,397</u>	<u>\$ 124,917,227</u>

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS

Comparison of Financial Condition at December 31, 2020 and 2019

The Authority's operations in 2020 were significantly impacted by the coronavirus pandemic due to the national shutdown, stay at home orders and social distancing requirements. The number of trucks, automobiles and passengers carried in 2020 all decreased from the prior year. As a result of the decrease in ridership, the corresponding revenues categories decreased as well. The Authority implemented cost savings measures such as reducing the level of service that was provided and employee furloughs in an effort to mitigate the pandemic's effect. The Authority also incurred additional expenses directly related to the pandemic such as wellness screenings for the vessel crew, additional cleaning supplies, personal protective equipment and costs associated with the Families First Coronavirus Response Act. The Authority received approximately \$9.9 million from the Coronavirus Aid, Relief, and Economic Security (CARES Act) to help offset the impacts of the pandemic.

The Authority's total assets and liabilities were \$265,469,298 and \$142,302,567, respectively, as of December 31, 2020, as compared to \$250,337,736 and \$126,782,680, respectively, at December 31, 2019. The Authority's deferred outflows of resources were \$7,561,781 and \$4,340,859, for the years ended December 31, 2020 and 2019, respectively. The Authority's deferred inflows of resources were \$1,262,408 and \$936,518, for the years ended December 31, 2020 and 2019, respectively. The net position as of December 31, 2020, was \$129,466,104, a 2.0% increase from the prior fiscal year-end.

The increase in total net position was \$2,506,707 for the year ended December 31, 2020, up \$464,537 from the \$2,042,170 in total net position posted in 2019. Loss before grants and contributions in 2020 was \$11,375,178, or 1930% greater, when compared to the prior year.

The decrease in loss/income before grants and contributions was attributed to a \$12,792,609, or 11.6% decrease in the Authority's operating revenue, offset by a \$2,360,138 or 2.1% decrease in the Authority's operating expense, and the net impact of changes in interest on bonds and other obligations, miscellaneous revenue and expenses. These changes are discussed in greater detail in the following sections.

During 2020, the Steamship Authority was awarded grants under the Federal Transit Administration (FTA) the CARES Act and Port Security Grant Program. These awards are recorded under the heading grants and contributions in the statements of revenues, expenses and changes in net position.

Operating Revenues

The Steamship Authority's total operating revenues in 2020 were \$97,880,974. Total operating revenues decreased by \$12,792,609 or 11.6% for the year ended December 31, 2020.

The number of passengers carried decreased by 937,135 or 31.2% in 2020 from 2019. Ridership on the conventional service decreased by 773,066 riders or 28.7%, while passenger traffic carried on the M/V Iyanough decreased by 164,069 passengers or 53.3% for the year as compared to 2019. In addition, the average revenue per passenger decreased from \$10.30 in 2019 to \$10.07 in 2020, due mostly to the decrease in riders on the high-speed service. Total passenger revenues in 2020 were \$20,826,121, a decrease of 32.7% versus the previous year.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

Operating Revenues...continued

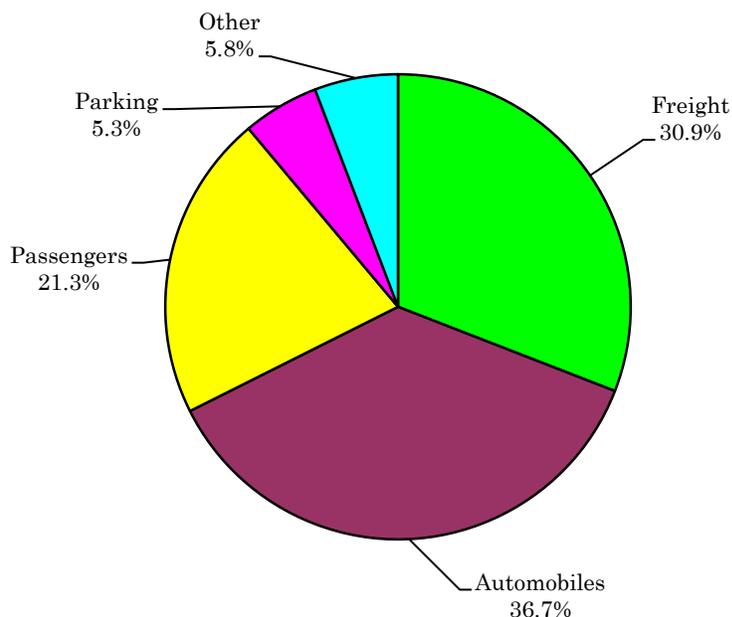
The number of automobiles carried decreased by 44,734 or 9.3% in 2020 versus 2019. The average revenue per automobile increased from \$68.88 in 2019 to \$82.68 in 2020, due in part to rate increases for standard and excursion fared automobiles, as well as the mix between standard and excursion fared automobiles. Total automobile revenues in 2020 were \$35,903,494, an increase of 8.8% versus the previous year.

The number of trucks carried decreased by 20,807 or 10.7% in 2020 from 2019 traffic levels. The average revenue per truck increased from \$166.97 in 2019 to \$173.57 during 2020, due in part to rate increases for trucks under 20 feet in length and over 65 feet in length. Total freight revenues in 2020 were \$30,292,115, a decrease of 7.1% versus the previous year.

Parking revenue in 2020 decreased by \$1,945,509 from 2019. The total number of cars parked decreased by 69,574 or 40.3% versus 2019. Total parking revenues in 2020 were \$5,212,586, a decrease of 27.2% versus the previous year.

Other miscellaneous operating revenues decreased by \$1,326,004 or 19.0% in 2020, primarily due to decreases in license fees and concession fees.

The major sources of operating revenues for the year ended December 31, 2020, were as follows:



Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

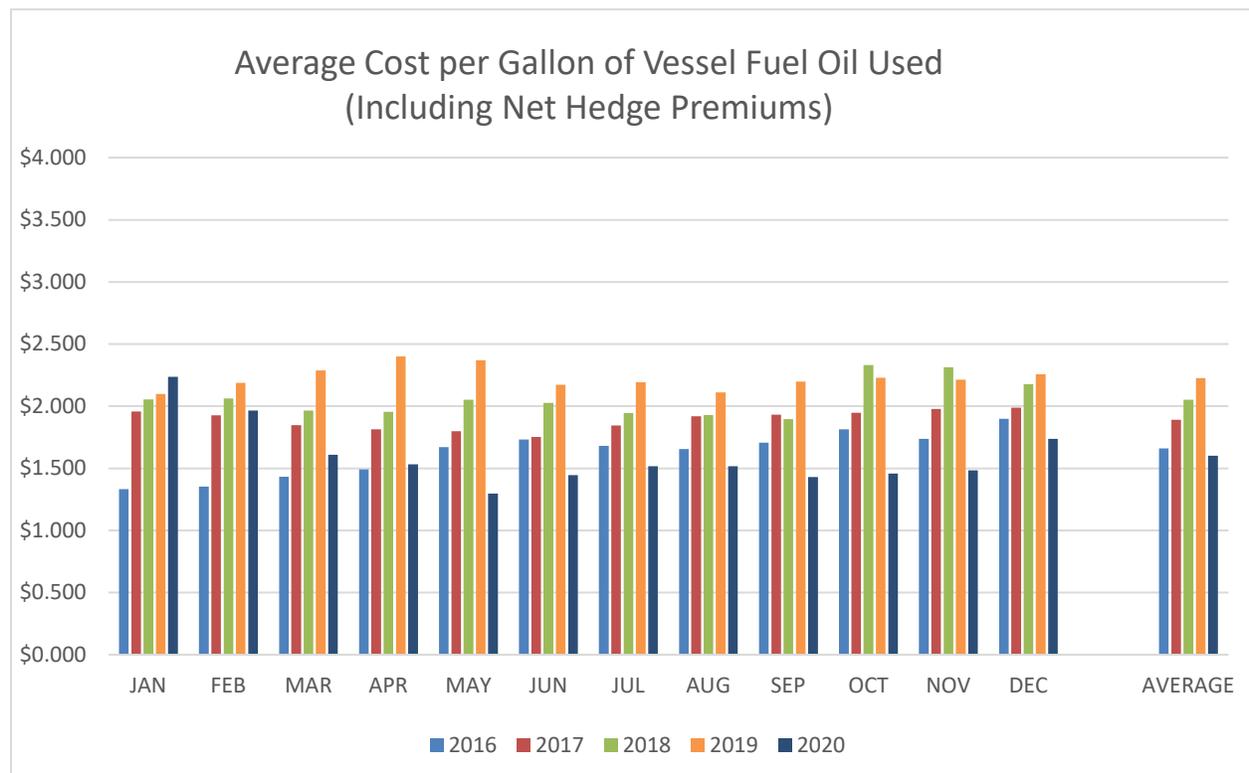
Operating Expenses

The Authority's total operating expenses in 2020 were \$108,635,362; in 2019, total operating expenses were \$110,995,500. Total operating expenses in 2020 were \$2,360,138, or 2.1% lower than the previous year. Decreases in wages and benefits, fuel oil, advertising and utilities expenses were offset by increases in maintenance costs, depreciation expense and insurance, compared to the prior year.

Maintenance expense increased in 2020 versus 2019 by \$4,543,613, or 23.5%. The increase was primarily attributable to vessel dry-dock expense increases of \$5,739,410; increases in engine parts expense of \$625,096; dolphin and dock repairs expense increases of \$1,109,626; decreases in vessel overhaul expenses of \$1,387,227; decreases in terminal, equipment, and vehicle repairs of \$551,930; decreases in miscellaneous maintenance expense of \$112,616; and decreases in maintenance payroll expenses of \$788,604.

Depreciation and amortization expense increased in 2020 versus 2019 by \$342,186 or 2.7%. The increase is attributable to the addition of new computer servers and network equipment, vessel equipment, new accounting system and the second phase of the Woods Hole Marine Project.

Vessel operating expenses decreased by \$4,098,295 or 15.7% versus 2019 expenses. Vessel payroll expense in 2020 decreased by \$1,234,585 or 7.1% versus 2019 payroll expense. Vessel fuel oil expense of \$4,472,036 was \$2,632,531 or 37.1% lower in 2020 than in 2019. The average cost per gallon of fuel used operating, including hedge costs, in 2020 was \$1.602, which represents a decrease of 28.0% over the average cost per gallon of fuel used operating in 2019 of \$2.226. In 2020, the Steamship Authority's vessels consumed approximately 2,847,000 gallons of fuel, a decrease of 9.9% versus 2019.



Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Management's Discussion and Analysis (Unaudited)
 Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

Operating Expenses...continued

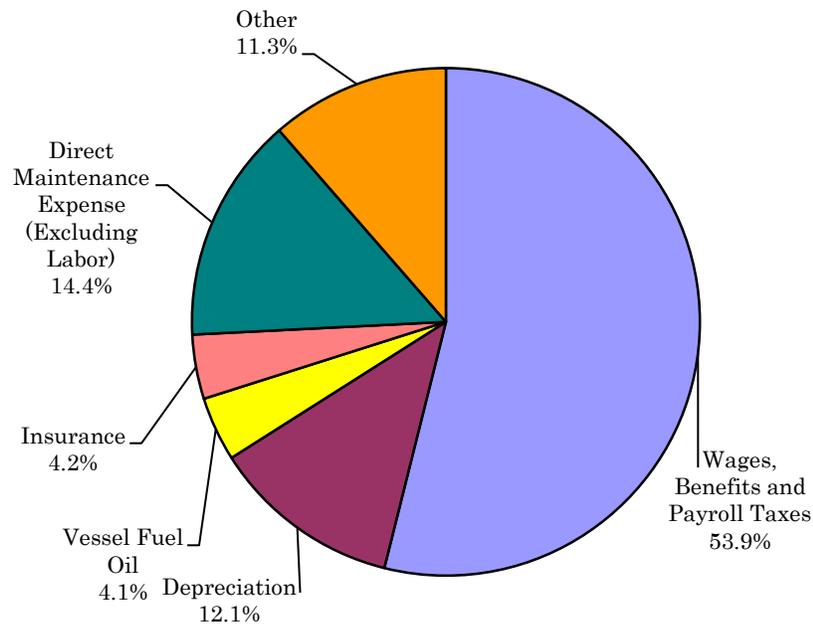
During 2020, the Authority operated 21,423 vessel trips, which represented a decrease of 2,521 trips, or 10.5% versus 2019.

Expenses related to terminal operations decreased in 2020 versus 2019 by \$1,735,628 or 13.6%. This decrease was primarily attributed to a \$1,550,666 decrease in payroll costs, a decrease in miscellaneous terminal expenses of \$118,656, and a decrease in other terminal expenses of \$111,311.

Expenses to operate reservations and customer service decreased in 2020 versus 2019 by \$1,250,030 or 42.4%. This decrease was primarily attributed to lower advertising expense of \$918,697, lower payroll expense of \$162,788; and a decrease in other traffic expenses of \$168,546.

General and administrative expense in 2020 decreased by \$161,984 or 0.4% versus 2019. In 2020, administration payroll expense decreased by \$252,075 or 5.8% versus 2019. Overall pension expense increased by \$727,881 or 7.7% versus 2019. Health care costs, principally for the self-funded groups, decreased by \$299,000 or 3.0%; payroll taxes decreased by \$218,008 or 7.6% versus 2019; while credit card processing expenses decreased by \$31,360 or 1.4% versus the prior year.

The major sources of operating expenses for the year ended December 31, 2020, were as follows:

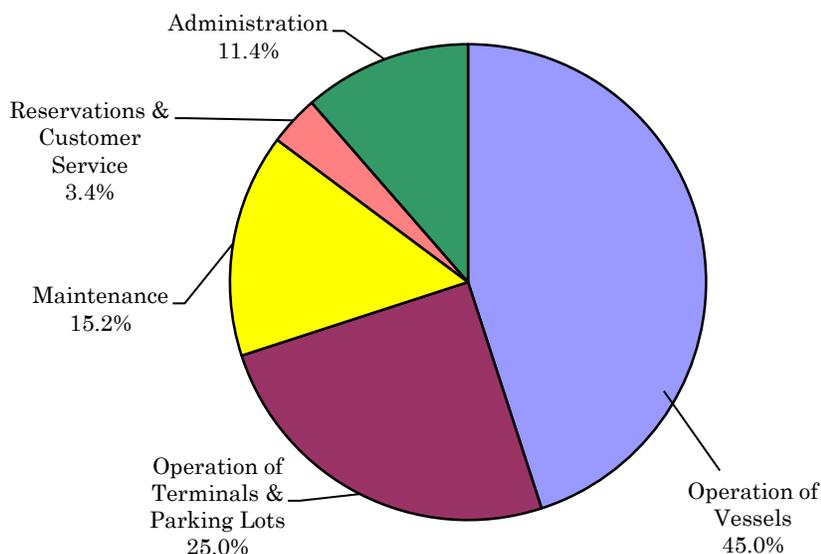


Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Management's Discussion and Analysis (Unaudited)
 Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

Operating Expenses...continued

53.9% of the Authority's operating expenses in 2020 were attributed to wages and the cost of employee benefits. The Authority's payroll in 2020 was distributed to the following functions:



Nonoperating (Expenses) Revenues

The Authority's total nonoperating expenses in 2020 were \$31,258 which was a decrease of \$942,707 or 103% over the total nonoperating revenues of \$911,449 in 2019. Expenses for interest on bonds and other obligations of \$935,766 in 2020 was a decrease of \$1,364,794 over the \$2,300,560 in 2019. Income from special-purpose restricted funds of \$137,379 in 2020 was a decrease of \$339,006 over the \$476,385 in 2019. Miscellaneous revenue of \$1,085,396 in 2020 decreased by \$1,677,157 over 2019, due mostly to a decrease in license income and interest income. In 2020, license income was \$986,273 compared to \$2,516,899 in 2019, a decrease of \$1,530,626, as example. Miscellaneous expenses in 2020 increased by \$291,338 as compared to 2019 primarily due to a loss on the sale of property and an increase in the amortization of long-term debt.

During 2020, the Steamship Authority was awarded grants under the FTA, the CARES Act, and Port Security Grant Program. These awards are recorded under the heading grants and contributions in the statements of revenues, expenses and changes in net position.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

Comparison of Financial Condition at December 31, 2019 and 2018

The Authority's total assets and liabilities were \$250,337,736 and \$126,782,680, respectively, as of December 31, 2019, as compared to \$255,257,357 and \$132,854,780, respectively, at December 31, 2018. The Authority's deferred outflows of resources were \$4,340,859 and \$3,773,696, for the years ended December 31, 2019 and 2018, respectively. The Authority's deferred inflows of resources were \$936,518 and \$873,089, for the years ended December 31, 2019 and 2018, respectively. The net position as of December 31, 2019, was \$126,959,397, a 1.6% increase from the prior fiscal year-end.

The increase in total net position was \$2,042,170 for the year ended December 31, 2019, up \$1,355,073 from the \$687,097 increase in total net position posted in 2018. Income before capital grants and contributions and income from special-purpose restricted funds in 2019 increased \$357,761, or 146.3%, compared to the prior year.

The increase in income before capital grants and contributions was attributed to a \$5,886,972, or 5.6% increase in the Authority's operating revenue, offset by a \$6,449,402 increase in the Authority's operating expense, and the net impact of changes in interest on bonds and other obligations, miscellaneous revenue and expenses. These changes are discussed in greater detail in the following sections.

During 2019, the Steamship Authority was awarded grants under the Port Security Grant 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 2019 were \$110,673,583. Total operating revenues increased by \$5,866,972 or 5.6% for the year ended December 31, 2019.

The number of passengers carried decreased by 50,911 or 1.7% in 2019 from 2018. Ridership on the conventional service decreased by 14,949 riders or 0.6%, while passenger traffic carried on the M/V Iyanough decreased by 35,962 passengers or 10.5% for the year as compared to 2018. In addition, the average revenue per passenger decreased from \$10.68 in 2018 to \$10.30 in 2019, due mostly to the decrease in riders on the high-speed service. Total passenger revenues in 2019 were \$30,938,007, a decrease of 5.2% versus the previous year.

The number of automobiles carried decreased by 4,057 or 0.8% in 2019 versus 2018. The average revenue per automobile increased from \$62.05 in 2018 to \$68.88 in 2019, due in part to rate increases for standard fared automobiles. Total automobile revenues in 2019 were \$32,991,829, an increase of 10.1% versus the previous year.

The number of trucks carried increased by 4,771 or 2.5% in 2019 from 2018 traffic levels. The average revenue per truck increased from \$151.43 in 2018 to \$166.97 during 2019, due in part to an overall increase in trucks carried to Nantucket and Martha's Vineyard as well as rate increases for trucks over 20 feet in length. Total freight revenues in 2019 were \$32,612,990, an increase of 13.0% versus the previous year.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

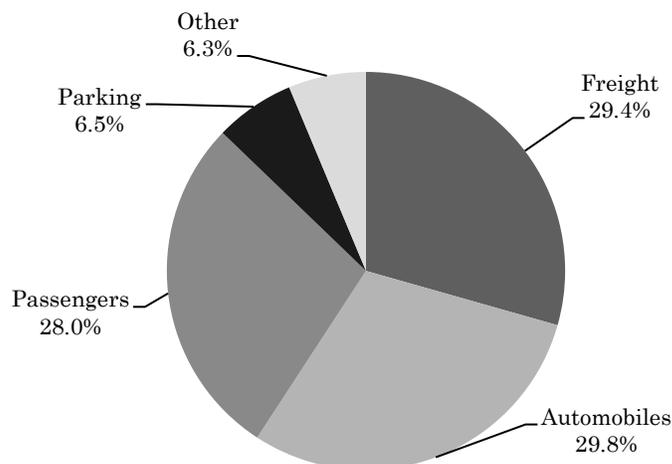
FINANCIAL ANALYSIS...continued

Operating Revenues...continued

Parking revenue in 2019 increased by \$41,722 from 2018, primarily as a result of a rate increase during the summer season at the Falmouth area lots. The total number of cars parked decreased by 9,200 or 5.1% versus 2018. Total parking revenues in 2019 were \$7,158,095, an increase of 0.6% versus the previous year.

Other miscellaneous operating revenues increased by \$749,257 or 12.0% in 2019, primarily due to increases in cancellation penalties.

The major sources of operating revenues for the year ended December 31, 2019, were as follows:



Operating Expenses

The Authority's total operating expenses in 2019 were \$110,995,500; in 2018, total operating expenses were \$104,546,098. Total operating expenses in 2019 were \$6,449,402, or 6.2% higher than the previous year. Decreases in maintenance expenses and utilities expenses were offset by higher wages and benefits, vessel fuel oil costs, depreciation expense, insurance, and other expense, compared to the prior year.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

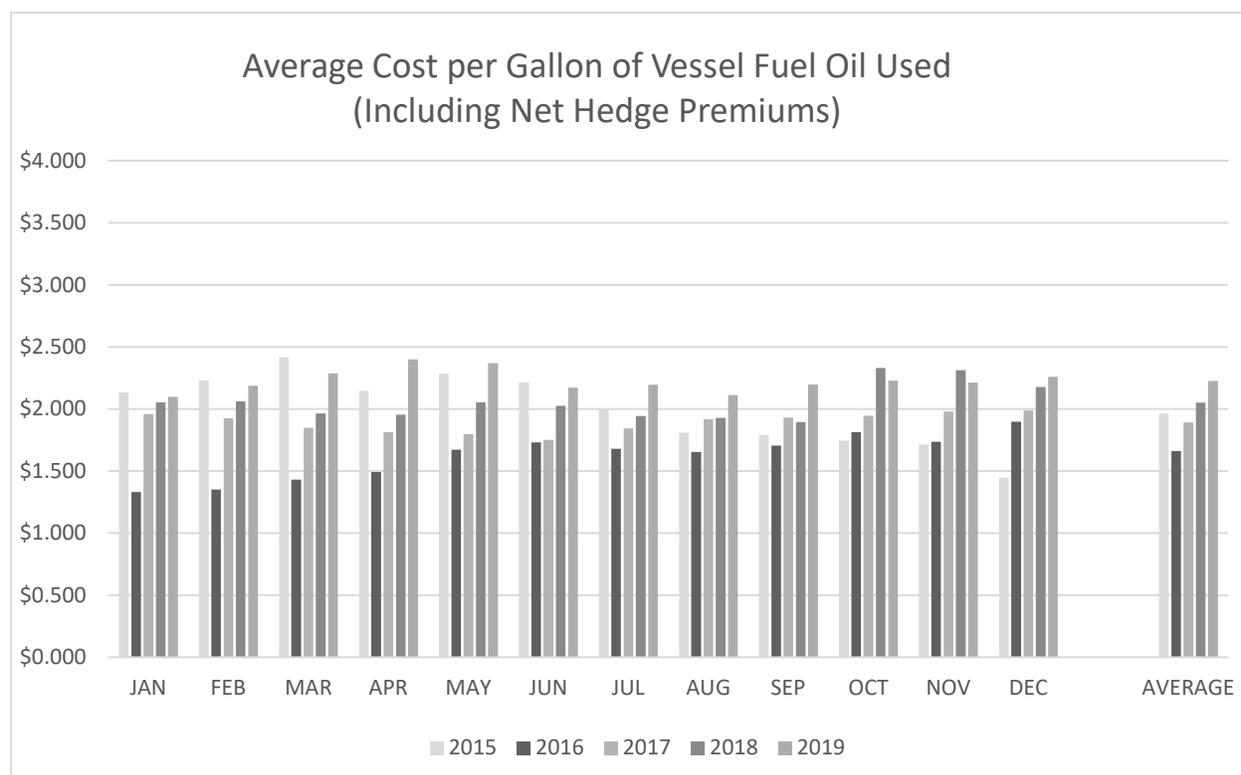
FINANCIAL ANALYSIS...continued

Operating Expenses...continued

Maintenance expense decreased in 2019 versus 2018 by \$732,062, or 3.6%. The decrease was primarily attributable to vessel dry-dock expense decreases of \$2,219,560; increases in vessel overhaul expenses of \$669,543; increases in engine parts expense of \$524,248; dolphin and dock repairs expense decreases of \$839,488; and increases in maintenance payroll expenses of \$985,809.

Depreciation and amortization expense increased in 2019 versus 2018 by \$1,325,257 or 11.5%. The increase is attributable to the addition of the Woods Hole and Vineyard Haven Sewer Pump Out projects and the first phase of the Woods Hole Marine Project.

Vessel operating expenses increased by \$2,331,778 or 9.8% versus 2018 expenses. Vessel payroll expense in 2019 increased by \$1,504,253 or 9.4% versus 2018 payroll expense. Vessel fuel oil expense of \$7,104,567 was \$611,508 or 9.4% higher in 2019 than in 2018. The average cost per gallon of fuel used operating, including hedge costs, in 2019 was \$2.226, which represents an increase of 17.7% over the average cost per gallon of fuel used operating in 2018 of \$2.052. In 2019, the Steamship Authority's vessels consumed approximately 3,161,000 gallons of fuel, a decrease of 0.1% versus 2018.



During 2019, the Authority operated 23,944 vessel trips, which represented a decrease of 53 trips, or 0.2% versus 2018.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

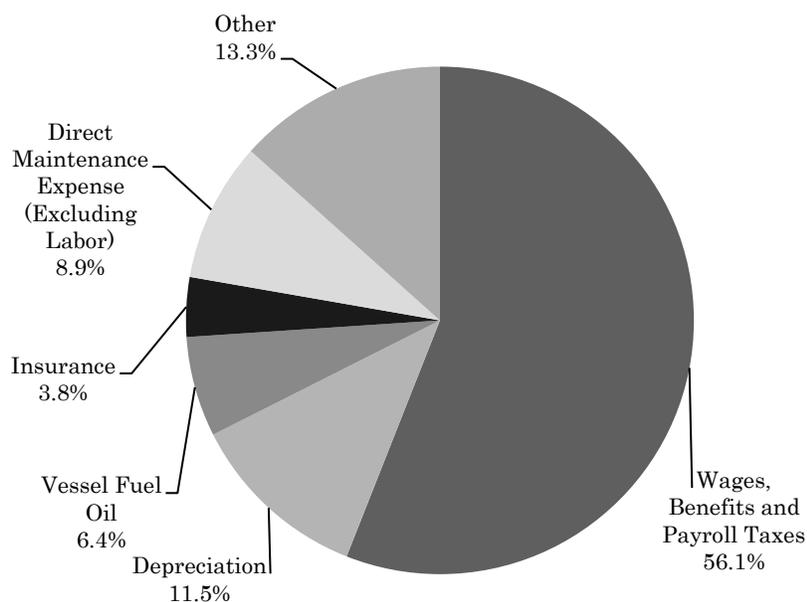
Operating Expenses...continued

Expenses related to terminal operations increased in 2019 versus 2018 by \$145,289 or 1.2%. This increase was primarily attributed to a 4.5% or \$455,366 increase in payroll costs, a decrease in miscellaneous terminal expenses of \$160,355 and a \$137,117 decrease in police services.

Expenses to operate reservations and customer service decreased in 2019 versus 2018 by \$55,234 or 1.8%. This decrease was primarily attributed to lower telephone expense of \$19,311 or 22.6% and lower advertising expense of \$30,030 or 2.3%.

General and administrative expense in 2019 increased by \$3,434,374 or 10.2% versus 2018. In 2019, administration payroll expense increased by \$500,833 or 12.9% versus 2018. Overall pension expense increased by \$788,798 or 9.1% versus 2018. Health care costs, principally for the self-funded groups, increased by \$1,495,366 or 17.7%; payroll taxes increased by \$207,726 or 7.8% versus 2018; while credit card processing expenses increased by \$119,281 or 5.8% versus the prior year.

The major sources of operating expenses for the year ended December 31, 2019, were as follows:

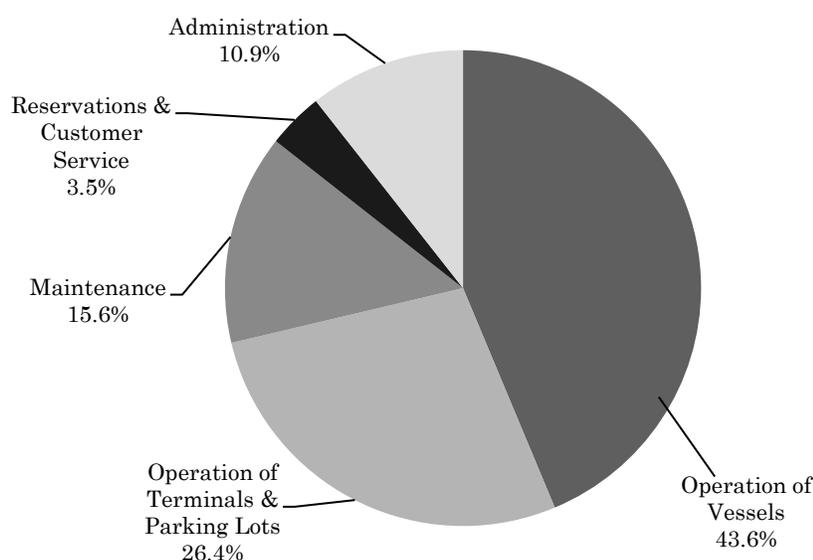


Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Management's Discussion and Analysis (Unaudited)
 Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

Operating Expenses...continued

56.1% of the Authority's operating expenses in 2019 were attributed to wages and the cost of employee benefits. The Authority's payroll in 2019 was distributed to the following functions:



Nonoperating Revenues (Expenses)

The Authority's total nonoperating revenues in 2019 were \$911,449 which was an increase of \$891,915 over the total nonoperating expenses of \$19,534 in 2018. Expenses for interest on bonds and other obligations of \$2,300,560 in 2019 was an increase of \$254,794 over the \$2,045,766 in 2018. Income from special-purpose restricted funds of \$476,385 in 2019 was a decrease of \$48,276 over the \$524,661 in 2018. Miscellaneous revenue of \$2,762,553 in 2019 increased by \$400,963 over 2018, due mostly to an increase in license income and interest income, while miscellaneous expenses in 2019 decreased by \$794,022 as compared to 2018 primarily due to a loss on the sale of property in 2018 but not in 2019.

Special-Purpose Restricted Funds and Fund Transfers

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 — such amount, if available, as may be required to pay the cost of maintenance, repair, and operation of the Steamship Authority, not to exceed the next two months budgeted cash disbursements and 1/36 of the annual cash disbursements.*
- (2) *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;*
- (3) *To the 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 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);*

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

FINANCIAL ANALYSIS...continued

Special-Purpose Restricted Funds and Fund Transfers...continued

- (4) *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*
- (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;*
- (6) *To the Capital Improvement Fund — the net proceeds of any bonds or bond anticipation notes issued for capital projects and improvements.*

The Authority's Sinking Fund balance at December 31, 2020, was \$9,635,184, including income from investments of \$48,038 during 2020. The Authority's cash flow during 2020 allowed for transfers to be made to the Sinking Fund to meet the scheduled bond interest payment of \$1,895,128 on September 1, 2020, and to provide for the payment of bond interest and principal due on March 1, 2021, in the amount of \$1,895,128 and \$7,745,000, respectively.

At December 31, 2020, the Property Replacement Fund balance was \$10,315,195, including income earned from investments of \$42,953 during 2020.

In addition, \$9,639,007 was transferred from the Operations Fund to the Property Replacement Fund, an increase of \$1,821,082 over the previous year's transfers. Disbursements from the Property Replacement Fund in 2020, totaling \$7,213,919 were comprised of the following:

Woods Hole Terminal Project	\$ 1,247,482
Woods Hole Reconstruction Project – Marine	1,157,469
M/V Martha's Vineyard Mid-Life Reconstruction	1,111,391
M/V Sankaty Bow Thruster	1,086,923
Security Cameras	1,019,677
Accounting System Replacement Project	703,798
Data Storage Project	289,416
M/V Island Home Davits	268,128
M/V Martha's Vineyard Water Tight Doors and Line Handling Doors	139,530
PC Replacements	79,404
HAZ MAT Drum Storage Building	63,579
Sewer Pump Out	47,122

The Authority's Reserve Fund balance at December 31, 2020, was \$3,506,244, including income from investments of \$25,182 during 2020.

The Authority's Capital Improvement Fund balance as of December 31, 2020, was \$7,824,507, including income from investments of \$63,100. During 2020, disbursements from the Capital Improvement Fund totaled \$12,850,705. Fund disbursements in 2020 were for the Woods Hole terminal marine construction project. Unexpended proceeds from Steamship Bonds are reported as assets of the Capital Improvement Fund.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
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FINANCIAL ANALYSIS...continued

Special-Purpose Restricted Funds and Fund Transfers...continued

The Bond Redemption Fund balance was \$880,356 at December 31, 2020, including income from investments of \$6,143 during 2020.

Investment income from the special-purpose restricted funds amounted to \$137,379 during 2020, excluding income from investments in the Sinking Fund of \$48,038.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets as of December 31, 2020, amounted to \$213,671,050 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 2020, the Authority invested \$6,670,947 in various capital assets and an additional \$20,387,655 was invested in construction projects in progress.

The Authority's capital assets as of December 31, 2019, amounted to \$208,771,625, 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 2019, the Authority invested \$5,786,059 in various capital assets and an additional \$16,120,913 was invested in construction projects in progress.

Capital asset additions were funded through the Authority's operations funds and special-purpose restricted funds.

More detailed information regarding the Authority's capital assets activities for 2020 and 2019 can be found in the notes to the financial statements (Note 2).

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 \$100,000,000 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 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 \$7,520,000 during 2020. Additionally, in February 2020, the Authority received \$25,776,497 of proceeds from its 2020 Series A bond issuance, with a principal amount of \$20,630,000, a premium of \$5,183,700. This issuance refunded \$5,660,000 of the 2009 Series B bonds. The total amount of bonds outstanding, net of unamortized premiums of \$9,567,609, was \$80,900,000 as of December 31, 2020. In 2019, the Authority made scheduled principal payments of \$7,145,000. The total amount of bonds outstanding, net of unamortized premiums of \$7,545,822, was \$73,450,000 as of December 31, 2019.

More detailed information regarding the Authority's debt administration activities for 2020 and 2019 can be found in the notes to the financial statements (Note 3).

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

ECONOMIC FACTORS

The CARES Act authorized \$25.0 billion to help transit agencies prevent, prepare for and respond to the pandemic. This resulted in a total of \$31.9 million in funding for the Barnstable, MA Urbanized Area, of which approximately \$9.9 million was made available to the Authority to provide fiscal relief associated with operational expenditures being incurred due to the pandemic to maintain critical transit operations, safeguard jobs, and provide protection to ensure the safety of passengers, employees and contractors.

The CARES Act grant funding was exhausted during the 2020 fiscal year. Even with the infusion of CARES Act funding, the Authority faced overall funding shortfalls in both the capital and operating budgets stemming from the national shutdown, stay at home orders, and social distancing requirements caused by the pandemic.

The Authority has seen a rebound in vehicle traffic close to pre-pandemic levels during the second half of fiscal year 2020. The reduction in passenger ridership is expected to affect the Authority through at least fiscal year 2021 and is not anticipated to return to pre-pandemic levels in the near future.

On December 27, 2020, The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) authorized \$13.3 billion to help transit agencies prevent, prepare for and respond to the pandemic. This resulted in a total of \$27.2 million in funding for the Barnstable, MA Urbanized Area. The Authority is in discussions with the Cape Cod Regional Transit Authority regarding the distribution of funds from the Federal Transit Administration.

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

	2016	2017	2018	2019	2020
Passengers	3,127,304	3,059,049	3,055,347	3,004,436	2,067,301
Automobiles	482,699	481,425	483,047	478,990	434,256
Trucks	182,099	189,388	190,557	195,328	174,521
Cars parked	190,026	184,084	181,761	172,561	102,987
Trips made	22,703	22,843	23,997	23,944	21,423
Nautical Miles	337,560	335,622	353,918	351,734	314,274

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.

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, 228 Palmer Avenue, Falmouth, MA 02540.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Statements of Net Position

December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,692,619	\$ 11,524,347
Receivables, net	1,544,146	2,225,343
Grants receivable	557,951	124,525
Inventories	610,997	585,825
Prepaid insurance and other	3,428,301	4,045,079
Prepaid fuel hedge	562,885	895,614
Total current assets	<u>19,396,899</u>	<u>19,400,733</u>
Non current assets:		
Special-purpose restricted funds:		
Cash and cash equivalents:		
Sinking fund:		
Current bond maturities and interest	9,635,184	9,283,238
Redemption of bonds	880,356	874,212
Property replacement fund	10,315,195	7,847,154
Reserve fund	3,506,244	3,655,683
Capital improvement fund	7,824,507	505,091
Total special-purpose restricted funds	<u>32,161,486</u>	<u>22,165,378</u>
Capital assets:		
Vessels	182,114,612	181,014,446
Terminal buildings and equipment	180,468,673	154,005,203
Land and land improvements	28,591,269	28,591,269
Construction in progress	7,046,666	16,932,355
Less - accumulated depreciation	<u>(184,550,169)</u>	<u>(171,771,648)</u>
Total capital assets, net	<u>213,671,051</u>	<u>208,771,625</u>
Long-term prepaid expense	<u>239,862</u>	-
Total noncurrent assets	<u>246,072,399</u>	<u>230,937,003</u>
Total assets	<u>265,469,298</u>	<u>250,337,736</u>
Deferred outflows of resources:		
Deferred outflow on pensions	\$ 7,095,143	\$ 4,340,859
Deferred outflow on OPEB	466,638	-
Total deferred outflows of resources	<u>7,561,781</u>	<u>4,340,859</u>
Total assets and deferred outflows of resources	<u>\$ 273,031,079</u>	<u>\$ 254,678,595</u>

See notes to financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Statements of Net Position...continued

December 31, 2020 and 2019

	2020	2019
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 4,910,166	\$ 5,538,129
Accrued wages, vacation pay and expenses	4,333,199	4,238,026
Unearned revenue	7,215,740	5,152,381
Pension withdrawal obligation	560,761	584,459
Total current liabilities	<u>17,019,866</u>	<u>15,512,995</u>
Liabilities payable from special-purpose restricted funds:		
Accrued interest on Steamship Bonds	1,268,346	1,120,774
Current portion of long-term debt	7,745,000	7,520,000
Total liabilities payable from special-purpose restricted funds	<u>9,013,346</u>	<u>8,640,774</u>
Noncurrent liabilities:		
Long-term debt, net of current portion	82,722,609	73,475,822
Net pension liabilities	19,671,727	15,055,398
Other postemployment benefits	2,651,333	2,358,498
Pension withdrawal obligations	11,223,686	11,739,193
Total noncurrent liabilities	<u>116,269,355</u>	<u>102,628,911</u>
Total liabilities	<u>142,302,567</u>	<u>126,782,680</u>
Deferred inflows of resources:		
Deferred inflow gain from advance refunding	78,806	117,409
Deferred inflow on Pension	810,613	677,127
Deferred inflow on OPEB	372,989	141,982
Total deferred inflows of resources	<u>1,262,408</u>	<u>936,518</u>
Net position:		
Net investment in capital assets	130,949,143	128,242,237
Restricted	23,068,633	20,539,513
Unrestricted	<u>(24,551,672)</u>	<u>(21,822,353)</u>
Total net position	<u>129,466,104</u>	<u>126,959,397</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 273,031,079</u>	<u>\$ 254,678,595</u>

See notes to financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Passenger	\$ 20,826,121	\$ 30,938,007
Automobile	35,903,494	32,991,829
Freight	30,292,115	32,612,990
Parking	5,212,586	7,158,095
Other	5,646,658	6,972,662
Total operating revenues	<u>97,880,974</u>	<u>110,673,583</u>
Operating expenses:		
Operation of vessels	21,942,924	26,041,219
Operation of terminals and parking lots	11,025,504	12,761,132
Maintenance	23,903,032	19,359,419
Reservations, advertising, and other traffic	1,696,875	2,946,905
Depreciation and amortization	13,150,273	12,808,087
General and administrative	36,916,754	37,078,738
Total operating expenses	<u>108,635,362</u>	<u>110,995,500</u>
Operating loss	<u>(10,754,388)</u>	<u>(321,917)</u>
Nonoperating (expenses) revenues:		
Interest on bonds and other obligations	(935,766)	(2,300,560)
Income from special-purpose restricted funds	137,379	476,385
Miscellaneous revenue	1,085,396	2,762,553
Miscellaneous expense	(318,267)	(26,929)
Total nonoperating (expenses) revenues	<u>(31,258)</u>	<u>911,449</u>
(Loss) income before grants and contributions	(10,785,646)	589,532
Grants and contributions	13,292,353	1,452,638
Change in net position	2,506,707	2,042,170
Net position, beginning of year	<u>126,959,397</u>	<u>124,917,227</u>
Net position, end of year	<u>\$ 129,466,104</u>	<u>\$ 126,959,397</u>

See notes to financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Payments from customers	\$ 100,404,591	\$ 110,879,615
Payments to employees for services	(35,951,709)	(40,175,447)
Payments to suppliers and contractors	(57,170,077)	(56,005,727)
Net cash provided by operating activities	<u>7,282,805</u>	<u>14,698,441</u>
Cash flows from noncapital financing activities:		
Principal payments on withdrawal obligations	(539,205)	(519,682)
Interest paid on withdrawal liability	(460,795)	(480,318)
Principal payments on merger obligations	-	-
Receipts from other funds and license activities	6,052,291	2,640,792
Operating grant received	12,251,920	769,638
Net cash provided by noncapital financing activities	<u>17,304,211</u>	<u>2,410,430</u>
Cash flows from capital and related financing activities:		
Principal payments on Steamship Bonds	(7,520,000)	(7,145,000)
Proceeds from capital debt	20,630,000	-
Debt refunding payment	(5,660,000)	-
Interest paid	(3,527,915)	(3,354,418)
Proceeds from sales of capital assets	71,863	-
Capital expenditures	(18,255,093)	(22,862,715)
Capital grant received	607,007	775,962
Net cash used in capital and related financing activities	<u>(13,654,138)</u>	<u>(32,586,171)</u>
Cash flows from investing activities:		
Interest received	94,123	180,680
Interest from special-purpose restricted funds	137,379	476,385
Net cash provided by investing activities	<u>231,502</u>	<u>657,065</u>
Net increase (decrease) in cash and cash equivalents	<u>11,164,380</u>	<u>(14,820,235)</u>
Cash and cash equivalents, beginning of year	<u>33,689,725</u>	<u>48,509,960</u>
Cash and cash equivalents, end of year	<u>\$ 44,854,105</u>	<u>\$ 33,689,725</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Operating loss	\$ (10,754,388)	\$ (321,917)
Depreciation and amortization	13,150,273	12,808,087
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	480,613	(179,900)
Inventories	(25,172)	(15,620)
Prepaid insurance and other and prepaid fuel hedge	630,892	(706,268)
Deferred outflows of resources	(3,220,922)	(567,163)
Increase (decrease) in:		
Accounts payable	(410,680)	1,541,336
Accrued wages, vacation pay, and expenses	95,173	(139,846)
Other postemployment benefits	292,835	29,553
Net pension obligations	4,616,329	2,087,712
Unearned revenue	2,063,359	391,068
Deferred inflows of resources	364,493	(228,601)
Net cash provided by operating activities	<u>\$ 7,282,805</u>	<u>\$ 14,698,441</u>

Supplemental disclosure of noncash transactions:

At December 31, 2020 and 2019, the Authority had capital expenditures in the amount of \$252,363 and \$1,129,356, respectively, that were included in accounts payable.

See notes to financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Statements of Changes in Fiduciary Net Position
 Years Ended December 31, 2020 and 2019

	2020	2019
	Non-Union Pension Fund	
ASSETS		
Investments		
Large U.S. Equity	\$ 9,320,649	\$ 7,781,923
Small/Mid U.S. Equity	1,558,862	1,384,242
International Equity	5,452,995	5,018,038
Balanced Asset Allocation	-	654,385
Fixed Income	18,315,161	15,470,527
Other Investments	1,935,418	1,902,531
Total assets	36,583,085	32,211,646
NET POSITION		
Restricted for pensions	36,583,085	32,211,646
Total Net Position	\$ 36,583,085	\$ 32,211,646

See notes to financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Statements of Changes in Fiduciary Net Position
 Years Ended December 31, 2020 and 2019

	2020	2019
	<u>Non-Union Pension Fund</u>	
Additions		
Contributions	\$ 1,955,339	\$ 1,633,802
Investment income		
Net appreciation of investments	3,755,595	4,578,375
Net Investment Income	<u>3,755,595</u>	<u>4,578,375</u>
Total additions	<u>5,710,934</u>	<u>6,212,177</u>
Deductions		
Benefit payments	1,334,995	1,190,268
Administrative expenses	4,500	-
Total deductions	<u>1,339,495</u>	<u>1,190,268</u>
Change in net position	4,371,439	5,021,909
Restricted net position - beginning of year	<u>32,211,646</u>	<u>27,189,737</u>
Restricted net position - end of year	<u>\$ 36,583,085</u>	<u>\$ 32,211,646</u>

See notes to financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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 (Commonwealth) under Chapter 701 of the Acts of 1960, as amended (the Act). The Authority currently consists of five voting members (Board): one resident of the County of Dukes County appointed by the County Commissioners thereof; one resident of the County of Nantucket County appointed by the County Commissioners thereof; one resident of the Town of Barnstable appointed by the Town Council thereof; one resident of the Town of Falmouth appointed by the Town Council thereof; and one member who is a resident of the City of New Bedford appointed by the Mayor of the City of New Bedford with the approval of the City Council thereof. The Act provides that votes of the members of the Authority are weighted such that the County of Dukes County member's vote counts as thirty-five percent of the whole; the County of Nantucket County member's vote counts as thirty-five percent of the whole; and the vote of each of the Barnstable, Falmouth and New Bedford members counts as ten percent of the whole, to the end that the votes of the County of Dukes County and County of Nantucket County members, if cast on the same side of any motion placed before the Authority, shall pass or defeat that motion. A vote of greater than fifty percent of the weighted vote is necessary for any action taken by the Authority. Members whose combined votes count as more than fifty percent of the whole constitute a quorum. 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) 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 Authority's fiduciary funds are presented in the fund financial statements by type. Since by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the Authority, these funds are not incorporated into the financial statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and other non-exchange transactions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue represents cash received in advance of future service.

Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense) until that time. These items are reported as a category below the assets on the statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and as such will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below the liabilities on the statements of net position.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

The Authority has the following items that qualify for reporting as deferred outflows of resources or deferred inflows of resources:

- For current refundings, resulting in defeasance of debt reported by business-type activities, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. The Authority reports its gain or loss on advance refundings within these categories.
- For amounts not recognized in pension expense due to difference between the measurement date and the fiscal year end date are noted as deferred inflows and/or outflows from pensions and other post-employment benefits (OPEB).

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, deferred inflow due to advance refunding, and by any outstanding debt incurred to acquire, construct or improve those assets. 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. Unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, is included in the same net position component (restricted or unrestricted) as the unspent amount.

Transfers and Use of Funds

The Act and the provisions of the Bond Resolutions with the Authority's bondholders, discussed in more detail in Note 5, 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 readily determinable 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 fiduciary fund investments are reported at fair value using quoted market price or the best available estimate thereof. GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value GAAP hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

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. As discussed in Note 5, the Authority's investments in 2020 and 2019 qualified to be reported as cash equivalents as the Authority participates in a qualifying external investment pool that measures all of its investments at amortized cost for financial reporting purposes. Accordingly, the Authority reports no investments at December 31, 2020 or 2019.

Inventories

Inventories of 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

For the years ended December 31, 2020 and 2019, the Authority incurred interest expense from operations of \$935,766 and \$2,300,560, respectively.

Impairments

The Authority assesses the carrying value of capital assets whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impaired capital assets that will no longer be used by the Authority are reported using GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Authority did not record any impairment charges related to its property as of December 31, 2020 and 2019 as there were no indicators of impairment.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The Authority fully reserves for all receivables greater than 90 days. The allowance for doubtful accounts was \$50,000 at December 31, 2020 and 2019.

Unamortized Bond Premiums and Discounts

Discounts of bonds and premiums on bonds issued prior to 2020 are amortized using the straight-line method over the life of the related bond issue since the results are not significantly different from the effective interest method of amortization. Discounts of bonds and premiums on bonds issued in 2020 are amortized using the effective 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 \$2,475,000 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.

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 vehicles and passengers, 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.

The Authority receives funding from various federal agencies that fund both operating and capital expenses. Grant revenue from federal awards is recognized upon grant award and the incurrence of eligible expenditures. Grant contributions include federal grants, jurisdictional grants, and other miscellaneous contributions.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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.

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, deferred outflows, liabilities and deferred inflows 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 assumptions related to the valuation of the OPEB and pension plans, the accrual for claims to be submitted under the Authority's self-funded health insurance, and the allowance for uncollectible accounts.

Reclassification

Certain items within the financial statements for the year ended December 31, 2019, have been reclassified to conform to the financial statement presentation for the year ended December 31, 2020. The reclassifications had no effect on the previously reported change in net position or net position.

Adoption of New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments.

The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

On March 1, 1968, the Retirement Plan was established. The Retirement Plan assets are solely dedicated for the purpose of providing retirement benefits in accordance with the Retirement Plan's benefit terms. The Retirement Plan is a defined benefit plan for non-union employees. The Retirement Plan is administered by the Plan Administrator(s), which are individuals holding selected positions within the Authority. In accordance with the requirements of GASB 84, the Retirement Plan is presented using the accrual basis of accounting and is reported as a Retirement Plan fund in the fiduciary funds financial statement. The Retirement Plan did not issue a separate audited financial statement.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

The GASB has issued the following statements, which require adoption subsequent to December 31, 2020, 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
87	<i>Leases</i>	2022
91	<i>Conduit Debt Obligations</i>	2022
92	<i>Omnibus</i>	2022
93	<i>Replacement of Interbank Offered Rates</i>	2021
94	<i>Public-private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.</i>	2022

Management has evaluated GASB No. 93, *Replacement of Interbank Offered Rates*, and has concluded the adoption of this standard will have not have a material effect on the financial statements. Management is currently evaluating the impact that the adoption of the remaining statements will have on its financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

2. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Capital assets, not being depreciated:</u>					
Land	\$ 27,112,044	\$ -	\$ -	\$ -	\$ 27,112,044
Construction in progress	16,932,355	18,031,716	-	(27,917,405)	7,046,666
Total capital assets, not being depreciated	44,044,399	18,031,716	-	(27,917,405)	34,158,710
<u>Capital assets, being depreciated:</u>					
Floating equipment	181,014,446	84,849	-	1,015,317	182,114,612
Buildings and structures	126,299,815	-	-	26,706,020	153,005,835
Office and terminal equipment	20,286,256	-	-	181,867	20,468,123
Motor vehicles	7,419,132	-	(438,618)	14,201	6,994,715
Leasehold improvements	1,479,225	-	-	-	1,479,225
Total capital assets, being depreciated	336,498,874	84,849	(438,618)	27,917,405	364,062,510
<u>Less accumulated depreciation for:</u>					
Floating equipment	(99,313,844)	(6,049,328)	-	-	(105,363,172)
Buildings and structures	(53,394,040)	(5,200,884)	-	-	(58,594,924)
Office and terminal equipment	(14,031,973)	(1,302,792)	-	-	(15,334,765)
Motor vehicles	(3,552,566)	(597,268)	371,751	-	(3,778,083)
Leasehold improvements	(1,479,225)	-	-	-	(1,479,225)
Total accumulated depreciation	(171,771,648)	(13,150,272)	371,751	-	(184,550,169)
Total capital assets, being depreciated, net	164,727,226	(13,065,423)	(66,867)	27,917,405	179,512,341
Total capital assets, net	\$ 208,771,625	\$ 4,966,293	\$ (66,867)	\$ -	\$ 213,671,051

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

2. CAPITAL ASSETS...continued

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Capital assets, not being depreciated:</u>					
Land	\$ 27,112,044	\$ -	\$ -	\$ -	\$ 27,112,044
Construction in progress	56,108,085	16,120,917	-	(55,296,647)	16,932,355
Total capital assets, not being depreciated	83,220,129	16,120,917	-	(55,296,647)	44,044,399
<u>Capital assets, being depreciated:</u>					
Floating equipment	161,550,147	299,449	-	19,164,850	181,014,446
Buildings and structures	92,230,615	2,025,390	-	32,043,810	126,299,815
Office and terminal equipment	14,891,746	1,306,523	-	4,087,987	20,286,256
Motor vehicles	5,264,440	2,154,692	-	-	7,419,132
Leasehold improvements	1,479,225	-	-	-	1,479,225
Total capital assets, being depreciated	275,416,173	5,786,054	-	55,296,647	336,498,874
<u>Less accumulated depreciation for:</u>					
Floating equipment	(93,308,548)	(6,005,296)	-	-	(99,313,844)
Buildings and structures	(49,029,470)	(4,364,570)	-	-	(53,394,040)
Office and terminal equipment	(12,042,418)	(1,989,555)	-	-	(14,031,973)
Motor vehicles	(3,103,900)	(448,666)	-	-	(3,552,566)
Leasehold improvements	(1,479,225)	-	-	-	(1,479,225)
Total accumulated depreciation	(158,963,561)	(12,808,087)	-	-	(171,771,648)
Total capital assets, being depreciated, net	116,452,612	(7,022,033)	-	55,296,647	164,727,226
Total capital assets, net	\$ 199,672,741	\$ 9,098,884	\$ -	\$ -	\$ 208,771,625

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

3. STEAMSHIP BONDS AND OTHER LONG TERM OBLIGATIONS

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

	2020	2019
2009 Series A , including unamortized bond premium of \$3,172 and \$22,207 at December 31, 2020 and 2019, 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.	\$ 436,501	\$ 1,122,207
2009 Series B , including unamortized bond premium of \$0 and \$62,099 at December 31, 2020 and 2019, 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.	-	6,237,099
2011 Series A , including unamortized bond premium of \$0 and \$10,537 at December 31, 2020 and 2019, 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.	-	1,510,537
2014 Series A , including unamortized bond premium of \$75,049 and \$525,324 at December 31, 2020 and 2019, respectively, bearing interest at rates ranging from 4.00% to 5.00%, requiring annual payments of principal beginning March 1, 2016 and semiannual interest payments through March 1, 2021.	2,821,757	7,070,324
2015 Series A , including unamortized bond premium of \$3,347,333 and \$3,753,070 at December 31, 2020 and 2019, respectively, bearing interest at rates ranging from 3.00% to 5.00%, requiring annual payments of principal beginning March 1, 2021 and semiannual interest payments through March 1, 2029.	35,540,775	36,703,070
2017 Series A , including unamortized bond premium of \$1,082,767 and \$1,256,010 at December 31, 2020 and 2019, respectively, bearing interest at rates ranging from 5.00% to 5.00%, requiring annual payments of principal beginning March 1, 2018 and semiannual interest payments through March 1, 2027.	9,124,655	10,521,010
2018 Series A , including unamortized bond premium of \$1,688,864 and \$1,916,576 at December 31, 2020 and 2019, respectively, bearing interest at rates ranging from 3.00% to 5.00%, requiring annual payments of principle beginning March 1, 2020 and semiannual interest payments through March 1, 2028.	17,278,549	17,831,575
2020 Series A , including unamortized bond premium of \$4,635,105 at December 31, 2020, bearing interest at rates ranging from 4.00% to 5.00%, requiring annual payments of principal beginning March 1, 2021 and semiannual interest payments through March 1, 2031.	25,265,372	-
Total Steamship Bonds	90,467,609	80,995,822
Less bonds due within one year	(7,745,000)	(7,520,000)
Total Steamship Bonds—excluding current portion	<u>\$82,722,609</u>	<u>\$73,475,822</u>

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

3. STEAMSHIP BONDS AND OTHER LONG TERM OBLIGATIONS...continued

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.

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 were 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 were 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.

2014 Series A Steamship Bonds — On December 2, 2014, the Authority issued \$20,105,000 of 2014 Series A Steamship Bonds with interest rates ranging from 4.00% to 5.00%. The proceeds of the bonds were used to: (i) refund \$22,765,000 of the Authority's 2004 Series B Bonds maturing in the years 2016 through 2021; and (ii) to pay the cost of issuance. 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 2004 Series B 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, 2020 and 2019, totaled \$3,260,000 and \$7,515,000 respectively.

2015 Series A Steamship Bonds — On May 8, 2015, the Authority issued \$32,950,000 of 2015 Series A Steamship Bonds with interest rates ranging from 3.00% to 5.00%. The proceeds of the bonds were used to: (i) construct a new 235-foot passenger and vehicle vessel, the M/V Woods Hole, with a capacity of approximately 384 passengers and 50 cars, to replace the Authority's M/V Governor; and (ii) to pay the cost of issuance.

2017 Series A Steamship Bonds — On March 29, 2017, the Authority issued \$11,060,000 of 2017 Series A Steamship Bonds with an interest rate of 5.00%. The proceeds were used for the following purposes: (i) to construct a new General Administration Office Building; and (ii) to pay the cost of issuance.

2018 Series A Steamship Bonds — On August 28, 2018, the Authority issued \$15,915,000 of 2018 Series A Steamship Bonds with interest rates ranging from 3.00% to 5.00%. The proceeds were used for the following purposes: (i) to reconstruct the waterside facilities at the Woods Hole Ferry Terminal; and (ii) to pay the cost of issuance.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

3. STEAMSHIP BONDS AND OTHER LONG TERM OBLIGATIONS...continued

2020 Series A Steamship Bonds — On February 26, 2020, the Authority issued \$20,630,000 of 2020 Series A Steamship Bonds with interest rates ranging from 4.00% to 5.00%. The proceeds were used for the following purposes: (i) to reconstruct the waterside facilities at the Woods Hole Ferry Terminal; (ii) refund \$5,660,000 of the Authority's remaining outstanding 2009 Series B Bonds maturing in year 2021 through 2029; (iii) to pay for the cost of issuance. 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 2009 Series B Bonds. The deposit with escrow agent for the refunding amounted to \$5,669,477. 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, 2020 totaled \$5,660,000. The aggregate difference in debt service between the new issuance debt, and refunded debt is a cash flow savings of \$21,240,516 and the economic gain on the transaction of \$739,618.

Scheduled Debt Service Requirements

The annual scheduled debt service requirements of all Steamship Bonds outstanding at December 31, 2020, are as follows, exclusive of bonds defeased:

Year Ending December 31	Principal Payments	Interest Payments	Total Payments
2021	\$ 7,745,000	\$ 3,572,000	\$ 11,317,000
2022	7,245,000	3,199,425	10,444,425
2023	7,680,000	2,826,300	10,506,300
2024	8,125,000	2,431,175	10,556,175
2025	8,560,000	2,014,050	10,574,050
2026-2030	38,215,000	4,103,575	42,318,575
2031-2035	3,330,000	66,600	3,396,600
Total	\$ 80,900,000	\$ 18,213,125	\$ 99,113,125

Principal payments reported above are exclusive of the deferred gain arising from prior bond defeasances of \$78,806 and unamortized bond premium of \$9,567,609.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

3. STEAMSHIP BONDS AND OTHER LONG TERM OBLIGATIONS...continued

Short-Term and Long-Term Liabilities for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Long Term Liabilities					
Bonds payable:					
2009 Series A	\$ 1,100,000	\$ -	\$ (665,000)	\$ 435,000	\$ 435,000
2009 Series B	6,175,000	-	(6,175,000)	-	-
2011 Series A	1,500,000	-	(1,500,000)	-	-
2014 Series A	6,545,000	-	(3,775,000)	2,770,000	2,770,000
2015 Series A	32,950,000	-	-	32,950,000	2,430,000
2017 Series A	9,265,000	-	(965,000)	8,300,000	1,015,000
2018 Series A	15,915,000	-	(100,000)	15,815,000	680,000
2020 Series A	-	20,630,000	-	20,630,000	415,000
Steamship Bonds	\$ 73,450,000	\$ 20,630,000	\$ (13,180,000)	\$ 80,900,000	\$ 7,745,000
Less deferred amounts:					
For issuance premiums	7,545,822	5,183,700	(3,161,913)	9,567,609	-
Total Bonds Payable	\$ 80,995,822	\$ 25,813,700	\$ (16,341,913)	\$ 90,467,609	\$ 7,745,000
Compensated absences	3,710,518	383,392	(416,734)	3,677,176	3,677,176
Retainage on contracts	509,207	1,207,609	(1,039,986)	676,830	676,830
Total OPEB Liability	2,358,498	292,835	-	2,651,333	-
Net pension Liability	11,739,193	-	(515,507)	11,223,686	-
Total Liabilities	\$ 99,313,238	\$ 27,697,536	\$ (18,314,140)	\$ 108,696,634	\$ 12,099,006

Short-Term and Long-Term Liabilities for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Long Term Liabilities					
Bonds payable:					
2009 Series A	\$ 1,715,000	\$ -	\$ (615,000)	\$ 1,100,000	\$ 665,000
2009 Series B	6,670,000	-	(495,000)	6,175,000	515,000
2011 Series A	3,000,000	-	(1,500,000)	1,500,000	1,500,000
2014 Series A	10,160,000	-	(3,615,000)	6,545,000	3,775,000
2015 Series A	32,950,000	-	-	32,950,000	-
2017 Series A	10,185,000	-	(920,000)	9,265,000	965,000
2018 Series A	15,915,000	-	-	15,915,000	100,000
Steamship Bonds	\$ 80,595,000	\$ -	\$ (7,145,000)	\$ 73,450,000	\$ 7,520,000
Less deferred amounts:					
For issuance premiums	8,870,748	-	(1,324,926)	7,545,822	-
Total Bonds Payable	\$ 89,465,748	\$ -	\$ (8,469,926)	\$ 80,995,822	\$ 7,520,000
Compensated absences	3,260,587	4,077,605	(3,627,674)	3,710,518	3,710,518
Retainage on contracts	686,323	597,759	(774,875)	509,207	509,207
Total OPEB Liability	2,328,945	29,553	-	2,358,498	-
Net pension Liability	12,323,652	-	(584,459)	11,739,193	-
Total Liabilities	\$ 108,065,255	\$ 4,704,917	\$ (13,456,934)	\$ 99,313,238	\$ 11,739,725

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

4. LEASE COMMITMENTS

Operating Leases — The Authority has several noncancelable operating lease commitments at December 31, 2020, with terms in excess of one year. Future minimum lease payments under operating leases are as follows:

Fiscal Years Ending December 31

2021	\$ 790,907
2022	364,191
2023	346,899
2024	329,191
2025	75,000
2026-2028	<u>225,000</u>
Total	<u>\$ 2,131,188</u>

Aggregate rental expense for the years ended December 31, 2020 and 2019, was \$864,754 and \$792,912, respectively.

5. CASH AND CASH EQUIVALENTS 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. In March 2017, the Steamship Authority's Board reaffirmed the investment policy. 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 or in mutual funds composed of the above types of investments. The Authority can also invest in the Massachusetts Municipal Depository Trust (MMDT or the Trust), a pooled money-market-like investment fund managed by the Commonwealth and established under Massachusetts General Laws, Chapter 29, Section 38A.

Investment options which are offered by MMDT include a cash portfolio which offers participation in a diversified portfolio of high-quality money-market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity and a short-term bond portfolio which offers participation in a diversified portfolio of investment-grade, short-term, fixed-income securities that seeks to generate performance exceeding the Barclays one to five years government/credit bond index, presenting a fixed-income alternative with a longer time horizon than the cash portfolio. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Amounts held at MMDT are uninsured and uncollateralized. The Authority's investment balance with MMDT as of December 31, 2020 and 2019, were solely in the cash portfolio and are reported as cash equivalents on the statement of net position. The cash portfolio is not registered with the Securities and Exchange Commission as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31).

The cash portfolio also adheres to GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which amends Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. At December 31, 2020 and 2019, the Authority's deposits with MMDT totaled \$34,860,579 and \$24,841,657, respectively. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, MA 02110.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

5. CASH AND CASH EQUIVALENTS AND INVESTMENTS...continued

Cash and Cash Equivalents

The total amount of the Authority's cash and cash equivalents at December 31, respectively, are as follows:

	2020	2019
Cash, including trust and custody agreements	\$ 9,993,526	\$ 8,848,068
MMDT	34,860,579	24,841,657
Total	<u>\$ 44,854,105</u>	<u>\$ 33,689,725</u>

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 or Massachusetts Depositors Insurance Fund insured as of December 31, 2020 and 2019. Bank trust and custody agreements include pledged holdings and irrevocable stand-by letters of credit amounting to \$11,000,00 and \$14,750,000 as of December 31, 2020 and 2019, respectively, issued by the various financial institutions and \$22,615,000 of federal pledged holdings as of December 31, 2020 and 2019 as collateral for the Authority's deposits. The total amounts of Authority deposits in financial institutions, per the bank statements, at December 31, respectively, are as follows:

	2020	2019
Balance per banks	\$ 14,125,451	\$ 13,620,329
Deposits covered by:		
Federal Depository Insurance Corporation	(1,000,000)	(1,000,000)
Massachusetts Depositors Insurance Fund	(2,484,223)	(669,580)
Bank trust and custody agreements	(7,941,743)	(9,270,101)
Total uninsured and uncollateralized deposits	<u>\$ 2,699,485</u>	<u>\$ 2,680,648</u>

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 MMDT, a pooled money-market-like investment fund, and are treated as cash equivalents. Fiduciary fund investments are with Principal.

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. It should be noted, however, that the investment portfolio may be no more than 25% invested in securities of a single issuer, except for obligations of the U.S. government. For the fiduciary fund investments with Principal, the Authority performs annual reviews to ensure investments are diversified by asset class, style, and investment managers.

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.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

5. CASH AND CASH EQUIVALENTS AND INVESTMENTS...continued

Interest Rate Risk and Credit Risk...continued

The revenues derived from the operation of the Steamship Authority are set aside in funds as defined in the act and provisions of the Bond Resolutions. Monies in these 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 Authority, not to exceed the next two months budgeted cash disbursements and 1/36 of the annual cash disbursements.
- *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 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 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);
- *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;
- *To the Capital Improvement Fund* — the net proceeds of any bonds or bond anticipation notes issued for capital projects and improvements.

Fiduciary Fund Investments

As of December 31, 2020, the Authority had the following investments in its portfolio:

Fiduciary Fund Investment Type	Fair Value	Fair value Measurement	Investment Maturities (in years)	
			Less Than 1	1-5
Large U.S. Equity	\$ 9,320,649	Level 1	\$ 9,320,649	
Small/Mid U.S. Equity	1,558,862	Level 1	1,558,862	
International Equity	5,452,995	Level 1	5,452,995	
Fixed Income	18,315,161	Level 1	361,541	17,953,620
Real Estate	1,935,418	Level 2		1,935,418
	<u>\$ 36,583,085</u>			

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

5. CASH AND CASH EQUIVALENTS...continued

Fiduciary Fund Investments...continued

As of December 31, 2019, the Authority had the following investments in its portfolio:

Fiduciary Fund Investment Type	Fair Value	Fair value Measurement	Investment Maturities (in years)	
			Less Than 1	1-5
Large U.S. Equity	\$ 7,781,923	Level 1	\$ 7,781,923	
Small/Mid U.S. Equity	1,384,242	Level 1	1,384,242	
International Equity	5,018,038	Level 1	5,018,038	
Balanced Asset Allocation	654,385	Level 1	654,385	
Fixed Income	15,470,527	Level 1	309,411	15,161,116
Real Estate	1,902,531	Level 2		1,902,531
	<u>\$ 32,211,646</u>			

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). The Nonunion plan reporting date is February 28th of each year.

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.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Nonunion Plan...continued

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.

Employees Covered by Benefit Terms

At February 29, 2020, the following employees were covered by the benefit terms:

Active plan members	72
Inactive plan members entitled to but not yet receiving benefits	36
Retired plan members or beneficiaries currently received benefits	43
Total	151

At February 28, 2019, the following employees were covered by the benefit terms:

Active plan members	76
Inactive plan members entitled to but not yet receiving benefits	29
Retired plan members or beneficiaries currently received benefits	41
Total	146

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued

Nonunion Plan...continued

Cost-of-Living Adjustment

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.

Contributions

Employees who become participants in the Nonunion Plan are currently required to contribute 3.0% of salary. The Authority currently contributes 25.0% of annual covered payroll for the Nonunion Plan. For the Plan years ended February 29, 2020 and February 28, 2019, the Authority contributed \$1,479,683 and \$1,495,724, respectively towards the Nonunion Plan.

For the period March 1, 2020 through December 31, 2020, and March 1, 2019 through December 21, 2019, the Authority contributed \$1,675,342 and \$1,526,300 respectively towards the Nonunion Plan in subsequent contributions. These subsequent contributions are recorded as deferred outflow on pensions in the statement of net position.

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.

Investments

Investments are valued as of the measurement date. Investments are in separate accounts held at The Principal Financial Group in commingled pools, rather than individual securities, and are valued at fair market value. All investments held by pension trust fund are in Level I securities, with the exception of a real estate fund valued at \$1,935,418 in 2020 and \$1,902,531 in 2019, which is a Level II investment. Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Nonunion Plan.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued

Nonunion Plan...continued

Investments...continued

The investment strategy is to build an efficient, well-diversified portfolio based on a long-term, strategic outlook of the investment markets. The investment market outlook utilizes both historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the needs of the Nonunion Plan. The core asset allocation utilizes investment portfolios of various asset classes and multiple investment managers in order to help maximize the plan's return while providing multiple layers of diversification to help minimize risk.

Actuarial Assumptions

Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
02/29/2020	Entry Age	Market value	Level dollar	20-30 years	5.00%	2.25%	\$5 + 1.75%
02/28/2019	Entry Age	Market value	Level dollar	20-30 years	5.50%	2.25%	\$5 + 1.75%
02/28/2018	Entry Age	Market value	Level dollar	20-30 years	5.50%	2.00%	\$5 + 1.75%
02/28/2017	Entry Age	Market value	Level dollar	20-30 years	5.50%	2.00%	\$5 + 1.75%
02/29/2016	Entry Age	Market value	Level dollar	20-30 years	6.25%	2.25%	\$5 + 1.75%

Based on PUBG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2019 mortality improvement scale, PUBG-2010 is the baseline mortality rate table underlying the SOA PUB-2010 experience study published in January 2019.

Money-weighted Rate of Return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period of March 1, 2019 to February 29, 2020, is 7.30%. The annual money-weighted rate of return on plan investments for the measurement period of March 1, 2018 to February 29, 2019, is 1.68%.

Expected Rate of Return

The expected long-term return of 5.00% on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions (CMA) 2020. The CMA were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2020 is 20 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies. The previous year's expected long-term return of 5.50% on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions (CMA) 2018. The CMA were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Nonunion Plan...continued

Expected Rate of Return...continued

Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2018 is 20 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

The plan's target asset allocations, as of February 29, 2020, are summarized in the following table:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
US Equity - Large Cap	23.21%	7.70%	6.20%
US Equity - Mid Cap	2.69%	8.00%	6.20%
US Equity - Small Cap	1.31%	8.55%	6.20%
Non-US Equity	13.49%	8.00%	6.20%
REITs	0.37%	7.30%	5.65%
Real Estate (direct property)	5.59%	5.35%	5.00%
TIPS	0.55%	1.70%	1.50%
Core Bond	50.47%	2.60%	2.45%
High Yield	2.33%	5.45%	5.00%

A measurement date of February 29, 2020 has been used for the fiscal year ending December 31, 2020. Changes in the Authority's net pension liabilities as of the measurement date of February 29, 2020 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2019	\$43,966,648	\$28,911,250	\$15,055,398
Changes for the year:			
Service cost	1,125,594	-	1,125,594
Interest	2,155,993	-	2,155,993
Differences between expected and actual experience	451,909	-	451,909
Changes in assumptions	4,657,750	-	4,657,750
Contributions - employer	-	1,479,683	(1,479,683)
Contributions - employee	-	177,885	(177,885)
Net investment income	-	2,121,849	(2,121,849)
Benefit payments, including refunds of employee contributions	(1,206,038)	(1,206,038)	-
Administrative expenses	-	(4,500)	4,500
Net change	7,185,208	2,568,879	4,616,329
Balance at December 31, 2020	\$51,151,856	\$31,480,129	\$19,671,727

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Nonunion Plan...continued

The plan's target asset allocations, as of February 28, 2019, are summarized in the following table:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
US Equity - Large Cap	23.44%	7.70%	6.35%
US Equity - Mid Cap	2.66%	7.95%	6.35%
US Equity - Small Cap	1.38%	8.50%	6.35%
Non-US Equity	12.99%	7.95%	6.35%
REITs	0.37%	7.60%	5.95%
Real Estate (direct property)	5.67%	5.55%	5.25%
TIPS	0.57%	3.50%	3.35%
Core Bond	48.86%	4.00%	3.90%
High Yield	4.06%	6.45%	6.00%

A measurement date of February 28, 2019 has been used for the fiscal year ending December 31, 2019. Changes in the Authority's net pension liabilities as of the measurement date of February 28, 2019 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$41,060,447	\$28,092,761	\$12,967,686
Changes for the year:			
Service cost	1,144,364	-	1,144,364
Interest	2,040,465	-	2,040,465
Differences between expected and actual experience	(692,738)	-	(692,738)
Changes in assumptions	1,724,223	-	1,724,223
Contributions - employer	-	1,495,724	(1,495,724)
Contributions - employee	-	163,708	(163,708)
Net investment income	-	477,170	(477,170)
Benefit payments, including refunds of employee contributions	(1,310,113)	(1,310,113)	-
Administrative expenses	-	(8,000)	8,000
Net change	2,906,201	818,489	2,087,712
Balance at December 31, 2019	\$43,966,648	\$28,911,250	\$15,055,398

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Nonunion Plan...continued

Statement of Deferred Outflows and Inflows of Resources

As of February 29, 2020 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 850,770	\$ (385,538)
Effects of changes in assumptions	4,569,031	
Net difference between expected and net investment income	-	(425,075)
Employer contributions subsequent to measurement period	<u>1,675,342</u>	<u>-</u>
Total Deferred Outflows and Inflows of Resources	<u>\$ 7,095,143</u>	<u>\$ (810,613)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding employer contributions subsequent to measurement period) will be recognized in the pension expense as follows:

	<u>Amount to be Recognized</u>
2021	\$ 1,585,187
2022	1,632,033
2023	1,496,555
2024	(104,587)

As of February 28, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 868,840	\$ (561,968)
Effects of changes in assumptions	1,673,509	(115,159)
Net difference between expected and net investment income	272,210	-
Employer contributions subsequent to measurement period	<u>1,526,300</u>	<u>-</u>
Total Deferred Outflows and Inflows of Resources	<u>\$ 4,340,859</u>	<u>\$ (677,127)</u>

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Nonunion Plan...continued

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding employer contributions subsequent to measurement period) will be recognized in the pension expense as follows:

	<u>Amount to be Recognized</u>
2020	\$ 938,945
2021	409,156
2022	456,002
2023	333,329

Discount Rate

The discount rate used to determine the end of period total pension liability is 4.05%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2020 to 2046.

The long-term rate of return of 5.00% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.23% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the February 29, 2020, measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

The discount rate used to determine the beginning of period total pension liability is 4.85% and the discount rate used to determine the end of period total pension liability is 4.05%, a decrease of .80%. The municipal bond rate as of February 29, 2020, was 3.93%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the Plan as of February 29, 2020, calculated using the discount rate of 4.05%, as well as what the net pension liability would be if it were to be calculated using a discount rate that is one percentage point lower (3.05%) or one percentage point higher (5.05%) than the current rate:

<u>Plan Year Ended</u>	<u>1% Decrease (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase (5.05%)</u>
February 29, 2020	\$27,202,227	\$19,671,727	\$13,459,796

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Nonunion Plan...continued

The following represents the net pension liability of the Plan as of February 28, 2019, calculated using the discount rate of 4.85%, as well as what the net pension liability would be if it were to be calculated using a discount rate that is one percentage point lower (3.85%) or one percentage point higher (5.85%) than the current rate:

<u>Plan Year Ended</u>	<u>1% Decrease (3.85%)</u>	<u>Discount Rate (4.85%)</u>	<u>1% Increase (5.85%)</u>
February 28, 2019	\$21,272,228	\$15,055,398	\$ 9,887,639

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 \$332,921 and \$380,643 for 2020 and 2019, 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 and Shuttle Bus Drivers Plan

The Authority also has a defined contribution plan for its permanent parking lot employees/shuttle bus drivers. 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. As a result of a collective bargaining agreement effective from May 7, 2016 through May 7, 2021, beginning December 24, 2016, the Authority discontinued making contributions to this defined contribution plan on behalf of most of its permanent parking lot employees/shuttle bus drivers.

Instead, the Authority will make contributions on behalf of these employees to the New England Teamsters and Trucking Industry Pension Fund Plan.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Benefit Pension Plans Sponsored By the Authority...continued:

Parking Lot Employees and Shuttle Bus Drivers Plan...continued:

However, the Authority will continue making the contribution of 5% of base weekly earnings on behalf of a small number of permanent parking lot employees/shuttle bus drivers who were approaching retirement and wished to remain in the plan, and were allowed to do so under the collective bargaining agreement. The Authority's required and actual contributions for this plan aggregated \$1,471 and \$4,012 for 2020 and 2019, 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 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.

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 5.0% of base weekly earnings for each security employee. As a result of a collective bargaining agreement effective from July 23, 2016 through July 23, 2021, beginning December 24, 2016, the Authority discontinued making contributions to this defined contribution plan on behalf of most of its permanent security employees. Instead, the Authority will make contributions on behalf of these employees to the New England Teamsters and Trucking Industry Pension Fund Plan. However, the Authority will continue making the contribution of 5% of base weekly earnings on behalf of a small number of permanent security employees who were approaching retirement and wished to remain in the plan, and were allowed to do so under the collective bargaining agreement. The Authority's required and actual contributions for this plan aggregated \$1,986 and \$3,107 for 2020 and 2019, 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 security employees are eligible to participate in the plan. Participants are 100% vested at all times.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Contribution Plans Sponsored by the Authority...continued

Security Employees Plan...continued:

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. Effective August 23, 2014, the Authority is required to contribute an amount equal to 3.5% of base weekly earnings for each employee. Prior to that, the Authority was required to contribute an amount equal to 10.0% of base weekly earnings for the period April 15, 2000 through August 22, 2014; 9.0% from April 17, 1999 through April 14, 2000; 7.5% from April 18, 1998 through April 16, 1999; and 6.0% through April 17, 1998. The Authority's required and actual contributions aggregate \$281,794 and \$314,122 for 2020 and 2019, 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.

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.

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.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Contribution Plans Sponsored by the Authority...continued

Multiemployer - Licensed Engineering Officers ...continued

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.

Employer Contributions

Effective August 2016, the Authority resumed contributions to the defined contribution plan at a rate of 2.74%. In August 2017, the Authority's contribution rate changed to 4.0% and in August 2018 the contribution rate changed to 5.0%. The Authority's required and actual contributions aggregate \$141,230 and \$148,546 for 2020 and 2019, respectively.

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 \$19,500 in 2020 and \$19,000 in 2019 of their annual compensation. A "catch up" contribution for those employees 50 years of age or older is allowed; this amount is limited to an additional \$6,500 per year. The Authority did not contribute to the plan in 2020 or 2019.

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 plan, and their eligibility in the plans commences upon employment. There were no outstanding payables under any of the plans for the year ending December 31, 2020. The schedule of employer contributions to the plans, presented as required supplementary information following the notes to the financial statements, present historical contributions made to each plan. None of these pension plans issue publicly available financial statements.

- The New England Teamsters and Trucking Industry Pension Fund Plan covered the Authority's Licensed Deck Officers. The active union contract was executed effective July 30, 2016, and has a term ending July 30, 2021. The contribution rate, effective October 29, 2013, has been negotiated at \$7.50 per hour to a maximum of \$315.00 per week, per employee. During 2020, contributions were made for 57 employees totaling \$700,755. During 2019, contributions were made for 66 employees totaling \$831,019.
- The Marine Engineers Beneficial Association (M.E.B.A.) Pension Plan covered the Authority's Licensed Engineering Officers. The active union contract was executed effective July 30, 2016, and has a term ending July 30, 2021.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Contribution Plans Sponsored by the Authority...continued

Multiemployer Pension Plans...continued

- The contribution rate, effective January 1, 2012, has been negotiated at 11.7% of the total wages per employee. Effective May 1, 2015, an additional \$6.00 per day was redirected from the M.E.B.A. Medical and Benefits Plan towards the pension plan. During 2020, contributions were made for 44 employees totaling \$436,700. During 2019, contributions were made for 39 employees totaling \$473,074.
- The New England Teamsters and Trucking Industry Pension Fund Plan covered the Authority's Unlicensed Vessel Employees. The active union contract was executed effective April 15, 2017, and has a term ending April 16, 2021. The contribution rate, effective January 1, 2017, has been negotiated at \$5.00 per hour to a maximum of \$210.00 per week, per employee. During 2020, contributions were made for 197 employees totaling \$1,424,243. During 2019, contributions were made for 195 employees totaling \$1,625,323.
- The New England Teamsters and Trucking Industry Pension Fund Plan covered the Authority's Maintenance Employees. The active union contract was executed effective April 16, 2016, and has a term ending April 16, 2021. The contribution rate, effective April 1, 2011, has been negotiated at \$6.37 per hour to a maximum of \$254.80 per week, per employee. During 2020, contributions were made for 38 employees totaling \$447,034. During 2019, contributions were made for 38 employees totaling \$447,034.
- The New England Teamsters and Trucking Industry Pension Fund Plan covered the Authority's Agency and Terminal Employees. The active union contract was executed effective April 16, 2016, and has a term ending April 16, 2021. The contribution rate, effective April 1, 2011, has been negotiated at \$4.64 per hour to a maximum of \$185.60 per week, per employee. During 2020, contributions were made for 109 employees totaling \$834,751. During 2019, contributions were made for 120 employees totaling \$950,852.
- The Massachusetts Service Employee's Pension Fund Plan covered the Authority's Reservation Clerks and Group Sales employees. The active union contract was executed effective August 22, 2015, and has a term ending August 24, 2018. The contribution rate, effective January 1, 2016, has been negotiated at \$0.50 per hour to a maximum of \$20.00 per week, per employee. During 2020, contributions were made for 23 employees totaling \$22,952. During 2019, contributions were made for 39 employees totaling \$25,470.
- The New England Teamsters and Trucking Industry Pension Fund Plan covered the Authority's Parking Lot Employees/Shuttle Bus Drivers. The active union contract was executed effective May 7, 2016, and has a term ending May 7, 2021. The contribution rate, effective December 24, 2016, has been negotiated at \$1.00 per hour to a maximum of \$40.00 per week, per employee. During 2020, contributions were made for 33 employees totaling \$52,459. During 2019, contributions were made for 43 employees totaling \$50,933.
- The New England Teamsters and Trucking Industry Pension Fund Plan covered the Authority's Security Employees. The active union contract was executed effective July 23, 2016, and has a term ending July 23, 2021. The contribution rate, effective April 1, 2011, has been negotiated at \$1.00 per hour to a maximum of \$40.00 per week, per employee. During 2020, contributions were made for 11 employees totaling \$19,606. During 2019, contributions were made for 11 employees totaling \$18,791.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

6. PENSION PLANS...continued

Defined Contribution Plans Sponsored by the Authority...continued

Multiemployer Pension Plans...continued

The covered payroll of such employees was \$25,636,623 and \$27,938,985 in 2020 and 2019, respectively. The Authority's contributions to the plans met the contribution requirements in 2020 and 2019, and aggregated \$3,938,498 (15.4% of covered payroll for employees participating in the plans in 2020) and \$4,433,343 (15.9% of covered payroll for employees participating in the plans in 2019).

Pension Withdrawal Obligations

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 2020 and 2019, the Authority made payments totaling \$1,000,000, respectively, towards the withdrawal liability. Interest payments totaled \$460,795 and \$480,318 in 2020 and 2019, respectively. Pension withdrawal obligation totaled \$11,784,447 and \$12,323,652 as of December 31, 2020 and 2019, respectively, and are recorded in the statements of net position using the present value of the obligation based upon incremental borrowing costs.

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, 2020, the actuarial valuation date, approximately 310 active employees and 17 retirees meet eligibility requirements. As of December 31, 2019, the actuarial valuation date, approximately 298 active employees and 26 retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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

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 cost as established annually by the plan administrator.

Funding Policy

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. Effective August 2, 2014, the unlicensed vessel 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.

Measurement Date

GASB Statement No. 74 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the total OPEB liability to be measured as of the OPEB plan's most recent fiscal year-end. Accordingly, the total OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2020.

Employees Covered by Benefit Terms – the following table represents the plan's membership as of December 31, 2020:

Retirees or beneficiaries currently receiving benefits	13
Active Employees	<u>310</u>
Total	<u>323</u>

Employees Covered by Benefit Terms – the following table represents the Plan's membership as of December 31, 2019:

Retirees or beneficiaries currently receiving benefits	26
Active Employees	<u>298</u>
Total	<u>324</u>

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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

Changes in the Total OPEB Liability

	<u>Increase (Decrease)</u>
Balance at December 31, 2019	\$ 2,358,498
Changes for the year:	
Service cost	80,177
Interest on liability and service cost	73,139
Experience (gain) loss	(302,532)
Change in assumptions	601,900
Benefit payments	(159,849)
Net changes	<u>292,835</u>
Balance at December 31, 2020	<u>\$ 2,651,333</u>

As of December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (372,989)
Effects of changes in assumptions	<u>466,638</u>	<u>-</u>
Total deferred outflows and inflows of resources	<u>\$ 466,638</u>	<u>\$ (372,989)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the pension expense as follows:

	<u>Amount to be Recognized</u>
2021	\$ 14,830
2022	14,830
2023	14,830
2024	36,043
2025	15,678
Thereafter	(2,562)

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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

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. The assumptions follow:

Actuarial cost method:	Individual entry age normal
Medical care inflation:	4.00%
Discount rate:	2.12%
Mortality table used:	PubG-2010 Healthy Retiree Mortality Table, projected with generational mortality improvement using scale MP-2019
Interest:	Pay-as-you-go: 3.5% per year
Disability:	1897 Commissioner's Group Disability table for male and female with six-month elimination period
Healthcare trend rate:	7% for 2020, decreasing 0.45% per year to 5.2%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend model.

Retirement rate assumptions:

	Age			
	62	63	64	65
Male	25%	25%	25%	100%
Female	25%	25%	25%	100%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2020:

	1% Decrease	Current Discount Rate	1% Increase
	(1.12%)	(2.12%)	(3.12%)
Total OPEB liability	\$ 2,875,039	\$ 2,651,333	\$ 2,450,220

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends as of December 31, 2020:

	1% Decrease	Current Trend	1% Increase
	(6.0%)	(7.0%)	(8.0%)
Total OPEB liability	\$ 2,464,803	\$ 2,651,333	\$ 2,870,493

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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

	Increase (Decrease)
Balance at December 31, 2018	<u>\$ 2,328,945</u>
Changes for the year:	
Service cost	78,214
Interest on liability and service cost	87,735
Benefit payments	<u>(136,396)</u>
Net Changes	<u>29,553</u>
Balance at December 31, 2019	<u>\$ 2,358,498</u>

As of December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	<u>\$ -</u>	<u>\$ (141,982)</u>
Total deferred outflows and inflows of resources	<u>\$ -</u>	<u>\$ (141,982)</u>

Actuarial Methods and Assumptions as of December 31, 2019:

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. The assumptions follow:

Actuarial cost method:	Individual entry age normal
Medical care inflation:	5.00%
Discount rate:	3.75%
Mortality table used:	RP-2014 Blue Collar Mortality table for male and female, generational with scale MP-2016
Interest:	Pay-as-you-go: 4% per year
Disability:	1897 Commissioner's Group Disability table for male and female with six-month elimination period.

Retirement rate assumptions:

	Age			
	62	63	64	65
Male	30%	25%	22%	100%
Female	15%	13%	18%	100%

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

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

Sensitivity of the Total OPEB liability to changes in the discount rate as of December 31, 2019:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB liability	\$ 2,536,539	\$ 2,358,498	\$ 2,198,451

Sensitivity of the Total OPEB liability to changes in the healthcare cost trends as of December 31, 2019:

	1% Decrease	Current Trend	1% Increase
Total OPEB liability	\$ 2,212,426	\$ 2,358,498	\$ 2,525,051

8. COMMITMENTS

Construction in progress at December 31, 2020, consisted of expenditures by the Authority for various construction projects, which management expects will be completed in the years 2021 and 2022. At December 31, 2020, remaining construction commitments for these capital projects aggregated \$16,778,922. In addition, dry-docking and overhaul commitments for vessels aggregated \$1,844,475.

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.

The Authority applies for and occasionally receives financial assistance from the federal government's various grant programs for specific projects. When this occurs, the entitlements to the resources are generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits. Any disallowance becomes a liability of the Authority.

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.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

10. RISK MANAGEMENT...continued

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 statements 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 \$2,475,000 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:

	2020	2019
Liability as of January 1	\$ 390,137	\$ 195,018
Current-year charges and changes in estimate	3,219,421	3,307,900
Actual claims paid	(3,208,620)	(3,112,781)
Liability as of December 31	<u>\$ 400,938</u>	<u>\$ 390,137</u>

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, 2020, the Authority had executed hedging transactions for 2,982,000 gallons of fuel out of the approximate 3,320,000 gallons of fuel, which is expected to be used in 2021. The cost of these call options totaled \$562,885 at December 31, 2020.

As of December 31, 2019, the Authority had executed hedging transactions for 2,730,000 gallons of fuel out of the approximate 3,298,000 gallons of fuel, which is expected to be used in 2020. The cost of these call options totaled \$895,614 at December 31, 2019.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

11. HEDGE PROGRAM...continued

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 qualify for to the exclusion provided for in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and therefore not required to be reported as derivative instruments.

12. SUBSEQUENT EVENTS

The Authority has evaluated events and transactions for potential recognition or disclosure through April 28, 2021, when the financial statements were available to be issued.

The Authority entered into various irrevocable stand-by letters of credits with TD Bank, N.A. subsequent to year-end that will serve as collateral for the Authority's public deposits subsequent to December 31, 2020. As of March 31, 2021, the issued letter of credit presented below remains outstanding:

<u>Issuance Date</u>	<u>Due Date</u>	<u>Amount</u>
March 30, 2021	June 30, 2021	\$ 13,200,000

The Authority executed a memorandum of understanding with the Cape Cod Regional Transit Authority (CCRTA) regarding the distribution of funds from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) from the FTA on April 20, 2021. The CRRSAA provides economic assistance for workers and families, small businesses, and preserves jobs for American industries. CCRTA agrees to reimburse the Authority \$8,390,258 from the CRRSAA.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios of
 the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority Pension Plan (Unaudited)

Reporting Period Ending	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Total Pension Liability					
Service cost	\$ 1,125,594	\$ 1,144,364	\$ 1,052,910	\$ 967,905	\$ 1,081,252
Interest	2,155,993	2,040,465	1,882,289	1,793,810	1,681,088
Benefit payments	(1,206,038)	(1,310,113)	(710,728)	(999,967)	(370,672)
Difference between expected and actual experience	451,909	(692,738)	1,130,001	579,321	(177,602)
Change in assumptions	4,657,750	1,724,223	-	969,280	(895,895)
Net change in total pension liability	7,185,208	2,906,201	3,354,472	3,310,349	1,318,171
Total Pension Liability, beginning of period	43,966,648	41,060,447	37,705,975	34,395,626	33,077,455
Total Pension Liability, end of period	\$ 51,151,856	\$ 43,966,648	\$ 41,060,447	\$ 37,705,975	\$ 34,395,626
Plan Fiduciary Net Position					
Employee contributions	\$ 177,885	\$ 163,708	\$ 179,569	\$ 167,784	\$ 161,527
Employer contributions	1,479,683	1,495,724	1,505,097	1,201,056	807,637
Net investment income	2,121,849	477,170	2,387,900	2,639,818	(1,179,009)
Benefit payments	(1,206,038)	(1,310,113)	(710,728)	(999,967)	(370,672)
Administration expenses	(4,500)	(8,000)	-	(9,000)	-
Net Change in Plan Fiduciary Net Position	2,568,879	818,489	3,361,838	2,999,691	(580,517)
Plan Fiduciary Net Position, beginning of period	28,911,250	28,092,761	24,730,923	21,731,232	22,311,749
Plan Fiduciary Net Position, end of period	\$ 31,480,129	\$ 28,911,250	\$ 28,092,761	\$ 24,730,923	\$ 21,731,232
Net Pension Liability					
Net Pension Liability	\$ 19,671,727	\$ 15,055,398	\$ 12,967,686	\$ 12,975,052	\$ 12,664,394
Ratios					
Fiduciary net position as a percentage of total pension liability	61.54%	65.76%	68.42%	65.59%	63.18%
Covered employee payroll	\$ 5,474,020	\$ 5,593,650	\$ 6,095,342	\$ 5,517,416	\$ 5,381,074
Net pension liability as a percentage of covered employee payroll	359.37%	269.15%	212.75%	235.17%	235.35%

Data reported for fiscal years 2016 through 2020 is based on the Plan's measurement dates of February 29, 2016 through February 29, 2020, respectively, from the most recent actuarial valuation.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Required Supplementary Information – Schedule of Employer Contributions to the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority Pension Plan (Unaudited)

Last Five Fiscal Years
(in thousands)

	2020	2019	2018	2017	2016
Non-union plan					
Actuarially determined contribution	\$ 2,285	\$ 2,110	\$ 1,873	\$ 1,380	\$ 1,192
Contributions in relation to the actuarially determined contribution	1,480	1,496	1,505	1,201	808
Contribution deficiency	\$ 805	\$ 614	\$ 368	\$ 179	\$ 384
Covered payroll	\$ 5,474	\$ 5,594	\$ 6,096	\$ 5,517	\$ 5,381
Contributions as a percentage of covered payroll	27.0%	26.7%	24.7%	21.8%	15.0%

Data reported for fiscal years 2016 through 2020 is based on the Plan's measurement dates of February 29, 2016 through February 29, 2020, respectively, from the most recent actuarial valuation

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Required Supplementary Information – Schedule of Employer Contributions to the Multiemployer Pension Plans (Unaudited)

Year Ending	New England Teamsters and Trucking Industry Pension Fund	Marine Engineers Beneficial Association Pension Fund	New England Teamsters and Trucking Industry Pension Fund	New England Teamsters and Trucking Industry Pension Fund
	Licensed Deck Officers	Licensed Engineers	Unlicensed Vessel Employees	Maintenance Employees
December 31, 2011	\$ -	\$ -	\$ -	\$ 340,040
December 31, 2012	-	253,075	-	362,013
December 31, 2013	307,582	315,703	-	366,594
December 31, 2014	699,772	313,260	466,630	358,220
December 31, 2015	707,332	354,697	1,329,894	352,182
December 31, 2016	718,879	382,758	1,343,290	376,028
December 31, 2017	745,496	391,439	1,535,842	395,985
December 31, 2018	781,425	433,482	1,502,055	421,681
December 31, 2019	831,019	457,882	1,625,323	473,074
December 31, 2020	700,755	436,700	1,424,243	447,034

Year Ending	New England Teamsters and Trucking Industry Pension Fund	Massachusetts Service Employee's Pension Fund	New England Teamsters and Trucking Industry Pension Fund	New England Teamsters and Trucking Industry Pension Fund
	Agency & Terminal Employees	Reservation Clerks & Group Sales	Parking Lot Employees & Bus Drivers	Security Employees
December 31, 2011	\$ 928,440	\$ 32,167	\$ -	\$ -
December 31, 2012	891,850	31,195	-	-
December 31, 2013	895,432	29,625	-	-
December 31, 2014	861,731	26,991	-	-
December 31, 2015	835,367	31,317	-	-
December 31, 2016	840,360	32,128	-	-
December 31, 2017	874,250	28,962	47,856	15,671
December 31, 2018	915,166	25,423	51,661	15,547
December 31, 2019	950,852	25,470	50,933	18,791
December 31, 2020	834,751	22,952	52,459	19,606

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority
 Required Supplementary Information – OPEB Plan Schedule of Changes in Total OPEB Liability and Related Ratios (unaudited)

Reporting Period Ending	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 80,177	\$ 78,214	\$ 74,846
Interest	73,139	87,735	94,253
Change in assumptions	601,900	-	-
Benefit payments	(159,849)	(136,396)	(141,612)
Experience (gain) and loss	(302,532)	-	(207,260)
Net change in total OPEB Liability	292,835	29,553	(179,773)
Total OPEB Liability, beginning of period	2,358,498	2,328,945	2,508,718
Total OPEB Liability, end of period	<u>\$ 2,651,333</u>	<u>\$ 2,358,498</u>	<u>\$ 2,328,945</u>
Covered employee payroll	\$ 20,945,530	\$ 18,626,043	\$ 17,996,177
Total OPEB liability as a percentage of covered employee payroll	12.7%	12.7%	12.9%

Notes: Information provided for required supplementary information will be provided for 10 years as it becomes available

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

Notes to the Required Supplementary Information (unaudited)

1. Pension Plans

Ten-year historical trend information of the pension plans is presented as required supplementary information. This information is intended to help users assess each plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due. This information is reported as of the measurement date.

Analysis of the dollar amounts of plan fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Expressing plan net position as a percentage of the total pension liability provides one indication of each plan's funding status. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the plan.

Trends in the net pension liability and covered payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the plan.

Additional information pertaining to the retirement plans can be found in Note 6 to the basic financial statements.

(a) Schedule of Changes in Net Pension Liability and Related Ratios

The schedule of changes in net pension liability and related ratios illustrates whether the plan's net position is increasing or decreasing over time relative to the total pension liability and the net pension liability as it relates to covered payroll.

This schedule is intended to show information for 10 years. The changes in the net pension liability for years prior to the fiscal year ending December 31, 2016, were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

b) Schedule of Employer Contributions – Pension Plans

The schedule of employer contributions provides the actuarially determined contribution for each plan. The actuarially determined contribution rates are calculated as of the respective plans' fiscal year end, one year prior to the beginning of the fiscal year in which contributions are reported. For example, the Authority's actuarially determined contribution for the fiscal year ending December 31, 2020, is based on the December 4, 2020 funding valuation provided by the Authority's actuary.

2. Other Postemployment Benefits (OPEB)

Ten-year historical trend information is presented as required supplementary information for the Authority's OPEB plans. The Authority administers the Healthcare Plan on a pay-as-you-go basis with additional ad-hoc funding contributions based on budgetary results, and there is no actuarial required contribution. Accordingly, a schedule of employer required contributions is not presented in the required supplementary information for this plan. Additional information pertaining to the OPEB plans can be found in Note 7 to the basic financial statements.

Trends in the total OPEB liability and covered payroll are both affected by inflation. Expressing the total OPEB liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the OPEB plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the plan.