

TOWN OF NANTUCKET, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF NANTUCKET, MASSACHUSETTS

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JUNE 30, 2008

TABLE OF CONTENTS

	Page
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	13
Statement of Net Assets	14
Statement of Activities	16
Governmental Funds – Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets...	19
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Funds – Statement of Net Assets	22
Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets.....	24
Proprietary Funds – Statement of Cash Flows	26
Fiduciary Funds – Statement of Fiduciary Net Assets.....	28
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	29
Notes to Basic Financial Statements	30
Required Supplementary Information.....	59
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual	60
Schedule of Funding Progress.....	62
Schedule of Employer Contributions	63
Notes to Required Supplementary Information.....	64

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Nantucket, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Nantucket's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Nantucket Islands Land Bank discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Nantucket Islands Land Bank discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Town does not have a system of internal control that allows us to form an opinion on the balance of cash, investments and interfund receivables and payables. These internal control deficiencies also do not allow us to form an opinion on the accuracy of the revenue, expenses and expenditure lines reported.

In our opinion, based on our audit and the report of other auditors, except for the effects on the financial statements of the matters described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2009 on our consideration of the Town of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, schedule of funding progress, and schedule of employer contributions located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Powers & Sullivan

March 20, 2009

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Nantucket, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB), and Management's Discussion and Analysis are part of these requirements. The GASB is the authoritative standards-setting body that provides guidance on the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). External users of these financial statements, such as investors and rating agencies, rely on consistent reporting standards in order to compare the financial position of the Town of Nantucket with that of other governmental entities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Nantucket's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community preservation, human services, culture and recreation, interest and state and county charges. The business-type activities include the activities of the sewer department, solid waste, airport, and the Siasconset and Wannacomet water departments.

The government-wide financial statements include not only the Town of Nantucket itself (known as the *primary government*), but also the County of Nantucket (*County*) and the Nantucket Islands Land Bank (*Land Bank*), which are legally separate entities. The County is included because the elected Board of Selectmen serves also as County Commissioners. The Land Bank is included because a portion of the Town's debt was incurred on behalf of the Land Bank, and the Town guarantees other debt incurred by the Land Bank. Financial information for these *component units* is reported separately within the governmental and proprietary fund statements respectively.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and

demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Nantucket adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer department, solid waste, airport, and the Siasconset and Wannacommet water departments' activities and activities of the Nantucket Islands Land Bank component unit.

Internal service funds are used by the Town to report the activity of self funded insurance programs, including health and workers' compensation insurance. Governmental accounting principles allow self funded insurance programs to be reported in either the general fund or in an internal service fund. The insurance programs benefit both the governmental and business-type activities of the town; however, the governmental activities include more employees and retirees than the business-type activities. For that reason, the internal service funds are included within the category of governmental activities in the government-wide financial statements."

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights as of the close of Fiscal 2008

- The total of assets exceeded liabilities (i.e., net assets) by \$176 million for governmental activities, and \$103 million for business type activities.
- Governmental funds reported combined ending fund balances of \$34 million.
- Unreserved fund balance for the general fund totaled \$7 million.
- Total governmental funds debt totaled \$77.2 million, and total enterprise fund debt totaled \$83.5 million.

Government-wide Financial Analysis

The following chart provides a summary of Governmental activities financial data for fiscal year 2008, with comparative fiscal 2007 information.

Governmental Activities

	Balance at June 30, 2008	Balance at June 30, 2007
Assets:		
Current assets.....	\$ 57,632,959	\$ 46,460,116
Noncurrent assets (excluding capital).....	499,024	608,233
Capital assets, not being depreciated.....	175,330,456	172,004,677
Capital assets, net of accumulated depreciation.....	<u>27,777,272</u>	<u>26,493,294</u>
Total assets.....	<u>261,239,711</u>	<u>245,566,320</u>
Liabilities:		
Current liabilities (excluding debt).....	6,579,717	5,923,957
Noncurrent liabilities (excluding debt).....	1,221,905	1,495,480
Current debt.....	11,976,816	10,228,096
Noncurrent debt.....	<u>65,196,354</u>	<u>52,121,592</u>
Total liabilities.....	<u>84,974,792</u>	<u>69,769,125</u>
Net Assets:		
Capital assets net of related debt.....	153,639,878	145,427,507
Restricted.....	13,803,760	9,291,543
Unrestricted.....	<u>8,821,281</u>	<u>21,078,145</u>
Total net assets.....	<u>\$ 176,264,919</u>	<u>\$ 175,797,195</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For governmental activities, assets exceeded liabilities by \$176 million at the close of fiscal year 2008. The largest portion of the Town's net assets, \$153 million, (87%), reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any outstanding debt which was borrowed in order to build or acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets, \$14 million (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$9 million (5%), may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets.

Governmental Activities

	June 30, 2008	June 30, 2007
Program revenues:		
Charges for services..... \$	7,408,010	\$ 6,443,813
Operating grants and contributions.....	5,462,762	4,330,913
Capital grants and contributions.....	1,991,891	1,881,330
General revenues:		
Real estate and personal property taxes.....	55,285,952	51,611,421
Tax liens.....	295,646	253,933
Motor vehicle and other excise taxes.....	2,367,735	2,222,084
Hotel/motel tax.....	1,343,140	1,291,414
Penalties and interest on taxes.....	410,785	398,796
Community Preservation Fund surtax.....	1,535,337	1,459,647
Payments in lieu of taxes.....	3,645	-
Nonrestricted grants and contributions.....	469,868	413,538
Unrestricted investment income.....	634,539	355,288
Miscellaneous revenues.....	579,775	593,982
Total revenues.....	77,789,085	71,256,159
Expenses:		
General government.....	6,832,016	7,176,690
Public safety.....	10,691,407	10,073,622
Education.....	27,607,296	25,691,799
Public works.....	3,146,271	3,889,166
Community preservation.....	2,105,908	1,939,092
Human services.....	7,473,662	7,537,766
Culture and recreation.....	2,232,982	2,147,117
Interest.....	2,419,841	2,246,838
Total expenses.....	62,509,383	60,702,090
Transfers.....	(14,811,978)	(4,124,760)
Change in net assets..... \$	467,724	\$ 6,429,309

The primary governmental expenses totaled \$62 million. Of that amount, \$14.9 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$62.9 million, primarily coming from property taxes, motor vehicle excise, hotel/motel taxes, non-restricted state aid and other miscellaneous charges. The governmental activities net assets increased by approximately \$468,000 in Fiscal 2008 after recording a capital transfer of over \$15 million to the Sewer Enterprise Fund for debt that will be repaid by the general government which will be used to construct capital assets for the Sewer Enterprise Fund. The resources for that transfer (borrowing agreement) are not included in the revenues shown above, in accordance with accrual accounting. Disregarding that capital transfer, governmental activities net assets increased by \$15 million on a GAAP accounting basis. The major increase was a total of \$8.2 million in capital assets, net of related debt. Other large increases include a \$3.3 million capital transfer from the Nantucket County Sheriff's department, a \$2.8 million increase in the Internal Service Fund, and a \$1 million increase in the community preservation fund.

Governmental Activities

	Balance at June 30, 2008	Balance at June 30, 2007	Net Increase (Decrease)
Net Assets:			
Capital assets net of related debt.....	\$ 153,639,878	\$ 145,427,507	\$ 8,212,371
Restricted.....	13,803,760	9,291,543	4,512,217
Unrestricted.....	8,821,281	21,078,145	(12,256,864)
Total net assets.....	<u>176,264,919</u>	<u>175,797,195</u>	<u>467,724</u>

The following chart provides a summary of Business-type activities financial data for fiscal year 2008, with comparative fiscal 2007 information.

Business-Type Activities

	Balance at June 30, 2008	Balance at June 30, 2007
Assets:		
Current assets.....	\$ 44,675,721	\$ 31,864,833
Noncurrent assets (excluding capital).....	2,367,761	2,469,066
Capital assets, not being depreciated.....	74,107,339	40,459,326
Capital assets, net of accumulated depreciation.....	76,145,691	73,524,319
Total assets.....	<u>197,296,512</u>	<u>148,317,544</u>
Liabilities:		
Current liabilities (excluding debt).....	10,768,076	6,275,354
Noncurrent liabilities (excluding debt).....	327,726	248,590
Current debt.....	12,710,329	7,765,653
Noncurrent debt.....	70,859,005	52,399,347
Total liabilities.....	<u>94,665,136</u>	<u>66,688,944</u>
Net Assets:		
Capital assets net of related debt.....	78,358,807	69,117,523
Unrestricted.....	24,272,569	12,511,077
Total net assets.....	<u>102,631,376</u>	<u>81,628,600</u>
Program revenues:		
Charges for services.....	25,376,292	24,449,745
Operating grants and contributions.....	1,773,605	2,154,457
Capital grants and contributions.....	6,804,856	1,340,057
Total revenues.....	<u>33,954,753</u>	<u>27,944,259</u>
Expenses:		
Water.....	3,941,308	3,219,051
Sewer.....	4,416,855	3,954,894
Solid Waste.....	8,988,076	8,983,570
Airport.....	13,717,716	12,171,263
Total expenses.....	<u>31,063,955</u>	<u>28,328,778</u>
Transfers.....	<u>18,111,978</u>	<u>4,124,760</u>
Change in net assets.....	<u>\$ 21,002,776</u>	<u>\$ 3,740,241</u>

There was a net increase of \$21 million in net assets reported in connection with the Town's business-type activities (enterprise funds). The changes by fund are listed in the following table:

Business-Type Activities

	Balance at June 30, 2008	Balance at June 30, 2007	Net Increase (Decrease)
Net Assets:			
Siasconset Water.....	\$ 4,017,461	\$ 3,858,279	\$ 159,182
Wannacomet Water Company.....	14,063,649	13,067,642	996,007
Nantucket Memorial Airport.....	30,242,477	23,852,347	6,390,130
Sewer Enterprise Fund.....	44,380,438	29,326,631	15,053,807
Solid Waste Enterprise Fund.....	9,927,351	11,523,701	\$ (1,596,350)
Total net assets.....	\$ 102,631,376	\$ 81,628,600	\$ 21,002,776

The most significant factor in this change is a \$15 million capital transfer from the general government to the Sewer Enterprise Fund. This represents approximately one-third of the long term debt incurred on behalf of the Sewer Enterprise Fund to expand and improve a waste water treatment facility. The general government is responsible for the repayment of that portion of the debt, as approved by voters at Annual Town meetings and by ballot election.

The increase in net assets for Nantucket Memorial Airport consists primarily of \$6 million in capital contributions from state and federal grants for construction projects, including a new airport terminal.

The change in net assets for the Wannacomet Water and Solid Waste Enterprise Funds occurred as a result of the fiscal year net income and net loss, respectively, in each of the Funds.

At the end of the current fiscal year, the Town reports \$103 million in net assets for its combined business-type activities.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$34.6 million, of which \$10.6 million is general fund, and \$24 million is nonmajor governmental funds. The general fund is the chief operating fund. At the end of fiscal 2008, unreserved fund balance of the general fund was \$7.2 million, while total fund balance was \$10.6 million.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11% of total general fund expenditures, while total fund balance represents 15% of that same amount. \$364 thousand of the unreserved fund balance was designated at year end to support the 2009 budget. An additional \$2.1 million was reserved for carry-over appropriations and encumbrances, and \$931 thousand was reserved for future debt service. The unreserved, undesignated fund balance increased by \$1 million.

The Town also maintains a community preservation fund, classified within the non-major governmental funds which had a year end fund balance of \$5.5 million. Of this amount, \$3.3 million is designated for ongoing projects, by previous Annual Town Meeting votes. This fund is attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreation use and community housing. In fiscal year 2008 the Town earned and accrued a year end receivable for state matching community preservation funds, of \$1.1 million.

General Fund Budgetary Highlights

The General fund budget consists of those appropriations voted at Annual Town Meeting, carryover encumbrances and appropriations from the previous year, amounts charged by the Commonwealth and deducted from state revenues, and amounts required to be raised as a result of any deficits. The Town's budget may be changed by action of Town Meeting or, in the last two months of the fiscal year, by vote of the Board of Selectmen and the Finance Committee, with statutory limitation as to amount. The original appropriation budget and the carryover encumbrances and appropriations totaled \$73 million. Changes during the year consisted largely of allocations between and among departments. The net increase from changes to the appropriation budget totaled \$127,214.

Total actual revenue was lower than estimated revenue by \$1.1 million, a negative variance of 2% of estimated revenue. At year end, outstanding purchase orders totaled approximately \$500 thousand and carry-over appropriations totaled approximately \$1.6 million. The total of these two items, \$2.1 million, is reserved in fund balance at year end. The total of actual expenditures and these amounts reserved for future expenditures was lower than the final budget by approximately \$3.4 million, a positive variance.

The net of actual revenue and expense, compared to budgeted amounts, was a positive variance of \$2.3 million. Of that amount, \$931 thousand was reserved for 2009 debt service. The remainder, approximately \$1.4 million, represents about 2% of the current year initial budget. The primary source of savings in expenditures resulted from health insurance coverage costs remaining stable.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$203 million in the governmental funds, and \$150 million in the enterprise funds (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, equipment, vehicles and infrastructure.

Current year fixed asset additions totaled \$7.5 million for governmental activities, and \$39.6 million for business-type activities.

Long-term Debt

At the end of the current fiscal year, the Town of Nantucket had total bonded debt outstanding of \$160.7 million. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town. Of this amount, \$14.2 million is in short term notes and the remaining \$146.6 is outstanding long term debt. The governmental fund portion of the outstanding debt is \$77.2 million. The enterprise funds' portion of the outstanding debt is \$83.6 million. This amount is fully supported by the revenue of the enterprise funds, and does not rely upon a general fund subsidy.

	Governmental Funds	Enterprise Funds	Total
Short term.....	\$ 5,500,000	\$ 8,712,725	\$ 14,212,725
Current portion of long term.....	6,476,815	3,997,604	10,474,419
Noncurrent portion of long term.....	<u>65,196,355</u>	<u>70,859,005</u>	<u>136,055,360</u>
Total.....	<u>\$ 77,173,170</u>	<u>\$ 83,569,334</u>	<u>\$ 160,742,504</u>

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

Economic Factors and Next Year's Budgets and Rates

The Town's tax base continued to grow in fiscal 2008. Taxable property increased by \$234 million (1.2%) in 2008. New growth provided additional tax revenue of \$1.1 million in 2008 or 2.6% of the prior year's levy base.

The average residential assessed value was \$1.9 million in 2008. The residential tax rate for 2008 was \$2.67 per \$1,000 of assessed value.

The 2008 Annual and Special Town Meetings approved a fiscal year 2009 total budget of \$108.9 million, including a total general fund budget of \$72.7 million, and an increase to the stabilization fund of \$500 thousand. The residential tax rate for 2009 is \$2.76 per \$1,000 of assessed value.

Requests for Information

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

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 30,292,229	\$ 22,595,839	\$ 52,888,068
Restricted cash and cash equivalents.....	-	-	-
Investments.....	2,695,431	-	2,695,431
Investments, restricted.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,496,874	-	2,496,874
Tax and trash liens.....	1,737,638	-	1,737,638
Motor vehicle and other excise taxes.....	490,473	-	490,473
User fees.....	3,885	1,494,665	1,498,550
Departmental and other.....	731,423	7,978	739,401
Special assessments.....	25,171	-	25,171
Intergovernmental.....	18,034,963	19,306,600	37,341,563
Deferred loss on refunding.....	109,209	-	109,209
Inventory.....	-	764,626	764,626
Working capital deposit.....	1,490,900	-	1,490,900
Other assets.....	-	-	-
Prepaid expenses.....	10,900	19,876	30,776
Internal balances.....	(486,137)	486,137	-
NONCURRENT:			
Restricted assets:			
Cash and cash equivalents.....	-	-	-
Cash surrender value of life insurance.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	2,367,761	2,367,761
Deferred loss on refunding.....	499,024	-	499,024
Capital assets, not being depreciated.....	175,330,456	74,107,339	249,437,795
Capital assets, net of accumulated depreciation.....	27,777,272	76,145,691	103,922,963
TOTAL ASSETS.....	261,239,711	197,296,512	458,536,223
LIABILITIES			
CURRENT:			
Warrants payable.....	949,441	9,077,289	10,026,730
Accrued liabilities.....	-	9,315	9,315
Accrued payroll.....	2,566,922	124,638	2,691,560
Health claims payable.....	710,419	-	710,419
Accrued interest.....	823,380	1,105,522	1,928,902
Payroll withholdings.....	96,517	-	96,517
Security deposits.....	-	309,097	309,097
Abandoned property.....	22,094	-	22,094
Other liabilities.....	1,017,264	51,300	1,068,564
Compensated absences.....	256,269	90,915	347,184
Workers' compensation.....	94,336	-	94,336
Unamortized premium on bonds and notes payable.....	43,075	-	43,075
Bonds and notes payable.....	11,976,816	12,710,329	24,687,145
NONCURRENT:			
Compensated absences.....	1,025,075	327,726	1,352,801
Unamortized premium on bonds and notes payable.....	196,830	-	196,830
Bonds and notes payable.....	65,196,354	70,859,005	136,055,359
TOTAL LIABILITIES.....	84,974,792	94,665,136	179,639,928
NET ASSETS			
Invested in capital assets, net of related debt.....	153,639,878	78,358,807	231,998,685
Restricted for:			
Debt service.....	-	-	-
Permanent funds:			
Expendable.....	206,985	-	206,985
Nonexpendable.....	308,153	-	308,153
Other purposes.....	13,288,622	-	13,288,622
Unrestricted.....	8,821,281	24,272,569	33,093,850
TOTAL NET ASSETS.....	\$ 176,264,919	\$ 102,631,376	\$ 278,896,295

See notes to basic financial statements.

Component Units

<u>County</u>	<u>Land Bank</u>	<u>Total</u>
\$ 3,982,061	\$ 12,219,219	\$ 16,201,280
-	353,413	353,413
-	-	-
-	1,271,969	1,271,969
-	-	-
-	-	-
-	-	-
-	108,863	108,863
-	-	-
34,289	-	34,289
-	-	-
-	110,493	110,493
-	-	-
101,950	2,500	104,450
-	365,012	365,012
-	-	-
-	2,027,328	2,027,328
-	493,831	493,831
-	-	-
-	-	-
28,458	195,732,972	195,761,430
<u>624,171</u>	<u>14,924,504</u>	<u>15,548,675</u>
<u>4,770,929</u>	<u>227,610,104</u>	<u>232,381,033</u>
5,359	179,218	184,577
-	691,967	691,967
11,421	-	11,421
-	-	-
-	-	-
391,888	-	391,888
-	-	-
-	-	-
254,120	-	254,120
-	-	-
-	-	-
-	2,986,919	2,986,919
-	-	-
-	-	-
-	27,667,226	27,667,226
<u>662,788</u>	<u>31,525,330</u>	<u>32,188,118</u>
652,629	180,005,831	180,658,460
-	2,380,741	2,380,741
-	-	-
-	-	-
<u>3,455,512</u>	<u>13,698,202</u>	<u>17,153,714</u>
<u>\$ 4,108,141</u>	<u>\$ 196,084,774</u>	<u>\$ 200,192,915</u>

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 6,832,016	\$ 1,018,223	\$ 512,146	\$ -	\$ (5,301,647)
Public safety.....	10,691,407	2,028,994	995,169	-	(7,667,244)
Education.....	27,607,296	688,028	3,470,447	-	(23,448,821)
Public works.....	3,146,271	69,200	8,075	763,713	(2,305,283)
Community preservation.....	2,105,908	-	-	1,228,178	(877,730)
Human services.....	7,473,662	3,284,823	25,752	-	(4,163,087)
Culture and recreation.....	2,232,982	318,742	451,173	-	(1,463,067)
Interest.....	2,419,841	-	-	-	(2,419,841)
Total Governmental Activities.....	62,509,383	7,408,010	5,462,762	1,991,891	(47,646,720)
<i>Business-Type Activities:</i>					
Water.....	3,941,308	4,279,554	816,943	-	1,155,189
Sewer.....	4,416,855	3,871,716	422,968	-	(122,171)
Solid waste.....	8,988,076	4,237,488	216,325	1,913	(4,532,350)
Airport.....	13,717,716	12,987,534	317,369	6,802,943	6,390,130
Total Business-Type Activities.....	31,063,955	25,376,292	1,773,605	6,804,856	2,890,798
Total Primary Government.....	93,573,338	32,784,302	7,236,367	8,796,747	(44,755,922)
Component Units:					
County.....	1,722,840	1,637,356	417,965	-	332,481
Land Bank.....	5,714,381	17,919,375	696,519	-	12,901,513
Total Component Units.....	7,437,221	19,556,731	1,114,484	-	13,233,994
Total.....	\$ 101,010,559	\$ 52,341,033	\$ 8,350,851	\$ 8,796,747	\$ (31,521,928)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	County	Land Bank	Total
Changes in net assets:						
Net (expense) revenue from previous page.....	\$ (47,646,720)	\$ 2,890,798	\$ (44,755,922)	\$ 332,481	\$ 12,901,513	\$ 13,233,994
<i>General revenues:</i>						
Real estate and personal property taxes, net of tax refunds payable.....	55,285,952	-	55,285,952	-	-	-
Tax liens.....	295,646	-	295,646	-	-	-
Motor vehicle and other excise taxes.....	2,367,735	-	2,367,735	6,765	-	6,765
Hotel/motel tax.....	1,343,140	-	1,343,140	-	-	-
Penalties and interest on taxes.....	410,785	-	410,785	-	-	-
Community Preservation Fund surcharges...	1,535,337	-	1,535,337	-	-	-
Payments in lieu of taxes.....	3,645	-	3,645	-	-	-
Grants and contributions not restricted to specific programs.....	469,868	-	469,868	-	-	-
Unrestricted investment income.....	634,539	-	634,539	-	-	-
Miscellaneous.....	579,775	-	579,775	105	-	105
Capital transfers.....	(15,175,978)	15,175,978	-	-	-	-
Transfers to/from component unit.....	-	3,300,000	3,300,000	(3,300,000)	-	(3,300,000)
Transfers, net.....	364,000	(364,000)	-	-	-	-
Total general revenues and transfers.....	48,114,444	18,111,978	66,226,422	(3,293,130)	-	(3,293,130)
Change in net assets.....	467,724	21,002,776	21,470,500	(2,960,649)	12,901,513	9,940,864
<i>Net Assets:</i>						
Beginning of year, as restated.....	175,797,195	81,628,600	257,425,795	7,068,790	183,183,261	190,252,051
End of year.....	\$ 176,264,919	\$ 102,631,376	\$ 278,896,295	\$ 4,108,141	\$ 196,084,774	\$ 200,192,915

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds	Component Unit - Nantucket County
Cash and cash equivalents.....	\$ -	\$ 24,977,043	\$ 24,977,043	\$ 3,982,061
Investments.....	-	2,534,699	2,534,699	-
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	2,432,506	64,368	2,496,874	-
Tax liens	1,719,206	18,432	1,737,638	-
Motor vehicle and other excise taxes.....	490,473	-	490,473	-
User fees.....	3,885	-	3,885	-
Departmental and other.....	406,591	228,442	635,033	-
Special assessments.....	-	25,171	25,171	-
Intergovernmental.....	15,453,080	2,581,883	18,034,963	34,289
Due from other funds.....	958,600	619,852	1,578,452	-
Other assets.....	-	-	-	101,950
Prepaid expenses.....	10,900	-	10,900	-
TOTAL ASSETS.....	\$ 21,475,241	\$ 31,049,890	\$ 52,525,131	\$ 4,118,300
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 532,001	\$ 414,956	\$ 946,957	\$ 5,359
Accrued payroll.....	2,535,505	31,417	2,566,922	11,421
Accrued interest on short-term debt.....	37,739	-	37,739	-
Payroll withholdings.....	96,517	-	96,517	391,888
Abandoned property.....	22,094	-	22,094	-
Other liabilities.....	871,722	145,542	1,017,264	254,120
Deferred revenues.....	4,152,172	1,077,623	5,229,795	14,730
Due to other funds.....	2,615,418	-	2,615,418	-
Notes payable.....	-	5,500,000	5,500,000	-
TOTAL LIABILITIES.....	10,863,168	7,169,538	18,032,706	677,518
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	2,142,523	-	2,142,523	-
Debt service.....	931,390	-	931,390	-
Perpetual permanent funds.....	-	308,153	308,153	-
Unreserved:				
Designated for subsequent year's expenditures...	364,200	-	364,200	-
Undesignated, reported in:				
General fund.....	7,173,960	-	7,173,960	394,544
Special revenue funds.....	-	16,061,734	16,061,734	3,046,238
Capital projects funds.....	-	7,303,480	7,303,480	-
Permanent funds.....	-	206,985	206,985	-
TOTAL FUND BALANCES.....	10,612,073	23,880,352	34,492,425	3,440,782
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 21,475,241	\$ 31,049,890	\$ 52,525,131	\$ 4,118,300

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2008

Total governmental fund balances.....	\$	34,492,425
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		203,107,728
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		5,229,795
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		6,901,134
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(785,641)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(71,673,170)	
Unamortized premiums on bonds and notes.....	(239,905)	
Workers' compensation.....	(94,336)	
Compensated absences.....	(1,281,344)	
Net effect of reporting long-term liabilities.....		(73,288,755)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		608,233
Net assets of governmental activities.....	\$	176,264,919

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds	Component Unit - Nantucket County
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 55,129,913	\$ -	\$ 55,129,913	\$ -
Tax liens.....	74,677	-	74,677	-
Motor vehicle and other excise taxes.....	2,332,743	-	2,332,743	6,765
Hotel/motel tax.....	1,343,140	-	1,343,140	-
Charges for services.....	4,742,366	681,365	5,423,731	-
Community Preservation surcharges.....	-	1,535,337	1,535,337	-
Penalties and interest on taxes.....	409,101	1,684	410,785	-
Payments in lieu of taxes.....	3,645	-	3,645	-
Licenses and permits.....	1,321,794	-	1,321,794	-
Fines and forfeitures.....	266,693	-	266,693	-
Intergovernmental.....	3,186,379	3,992,328	7,178,707	100,000
Departmental and other.....	163,521	187,156	350,677	1,782,089
Contributions.....	-	1,300	1,300	-
Investment income.....	549,686	209,215	758,901	158,502
Miscellaneous.....	544,193	2,327,087	2,871,280	105
TOTAL REVENUES.....	70,067,851	8,935,472	79,003,323	2,047,461
EXPENDITURES:				
Current:				
County administration.....	-	-	-	266,369
Registry of Deeds.....	-	-	-	312,741
Sheriff's department.....	-	-	-	919,706
Special projects.....	-	-	-	61,754
General government.....	5,327,955	1,379,707	6,707,662	962
Public safety.....	7,918,077	498,793	8,416,870	42,763
Education.....	21,041,055	2,919,937	23,960,992	-
Public works.....	2,883,144	3,219,949	6,103,093	-
Community preservation.....	-	2,105,908	2,105,908	-
Human services.....	6,118,790	33,210	6,152,000	-
Culture and recreation.....	2,097,818	551,235	2,649,053	-
Pension benefits.....	4,716,353	-	4,716,353	-
Employee benefits.....	8,587,434	-	8,587,434	-
State and county charges.....	462,130	-	462,130	-
Debt service:				
Principal.....	4,728,096	-	4,728,096	-
Interest.....	2,343,057	-	2,343,057	-
TOTAL EXPENDITURES.....	66,223,909	10,708,739	76,932,648	1,604,295
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,843,942	(1,773,267)	2,070,675	443,166
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds and notes.....	15,175,978	4,375,600	19,551,578	-
Transfer to primary government.....	-	-	-	(3,300,000)
Transfer from component unit.....	-	3,300,000	3,300,000	-
Transfers in.....	642,464	910,000	1,552,464	-
Transfers out.....	(3,846,000)	(642,464)	(4,488,464)	-
Capital transfer.....	(15,175,978)	-	(15,175,978)	-
TOTAL OTHER FINANCING SOURCES (USES).....	(3,203,536)	7,943,136	4,739,600	(3,300,000)
NET CHANGE IN FUND BALANCES.....	640,406	6,169,869	6,810,275	(2,856,834)
FUND BALANCES AT BEGINNING OF YEAR.....	9,971,667	17,710,483	27,682,150	6,297,616
FUND BALANCES AT END OF YEAR.....	\$ 10,612,073	\$ 23,880,352	\$ 34,492,425	\$ 3,440,782

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds.....		\$ 6,810,275
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	6,913,592	
Depreciation expense.....	<u>(2,303,835)</u>	
Net effect of reporting capital assets.....		4,609,757
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		773,409
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(19,551,578)	
Debt service principal payments.....	<u>4,728,096</u>	
Net effect of reporting long-term debt.....		(14,823,482)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	288,125	
Net change in accrued interest on long-term debt.....	(7,686)	
Net change in workers' compensation.....	50,338	
Amortization of deferred charge on refunding.....	(114,104)	
Amortization of premiums on bonds and notes payable.....	<u>45,006</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		261,679
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>2,836,086</u>
Change in net assets of governmental activities.....		<u>\$ 467,724</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

Business-type Activities - Enterprise Funds

	Siasconset		Nantucket Memorial	
	Water	Sewer	Solid Waste	Airport
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ (300)	\$ 1,962,589	\$ -	\$ 10,238,314
Restricted cash and cash equivalents.....	-	-	-	-
Investments.....	-	-	-	-
Investments, designated.....	-	-	-	-
Receivables, net of allowance for uncollectibles:				
Land Bank accounts.....	-	-	-	-
Insurance reimbursements.....	-	-	7,978	-
User fees.....	29,940	143,294	544,601	341,802
Intergovernmental.....	-	17,185,373	-	2,121,227
Inventory.....	-	-	-	649,111
Working capital deposit.....	-	-	-	-
Prepaid expenses.....	-	-	-	19,876
Land deposits.....	-	-	-	-
Due from other funds.....	67,981	3,070,418	188,320	-
Total current assets.....	97,621	22,361,674	740,899	13,370,330
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	-	2,367,761	-	-
Restricted cash and cash equivalents.....	-	-	-	-
Cash surrender value of life insurance.....	-	-	-	-
Capital assets, not being depreciated.....	4,537,825	49,125,475	2,651,406	12,488,698
Capital assets, net of accumulated depreciation.....	2,409,496	27,651,838	8,357,588	19,280,738
Total noncurrent assets.....	6,947,321	79,145,074	11,008,994	31,769,436
TOTAL ASSETS.....	7,044,942	101,506,748	11,749,893	45,139,766
LIABILITIES				
CURRENT:				
Warrants payable.....	132,369	6,471,338	536,054	1,806,954
Accrued liabilities.....	-	-	-	-
Accrued payroll.....	3,412	14,755	1,496	85,058
Health claims payable.....	-	-	-	-
Security deposits.....	-	-	-	309,097
Accrued interest.....	32,130	696,083	10,205	106,182
Other liabilities.....	-	-	-	51,300
Due to other funds.....	1,169,388	253,711	189,787	44,128
Compensated absences.....	5,036	8,225	-	39,907
Notes payable.....	-	-	-	8,712,725
Bonds payable.....	180,000	1,720,292	110,000	732,312
Total current liabilities.....	1,522,335	9,164,404	847,542	11,887,663
NONCURRENT:				
Compensated absences.....	20,146	32,901	-	159,626
Notes payable.....	-	-	-	-
Bonds payable.....	1,485,000	47,929,005	975,000	2,850,000
Total noncurrent liabilities.....	1,505,146	47,961,906	975,000	3,009,626
TOTAL LIABILITIES.....	3,027,481	57,126,310	1,822,542	14,897,289
NET ASSETS				
Invested in capital assets, net of related debt.....	5,282,321	30,077,387	9,923,994	19,880,316
Restricted.....	-	-	-	-
Unrestricted:				
Undesignated.....	(1,264,860)	14,303,051	3,357	10,362,161
TOTAL NET ASSETS.....	\$ 4,017,461	\$ 44,380,438	\$ 9,927,351	\$ 30,242,477

See notes to basic financial statements.

				Component Unit
Wannacomet Water Company	Total Business-Type Activities	Governmental Activities - Internal Service Fund	Nantucket Islands Land Bank	
\$ 10,395,236	\$ 22,595,839	\$ 5,315,186	\$ 12,219,219	
-	-	-	353,413	
-	-	160,732	-	
-	-	-	1,271,969	
-	-	-	108,863	
-	7,978	96,390	-	
435,028	1,494,665	-	-	
-	19,306,600	-	-	
115,515	764,626	-	110,493	
-	-	1,490,900	-	
-	19,876	-	-	
-	-	-	2,500	
8,320	3,335,039	550,829	365,012	
<u>10,954,099</u>	<u>47,524,623</u>	<u>7,614,037</u>	<u>14,431,469</u>	
-	2,367,761	-	-	
-	-	-	2,027,328	
-	-	-	493,831	
5,303,935	74,107,339	-	195,732,972	
18,446,031	76,145,691	-	14,924,504	
<u>23,749,966</u>	<u>152,620,791</u>	<u>-</u>	<u>213,178,635</u>	
<u>34,704,065</u>	<u>200,145,414</u>	<u>7,614,037</u>	<u>227,610,104</u>	
130,574	9,077,289	2,484	179,218	
9,315	9,315	-	691,967	
19,917	124,638	-	-	
-	-	710,419	-	
-	309,097	-	-	
260,922	1,105,522	-	-	
-	51,300	-	-	
1,191,888	2,848,902	-	-	
37,747	90,915	-	-	
-	8,712,725	-	2,986,919	
1,255,000	3,997,604	-	-	
<u>2,905,363</u>	<u>26,327,307</u>	<u>712,903</u>	<u>3,858,104</u>	
115,053	327,726	-	-	
-	-	-	27,667,226	
17,620,000	70,859,005	-	-	
<u>17,735,053</u>	<u>71,186,731</u>	<u>-</u>	<u>27,667,226</u>	
<u>20,640,416</u>	<u>97,514,038</u>	<u>712,903</u>	<u>31,525,330</u>	
13,194,789	78,358,807	-	180,005,831	
-	-	-	2,380,741	
868,860	24,272,569	6,901,134	13,698,202	
<u>\$ 14,063,649</u>	<u>\$ 102,631,376</u>	<u>\$ 6,901,134</u>	<u>\$ 196,084,774</u>	

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds			
	Siasconset Water Company	Sewer	Solid Waste	Nantucket Memorial Airport
OPERATING REVENUES:				
Lease and rental income.....	\$ -	\$ -	\$ -	\$ -
Fee revenue.....	-	-	-	-
Charges for services.....	592,654	3,870,841	4,237,488	12,719,037
Utility liens.....	-	-	212,603	-
Intergovernmental.....	-	421,621	-	-
Other.....	-	-	-	-
Contributions.....	-	-	-	-
TOTAL OPERATING REVENUES	592,654	4,292,462	4,450,091	12,719,037
OPERATING EXPENSES:				
Cost of services and administration.....	305,581	1,695,766	8,576,603	11,234,778
Depreciation.....	42,995	1,298,801	379,056	1,472,107
Other.....	5,231	-	2,580	-
Employee benefits.....	10,082	21,133	-	654,955
TOTAL OPERATING EXPENSES.....	363,889	3,015,700	8,958,239	13,361,840
OPERATING INCOME (LOSS).....	228,765	1,276,762	(4,508,148)	(642,803)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	800	2,222	5,635	585,866
Interest expense.....	(70,383)	(1,401,155)	(29,837)	(355,876)
Intergovernmental capital grants.....	-	-	-	6,802,943
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(69,583)	(1,398,933)	(24,202)	7,032,933
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....	159,182	(122,171)	(4,532,350)	6,390,130
CAPITAL CONTRIBUTIONS.....	-	15,175,978	-	-
TRANSFERS IN.....	-	-	2,936,000	-
CHANGE IN NET ASSETS.....	159,182	15,053,807	(1,596,350)	6,390,130
NET ASSETS AT BEGINNING OF YEAR.....	3,858,279	29,326,631	11,523,701	23,852,347
NET ASSETS AT END OF YEAR.....	\$ 4,017,461	\$ 44,380,438	\$ 9,927,351	\$ 30,242,477

See notes to basic financial statements.

		Component Unit	
Wannacomet Water Company	Total Business-Type Activities	Governmental Activities - Internal Service Fund	Nantucket Islands Land Bank
\$ -	\$ -	\$ -	\$ 157,620
-	-	-	17,460,366
3,686,900	25,106,920	-	-
-	212,603	-	-
-	421,621	-	-
401,019	401,019	-	90,239
-	-	10,848,339	211,150
<u>4,087,919</u>	<u>26,142,163</u>	<u>10,848,339</u>	<u>17,919,375</u>
2,037,283	23,850,011	-	4,397,714
635,033	3,827,992	-	-
-	7,811	-	-
99,474	785,644	8,046,171	-
<u>2,771,790</u>	<u>28,471,458</u>	<u>8,046,171</u>	<u>4,397,714</u>
<u>1,316,129</u>	<u>(2,329,295)</u>	<u>2,802,168</u>	<u>13,521,661</u>
415,124	1,009,647	33,918	696,519
(735,246)	(2,592,497)	-	(1,316,667)
-	6,802,943	-	-
<u>(320,122)</u>	<u>5,220,093</u>	<u>33,918</u>	<u>(620,148)</u>
<u>996,007</u>	<u>2,890,798</u>	<u>2,836,086</u>	<u>12,901,513</u>
-	15,175,978	-	-
-	2,936,000	-	-
996,007	21,002,776	2,836,086	12,901,513
<u>13,067,642</u>	<u>81,628,600</u>	<u>4,065,048</u>	<u>183,183,261</u>
\$ <u><u>14,063,649</u></u>	\$ <u><u>102,631,376</u></u>	\$ <u><u>6,901,134</u></u>	\$ <u><u>196,084,774</u></u>

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds			
	Siasconset Water Company	Sewer	Solid Waste	Nantucket Memorial Airport
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 661,838	\$ 3,972,859	\$ 4,419,681	\$ 11,918,603
Employer and employee contributions to fund.....	-	-	-	-
Receipts from other governments.....	-	522,926	-	-
Receipts from other operating revenues.....	-	-	-	-
Payments to vendors.....	(94,512)	(1,063,486)	(8,728,741)	(7,530,279)
Payments to employees.....	(122,846)	(632,760)	(61,314)	(3,688,872)
Payments for interfund services used.....	(10,082)	(21,133)	-	(654,955)
NET CASH FROM OPERATING ACTIVITIES.....	434,398	2,778,406	(4,370,374)	44,497
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	-	2,936,000	-
Transfers out.....	-	-	-	-
Advances from other funds.....	1,134,855	10,437,764	13,842	-
Advances to other funds.....	(300)	(13,235,297)	-	(373,623)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	1,134,555	(2,797,533)	2,949,842	(373,623)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	-	23,269,441	350,000	3,203,537
Capital grants.....	-	-	-	6,802,943
Acquisition and construction of capital assets.....	(2,256,968)	(23,037,754)	(1,028,340)	(6,414,443)
Net change in land deposits.....	-	-	-	-
Principal payments on bonds and notes.....	(170,000)	(748,972)	(5,000)	(435,000)
Interest expense.....	(73,500)	(1,008,729)	(20,444)	(270,824)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,500,468)	(1,526,014)	(703,784)	2,886,213
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments.....	-	-	-	-
Purchase of investments.....	-	-	-	-
Investment income.....	800	2,222	5,635	585,866
NET CASH FROM INVESTING ACTIVITIES.....	800	2,222	5,635	585,866
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(930,715)	(1,542,919)	(2,118,681)	3,142,953
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	930,415	3,505,508	2,118,681	7,095,361
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ (300)	\$ 1,962,589	\$ -	\$ 10,238,314
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 228,765	\$ 1,276,762	\$ (4,508,148)	\$ (642,803)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	42,995	1,298,801	379,056	1,472,107
Insurance reimbursements.....	-	-	-	-
User fees.....	69,184	102,018	(22,432)	115,069
Accounts receivable.....	-	-	(7,978)	-
Intergovernmental.....	-	101,305	-	(915,503)
Inventory.....	-	-	-	(378,426)
Working capital deposit.....	-	-	-	-
Prepaid expenses.....	-	-	-	(15,400)
Warrants payable.....	87,362	(14,630)	(183,810)	286,788
Accrued liabilities.....	-	-	-	-
Security deposits.....	-	-	-	77,253
Accrued payroll.....	1,454	2,957	120	85,058
Health claims payable.....	-	-	-	-
Other liabilities.....	-	-	-	(6,100)
Accrued compensated absences.....	4,638	11,193	(27,182)	(33,546)
Total adjustments.....	205,633	1,501,644	137,774	687,300
NET CASH FROM OPERATING ACTIVITIES.....	\$ 434,398	\$ 2,778,406	\$ (4,370,374)	\$ 44,497

See notes to basic financial statements.

		Component Unit	
Wannacomet Water Company	Total Business-Type Activities	Governmental Activities - Internal Service Fund	Nantucket Islands Land Bank
\$ 4,383,769	\$ 25,356,750	\$ -	\$ 17,488,144
-	-	11,159,942	-
-	522,926	-	-
-	-	-	459,009
(915,535)	(18,332,553)	(8,574,732)	(2,417,265)
(1,085,828)	(5,591,620)	-	(1,649,425)
(99,474)	(785,644)	-	-
<u>2,282,932</u>	<u>1,169,859</u>	<u>2,585,210</u>	<u>13,880,463</u>
-	2,936,000	-	-
-	-	-	-
-	11,586,461	-	-
(18,189)	(13,627,409)	-	-
(18,189)	895,052	-	-
1,100,000	27,922,978	-	15,343,181
-	6,802,943	-	-
(3,291,447)	(36,028,952)	-	(17,608,938)
-	-	-	125,000
(800,000)	(2,158,972)	-	(10,769,067)
(474,324)	(1,847,821)	-	(1,316,667)
(3,465,771)	(5,309,824)	-	(14,226,491)
-	-	-	1,577,324
-	-	(160,732)	-
415,124	1,009,647	33,918	696,519
415,124	1,009,647	(126,814)	2,273,843
(785,904)	(2,235,266)	2,458,396	1,927,815
11,181,140	24,831,105	2,856,790	10,291,404
\$ <u>10,395,236</u>	\$ <u>22,595,839</u>	\$ <u>5,315,186</u>	\$ <u>12,219,219</u>
\$ 1,316,129	\$ (2,329,295)	\$ 2,802,168	\$ 13,521,661
635,033	3,827,992	-	693,918
-	-	273,462	(69,390)
295,850	559,689	-	-
-	(7,978)	-	27,778
-	(814,198)	-	-
1,061	(377,365)	-	16,791
-	-	10,300	-
-	(15,400)	-	(210,849)
(147,173)	28,537	(538,861)	-
9,315	9,315	-	(99,446)
-	77,253	-	-
19,917	109,506	-	-
-	-	38,141	-
-	(6,100)	-	-
152,800	107,903	-	-
966,803	3,499,154	(216,958)	358,802
\$ <u>2,282,932</u>	\$ <u>1,169,859</u>	\$ <u>2,585,210</u>	\$ <u>13,880,463</u>

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 699,974	\$ 579,359
Investments.....	1,673,368	-
TOTAL ASSETS	2,373,342	579,359
LIABILITIES		
Liabilities due depositors.....	-	579,359
TOTAL LIABILITIES	-	579,359
NET ASSETS		
Held in trust for other purposes.....	\$ <u>2,373,342</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations.....	\$ 22,501
Net investment income (loss):	
Interest.....	<u>181,503</u>
TOTAL ADDITIONS.....	<u>204,004</u>
DEDUCTIONS:	
General government.....	<u>6,499</u>
CHANGE IN NET ASSETS.....	197,505
NET ASSETS AT BEGINNING OF YEAR.....	<u>2,175,837</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 2,373,342</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Nantucket, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. Two entities have been included as component units in the reporting entity, because of the significance of their operational and/or financial relationships with the Town.

Discretely Presented Component units – Discretely presented component units are entities that are legally separate from the Town, but for which the Town is financially accountable, or whose relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the Town.

In the Governmental Funds:

- (1) The County of Nantucket (County) has the same geographical boundaries as the Town of Nantucket, and the Town's selectmen serve ex officio as the County Commissioners. The principal services provided by the County are the Registry of Deeds and the Sheriff's Office.

In the Enterprise Funds:

- (1) The Nantucket Islands Land Bank (Land Bank) was created by Chapter 669 of the Acts of 1983 of the Commonwealth of Massachusetts to acquire and manage open space and resource protection within Nantucket County. The Land Bank is administered by the Nantucket Islands Land Bank Commission comprised of five elected members.

Availability of Financial Information for Component Units

The Nantucket Islands Land Bank issued separate audited financial statements. A copy of the complete financial statements can be obtained by contacting them at 22 Broad Street, Nantucket, MA 02554.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *Siasconset Water enterprise fund* is used to account for the Town's water distribution activities within its service area.

The *Sewer enterprise fund* is used to account for the Town's sewer activities.

The *Solid Waste enterprise fund* is used to account for the Town's landfill activities.

The *Nantucket Memorial Airport enterprise fund* is used to account for the operations of the Town's airport.

The *Wannacomet Water Company enterprise fund* is used to account for the Town's water distribution activities within its service area.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to health insurance and workers' compensation.

The *Nantucket Islands Land Bank enterprise fund* is used to account for the activity of the Nantucket Islands Land Bank.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For enterprise fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

The Town has the legal authority to impose real estate tax liens on delinquent properties. Liens are recorded as receivables in the fiscal year they are imposed.

Real estate receivables which have been secured via the tax lien process are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported. An allowance of uncollectibles for other real estate receivables is estimated based on historical trends and specific account analysis.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental and Other

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special Assessments consist of betterments assessed to residents of Golf View Drive and in relation to the Town's Septic Loan Betterment program. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

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

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

Water Fees

Water Fees for Siasconset Water are levied monthly based on individual meter readings.

Water Fees for Wannacomet Water Company are levied monthly based on individual meter readings and average bills.

All water fees are subject to penalties and interest if they are not paid by the respective due date. Unbilled water fees at year-end are accrued and are recorded as revenue in the current period.

Sewer Fees

Sewer Fees are levied monthly based on individual meter readings and on average bills and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees at year-end and are accrued and are recorded as revenue in the current period.

The Town has the ability to issue Water and Sewer liens for delinquent fees which are included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Allowances for uncollectible water and sewer fees are estimated based on historical trends and specific account analysis.

Landfill Fees

The outstanding receivable for Landfill Fees is comprised of annual commercial fees assessed to restaurants and inns and monthly tipping fees charged to private haulers.

Airport Fees

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

F. Inventories***Government-Wide and Fund Financial Statements***

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

All other inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Restricted Assets

Government-Wide and Fund Financial Statements

Certain assets of the enterprise fund are classified as restricted because their use is restricted by contract covenants.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost or at estimated historical cost when actual historical cost could not be determined. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Vehicles.....	5
Office equipment.....	5-10
Shop equipment.....	10-15
Runway improvements.....	20
Water infrastructure.....	40-70
Buildings and improvements.....	33-50

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

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements

L. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

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

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

“Other purposes” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Debt service” represents amounts raised in the current fiscal year specifically for debt service payments and not spent at year end. The tax levy for debt service in the subsequent fiscal year will be reduced by those amounts.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 90% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2008, this expense/expenditure totaled approximately \$1,514,000. There were approximately 144 participants eligible to receive benefits at June 30, 2008.

Q. Individual Fund Deficits

At June 30, 2008, there are several individual fund deficits within the special revenue funds and capital project funds, which are classified as non-major governmental funds in the fund financial statements. These deficits will be funded through available funds and grants during fiscal year 2009.

R. Use of Estimates*Government-Wide and Fund Financial Statements*

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

S. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

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

Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Nantucket’s deposits may not be returned to it. The Town, including the primary government and Nantucket County and Nantucket Islands Land Bank component units, does not have a deposit policy for custodial credit risk.

Primary Government

At fiscal year-end, the carrying amount of deposits of the primary government totaled \$43,430,950 and the bank balance totaled \$49,323,041. Of the bank balance, \$600,000 was covered by the Federal Depositors Insurance Company (“FDIC”), \$1,016,384 was covered by Federal Depository Insurance, \$45,178,825 was collateralized and \$2,527,832 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Component Unit-County

At fiscal year-end, the carrying amount of deposits of Nantucket County totaled \$3,982,061 and the bank balance totaled \$4,155,883. Of the bank balance, \$200,000 was covered by Federal Depository Insurance and the remainder of \$3,955,883 was collateralized, therefore the County did not have funds that were exposed to custodial credit risk because of being uninsured or uncollateralized.

Component Unit-Nantucket Islands Land Bank

The Land Bank considers securities purchased within six months of their date of maturity to be cash equivalents. The Land Bank holds a substantial amount of cash in time certificates of deposit and Federal treasury obligations. Cash and equivalents are insured by the Federal Depositors Insurance Company (“FDIC”), Depositors Insurance Fund (“DIF”) and the full faith pledge of the Commonwealth of Massachusetts. From time to time, the Land Bank’s cash balances fluctuate and can exceed the Federally insured limit of \$100,000.

At fiscal year-end, the carrying amount of deposits of the Nantucket Islands Land Bank totaled \$14,599,960. No amount was exposed to custodial credit risk because it was uninsured or uncollateralized.

Restricted cash of the Land Bank as of June 30, 2008 consists of the following:

Debt Service funds:	
Series 98E.....	\$ 807,485
Series 2007A Debt Service.....	32,244
Series 2007A Reserve.....	1,148,203
Security Deposit Fund.....	650
Marble Reserve Fund.....	353,413
Smooth Hummocks Management Escrow.....	<u>38,746</u>
Total Restricted Cash.....	<u>\$ 2,380,741</u>

The Land Bank has entered into an agreement with the Town of Nantucket, which requires the Land Bank to establish a working capital reserve fund. This fund, along with the pledge of the Town of Nantucket of its full faith and credit, secures the Series 98E bonds outstanding as of June 30, 2008. In addition, the Land Bank is prohibited from acquiring additional real estate at any time that an amount equal to one year's debt service in the reserve fund is not on deposit.

Investments

As of June 30, 2008, the Town of Nantucket had the following investments:

Primary Government

Investment Type	Fair Value	Maturity		
		Under 1 Year	1-5 Years	6-10 Years
Debt Securities:				
Federal Home Loan Bank.....	\$ 556,987	\$ -	\$ 153,235	\$ 403,752
Federal Home Loan Mortgage Corporation.....	713,875	-	411,438	302,437
Federal National Mortgage Association.....	644,853	202,626	442,227	-
Federal Home Loan Mortgage Corporation Gold.....	10,960	-	10,960	-
United States Treasury Note.....	2,442,124	556,995	1,155,306	729,823
Repurchase Agreements.....	<u>9,026,146</u>	<u>9,026,146</u>	<u>-</u>	<u>-</u>
Total Debt Securities.....	13,394,945	\$ <u>9,785,767</u>	\$ <u>2,173,166</u>	\$ <u>1,436,012</u>
Other Investments:				
MMDT.....	<u>1,710,305</u>			
Total Investments.....	\$ <u>15,105,250</u>			

Component Unit-County

The County did not have any investments as of June 30, 2008.

Component Unit-Nantucket Islands Land Bank

The Land Bank designated investments according to the level of risk assumed by the Land Bank. At June 30, 2008, the entire balance of investments, \$1,271,969, represent investments that are insured, registered or held by the Land Bank's agent in the Land Bank name. The entire balance of investments represents certificates of deposit stated at the fair market value that are unrated in terms of credit risk quality ratings

All designated investments consist of certificates of deposit maturing in less than 1 year.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town, including the primary government and Nantucket County component unit, does not have an investment policy for custodial credit risk. The Land Bank currently follows investment policies largely defined by the Commonwealth of Massachusetts, as well as internal Land Bank investment policies.

Primary Government

The investments of \$556,987 in Federal Home Loan Bank, \$713,875 in Federal Home Loan Mortgage Corporation, \$644,853 in Federal National Mortgage Association \$10,960 in Federal Home Loan Mortgage Corporation Gold, and \$2,442,124 in U.S. Treasury Notes are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the counterparty. The repurchase agreement consists of an overnight sweep agreement.

Component Unit-County

The County did not have any investments as of June 30, 2008.

Component Unit-Nantucket Islands Land Bank

The entire balance of Land Bank investments represents certificates of deposit stated at the fair market value that are unrated in terms of credit risk quality ratings.

Interest Rate Risk

The Town, including the primary government and Nantucket County and Nantucket Islands Land Bank component units, does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town, including the primary government and Nantucket County and Nantucket Islands Land Bank component units has not adopted a formal policy related to Credit Risk. Of the Town’s investments at June 30, 2008, \$4,357,839 are rated AAA and \$10,960 are unrated.

Concentration of Credit Risk

The Town, including the primary government and Nantucket County and Nantucket Islands Land Bank component units, places no limit on the amount the government may invest in any one issuer.

Primary Government

More than 5 percent of the primary government’s investments are in the following securities:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Federal Home Loan Mortgage Corporation.....	5%
United States Treasury Note.....	16%
Repurchase Agreements.....	60%
MMDT.....	11%

Component Unit-County

The County did not have any investments as of June 30, 2008.

NOTE 3 – RECEIVABLES

At June 30, 2008, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,789,788	\$ (292,914)	\$ 2,496,874
Tax liens	1,737,638	-	1,737,638
Excise taxes.....	1,050,796	(560,323)	490,473
User fees.....	3,885	-	3,885
Departmental and other.....	1,052,220	(320,797)	731,423
Special assessments.....	25,171	-	25,171
Intergovernmental.....	18,034,963	-	18,034,963
Total.....	<u>\$ 24,694,461</u>	<u>\$ (1,174,034)</u>	<u>\$ 23,520,427</u>

At June 30, 2008, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 464,968	\$ -	\$ 464,968
Sewer fees.....	143,294	-	143,294
Solid waste fees.....	658,331	(113,730)	544,601
Airport fees.....	416,802	(75,000)	341,802
Intergovernmental.....	21,674,361	-	21,674,361
Total.....	<u>\$ 23,357,756</u>	<u>\$ (188,730)</u>	<u>\$ 23,169,026</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable:</u>			
Real estate and personal property taxes.....	\$ 1,532,017	\$ 64,368	\$ 1,596,385
Tax liens.....	1,719,206	18,432	1,737,638
Motor vehicle and other excise taxes.....	490,473	-	490,473
User fees.....	3,885	-	3,885
Departmental and other.....	406,591	228,442	635,033
Special assessments.....	-	25,171	25,171
Intergovernmental.....	-	741,210	741,210
Total.....	<u>\$ 4,152,172</u>	<u>\$ 1,077,623</u>	<u>\$ 5,229,795</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 171,176,126	\$ -	\$ -	\$ 171,176,126
Construction in progress.....	828,551	3,676,085	(350,306)	4,154,330
				-
Total capital assets not being depreciated.....	172,004,677	3,676,085	(350,306)	175,330,456
<u>Capital assets being depreciated:</u>				
Vehicles.....	7,633,192	1,297,033	(594,491)	8,335,734
Buildings.....	31,207,129	324,065	-	31,531,194
Machinery and equipment.....	7,610,206	57,592	-	7,667,798
Infrastructure.....	21,088,698	2,503,614	-	23,592,312
Total capital assets being depreciated.....	67,539,225	4,182,304	(594,491)	71,127,038
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(4,650,790)	(1,197,128)	485,903	(5,362,015)
Buildings.....	(14,638,276)	(699,587)	-	(15,337,863)
Machinery and equipment.....	(6,671,725)	(177,945)	21,178	(6,828,492)
Infrastructure.....	(15,085,140)	(736,256)	-	(15,821,396)
Total accumulated depreciation.....	(41,045,931)	(2,810,916)	507,081	(43,349,766)
Total capital assets being depreciated, net.....	26,493,294	1,371,388	(87,410)	27,777,272
Total governmental activities capital assets, net.....	\$ 198,497,971	\$ 5,047,473	\$ (437,716)	\$ 203,107,728

The capital asset totals for the individual business-type activities at June 30, 2008 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,142,428	\$ -	\$ -	\$ 17,142,428
Construction in progress.....	23,316,898	35,703,186	(2,055,173)	56,964,911
Total capital assets not being depreciated.....	40,459,326	35,703,186	(2,055,173)	74,107,339
<u>Capital assets being depreciated:</u>				
Land improvements.....	23,574,534	980,361	-	24,554,895
Plant.....	15,594,467	12,113	-	15,606,580
Infrastructure.....	33,201,380	4,501,758	(20,000)	37,683,138
Buildings.....	19,660,436	364,456	-	20,024,892
Vehicles.....	4,350,438	43,888	(25,909)	4,368,417
Machinery and equipment.....	17,561,565	530,979	-	18,092,544
Furniture, fixtures and computer equipment.....	441,830	32,246	-	474,076
Total capital assets being depreciated.....	114,384,650	6,465,801	(45,909)	120,804,542
Less accumulated depreciation.....	(40,860,331)	(3,827,992)	29,472	(44,658,851)
Total capital assets being depreciated, net.....	73,524,319	2,637,809	(16,437)	76,145,691
Total business-type activities, capital assets.....	\$ 113,983,645	\$ 38,340,995	\$ (2,071,610)	\$ 150,253,030

Capital asset activity for the Nantucket County and Nantucket Islands Land Bank component units for the fiscal year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nantucket Islands Land Bank Component Unit				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 183,119,050	\$ 12,613,922	\$ -	\$ 195,732,972
<u>Capital assets being depreciated:</u>				
Buildings, improvements and equipment.....	12,931,131	4,999,127	(9,180)	17,921,078
Less accumulated depreciation.....	(2,307,725)	(698,029)	9,180	(2,996,574)
Total capital assets being depreciated, net.....	10,623,406	4,301,098	-	14,924,504
Total Nantucket Islands Land Bank Component Unit, capital assets.....	\$ 193,742,456	\$ 16,915,020	\$ -	\$ 210,657,476

	Beginning Balance	Increases	Decreases	Ending Balance
Nantucket County Component Unit				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 28,458	\$ -	\$ -	\$ 28,458
<u>Capital assets being depreciated:</u>				
Vehicles.....	232,067	45,116	-	277,183
Equipment.....	1,390,589	24,845	-	1,415,434
Total capital assets being depreciated.....	1,622,656	69,961	-	1,692,617
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(176,824)	(25,529)	-	(202,353)
Equipment.....	(703,116)	(162,977)	-	(866,093)
Total accumulated depreciation.....	(879,940)	(188,506)	-	(1,068,446)
Total capital assets being depreciated, net.....	742,716	(118,545)	-	624,171
Total County Component Unit capital assets.....	\$ 771,174	\$ (118,545)	\$ -	\$ 652,629

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government.....	\$ 58,132
Public safety.....	971,214
Education.....	624,733
Public works.....	992,943
Human services.....	1,579
Culture and recreation.....	162,315

Total depreciation expense - governmental activities..... \$ 2,810,916

Business-Type Activities:

Water.....	\$ 678,028
Sewer.....	1,298,801
Solid waste.....	379,056
Airport.....	1,472,107

Total depreciation expense - business-type activities..... \$ 3,827,992

Nantucket County Component Unit:

Registry of Deeds.....	\$ 50,496
Sheriff's Department.....	138,010

Total depreciation expense - component unit activities..... \$ 188,506

Nantucket Islands Land Bank Component Unit:

Land Bank.....	\$ 698,029
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NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2008 are summarized as follows:

Due From:	Due To:							Total
	General Fund	Nonmajor Governmental Funds	Siasconset Water Company	Sewer Enterprise Fund	Solid Waste Enterprise Fund	Wannacomet Water Company	Internal Service Fund	
General Fund.....	\$ -	\$ 619,852	\$ -	\$ 1,303,384	\$ 188,320	\$ 8,320	\$ 495,542	\$ 2,615,418
Siasconset Water Company.....	-	-	-	1,152,163	-	-	17,225	1,169,388
Sewer Enterprise Fund.....	232,826	-	-	-	-	-	20,885	253,711
Solid Waste Enterprise Fund.....	-	-	-	189,787	-	-	-	189,787
Nantucket Memorial Airport.....	33,118	-	-	-	-	-	11,010	44,128
Wannacomet Water company.....	692,656	-	67,981	425,084	-	-	6,167	1,191,888
Total.....	\$ 958,600	\$ 619,852	\$ 67,981	\$ 3,070,418	\$ 188,320	\$ 8,320	\$ 550,829	\$ 5,464,320

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Solid Waste Enterprise Fund	
General Fund.....	\$ -	\$ 310,000	\$ -	\$ -	\$ 310,000 (1)
General Fund.....	-	-	-	2,936,000	2,936,000 (2)
General Fund.....	-	600,000	-	-	600,000 (3)
General Fund.....	-	-	15,175,978	-	15,175,978 (4)
Nonmajor Governmental Funds.....	370,000	-	-	-	370,000 (5)
Nonmajor Governmental Funds.....	41,000	-	-	-	41,000 (6)
Nonmajor Governmental Funds.....	231,464	-	-	-	231,464 (7)
Total.....	\$ 642,464	\$ 910,000	\$ 15,175,978	\$ 2,936,000	\$ 19,664,442

- (1) Transfer from General Fund Operating Budget to Community School Revolving Fund.
- (2) General Fund subsidy to Solid Waste Enterprise Fund.
- (3) General Fund appropriation to fund the Stabilization Fund.
- (4) Capital Transfer to fund capital asset construction of the Sewer Enterprise with debt to be repaid from the general government.
- (5) Ambulance Reserve Fund transfer to fund the ambulance budget in the General Fund.
- (6) Waterway Improvement Fund transfer for the Marine & Coastal Resources Department for an outboard motor and vehicle.
- (7) Ferry Embarcation Fee transfer to the Town's Operating Budget.

NOTE 6 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2008, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2008
<i>Governmental Funds</i>							
BAN	Stormwater Drainage Improvements.....	4.00	02/27/09	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000 (a)
<i>Enterprise Fund</i>							
BAN	Airport Equipment - New Airfield Equipment....	4.00	02/28/08	109,188	-	109,188	-
BAN	Airport Improvement and Protection.....	4.00	02/28/08	400,000	-	400,000	-
BAN	Airport.....	4.00	02/27/09	5,000,000	5,000,000	1,287,275	8,712,725 (b)
BAN	Wastewater Treatment Facility.....	4.00	02/28/08	9,000,000	-	9,000,000	-
<i>Total Enterprise Fund.....</i>				<u>14,509,188</u>	<u>5,000,000</u>	<u>10,796,463</u>	<u>8,712,725</u>
<i>Total.....</i>				<u>\$ 20,009,188</u>	<u>\$ 10,500,000</u>	<u>\$ 16,296,463</u>	<u>\$ 14,212,725</u>

(a) Subsequent to year end, the \$5,500,000 was reissued as part of a new BAN, totaling \$14,212,725, with interest rates from 2% to 2.25%, which matured on February 27, 2009. The Town upon maturity rolled \$4,610,490 of the \$5,500,000 into a BAN maturing on March 30, 2009 with an interest rate of 1%. The remaining \$889,510 was rolled into a BAN with the \$8,712,725 of short term debt for the Airport in the value of \$9,602,235 that matures on February 26, 2010 at an interest rate of 1.75%.

(b) The \$8,712,725 of BANs outstanding on February 27, 2009 was reissued as part of a new BAN totaling \$9,602,235 with an interest rate of 1.75% that matures on February 26, 2010.

NOTE 7 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2008, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Land.....	4.75 - 6.00	\$ 1,300,000	\$ -	\$ 1,300,000	\$ -
Advanced Refunding of 91 Landfill.....	4.75 - 6.00	3,849,631	-	686,899	3,162,732
Advanced Refunding of 91 Sewer.....	4.75 - 6.00	2,391,905	-	424,724	1,967,181
Advanced Refunding of 91 School 1.....	4.75 - 6.00	656,672	-	319,854	336,818
Advanced Refunding of 91 School 2.....	4.75 - 6.00	586,792	-	183,523	403,269
Land Acquisition.....	4.00 - 4.90	210,000	-	20,000	190,000
MWPAT Title V Loan - 97-1148.....	-	15,080	-	1,162	13,918
Recreational facility.....	2.25 - 5.00	480,000	-	40,000	440,000
School remodeling.....	2.25 - 5.00	1,985,000	-	120,000	1,865,000
School remodeling.....	2.50 - 4.25	130,000	-	10,000	120,000
Land acquisition 1.....	2.50 - 4.10	14,445,000	-	565,000	13,880,000
Road, sidewalk and bikepath.....	2.50 - 3.00	330,000	-	110,000	220,000
Recreational facility.....	2.50 - 4.00	130,000	-	10,000	120,000
Planning.....	2.50 - 3.00	80,000	-	30,000	50,000
Public wharf 1.....	2.50 - 4.00	90,000	-	15,000	75,000
Assessors map.....	2.50 - 4.00	40,000	-	5,000	35,000
Fire departmental equipment.....	2.50 - 3.00	25,000	-	10,000	15,000
Departmental equipment.....	2.50 - 3.00	570,000	-	190,000	380,000
Computer hardware.....	2.50 - 4.00	440,000	-	55,000	385,000
Remodeling.....	2.50 - 4.13	495,000	-	30,000	465,000
Road and drainage.....	2.50 - 3.00	315,000	-	105,000	210,000
Recreational facility 2.....	2.50 - 4.00	170,000	-	15,000	155,000
Bulkhead.....	2.50 - 4.00	95,000	-	15,000	80,000
Public wharf 2.....	2.50 - 4.00	60,000	-	10,000	50,000
School Remodeling.....	3.75 - 5.00	665,000	-	35,000	630,000
Planning.....	3.75 - 4.00	400,000	-	100,000	300,000
Outdoor Recreational Facility.....	3.75 - 5.00	535,000	-	40,000	495,000
Fire departmental equipment.....	3.75 - 4.00	280,000	-	70,000	210,000
Bath House Construction.....	3.75 - 5.00	235,000	-	15,000	220,000
Public Works Equipment.....	3.75 - 4.00	95,000	-	25,000	70,000
Land Acquisition.....	3.75 - 5.00	295,000	-	20,000	275,000
Advance Refunding of 97 Land Bonds.....	3.75 - 5.00	17,815,000	-	110,000	17,705,000
MWPAT CW-04-19.....	2.00	959,608	-	41,934	917,674
Children's Beach Ramp.....	3.00-5.00	200,000	-	-	200,000
Public Safety Communications.....	3.00-5.00	3,000,000	-	-	3,000,000
Bikepath.....	3.00-5.00	650,000	-	-	650,000
Fairgrounds Road.....	3.00-5.00	1,375,000	-	-	1,375,000
Fire Engine.....	3.00-5.00	-	450,000	-	450,000
Washington Street Building.....	3.00-5.00	-	200,000	-	200,000
Sidewalk Design.....	3.00-5.00	-	25,000	-	25,000
South Shore Road Bike Path.....	3.00-5.00	-	425,600	-	425,600
Nobadeer Farm Road Bike Path.....	3.00-5.00	-	100,000	-	100,000
Study of Proporsed Bulk Fuel Facility.....	3.00-5.00	-	250,000	-	250,000
NES Building Improvements.....	3.00-5.00	200,000	-	-	200,000
NES Building Improvements (2).....	3.00-5.00	-	400,000	-	400,000
CPS Building Improvements.....	3.00-5.00	390,000	-	-	390,000
CPS Building Improvements (2).....	3.00-5.00	-	350,000	-	350,000
NHS Building Improvements.....	3.00-5.00	865,000	-	-	865,000
NHS Building Improvements (2).....	3.00-5.00	-	725,000	-	725,000
MWPAT CW-05-21.....	3.00-5.00	-	15,175,978	-	15,175,978
New School Playing Fields.....	3.00-5.00	-	1,200,000	-	1,200,000
School Bus Lanes and Parking Lot Improvements.....	3.00-5.00	-	250,000	-	250,000
Total Governmental Bonds Payable.....		\$ 56,849,688	\$ 19,551,578	\$ 4,728,096	\$ 71,673,170

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009.....	\$ 6,476,815	\$ 2,566,158	\$ 9,042,973
2010.....	6,337,765	2,265,192	8,602,957
2011.....	5,827,402	2,008,747	7,836,149
2012.....	5,817,262	1,776,224	7,593,486
2013.....	4,437,359	1,568,616	6,005,975
2014.....	4,302,699	1,406,047	5,708,746
2015.....	4,383,287	1,233,349	5,616,636
2016.....	4,384,110	1,065,156	5,449,266
2017.....	4,475,214	896,554	5,371,768
2018.....	4,001,585	737,548	4,739,133
2019.....	2,068,230	628,588	2,696,818
2020.....	2,040,154	558,269	2,598,423
2021.....	2,026,217	486,642	2,512,859
2022.....	2,003,723	415,352	2,419,075
2023.....	1,956,530	343,827	2,300,357
2024.....	1,859,645	273,040	2,132,685
2025.....	818,075	227,518	1,045,593
2026.....	801,829	203,973	1,005,802
2027.....	694,594	182,601	877,195
2028.....	632,779	162,830	795,609
2029.....	566,286	145,921	712,207
2030.....	580,123	132,084	712,207
2031.....	594,299	117,908	712,207
2032.....	608,820	103,386	712,206
2033.....	623,697	88,510	712,207
2034.....	638,937	73,270	712,207
2035.....	654,549	57,657	712,206
2036.....	670,543	41,663	712,206
2037.....	686,928	25,279	712,207
2038.....	703,714	8,494	712,208
Total.....	\$ <u>71,673,170</u>	\$ <u>19,800,403</u>	\$ <u>91,473,573</u>

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Sewer.....	4.00 - 5.00	\$ 610,000	\$ -	\$ 40,000	\$ 570,000
MWPAT - 94-10.....	Various	147,868	-	15,071	132,797
MWPAT CW-01-40.....	2.00 - 5.50	1,656,114	-	78,124	1,577,990
Sewer.....	2.25 - 5.00	1,020,000	-	60,000	960,000
MWPAT Sewer 98-143.....	4.50 - 5.25	762,400	-	45,096	717,304
MWPAT Sewer 98-144.....	4.50 - 5.25	170,594	-	9,752	160,842
MWPAT Sewer 98-145.....	4.50 - 5.25	188,570	-	10,466	178,104
MWPAT CW-02-50-A.....	Various	5,112,589	-	271,850	4,840,739
Sewer Department.....	3.75 - 4.00	50,000	-	10,000	40,000
MWPAT CW-04-20.....	2.00	3,994,925	-	157,555	3,837,370
MWPAT CW-02-50.....	Various	4,015,365	-	138,551	3,876,814
MWPAT CW-05-21.....	2.14	9,000,000	20,459,250	-	29,459,250
Stormwater Planning.....	3.75 - 4.00	40,000	-	10,000	30,000
Cleaning Equipment.....	3.00-5.00	165,000	-	-	165,000
Sewer Construction.....	3.00-5.00	250,000	-	-	250,000
Sewer.....	3.00-5.00	870,000	-	-	870,000
Waste Water Treatment Facility.....	3.00-5.00	-	398,013	-	398,013
Sewer.....	3.00-5.00	1,435,075	-	-	1,435,075
Sewer Departmental Equipment.....	3.00-5.00	-	150,000	-	150,000
Airport land acquisition.....	4.00 - 4.25	380,000	-	95,000	285,000
Airport.....	2.25 - 5.00	270,000	-	40,000	230,000
Airport departmental equipment.....	2.50 - 3.00	90,000	-	30,000	60,000
Airport improvement.....	2.50 - 4.00	1,360,000	-	195,000	1,165,000
Airport Improvement.....	3.75 - 5.00	195,000	-	25,000	170,000
Airport Equipment.....	3.75 - 4.00	200,000	-	50,000	150,000
Airport Equipment.....	3.00 - 5.00	440,811	-	-	440,811
Airport Equipment Refurbishment.....	3.00 - 5.00	676,500	-	-	676,500
Airport Equipment (2).....	3.00 - 5.00	230,000	-	-	230,000
Airport Equipment Refurbishment.....	3.00 - 5.00	175,000	-	-	175,000
Water projects.....	4.00 - 5.00	805,000	-	60,000	745,000
Water meters.....	4.00 - 4.25	600,000	-	150,000	450,000
Current Refunding of Dec. 1991 Water.....	2.25 - 5.00	320,000	-	170,000	150,000
Water 1.....	2.50 - 4.13	450,000	-	25,000	425,000
Water 2.....	2.50 - 4.13	450,000	-	25,000	425,000
Land acquisition 2.....	2.50 - 4.13	2,700,000	-	150,000	2,550,000
Water 1.....	3.75 - 5.00	2,905,000	-	110,000	2,795,000
Water 2.....	3.75 - 5.00	690,000	-	65,000	625,000
Water 3.....	3.75 - 5.00	485,000	-	15,000	470,000
Garage & Maintenance Facility.....	3.75 - 5.00	870,000	-	30,000	840,000
Rehab & Administration Building.....	3.00-5.00	750,000	-	-	750,000
Source Well & Pump.....	3.00-5.00	1,300,000	-	-	1,300,000
Water Storage Tank.....	3.00-5.00	5,000,000	-	-	5,000,000
Water Mains.....	3.00-5.00	1,250,000	-	-	1,250,000
Water System Distribution Improvements.....	3.00-5.00	-	1,000,000	-	1,000,000
Water Mains (2).....	3.00-5.00	-	100,000	-	100,000
Water Meter.....	3.75 - 5.00	1,745,000	-	160,000	1,585,000
Water 4.....	3.75 - 5.00	90,000	-	10,000	80,000
Solid waste facility.....	2.50 - 4.13	90,000	-	5,000	85,000
Landfill cell.....	3.00-5.00	650,000	-	-	650,000
Material recovery facility.....	3.00-5.00	-	350,000	-	350,000
Total Enterprise Bonds Payable.....		<u>\$ 54,655,811</u>	<u>\$ 22,457,263</u>	<u>\$ 2,256,465</u>	<u>\$ 74,856,609</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009.....	\$ 3,997,604	\$ 2,561,835	\$ 6,559,439
2010.....	3,943,904	2,351,718	6,295,622
2011.....	3,962,283	2,194,906	6,157,189
2012.....	3,692,406	2,058,175	5,750,581
2013.....	3,510,413	1,929,177	5,439,590
2014.....	3,455,073	1,785,828	5,240,901
2015.....	3,294,515	1,649,088	4,943,603
2016.....	3,353,638	1,529,089	4,882,727
2017.....	3,060,315	1,412,987	4,473,302
2018.....	3,011,600	1,310,165	4,321,765
2019.....	3,057,798	1,211,481	4,269,279
2020.....	3,112,614	1,089,719	4,202,333
2021.....	3,210,537	979,053	4,189,590
2022.....	3,040,697	870,567	3,911,264
2023.....	3,113,995	758,663	3,872,658
2024.....	3,042,122	647,226	3,689,348
2025.....	2,909,635	540,666	3,450,301
2026.....	2,208,058	453,582	2,661,640
2027.....	1,922,803	389,963	2,312,766
2028.....	1,673,042	334,977	2,008,019
2029.....	1,099,262	283,257	1,382,519
2030.....	1,126,122	256,396	1,382,518
2031.....	1,153,638	228,880	1,382,518
2032.....	1,181,827	200,691	1,382,518
2033.....	1,210,705	171,813	1,382,518
2034.....	1,240,289	142,230	1,382,519
2035.....	1,270,595	111,924	1,382,519
2036.....	1,301,642	80,877	1,382,519
2037.....	1,333,447	49,071	1,382,518
2038.....	1,366,030	16,488	1,382,518
Total.....	\$ <u>74,856,609</u>	\$ <u>27,600,492</u>	\$ <u>102,457,101</u>

Bonds and Notes Payable Schedule – Land Bank Component Unit

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2008</u>
Land Bank Bonds and Notes Payable.....	6.03	\$ 16,536,588	\$ -	\$ 10,219,198	\$ 6,317,390
Land Bank Bonds and Notes Payable.....	4.00 - 5.50	9,543,443	15,343,181	549,869	24,336,755
Total Land Bank Component Unit Bonds Payable.....		\$ <u>26,080,031</u>	\$ <u>15,343,181</u>	\$ <u>10,769,067</u>	\$ <u>30,654,145</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009.....	\$ 2,986,919	\$ 1,360,493	\$ 4,347,412
2010.....	1,347,452	1,192,871	2,540,323
2011.....	1,403,469	1,129,442	2,532,911
2012.....	1,474,991	1,062,262	2,537,253
2013.....	1,542,042	988,150	2,530,192
2014-2018.....	8,891,284	3,674,765	12,566,049
2019-2023.....	7,821,535	1,760,811	9,582,346
2024-2028.....	<u>5,186,453</u>	<u>545,789</u>	<u>5,732,242</u>
Total.....	\$ <u>30,654,145</u>	\$ <u>11,714,583</u>	\$ <u>42,368,728</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$2,469,067 and interest costs of \$3,644,957. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$54,511,297. The principal subsidies are guaranteed and therefore a \$2,469,067 intergovernmental receivable has been reported in the enterprise fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2008 principal and interest subsidies totaled approximately \$97,000 and \$425,000, respectively.

The Land Bank's notes payable are with various entities and bear interest at 6.063%. The notes payable balance is amortized over periods of one to sixteen years. Bonds payable is comprised of the 1998 Series E Refunding Bonds dated July 15, 1998, bear interest at rates ranging from 4.25% to 5.25% and mature serially from July 1, 2001 through July 1, 2019. The 2007 Series A Bonds dated December 4, 2007 bear interest at rates ranging from 4% to 5.5% and mature serially from December 1, 2008 through December 1, 2027. The bonds are secured by a second priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue. The bonds are additionally secured by a guarantee of the Town.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2008, the Town had the following authorized and unissued debt:

General Government

Purpose	Amount
Bikepaths.....	\$ 599,250
Fire Station Expansion.....	1,100,000
Wastewater.....	451,976
Total General Government.....	\$ 2,151,226

Enterprise

Purpose	Amount
Siasconset Water.....	\$ 3,900,000
Sewer.....	40,918,487
Solid Waste.....	1,633,000
Nantucket Memorial Airport.....	30,968,600
Wannacomet Water Company.....	250,000
Total Enterprise.....	\$ 77,670,087

Land Bank Component Unit

Purpose	Amount
Land Bank	\$ 1,271,969
Total.....	\$ 81,093,282

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Current Portion
GOVERNMENTAL ACTIVITIES:					
Long-Term Bonds and Notes.....	\$ 56,849,688	\$ 19,551,578	\$ (4,728,096)	\$ 71,673,170	\$ 6,476,815
Compensated Absences.....	1,569,469	-	(288,125)	1,281,344	256,269
Workers' Compensation.....	144,674	312,975	(363,313)	94,336	94,336
Total Governmental Funds.....	\$ 58,563,831	\$ 19,864,553	\$ (5,379,534)	\$ 73,048,850	\$ 6,827,420
BUSINESS-TYPE ACTIVITIES:					
Long-Term Bonds and Notes.....	\$ 54,655,811	\$ 22,457,263	\$ (2,256,465)	\$ 74,856,609	\$ 3,997,604
Compensated Absences.....	310,738	188,669	(89,750)	409,657	90,915
Total Business-type Funds.....	54,966,549	22,645,932	(2,346,215)	75,266,266	4,088,519
LAND BANK COMPONENT UNIT:					
Long-Term Bonds and Notes.....	\$ 26,080,031	15,343,181	(10,769,067)	30,654,145	2,986,919
Total.....	\$ 139,610,411	\$ 57,853,666	\$ (18,494,816)	\$ 178,969,261	\$ 13,902,858

The governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 8 – RISK FINANCING

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

The Town is self-insured for its health insurance and workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

(a) *Health Insurance*

The estimate of Incurred But Not Reported (IBNR) claims is based on a three month claims paid average. At June 30, 2008, the amount of the liability for health insurance claims totaled \$710,419. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2006, are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
Fiscal Year 2007..... \$	639,480	\$ 10,706,881	\$ (10,674,083)	\$ 672,278
Fiscal Year 2008.....	672,278	8,198,903	(8,160,762)	710,419

(b) *Workers' Compensation*

Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from a trust fund for workers compensation. Annual appropriations are made to add to the trust fund. The estimated future workers' compensation liability is based on history and injury type.

At June 30, 2008, the amount of the liability for workers' compensation claims totaled \$94,336. This liability is the Town's best estimate based on available information. Changes in the reported liability since July 1, 2006, are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
Fiscal Year 2007..... \$	48,306	\$ 281,898	\$ (185,530)	\$ 144,674
Fiscal Year 2008.....	144,674	312,975	(363,313)	94,336

NOTE 9 – PENSION PLAN

Plan Description - The Town and the County contribute to the Barnstable County Retirement Association (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees of both the Town and County are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$1,370,000 for the fiscal year ended June 30, 2008, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town and County are required to pay into the System their share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal year ended June 30, 2006, 2007 and 2008 totaled \$2,761,460, \$3,058,753, and \$3,346,353 respectively, which equaled its required contributions for each fiscal year. The County's contribution to the System for the fiscal years ended June 30, 2006, 2007 and 2008 were \$112,420, \$128,612 and \$138,012 respectively, which equaled its required contributions for each fiscal year.

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

NOTE 10 – COMMITMENTSConstruction Contracts:

The Town has a contract with Carlin Contracting for the Surfside Waste Water Treatment Facility upgrade and expansion. At year end, the open contract totaled approximately \$12,740,000.

The Town has a contract with Skanska USA Building, Inc. for construction of the new airport terminal. At year end, the open contract totaled approximately \$11,022,000.

The Town has various contracts with Earth Tech that include air terminal design and expansion, wastewater and drainage infrastructure evaluation and mapping, upgrades to and expansion of the Surfside Waste Water Treatment Facility. At year end, open contracts totaled approximately \$8,400,000.

The Town has contracts with C. C. Construction for sewer pipe and stormwater drainage construction. At year end, open contracts totaled approximately \$450,000.

The Town has contracts with Edwards & Kelcey, Inc. for airport engineering projects, and terminal design. At year end, open contracts totaled approximately \$410,000.

The Town has contracts with Haley & Ward, Inc. that include the work for Siasconset and Wannacomet Water companies. At year end, open contracts totaled approximately \$340,000.

Operating Contracts

The Town has a long-term contract with Waste Options, Inc. to operate the municipal landfill. The Town is charged by tonnage, with annual increases based on changes in the Consumer Price Index. Some fixed costs, fixed asset investments, and reimbursable expenses (transportation, disposal of construction and demolition waste) are charged to the Town. In Fiscal Year 2008, the contract resulted in annual payments of approximately \$8,500,000.

The Town has entered into various contracts with Blue Cross Blue Shield for administration of the Town's self-funded medical insurance program, and for supplementary insurance for employees or retirees who are covered by Medicare insurance. The contract resulted in annual payments of approximately \$7,490,000 in Fiscal Year 2008, which includes reimbursement payments for direct medical care, hospitalization, and prescriptions. The administrative cost portion of the contract is based on a monthly fee per enrolled member.

NOTE 11 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2008, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2008.

NOTE 12 – LAND BANK PRIOR YEAR ADJUSTMENT

During the fiscal year ended on June 30, 2008 the Land Bank recognized accrued post retirement benefits as required by GASB Statement 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As a result of implementing this pronouncement, the following restatements have been made to beginning net assets:

Net Assets at June 30, 2007, as previously reported.....	\$ 183,470,161
To recognize liabilities related to accrued post retirement benefits.....	<u>(286,900)</u>
Net Assets at June 30, 2007, restated.....	<u>\$ 183,183,261</u>

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2008, the Town has implemented the following GASB pronouncements:

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in fiscal year 2009. Management elected to implement this standard early. This standard did not impact the basic financial statements.

The GASB issued Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which was implemented in fiscal year 2008. This GASB changed the disclosures related to pensions.

The GASB issued Statement #52, Land and Other Real Estate Held as Investments by Endowments, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. Management elected to implement this standard early. This standard did not impact the basic financial statements.

The GASB issued Statement #53, Accounting and Financial Reporting for Derivative Instruments, which is required to be implemented in fiscal year 2010. The standards in this statement require governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early. This standard did not impact the basic financial statements.

Future Implementation of GASB Pronouncements

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 55,830,438	\$ 55,830,438	\$ 55,830,438
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	2,320,000	2,320,000	2,320,000
Hotel/motel tax.....	-	1,315,000	1,315,000	1,315,000
Charges for services.....	-	4,985,200	4,985,200	4,985,200
Penalties and interest on taxes.....	-	410,000	410,000	410,000
Payments in lieu of taxes.....	-	-	-	-
Licenses and permits.....	-	1,650,000	1,650,000	1,650,000
Fines and forfeitures.....	-	412,000	412,000	412,000
Intergovernmental.....	-	1,765,354	1,765,354	1,765,354
Departmental and other.....	-	221,000	221,000	221,000
Investment income.....	-	300,000	300,000	300,000
Miscellaneous.....	-	895,000	895,000	895,000
TOTAL REVENUES.....	-	70,103,992	70,103,992	70,103,992
EXPENDITURES:				
Current:				
General government.....	853,183	5,806,398	6,659,581	6,531,261
Public safety.....	98,826	8,120,968	8,219,794	8,304,472
Education.....	281,116	21,173,921	21,455,037	21,197,321
Public works.....	238,644	2,940,200	3,178,844	3,249,810
Human services.....	148,413	6,064,512	6,212,925	6,375,707
Culture and recreation.....	49,731	2,219,800	2,269,531	2,175,971
Employee benefits.....	19,180	10,037,000	10,056,180	9,714,564
State and county charges.....	-	3,708,483	3,708,483	3,808,483
Debt service:				
Principal.....	-	6,449,000	6,449,000	6,449,000
Interest.....	-	2,643,000	2,643,000	2,643,000
TOTAL EXPENDITURES.....	1,689,093	69,163,282	70,852,375	70,449,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,689,093)	940,710	(748,383)	(345,597)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	642,400	642,400	642,400
Transfers out.....	-	(3,316,000)	(3,316,000)	(3,846,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(2,673,600)	(2,673,600)	(3,203,600)
NET CHANGE IN FUND BALANCE.....	(1,689,093)	(1,732,890)	(3,421,983)	(3,549,197)
BUDGETARY FUND BALANCE, Beginning of year.....	9,077,878	9,077,878	9,077,878	9,077,878
BUDGETARY FUND BALANCE, End of year.....	\$ 7,388,785	\$ 7,344,988	\$ 5,655,895	\$ 5,528,681

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	55,368,768	\$ -	\$ (461,670)
	74,677	-	74,677
	2,332,743	-	12,743
	1,343,448	-	28,448
	4,742,366	-	(242,834)
	409,101	-	(899)
	3,645	-	3,645
	1,321,794	-	(328,206)
	266,693	-	(145,307)
	1,816,379	-	51,025
	140,215	-	(80,785)
	549,686	-	249,686
	664,193	-	(230,807)
	<u>69,033,708</u>	<u>-</u>	<u>(1,070,284)</u>
	5,312,105	1,201,397	17,759
	7,869,360	327,117	107,995
	21,041,055	98,401	57,865
	2,873,069	319,588	57,153
	6,094,152	189,900	91,655
	2,114,417	5,750	55,804
	8,711,895	370	1,002,299
	3,808,483	-	-
	4,728,096	-	1,720,904
	<u>2,305,318</u>	<u>-</u>	<u>337,682</u>
	<u>64,857,950</u>	<u>2,142,523</u>	<u>3,449,116</u>
	<u>4,175,758</u>	<u>(2,142,523)</u>	<u>2,378,832</u>
	642,464	-	64
	<u>(3,846,000)</u>	<u>-</u>	<u>-</u>
	<u>(3,203,536)</u>	<u>-</u>	<u>64</u>
	972,222	(2,142,523)	2,378,896
	<u>9,077,878</u>	<u>-</u>	<u>-</u>
\$	<u>10,050,100</u>	<u>\$ (2,142,523)</u>	<u>\$ 2,378,896</u>

**Barnstable County Contributory Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1993	\$ 97,194,645	\$ 226,430,792	\$ 129,236,147	42.9%	\$ 97,074,725	133.1%
1/1/1996	157,044,089	276,107,221	119,063,132	56.9%	108,456,079	109.8%
1/1/1998	235,247,660	404,215,695	168,968,035	58.2%	121,161,677	139.5%
1/1/2000	300,396,700	462,462,500	162,065,800	65.0%	152,293,100	106.4%
1/1/2002	362,911,896	553,531,966	190,620,070	65.6%	173,610,557	109.8%
1/1/2004	378,317,300	647,655,411	269,338,111	58.4%	190,614,004	141.3%
1/2/2006	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
1/1/2007	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%

The Town's share of the UAAL, as of January 1, 2007, is approximately 8.9%.

See notes to required supplementary information.

**Barnstable County Contributory Retirement System
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Nantucket	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2005	\$ 27,846,430	\$ 27,846,430	100%	\$ 2,629,487	9.44%
2006	31,044,132	31,044,132	100%	2,761,460	8.90%
2007	34,360,912	34,360,912	100%	3,058,753	8.90%

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

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget. The Town's Finance Committee (Committee) presents an annual budget to the Annual Town Meeting for adoption. Increases or decreases to the originally adopted budget require approval at a Special Town Meeting. Transfers between and within departments subsequent to the approval of the annual budget typically require approval at a Special Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Committee.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The Town's original fiscal year 2008 budget includes \$74,168,375 in appropriations and other amounts to be raised and \$1,689,093 in amounts carried forward from the previous fiscal year. During fiscal year 2008, the Town's budget was increased by \$127,214, which includes subsequent appropriations as well as the use of available funds to finance a legal settlement.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2008, is presented below:

Net change in fund balance - budgetary basis.....	\$	972,222
<u>Basis of accounting differences:</u>		
Recognition of revenue based on available criteria.....		(239,163)
Accrued expenditures.....		(634,971)
Accrued payroll.....		542,318
Recognition of bond proceeds received from MWPAT.....		15,175,978
Capital transfer of bond proceeds to the Sewer Enterprise...		(15,175,978)
Recognition of revenue for on-behalf payments.....		1,370,000
Recognition of expenditures for on-behalf payments.....		(1,370,000)
Net change in fund balance - GAAP basis.....	\$	<u>640,406</u>

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2007
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.50% per year
Remaining Amortization Period.....	1 year from July 1, 2007 for 1992 Early Retirement Incentive, 21 years from July 1, 2007 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability
Asset Valuation Method.....	5-year smoothing of investment returns greater (less) than expected.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	5.00%
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,267
Terminated participants entitled to a return of their employee contributions.....	670
Terminated participants with a vested right to a deferred or immediate benefit.....	117
Active participants.....	<u>5,314</u>
Total.....	<u><u>8,368</u></u>