

TOWN OF NANTUCKET, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF NANTUCKET, MASSACHUSETTS

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JUNE 30, 2012

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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, the Nantucket County discretely presented component unit, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts, as of and for the fiscal year ended June 30, 2012, 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 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.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts, as of June 30, 2012, 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 October 31, 2012 on our consideration of the Town of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Nantucket's financial statements as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial

statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Nantucket Planning and Economic Development Commission schedule of indirect cost rate and schedule of public support revenues and expenditures by grant, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to these schedules, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the additional information. However, we did not audit the information and express no opinion on it.

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

Powers & Sullivan LLC

October 31, 2012

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, 2012. 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 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 sick 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 and interest. The business-type activities include the activities of the sewer department, solid waste, airport, Our Island Home, and the Siasconset and Wannacommet 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, Our Island Home, and the Siasconset and Wannacomet 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 year 2012

- The total of assets exceeded liabilities (i.e., net assets) by \$188 million for governmental activities, and \$130 million for business-type activities.
- Governmental funds reported combined ending fund balances of \$38.8 million.
- Unassigned fund balance for the general fund totaled \$14.4 million.
- Total governmental funds debt totaled \$66.6 million, and total enterprise fund debt totaled \$95.1 million.

Government-wide Financial Analysis

The following chart provides a summary of Governmental activities financial data for fiscal year 2012, with comparative fiscal year 2011 information.

Governmental Activities		Balance at	Balance at
		June 30,	June 30,
		2012	2011
Assets:			
Current assets.....	\$ 51,366,752	\$ 49,028,623	
Noncurrent assets (excluding capital).....	159,445	227,651	
Capital assets, not being depreciated.....	178,612,012	197,704,996	
Capital assets, net of accumulated depreciation...	50,911,135	29,835,474	
Total assets.....	281,049,344	276,796,744	
Liabilities:			
Current liabilities (excluding debt).....	6,331,757	6,937,422	
Noncurrent liabilities (excluding debt).....	20,335,490	17,445,111	
Current debt.....	6,523,236	6,689,432	
Noncurrent debt.....	60,036,071	62,489,407	
Total liabilities.....	93,226,554	93,561,372	
Net Assets:			
Capital assets net of related debt.....	182,940,477	177,625,537	
Restricted.....	2,459,409	3,150,056	
Unrestricted.....	2,422,904	2,459,785	
Total net assets.....	\$ 187,822,790	\$ 183,235,378	

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 \$187.8 million at the close of fiscal year 2012. The largest portion of the Town's net assets, \$183 million, 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, \$2.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, which reported a positive balance of \$2.4 million, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

	June 30, 2012	June 30, 2011
	<u>2012</u>	<u>2011</u>
Program revenues:		
Charges for services.....	\$ 4,072,262	\$ 2,710,818
Operating grants and contributions.....	5,212,063	6,137,822
Capital grants and contributions.....	1,030,215	1,067,782
General revenues:		
Real estate and personal property taxes.....	61,491,535	61,440,131
Tax liens.....	371,752	507,919
Motor vehicle and other excise taxes.....	2,066,878	1,867,286
Hotel and meals taxes.....	2,745,571	2,726,360
Penalties and interest on taxes.....	687,221	633,008
Community preservation fund surtax.....	1,724,556	1,666,540
Payments in lieu of taxes.....	7,329	13,822
Nonrestricted grants and contributions.....	307,901	935,761
Unrestricted investment income.....	173,698	65,960
Gain (loss) on sale of capital assets.....	813,011	73,530
Miscellaneous revenues.....	431,349	734,238
Total revenues.....	<u>81,135,341</u>	<u>80,580,977</u>
Expenses:		
General government.....	7,772,995	8,722,239
Public safety.....	13,601,442	12,172,241
Education.....	29,011,944	28,867,553
Public works.....	4,692,304	4,082,163
Community preservation.....	2,242,077	2,218,423
Human services.....	3,741,941	2,765,497
Culture and recreation.....	2,170,903	2,119,755
Interest.....	2,082,337	2,354,427
Total expenses.....	<u>65,315,943</u>	<u>63,302,298</u>
Transfers and capital contributions.....	<u>(11,231,986)</u>	<u>(8,967,926)</u>
Change in net assets.....	<u>\$ 4,587,412</u>	<u>\$ 8,310,753</u>

	June 30, 2012	June 30, 2011	Increase (Decrease)
	<u>2012</u>	<u>2011</u>	<u></u>
Net Assets:			
Capital assets net of related debt.....	\$ 182,940,477	\$ 177,625,537	\$ 5,314,940
Restricted.....	2,459,409	3,150,056	(690,647)
Unrestricted.....	2,422,904	2,459,785	(36,881)
Total net assets.....	<u>\$ 187,822,790</u>	<u>\$ 183,235,378</u>	<u>\$ 4,587,412</u>

The governmental activities expenses totaled \$65.3 million. Of that amount, \$10.3 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$71 million, primarily coming from property taxes, motor vehicle excise, hotel/motel taxes, and community preservation surtaxes. The governmental activities also reported \$11.2 million in net transfers to the enterprise fund which was for subsidies and transfers of capital.

The Town realized a gain on sale of capital assets in fiscal year 2012 in the amount of \$813,000 as a result of the sale of land that was previously in Tax Title and the sale of other various property easements.

In total, governmental activities net assets increased by approximately \$4.6 million in fiscal year 2012. The key components in this increase include the difference between the retirement of long-term debt (\$6.7 million) which is raised in the general fund and the depreciation expense recorded on capital assets (\$3.1 million); and the recognition of the amortization of the Town's liability for Other Postemployment Benefits (\$3 million). Overall revenue and expenses increased approximately \$600,000 and \$2 million, respectively, over FY2011 amounts. The revenue gains were mainly from increases in charges for services. The expense increases were mainly related to public safety, public works and human services.

During fiscal year 2012, the Town transferred \$22 million in capital assets from the non-depreciable construction in progress category to depreciable capital assets. The largest portion of this transfer related to the new public safety building.

The following chart provides a summary of Business-type activities financial data for fiscal year 2012, with comparative fiscal year 2011 information.

Business-Type Activities

	Balance at June 30, 2012	Balance at June 30, 2011
	<u>2012</u>	<u>2011</u>
Assets:		
Current assets..... \$	36,952,078	\$ 23,766,428
Noncurrent assets (excluding capital).....	1,926,873	2,052,589
Capital assets, not being depreciated.....	35,533,925	53,031,956
Capital assets, net of accumulated depreciation.....	163,983,524	144,407,097
Total assets.....	<u>238,396,400</u>	<u>223,258,070</u>
Liabilities:		
Current liabilities (excluding debt).....	2,916,348	3,640,054
Noncurrent liabilities (excluding debt).....	9,182,103	7,676,437
Current debt.....	15,415,707	13,175,502
Noncurrent debt.....	81,065,978	76,157,893
Total liabilities.....	<u>108,580,136</u>	<u>100,649,886</u>
Net Assets:		
Capital assets net of related debt.....	119,950,372	119,408,316
Unrestricted.....	9,865,892	3,199,868
Total net assets.....	<u>129,816,264</u>	<u>122,608,184</u>
Program revenues:		
Charges for services.....	32,847,185	27,568,533
Operating grants and contributions.....	746,499	1,287,762
Capital grants and contributions.....	4,041,191	3,307,275
General revenues:		
Unrestricted investment income.....	11,993	-
Total revenues.....	<u>37,646,868</u>	<u>32,163,570</u>
Expenses:		
Water.....	4,357,175	4,290,667
Sewer.....	5,760,776	5,613,007
Solid Waste.....	8,851,378	8,679,984
Airport.....	15,331,231	13,158,406
Our Island Home.....	6,923,716	7,165,650
Total expenses.....	<u>41,224,276</u>	<u>38,907,714</u>
Transfers and capital contributions.....	<u>11,231,986</u>	<u>8,967,926</u>
Change in net assets..... \$	<u><u>7,654,578</u></u>	<u><u>2,223,782</u></u>

There was an increase of \$7.7 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, 2012	Balance at June 30, 2011	Net Increase (Decrease)
Net Assets:			
Siasconset Water..... \$	4,984,254	\$ 4,511,758	\$ 472,496
Wannacomet Water Company.....	15,007,073	14,807,334	199,739
Nantucket Memorial Airport.....	54,901,337	49,836,676	5,064,661
Sewer Enterprise Fund.....	45,875,433	45,804,424	71,009
Solid Waste Enterprise Fund.....	6,716,639	7,516,473	(799,834)
Our Island Home.....	2,331,528	(314,979)	2,646,507
Total net assets..... \$	<u>129,816,264</u>	<u>\$ 122,161,686</u>	<u>\$ 7,654,578</u>

One of the most significant factors of this change is the Nantucket Memorial Airport fund reporting a \$5 million increase in net assets. The majority of the increase is related to transfers from the general fund to cover prior year deficits in the amount of \$3.2 million. The remainder of the increase relates to capital grants reported for the construction of runway 33 and the administration building as the related costs for these projects were fully capitalized. On the operating side, the increases in airport charges for services and expenses were primarily related to the increased cost of jet fuel.

The Our Island Home enterprise fund reported a \$2.6 million increase in net assets mainly due to an increase in Medicaid revenue received.

At the end of the current fiscal year, the Town reports \$130 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, *unassigned 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 \$38.8 million, of which \$18.5 million is reported in the general fund, \$5.4 million is reported in the Town capital projects major fund and \$14.9 million is reported as nonmajor governmental funds. The general fund is the Town's chief operating fund. At the end of fiscal year 2012, unassigned fund balance of the general fund totaled \$14.4 million, while committed and assigned fund balances totaled \$4 million.

In according with accounting standards, the stabilization fund is reported within the unassigned balance of the general fund and had a year end fund balance totaling \$3.8 million.

During fiscal year 2012, total general fund balance showed a decrease of (\$314,000). This was the net result of approximately \$5 million in free cash (unreserved fund balance) voted to fund the current year budget as well as to subsidize the Town's enterprise funds, and positive budgetary results.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19% of total general fund expenditures and transfers out, while total fund balance represents 25% of that same amount. Approximately \$607,000 of the assigned fund balance was designated at year end to support the 2013 budget. An additional \$1.5 million was assigned for year-end encumbrances and \$2 million was committed for carry-over appropriations and articles.

The Town Capital Projects major fund is used to account for major capital acquisitions, primarily financed through long-term borrowing. The Capital Projects fund experienced an increase of \$3.4 million in fund balance when compared to prior year. The key component to the increase relates to the Town recognizing \$3.2 million in bond proceeds in the current year utilized to fund prior year expenditures related to the public safety building construction. The building became operational in fiscal year 2012.

The Town also maintains a community preservation fund, classified within the nonmajor governmental funds which had a year end fund balance of \$5.9 million. 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 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 2012, the Town earned and accrued a year end receivable for state matching community preservation funds, of approximately \$497,000.

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 \$76.5 million. Changes during the year consisted largely of allocations between and among departments and appropriations from free cash and prior year articles used mainly to subsidize the operations of the Town's enterprise funds.

Total actual revenue was higher than estimated revenue by \$1.9 million, mainly attributable to real estate and tax lien, hotel and meals taxes, and departmental receipts. At year end, outstanding purchase orders and carry-over appropriations and articles totaled approximately \$3.5 million, which is reported as committed and assigned in fund balance at year end. The total of actual expenditures and the amounts reserved for future expenditures was lower than the final budget by approximately \$3.2 million, a positive variance. None of the Town's expenditures exceeded the available appropriations.

Capital Asset and Debt Administration

Capital Assets

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, 2012, totals \$230 million and \$199.5 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, equipment, vehicles and infrastructure. Current year fixed asset additions totaled \$5 million for governmental activities, and \$8.4 million for business-type activities. The Town also placed in service \$22 million in governmental assets previously reported as construction in progress, primarily related to the new public safety building. The Town placed \$24 million in business-type assets previously reported as construction in progress, primarily related to airport construction.

Long-term and Short-term Debt

At the end of the current fiscal year, the Town of Nantucket had total long and short-term debt outstanding of \$161.6 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, \$10 million is in short-term notes and the remaining \$151 million is outstanding long-term debt. The governmental fund portion of the outstanding debt is \$66.5 million. The enterprise funds' portion of the outstanding debt is \$95 million.

	Governmental Funds	Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Short-term debt.....\$	1,000,000	\$ 8,968,090	\$ 9,968,090
Current portion of long-term debt.....	5,496,334	5,067,015	10,563,349
Noncurrent portion of long-term debt....	<u>59,973,182</u>	<u>81,065,978</u>	<u>141,039,160</u>
 Total..... \$	 <u><u>66,469,516</u></u>	 <u><u>\$ 95,101,083</u></u>	 <u><u>\$ 161,570,599</u></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

In fiscal year 2012, total assessed value of taxable property in the Town decreased by \$364,259,714 or 2%. Tax limitation laws in Massachusetts are primarily limits on tax revenue which consist of the prior year's levy base, plus 2.5%, plus revenue from new growth, plus any voter approved increases. The allowable increases to the levy base for 2012 were \$1,353,830 (2.5%) and \$518,585 for new growth (.9%). The allowable tax levy was further increased by debt payments on voter authorized borrowing.

The tax limitation laws protect municipalities from fluctuations in real estate values, whether those values are increasing or decreasing, by forcing the tax rate to move in the opposite direction. In a declining real estate market, tax rates increase to raise the allowable revenue. The residential rate for 2012 was \$3.62 per \$1,000 of assessed value. The average residential assessed value was \$1,489,345 million in 2012, a decrease of 2.4% from 2011.

The 2012 Annual and Special Town Meetings approved a fiscal year 2013 total budget of \$102,697,914 million, including a total general fund budget of \$76,038,855 million.

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.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 37,661,060	\$ 31,637,581	\$ 69,298,641
Investments.....	3,304,595	309,929	3,614,524
Investments, restricted.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	3,472,823	-	3,472,823
Tax and trash liens.....	2,538,594	-	2,538,594
Motor vehicle and other excise taxes.....	174,010	-	174,010
User fees.....	4,555	3,822,355	3,826,910
Departmental and other.....	133,579	-	133,579
Special assessments.....	25,171	49,532	74,703
Intergovernmental.....	2,182,676	756,670	2,939,346
Deferred loss on refunding.....	68,206	-	68,206
Inventory.....	-	357,236	357,236
Working capital deposit.....	1,810,600	-	1,810,600
Other assets.....	9,658	-	9,658
Internal balances.....	(18,775)	18,775	-
NONCURRENT:			
Restricted assets:			
Cash and cash equivalents.....	-	-	-
Investments.....	-	-	-
Cash surrender value of life insurance.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	1,883,355	1,883,355
Special assessments.....	-	43,518	43,518
Deferred loss on refunding.....	159,445	-	159,445
Land conservation rights.....	-	-	-
Capital assets, not being depreciated.....	178,612,012	35,533,925	214,145,937
Capital assets, net of accumulated depreciation.....	50,911,135	163,983,524	214,894,659
TOTAL ASSETS.....	281,049,344	238,396,400	519,445,744
LIABILITIES			
CURRENT:			
Warrants payable.....	696,808	1,158,216	1,855,024
Accrued liabilities.....	34,751	32,701	67,452
Accrued payroll.....	1,503,698	165,360	1,669,058
Health claims payable.....	778,820	-	778,820
Accrued interest.....	809,658	1,057,955	1,867,613
Payroll withholdings.....	-	-	-
Security deposits.....	-	331,928	331,928
Abandoned property.....	1,507,511	-	1,507,511
Other liabilities.....	674,329	51,300	725,629
Compensated absences.....	236,672	118,888	355,560
Workers' compensation.....	89,510	-	89,510
Notes payable.....	1,000,000	8,968,090	9,968,090
Bonds and notes payable.....	5,523,236	6,447,617	11,970,853
NONCURRENT:			
Landfill closure.....	-	4,029,000	4,029,000
Compensated absences.....	946,690	475,555	1,422,245
Workers' compensation.....	-	-	-
Court judgments.....	-	-	-
Unamortized premium on bonds and notes payable.....	-	-	-
Other postemployment benefits.....	19,388,800	4,677,548	24,066,348
Bonds and notes payable.....	60,036,071	81,065,978	141,102,049
TOTAL LIABILITIES.....	93,226,554	108,580,136	201,806,690
NET ASSETS			
Invested in capital assets, net of related debt.....	182,940,477	119,950,372	302,890,849
Restricted for:			
Debt service.....	-	-	-
Permanent funds:			
Expendable.....	27,779	-	27,779
Nonexpendable.....	44,305	-	44,305
Gifts and grants.....	2,387,325	-	2,387,325
Unrestricted.....	2,422,904	9,865,892	12,288,796
TOTAL NET ASSETS.....	\$ 187,822,790	\$ 129,816,264	\$ 317,639,054

See notes to basic financial statements.

Component Units

County	Nantucket Islands Land Bank	Total
\$ 2,821,856	\$ 2,913,644	\$ 5,735,500
-	5,670,079	5,670,079
-	1,171,692	1,171,692
-	-	-
-	-	-
-	-	-
-	175,586	175,586
-	-	-
-	-	-
-	-	-
-	214,788	214,788
-	-	-
247,347	355,693	603,040
-	-	-
-	1,829,499	1,829,499
-	2,847,448	2,847,448
-	646,696	646,696
-	-	-
-	-	-
-	-	-
-	30,000	30,000
28,458	240,424,440	240,452,898
66,954	16,500,932	16,567,886
<u>3,164,615</u>	<u>272,780,497</u>	<u>275,945,112</u>
995	298,420	299,415
-	396,277	396,277
3,337	-	3,337
-	-	-
-	-	-
9,424	-	9,424
-	-	-
-	-	-
37,928	-	37,928
-	-	-
-	-	-
-	-	-
-	4,764,125	4,764,125
-	-	-
-	-	-
-	-	-
-	-	-
169,652	348,900	518,552
-	29,853,741	29,853,741
<u>221,336</u>	<u>35,661,463</u>	<u>35,882,799</u>
95,412	222,310,006	222,405,418
-	4,676,947	4,676,947
-	-	-
-	-	-
2,847,867	10,132,081	12,979,948
<u>\$ 2,943,279</u>	<u>\$ 237,119,034</u>	<u>\$ 240,062,313</u>

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Function:	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.....	\$ 7,772,995	\$ 741,512	\$ 686,576	\$ -	\$ (6,344,907)
Public safety.....	13,601,442	1,668,420	525,627	-	(11,407,395)
Education.....	29,011,944	780,977	3,607,586	-	(24,623,381)
Public works.....	4,692,304	276,502	224,840	513,177	(3,677,785)
Community preservation.....	2,242,077	-	-	517,038	(1,725,039)
Human services.....	3,741,941	82,788	67,071	-	(3,592,082)
Culture and recreation.....	2,170,903	522,063	100,363	-	(1,548,477)
Interest.....	2,082,337	-	-	-	(2,082,337)
Total Governmental Activities.....	65,315,943	4,072,262	5,212,063	1,030,215	(55,001,403)
<i>Business-Type Activities:</i>					
Water.....	4,357,175	5,059,598	230,778	-	933,201
Sewer.....	5,760,776	5,489,598	342,187	-	71,009
Solid waste.....	8,851,378	3,060,459	-	-	(5,790,919)
Airport.....	15,331,231	12,939,901	168,330	4,041,191	1,818,191
Our Island Home.....	6,923,716	6,297,629	5,204	-	(620,883)
Total Business-Type Activities.....	41,224,276	32,847,185	746,499	4,041,191	(3,589,401)
Total Primary Government.....	\$ 106,540,219	\$ 36,919,447	\$ 5,958,562	\$ 5,071,406	\$ (58,590,804)
Component Units:					
County.....	1,155,618	538,808	636,705	401,815	421,710
Land Bank.....	5,831,601	14,652,988	1,566,321	-	10,387,708
Total Component Units.....	\$ 6,987,219	\$ 15,191,796	\$ 2,203,026	\$ 401,815	\$ 10,809,418

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government			Component Units		
	Governmental	Business-Type	Total	County	Nantucket	Total
	Activities	Activities			Islands Land Bank	
Changes in net assets:						
Net (expense) revenue from previous page.....	\$ (55,001,403)	\$ (3,589,401)	\$ (58,590,804)	\$ 421,710	\$ 10,387,708	\$ 10,809,418
<i>General revenues:</i>						
Real estate and personal property taxes, net of tax refunds payable.....	61,491,535	-	61,491,535	-	-	-
Tax liens.....	371,752	-	371,752	-	-	-
Motor vehicle and other excise taxes.....	2,066,878	-	2,066,878	-	-	-
Hotel and meals taxes.....	2,745,571	-	2,745,571	-	-	-
Penalties and interest on taxes.....	687,221	-	687,221	-	-	-
Community Preservation Fund surcharges.....	1,724,556	-	1,724,556	-	-	-
Payments in lieu of taxes.....	7,329	-	7,329	-	-	-
Grants and contributions not restricted to specific programs.....	307,901	-	307,901	-	-	-
Unrestricted investment income.....	173,698	11,993	185,691	-	-	-
Gain/(loss) on sale of capital assets.....	813,011	-	813,011	-	(48,991)	(48,991)
Miscellaneous.....	431,349	-	431,349	151,654	-	151,654
Capital contributions.....	(28,355)	28,355	-	-	-	-
Transfers, net.....	(11,203,631)	11,203,631	-	-	-	-
Total general revenues and transfers.....	59,588,815	11,243,979	70,832,794	151,654	(48,991)	102,663
Change in net assets.....	4,587,412	7,654,578	12,241,990	573,364	10,338,717	10,912,081
<i>Net Assets:</i>						
Beginning of year, as restated.....	183,235,378	122,161,686	305,397,064	2,369,915	226,780,317	229,150,232
End of year.....	\$ 187,822,790	\$ 129,816,264	\$ 317,639,054	\$ 2,943,279	\$ 237,119,034	\$ 240,062,313

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	Component Unit - Nantucket County
Cash and cash equivalents.....	\$ 17,197,704	\$ 5,370,795	\$ 15,092,561	\$ 37,661,060	\$ 2,821,856
Investments.....	2,943,522	-	87,333	3,030,855	-
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	3,371,036	-	101,787	3,472,823	-
Tax liens	2,499,570	-	39,024	2,538,594	-
Motor vehicle and other excise taxes.....	174,010	-	-	174,010	-
User fees.....	4,555	-	-	4,555	-
Departmental and other.....	951	-	132,628	133,579	-
Special assessments.....	-	-	25,171	25,171	-
Intergovernmental.....	342,729	-	1,839,947	2,182,676	-
Due from other funds.....	555,126	-	-	555,126	-
Other assets.....	9,658	-	-	9,658	247,347
TOTAL ASSETS.....	\$ 27,098,861	\$ 5,370,795	\$ 17,318,451	\$ 49,788,107	\$ 3,069,203
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 464,476	\$ 15,217	\$ 211,006	\$ 690,699	\$ 995
Accrued liabilities.....	34,751	-	-	34,751	-
Accrued payroll.....	1,471,230	-	32,468	1,503,698	3,337
Payroll withholdings.....	-	-	-	-	9,424
Abandoned property.....	1,507,511	-	-	1,507,511	-
Other liabilities.....	401,692	-	272,637	674,329	37,928
Deferred revenues.....	4,643,054	-	332,448	4,975,502	-
Due to other funds.....	78,316	-	572,569	650,885	-
Notes payable.....	-	-	1,000,000	1,000,000	-
TOTAL LIABILITIES.....	8,601,030	15,217	2,421,128	11,037,375	51,684
FUND BALANCES:					
Nonspendable.....	-	-	44,305	44,305	-
Restricted.....	-	5,355,578	14,957,124	20,312,702	1,647,742
Committed.....	1,941,738	-	-	1,941,738	-
Assigned.....	2,182,323	-	-	2,182,323	-
Unassigned.....	14,373,770	-	(104,106)	14,269,664	1,369,777
TOTAL FUND BALANCES.....	18,497,831	5,355,578	14,897,323	38,750,732	3,017,519
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 27,098,861	\$ 5,370,795	\$ 17,318,451	\$ 49,788,107	\$ 3,069,203

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....	\$	38,750,732
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		229,523,147
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		4,975,502
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.....		1,376,395
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(809,658)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(64,559,307)	
Unamortized premiums on bonds and notes.....	(1,000,000)	
Workers' compensation.....	(89,510)	
Compensated absences.....	(1,183,362)	
Other postemployment benefits.....	<u>(19,388,800)</u>	
Net effect of reporting long-term liabilities.....		(86,220,979)
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.....		<u>227,651</u>
Net assets of governmental activities.....	\$	<u><u>187,822,790</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	Component Unit - Nantucket County
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 61,795,660	\$ -	\$ -	\$ 61,795,660	\$ -
Tax liens.....	325,055	-	-	325,055	-
Motor vehicle and other excise taxes.....	1,948,316	-	38,584	1,986,900	-
Hotel and meals taxes.....	2,745,571	-	-	2,745,571	-
Charges for services.....	83,315	-	107,455	190,770	-
Community Preservation surcharges.....	-	-	1,724,556	1,724,556	-
Penalties and interest on taxes.....	681,176	-	6,045	687,221	-
Payments in lieu of taxes.....	7,329	-	-	7,329	-
Licenses and permits.....	1,058,052	-	-	1,058,052	-
Fines and forfeitures.....	223,054	-	-	223,054	-
Intergovernmental.....	3,997,021	-	3,283,948	7,280,969	401,815
Departmental and other.....	1,592,320	-	4,463,952	6,056,272	1,320,289
Investment income.....	152,279	-	12,657	164,936	6,878
TOTAL REVENUES.....	74,609,148	-	9,637,197	84,246,345	1,728,982
EXPENDITURES:					
Current:					
County administration.....	-	-	-	-	295,105
Registry of deeds.....	-	-	-	-	477,412
Special projects.....	-	-	-	-	380,695
General government.....	7,179,875	20,690	428,232	7,628,797	-
Public safety.....	8,487,197	108,726	1,554,038	10,149,961	-
Education.....	22,496,281	-	2,377,203	24,873,484	-
Public works.....	2,582,349	34,005	751,682	3,368,036	-
Community preservation.....	-	-	2,660,023	2,660,023	-
Human services.....	1,042,313	-	262,961	1,305,274	-
Culture and recreation.....	1,147,001	-	345,925	1,492,926	-
Pension benefits.....	5,345,749	-	-	5,345,749	-
Employee benefits.....	6,134,157	-	-	6,134,157	-
State and county charges.....	531,772	-	-	531,772	-
Debt service:					
Principal.....	6,656,685	-	1,170	6,657,855	-
Interest.....	2,171,097	-	-	2,171,097	-
TOTAL EXPENDITURES.....	63,774,476	163,421	8,381,234	72,319,131	1,153,212
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	10,834,672	(163,421)	1,255,963	11,927,214	575,770
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	3,200,000	-	3,200,000	-
Proceeds from refunding bonds.....	1,329,900	-	-	1,329,900	-
Premium from issuance of refunding bonds.....	212,513	-	-	212,513	-
Payments to refunded bond escrow agent.....	(1,519,037)	-	-	(1,519,037)	-
Transfers in.....	106,831	561,074	341,070	1,008,975	474,202
Transfers out.....	(11,278,447)	(179,206)	(951,953)	(12,409,606)	(474,202)
TOTAL OTHER FINANCING SOURCES (USES).....	(11,148,240)	3,581,868	(610,883)	(8,177,255)	-
NET CHANGE IN FUND BALANCES.....	(313,568)	3,418,447	645,080	3,749,959	575,770
FUND BALANCES AT BEGINNING OF YEAR.....	18,811,399	1,937,131	14,252,243	35,000,773	2,441,749
FUND BALANCES AT END OF YEAR.....	\$ 18,497,831	\$ 5,355,578	\$ 14,897,323	\$ 38,750,732	\$ 3,017,519

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, 2012

Net change in fund balances - total governmental funds.....		\$ 3,749,959
<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.....	5,047,157	
Depreciation expense.....	<u>(3,064,480)</u>	
Net effect of reporting capital assets.....		1,982,677
<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>		
		(854,845)
<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.....	(3,200,000)	
Debt service principal payments.....	<u>6,657,855</u>	
Net effect of reporting long-term debt.....		3,457,855
<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.....	110,020	
Net change in accrued interest on long-term debt.....	113,864	
Net change in workers' compensation.....	159,864	
Amortization of issuance costs.....	130,094	
Amortization of deferred charge on refunding.....	(80,056)	
Amortization of premiums on bonds and notes payable.....	31,577	
Other postemployment benefits.....	<u>(2,978,395)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(2,513,032)
<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>(1,235,202)</u>
Change in net assets of governmental activities.....		<u>\$ ERROR</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Siasconset Water	Sewer	Solid Waste	Nantucket Memorial Airport
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 915,397	\$ 7,400,158	\$ 2,147,596	\$ 11,533,140
Restricted cash and cash equivalents.....	-	-	-	-
Investments.....	-	-	-	-
Receivables, net of allowance for uncollectibles:				
Land Bank accounts.....	-	-	-	-
User fees.....	225,739	911,574	395,539	1,002,339
Sewer privilege fees.....	-	49,532	-	-
Intergovernmental.....	-	133,831	-	622,839
Inventory.....	-	-	-	227,213
Working capital deposit.....	-	-	-	-
Other assets.....	-	-	-	-
Land deposits.....	-	-	-	-
Due from other funds.....	78,021	461,644	-	18,775
Total current assets.....	1,219,157	8,956,739	2,543,135	13,404,306
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	-	1,883,355	-	-
Sewer privilege fees.....	-	43,518	-	-
Restricted cash and cash equivalents.....	-	-	-	-
Restricted investments.....	-	-	-	-
Cash surrender value of life insurance.....	-	-	-	-
Land conservation rights.....	-	-	-	-
Capital assets, not being depreciated.....	3,498,323	13,933,196	2,651,406	11,166,924
Capital assets, net of accumulated depreciation.....	8,516,935	68,521,849	6,369,948	51,335,315
Total noncurrent assets.....	12,015,258	84,381,918	9,021,354	62,502,239
TOTAL ASSETS.....	13,234,415	93,338,657	11,564,489	75,906,545
LIABILITIES				
CURRENT:				
Warrants payable.....	3,596	84,520	140,315	780,548
Accrued liabilities.....	5,003	-	-	19,925
Accrued payroll.....	411	15,100	563	58,271
Health claims payable.....	-	-	-	-
Security deposits.....	-	-	-	331,928
Accrued interest.....	108,387	561,056	8,736	95,130
Other liabilities.....	-	-	-	51,300
Due to other funds.....	-	-	-	-
Compensated absences.....	-	7,395	-	54,095
Notes payable.....	-	-	-	8,968,090
Bonds payable.....	660,820	2,517,997	110,000	919,964
Total current liabilities.....	778,217	3,186,068	259,614	11,279,251
NONCURRENT:				
Landfill closure.....	-	-	4,029,000	-
Compensated absences.....	-	29,582	-	216,381
Notes payable.....	-	-	-	-
Other postemployment benefits.....	96,944	266,596	24,236	1,599,576
Bonds payable.....	7,375,000	43,980,978	535,000	7,910,000
Total noncurrent liabilities.....	7,471,944	44,277,156	4,588,236	9,725,957
TOTAL LIABILITIES.....	8,250,161	47,463,224	4,847,850	21,005,208
NET ASSETS				
Invested in capital assets, net of related debt.....	4,767,478	41,130,505	8,886,354	51,275,849
Restricted.....	-	-	-	-
Unrestricted:				
Undesignated.....	216,776	4,744,928	(2,169,715)	3,625,488
TOTAL NET ASSETS.....	\$ 4,984,254	\$ 45,875,433	\$ 6,716,639	\$ 54,901,337

See notes to basic financial statements.

				Component Unit
Wannacomet Water Company	Our Island Home	Total Business-Type Activities	Governmental Activities - Internal Service Fund	Nantucket Islands Land Bank
\$ 6,336,816	\$ 3,304,474	\$ 31,637,581	\$ -	\$ 2,913,644
-	-	-	-	1,171,692
-	309,929	309,929	273,740	5,670,079
-	-	-	-	175,586
521,398	765,766	3,822,355	-	-
-	-	49,532	-	-
-	-	756,670	-	-
130,023	-	357,236	-	214,788
-	-	-	1,810,600	-
-	-	-	-	353,193
-	-	-	-	2,500
-	-	558,440	76,984	-
<u>6,988,237</u>	<u>4,380,169</u>	<u>37,491,743</u>	<u>2,161,324</u>	<u>10,501,482</u>
-	-	1,883,355	-	-
-	-	43,518	-	-
-	-	-	-	1,829,499
-	-	-	-	2,847,448
-	-	-	-	646,696
-	-	-	-	30,000
4,207,359	76,717	35,533,925	-	240,424,440
<u>28,738,575</u>	<u>500,902</u>	<u>163,983,524</u>	<u>-</u>	<u>16,500,932</u>
<u>32,945,934</u>	<u>577,619</u>	<u>201,444,322</u>	<u>-</u>	<u>262,279,015</u>
<u>39,934,171</u>	<u>4,957,788</u>	<u>238,936,065</u>	<u>2,161,324</u>	<u>272,780,497</u>
56,875	92,362	1,158,216	6,109	298,420
7,773	-	32,701	-	396,277
18,286	72,729	165,360	-	-
-	-	-	778,820	-
-	-	331,928	-	-
284,646	-	1,057,955	-	-
-	-	51,300	-	-
539,665	-	539,665	-	-
25,648	31,750	118,888	-	-
-	-	8,968,090	-	4,764,125
<u>2,238,836</u>	<u>-</u>	<u>6,447,617</u>	<u>-</u>	<u>-</u>
<u>3,171,729</u>	<u>196,841</u>	<u>18,871,720</u>	<u>784,929</u>	<u>5,458,822</u>
-	-	4,029,000	-	-
102,593	126,999	475,555	-	-
-	-	-	-	29,853,741
387,776	2,302,420	4,677,548	-	348,900
<u>21,265,000</u>	<u>-</u>	<u>81,065,978</u>	<u>-</u>	<u>-</u>
<u>21,755,369</u>	<u>2,429,419</u>	<u>90,248,081</u>	<u>-</u>	<u>30,202,641</u>
<u>24,927,098</u>	<u>2,626,260</u>	<u>109,119,801</u>	<u>784,929</u>	<u>35,661,463</u>
13,312,567	577,619	119,950,372	-	222,310,006
-	-	-	-	4,676,947
<u>1,694,506</u>	<u>1,753,909</u>	<u>9,865,892</u>	<u>1,376,395</u>	<u>10,132,081</u>
<u>\$ 15,007,073</u>	<u>\$ 2,331,528</u>	<u>\$ 129,816,264</u>	<u>\$ 1,376,395</u>	<u>\$ 237,119,034</u>

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Siasconset Water Company	Sewer	Solid Waste	Nantucket Memorial Airport
OPERATING REVENUES:				
Fee revenues.....	\$ -	\$ -	\$ -	\$ -
Golf course fee revenues.....	-	-	-	-
Rental income.....	-	-	-	-
Donated land.....	-	-	-	-
Charges for services.....	1,150,107	5,312,936	3,060,459	12,921,369
Intergovernmental.....	-	342,187	-	-
Other.....	-	-	-	-
Contributions.....	-	-	-	-
TOTAL OPERATING REVENUES	<u>1,150,107</u>	<u>5,655,123</u>	<u>3,060,459</u>	<u>12,921,369</u>
OPERATING EXPENSES:				
Cost of services and administration.....	188,183	2,161,378	8,310,385	11,322,671
Depreciation.....	146,216	2,036,045	493,906	2,403,673
Pension benefits.....	-	-	-	-
Employee benefits.....	41,422	211,509	20,951	1,324,716
TOTAL OPERATING EXPENSES	<u>375,821</u>	<u>4,408,932</u>	<u>8,825,242</u>	<u>15,051,060</u>
OPERATING INCOME (LOSS)	<u>774,286</u>	<u>1,246,191</u>	<u>(5,764,783)</u>	<u>(2,129,691)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	5,071	5,388	-	18,532
Interest expense.....	(306,861)	(1,351,844)	(26,136)	(280,171)
Intergovernmental capital grants.....	-	-	-	4,209,521
Gain/(loss) on disposal of capital assets.....	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	<u>(301,790)</u>	<u>(1,346,456)</u>	<u>(26,136)</u>	<u>3,947,882</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>472,496</u>	<u>(100,265)</u>	<u>(5,790,919)</u>	<u>1,818,191</u>
Capital contributions.....	-	-	-	-
Capital contributions - privilege fees.....	-	171,274	-	-
Transfers in.....	-	-	4,991,085	3,246,470
Transfers out.....	-	-	-	-
CHANGE IN NET ASSETS	<u>472,496</u>	<u>71,009</u>	<u>(799,834)</u>	<u>5,064,661</u>
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>4,511,758</u>	<u>45,804,424</u>	<u>7,516,473</u>	<u>49,836,676</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,984,254</u>	<u>\$ 45,875,433</u>	<u>\$ 6,716,639</u>	<u>\$ 54,901,337</u>

See notes to basic financial statements.

				Component Unit
Wannacomet Water Company	Our Island Home	Total Business-Type Activities	Governmental Activities - Internal Service Fund	Nantucket Islands Land Bank
\$ -	-	\$ -	\$ -	\$ 11,426,986
-	-	-	-	2,983,802
-	-	-	-	204,358
-	-	-	-	1,460,400
3,909,491	6,297,629	32,651,991	-	-
-	-	342,187	-	-
212,951	-	212,951	92,106	-
-	5,204	5,204	9,625,245	37,842
<u>4,122,442</u>	<u>6,302,833</u>	<u>33,212,333</u>	<u>9,717,351</u>	<u>16,113,388</u>
2,089,779	6,639,532	30,711,928	-	4,791,486
791,001	43,994	5,914,835	-	-
-	9,549	9,549	-	-
40,970	230,641	1,870,209	11,158,288	-
<u>2,921,750</u>	<u>6,923,716</u>	<u>38,506,521</u>	<u>11,158,288</u>	<u>4,791,486</u>
<u>1,200,692</u>	<u>(620,883)</u>	<u>(5,294,188)</u>	<u>(1,440,937)</u>	<u>11,321,902</u>
12,756	11,993	53,740	8,735	105,921
(752,743)	-	(2,717,755)	-	(1,040,115)
-	-	4,209,521	-	-
-	-	-	-	(48,991)
<u>(739,987)</u>	<u>11,993</u>	<u>1,545,506</u>	<u>8,735</u>	<u>(983,185)</u>
<u>460,705</u>	<u>(608,890)</u>	<u>(3,748,682)</u>	<u>(1,432,202)</u>	<u>10,338,717</u>
-	28,355	28,355	-	-
-	-	171,274	-	-
-	3,227,042	11,464,597	197,000	-
<u>(260,966)</u>	<u>-</u>	<u>(260,966)</u>	<u>-</u>	<u>-</u>
199,739	2,646,507	7,654,578	(1,235,202)	10,338,717
<u>14,807,334</u>	<u>(314,979)</u>	<u>122,161,686</u>	<u>2,611,597</u>	<u>226,780,317</u>
<u>\$ 15,007,073</u>	<u>\$ 2,331,528</u>	<u>\$ 129,816,264</u>	<u>\$ 1,376,395</u>	<u>\$ 237,119,034</u>

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Siasconset Water Company	Sewer	Solid Waste	Nantucket Memorial Airport
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 929,178	\$ 5,126,439	\$ 3,277,123	\$ 12,183,724
Employer and employee contributions to fund.....	-	-	-	-
Receipts from other governments.....	-	342,187	-	-
Receipts from other operating revenues.....	-	-	-	-
Payments to vendors.....	(173,752)	(1,366,171)	(7,716,163)	(7,931,950)
Payments to employees.....	(12,330)	(787,963)	(19,628)	(3,104,299)
Payments for interfund services used.....	(41,422)	(211,509)	(20,951)	(1,324,716)
NET CASH FROM OPERATING ACTIVITIES.....	701,674	3,102,983	(4,479,619)	(177,241)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	-	4,991,085	3,246,470
Transfers out.....	-	-	-	-
Advances (to) from other funds.....	(10,435)	(151,462)	(63,374)	(621,554)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(10,435)	(151,462)	4,927,711	2,624,916
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	150,000	3,666,100	-	17,816,090
Capital grants.....	-	-	-	6,065,406
Sewer privilege fees.....	-	345,369	-	-
Acquisition and construction of capital assets.....	(390,938)	(202,613)	-	(5,864,062)
Net change in land deposits.....	-	-	-	-
Principal payments on bonds and notes.....	(675,000)	(2,843,832)	(110,000)	(12,909,000)
Interest expense.....	(319,283)	(1,038,671)	(27,358)	25,446
Capital contributions.....	-	-	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,235,221)	(73,647)	(137,358)	5,133,880
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	-	-	-	-
Investment income.....	5,071	5,388	-	18,532
NET CASH FROM INVESTING ACTIVITIES.....	5,071	5,388	-	18,532
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(538,911)	2,883,262	310,734	7,600,087
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,454,308	4,516,896	1,836,862	3,933,053
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 915,397	\$ 7,400,158	\$ 2,147,596	\$ 11,533,140
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 774,286	\$ 1,246,191	\$ (5,764,783)	\$ (2,129,691)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	146,216	2,036,045	493,906	2,403,673
Loss on disposal of capital assets.....	-	-	-	-
Changes in assets and liabilities:				
Increase in cash value of life insurance.....	-	-	-	-
Insurance reimbursements.....	-	-	-	-
User fees.....	(220,929)	(186,497)	216,664	(737,645)
Accounts receivable.....	-	-	-	-
Inventory.....	-	-	-	312,683
Other assets.....	-	-	-	-
Warrants payable.....	(9,987)	(38,202)	(388,458)	364,620
Accrued liabilities.....	(3,096)	-	(5,727)	(572,781)
Accrued payroll.....	292	3,212	56	17,613
Health claims payable.....	-	-	-	-
Landfill closure.....	-	-	965,000	-
Other liabilities.....	-	-	-	550
Accrued compensated absences.....	-	1,281	-	(81,981)
Other postemployment benefit.....	14,892	40,953	3,723	245,718
Total adjustments.....	(72,612)	1,856,792	1,285,164	1,952,450
NET CASH FROM OPERATING ACTIVITIES.....	\$ 701,674	\$ 3,102,983	\$ (4,479,619)	\$ (177,241)
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES:				
Intergovernmental subsidy of debt service principal.....	\$ -	\$ 124,853	\$ -	\$ -
Intergovernmental subsidy of debt service interest.....	-	346,240	-	-
Bond premium amortization.....	(85,820)	-	-	-

See notes to basic financial statements.

			Component Unit	
Wannacomet Water Company	Our Island Home	Total Business-Type Activities	Governmental Activities Internal Service Fund	Nantucket Islands Land Bank
\$ 4,104,512	\$ 6,214,396	\$ 31,835,372	\$ -	\$ 18,864,899
-	5,204	5,204	9,723,617	-
-	-	342,187	-	-
-	-	-	92,106	1,702,600
(1,134,987)	(1,219,101)	(19,542,124)	(11,152,940)	(6,551,706)
(1,303,363)	(5,235,372)	(10,462,955)	-	(1,719,412)
<u>(40,970)</u>	<u>(230,641)</u>	<u>(1,870,209)</u>	<u>-</u>	<u>-</u>
<u>1,625,192</u>	<u>(465,514)</u>	<u>307,475</u>	<u>(1,337,217)</u>	<u>12,296,381</u>
-	3,227,042	11,464,597	197,000	-
(260,966)	-	(260,966)	-	-
<u>(3,905)</u>	<u>348,285</u>	<u>(502,445)</u>	<u>225,783</u>	<u>-</u>
<u>(264,871)</u>	<u>3,575,327</u>	<u>10,701,186</u>	<u>422,783</u>	<u>-</u>
6,960,000	-	28,592,190	-	-
-	-	6,065,406	-	-
-	-	345,369	-	-
(1,573,465)	(46,112)	(8,077,190)	-	(5,401,636)
-	-	-	-	-
(5,840,000)	-	(22,377,832)	-	(5,592,312)
(297,039)	-	(1,656,905)	-	(1,040,115)
<u>-</u>	<u>28,355</u>	<u>28,355</u>	<u>-</u>	<u>-</u>
<u>(750,504)</u>	<u>(17,757)</u>	<u>2,919,393</u>	<u>-</u>	<u>(12,034,063)</u>
-	(309,929)	(309,929)	(273,740)	(597,953)
<u>12,756</u>	<u>11,993</u>	<u>53,740</u>	<u>8,735</u>	<u>105,921</u>
<u>12,756</u>	<u>(297,936)</u>	<u>(256,189)</u>	<u>(265,005)</u>	<u>(492,032)</u>
622,573	2,794,120	13,671,865	(1,179,439)	(229,714)
<u>5,714,243</u>	<u>510,354</u>	<u>17,965,716</u>	<u>1,179,439</u>	<u>3,143,358</u>
<u>\$ 6,336,816</u>	<u>\$ 3,304,474</u>	<u>\$ 31,637,581</u>	<u>\$ -</u>	<u>\$ 2,913,644</u>
<u>\$ 1,200,692</u>	<u>\$ (620,883)</u>	<u>\$ (5,294,188)</u>	<u>\$ (1,440,937)</u>	<u>\$ 11,321,902</u>
791,001	43,994	5,914,835	-	988,783
-	-	-	-	48,991
-	-	-	-	(20,568)
-	-	-	49,407	-
(17,930)	(83,233)	(1,029,570)	-	-
-	-	-	-	(49,932)
(13,641)	-	299,042	-	(70,191)
-	-	-	-	(52,350)
(373,336)	(58,519)	(503,882)	5,348	-
(8,813)	(3,562)	(593,979)	-	129,746
6,249	26,048	53,470	-	-
-	-	-	48,965	-
-	-	965,000	-	-
-	-	550	-	-
(18,598)	(123,043)	(222,341)	-	-
<u>59,568</u>	<u>353,684</u>	<u>718,538</u>	<u>-</u>	<u>-</u>
<u>424,500</u>	<u>155,369</u>	<u>5,601,663</u>	<u>103,720</u>	<u>974,479</u>
<u>\$ 1,625,192</u>	<u>\$ (465,514)</u>	<u>\$ 307,475</u>	<u>\$ (1,337,217)</u>	<u>\$ 12,296,381</u>
\$ -	\$ -	\$ 124,853	\$ -	\$ -
-	-	346,240	-	-
<u>(12,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 568,942	\$ 105,682
Investments.....	1,932,065	-
TOTAL ASSETS.....	2,501,007	105,682
LIABILITIES		
Warrants payable.....	1,961	4,838
Liabilities due depositors.....	-	100,844
TOTAL LIABILITIES.....	1,961	105,682
NET ASSETS		
Held in trust for other purposes.....	\$ 2,497,532	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Rental income.....	\$ 5,700
Private donations.....	<u>51,852</u>
Total contributions.....	<u>57,552</u>
Net investment income (loss):	
Interest.....	<u>85,226</u>
TOTAL ADDITIONS.....	<u>142,778</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	59,568
Human services.....	<u>121,317</u>
TOTAL DEDUCTIONS.....	<u>180,885</u>
CHANGE IN NET ASSETS.....	(38,107)
NET ASSETS AT BEGINNING OF YEAR.....	<u>2,535,639</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 2,497,532</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 Corrections 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 and Certain Town Enterprise Funds

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

Nantucket Memorial Airport issues separate audited financial statements. A copy of the complete financial statements can be obtained by contacting them at 14 Airport Road, Nantucket, MA 02554.

The Wannacommet Water Company issues separate audited financial statements. A copy of the complete financial statements can be obtained by contacting them at 1 Milestone Road, 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 and, 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 *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The nonmajor governmental funds consist of other special revenue 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds.

The *permanent fund* is used to account for and report 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 and component unit 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 *Our Island Home enterprise fund* is used to account for the Town's nursing home activities.

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 component unit* 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.

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 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 User Fees

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

Water User 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 User Fees

Sewer User Fees are levied monthly based on individual meter readings and 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 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 User Fees

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

Airport User Fees

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

Sewer Privilege Fees

Sewer privilege fees consist of betterments assessed to homeowners in relation to upgrades to the Surfside Wastewater Treatment Plant.

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 funds and component units 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, construction in progress, land improvements, plant, buildings, vehicles, machinery and equipment, furniture, fixtures and company 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
Machinery and equipment.....	5-15
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 reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of

capital related debt are not considered to be capital assets. Outstanding debt relating to future reimbursements from the Massachusetts Water Pollution Abatement Trust is not considered to be capital related debt.

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.

“Gifts and grants” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, which is a Town Meeting vote. Once committed, the limitation imposed by the vote remains in place until the funds are used on their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

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 sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

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

P. Individual Fund Deficits

At June 30, 2012, there was an individual fund deficit within a special revenue fund related to police off-duty details, which is classified as non-major governmental funds in the fund financial statements. This deficit is expected to be funded through departmental collections during fiscal year 2013.

Q. 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.

R. 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.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

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, Nantucket County, and Nantucket Islands Land Bank component units, has adopted a deposit policy which stipulates that the Treasurer will review each bank doing business with the Town on a quarterly basis. The policy does not restrict the value of uninsured or uncollateralized investments held at any point in time.

Primary Government

At fiscal year-end, the carrying amount of deposits of the primary government totaled \$66,044,483 and the bank balance totaled \$67,681,501. Of the bank balance, \$2,802,537 was covered by the Federal Depositors Insurance Company, \$8,124,274 was covered by the Depositors Insurance Fund, and \$56,754,690 was collateralized.

Component Unit-County

At fiscal year-end, the carrying amount of deposits of Nantucket County totaled \$2,821,856 and the bank balance totaled \$2,840,262. Of the bank balance, \$750,000 was covered by Federal Depository Insurance and the remaining \$2,090,262 was fully collateralized.

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 \$250,000.

At fiscal year-end, the carrying amount of deposits of the Nantucket Islands Land Bank totaled \$4,743,143, of which \$300,294 was exposed to custodial credit risk.

The Land Bank, as part of a Land purchase in previous years, is required to maintain a reserve fund to cover the purchase of Life Insurance to be used to pay off the note at the time of the seller’s death. These reserve funds are included in restricted cash and cash equivalents in the accompanying financial statements.

Investments

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

Primary Government

	<u>Fair Value</u>	<u>Maturity</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
Debt Securities:			
Federal Home Loan Bank.....	\$ 472,718	\$ -	\$ 472,718
Federal Home Loan Mortgage Corporation.....	1,391,635	203,658	1,187,977
Federal National Mortgage Association.....	1,143,734	253,042	890,692
Federal Home Loan Mortgage Corporation Gold.....	927	-	927
United States Treasury Notes.....	2,537,575	354,696	2,182,879
Repurchase Agreements.....	<u>2,165,609</u>	<u>2,165,609</u>	<u>-</u>
Total Debt Securities.....	7,712,198	\$ <u>2,977,005</u>	\$ <u>4,735,193</u>
Other Investments:			
MMDT.....	<u>1,763,173</u>		
Total Investments.....	\$ <u>9,475,371</u>		

Component Unit-County

The County did not have any investments as of June 30, 2012.

Component Unit-Nantucket Islands Land Bank

At June 30, 2012, the Land Bank’s investments of \$9,689,219 represent certificates of deposits that are insured by the FDIC and Depositors Insurance Fund. The investments are stated at the fair market value, are unrated in terms of credit risk quality ratings, and all mature in less than 1 year.

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; the balance of this fund is reported as designated investments. This fund, along with the pledge of the Town of Nantucket of its full faith and credit, secures the Series 2007A and

Series 2009A bonds outstanding as of June 30, 2012. 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.

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 have an investment policy addressing custodial credit risk which requires that all securities not held directly by the Town & County must be held by a third party custodian approved by the Treasurer in the Town or County's name and tax identification number. The policy also requires that Treasurer receive monthly safekeeping reports from the custodian as well as safekeeping receipts detailing each transaction from the account. 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 Town's investments of \$472,718 in Federal Home Loan Bank, \$1,391,636 in Federal Home Loan Mortgage Corporation, \$1,143,734 in Federal National Mortgage Association \$927 in Federal Home Loan Mortgage Corporation Gold, and \$2,537,575 in U.S. Treasury Notes are held by a broker-dealer where the Town's assets are segregated from the broker-dealer firm assets and are protected up to \$500,000 under coverage through the Securities Investor Protection Corporation (SIPC). Additionally, the broker-dealer carries excess insurance to cover claims over the SIPC limit through Lloyd's with a firm cap of \$1 billion with no individual client limit. The repurchase agreement consists of an overnight sweep agreement which is invested in U.S. Treasury Notes.

Interest Rate Risk

The Town, including the primary government and Nantucket County and Nantucket Islands Land Bank component units, limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy limits investments of operating funds to one year or less and limits investment maturities of trust funds and other special funds to periods not longer than seven years, maintaining an average maturity no greater than three years for the investment portfolio.

Credit Risk

The Town, including the primary government and Nantucket County component unit adopted a formal policy related to Credit Risk during fiscal year 2012. The policy restricts the investment of operating funds to U.S. Treasury or Agency securities which carry "AAA" ratings. Trust and other special funds which are longer-term investments may invest in fixed income securities which are held principally for capital preservation and income potential, corporate debt that carries a rating of "A" or better by either Standard and Poor's or Moody's rating services. If a security falls below the "A" rating, the security will be monitored by the Treasurer and advisor and will be noted as an exception to the policy if held in the investment portfolio. The Treasurer will sell the securities if a decline in value is expected. Of the Town's investments at June 30, 2012 in debt securities, \$5,545,663 are rated AAA and \$927 is unrated. Investments in U.S. Treasury notes are not considered to have credit risk.

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

Greater 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.....	15%
Federal National Mortgage Association.....	12%

NOTE 3 – RECEIVABLES

At June 30, 2012, receivables for the individual major, nonmajor governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.... \$	3,841,429	\$ (368,606)	\$ 3,472,823
Tax liens	2,538,594	-	2,538,594
Motor vehicle and other excise taxes.....	789,352	(615,342)	174,010
User fees.....	4,555	-	4,555
Departmental and other.....	267,703	(134,124)	133,579
Special assessments.....	25,171	-	25,171
Intergovernmental.....	2,182,676	-	2,182,676
Total..... \$	<u>9,649,480</u>	<u>\$ (1,118,072)</u>	<u>\$ 8,531,408</u>

At June 30, 2012, receivables for the enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water fees..... \$	747,137	\$ -	\$ 747,137
Sewer fees.....	961,106	-	961,106
Solid waste fees.....	527,046	(131,507)	395,539
Airport fees.....	1,002,339	-	1,002,339
Our Island Home fees.....	962,852	(197,086)	765,766
Intergovernmental.....	2,640,025	-	2,640,025
Total..... \$	<u>6,840,505</u>	<u>\$ (328,593)</u>	<u>\$ 6,511,912</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.....	\$ 1,963,966	\$ 101,787	\$ 2,065,753
Tax liens.....	2,499,570	39,024	2,538,594
Motor vehicle and other excise taxes.....	174,010	-	174,010
User fees.....	4,555	-	4,555
Departmental and other.....	953	132,626	133,579
Special assessments.....	-	25,171	25,171
Intergovernmental.....	-	33,840	33,840
Total.....	<u>\$ 4,643,054</u>	<u>\$ 332,448</u>	<u>\$ 4,975,502</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 169,985,564	\$ -	\$ -	\$ 169,985,564
Construction in progress.....	27,719,432	2,943,703	(22,036,687)	8,626,448
Total capital assets not being depreciated.....	<u>197,704,996</u>	<u>2,943,703</u>	<u>(22,036,687)</u>	<u>178,612,012</u>
<u>Capital assets being depreciated:</u>				
Vehicles.....	8,821,004	853,785	(1,116,858)	8,557,931
Buildings.....	34,427,862	20,656,442	-	55,084,304
Machinery and equipment.....	8,586,030	1,056,550	(1,972,612)	7,669,968
Infrastructure.....	27,030,978	1,573,364	-	28,604,342
Total capital assets being depreciated.....	<u>78,865,874</u>	<u>24,140,141</u>	<u>(3,089,470)</u>	<u>99,916,545</u>
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(6,634,029)	(673,322)	1,116,858	(6,190,493)
Buildings.....	(16,850,666)	(1,107,707)	-	(17,958,373)
Machinery and equipment.....	(7,337,802)	(429,890)	1,972,612	(5,795,080)
Infrastructure.....	(18,207,903)	(853,561)	-	(19,061,464)
Total accumulated depreciation.....	<u>(49,030,400)</u>	<u>(3,064,480)</u>	<u>3,089,470</u>	<u>(49,005,410)</u>
Total capital assets being depreciated, net.....	<u>29,835,474</u>	<u>21,075,661</u>	<u>-</u>	<u>50,911,135</u>
Total governmental activities capital assets, net.....	<u>\$ 227,540,470</u>	<u>\$ 24,019,364</u>	<u>\$ (22,036,687)</u>	<u>\$ 229,523,147</u>

The capital asset totals for the business-type activities at June 30, 2012 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.....	35,443,031	7,073,961	(24,125,495)	18,391,497
Total capital assets not being depreciated.....	52,585,459	7,073,961	(24,125,495)	35,533,925
<u>Capital assets being depreciated:</u>				
Land improvements.....	25,731,512	-	-	25,731,512
Plant.....	61,730,450	-	-	61,730,450
Infrastructure.....	39,800,871	18,152,200	(40,000)	57,913,071
Buildings.....	53,351,963	7,164,461	-	60,516,424
Vehicles.....	4,808,630	90,262	(45,769)	4,853,123
Machinery and equipment.....	18,674,345	84,340	-	18,758,685
Furniture, fixtures and computer equipment.....	611,534	-	-	611,534
Total capital assets being depreciated.....	204,709,305	25,491,263	(85,769)	230,114,799
Less accumulated depreciation.....	(60,302,209)	(5,914,835)	85,769	(66,131,275)
Total capital assets being depreciated, net.....	144,407,096	19,576,428	-	163,983,524
Total business-type activities, capital assets.....	\$ 196,992,555	\$ 26,650,389	\$ (24,125,495)	\$ 199,517,449

The overstatement of capital assets of \$446,498, in the Sewer Enterprise Fund as of June 30, 2011, was discovered by management during the current year. Accordingly, an adjustment has been made in this report to restate the Net Assets of the Sewer Enterprise Fund as of June 30, 2011 from \$46,250,922 to \$45,804,427.

Capital asset activity for the Nantucket County and Nantucket Islands Land Bank component units for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nantucket Islands Land Bank Component Unit				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 227,565,497	\$ 12,858,943	\$ -	\$ 240,424,440
<u>Capital assets being depreciated:</u>				
Buildings, improvements and equipment.....	22,156,475	1,034,045	(50,900)	23,139,620
Less accumulated depreciation.....	(5,667,698)	(972,899)	1,909	(6,638,688)
Total capital assets being depreciated, net.....	16,488,777	61,146	(48,991)	16,500,932
Total Nantucket Islands Land Bank Component Unit, capital assets.....	\$ 244,054,274	\$ 12,920,089	\$ (48,991)	\$ 256,925,372

	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>				
Equipment.....	371,950	73,458	-	445,408
Total capital assets being depreciated.....	371,950	73,458	-	445,408
<u>Less accumulated depreciation for:</u>				
Equipment.....	(328,651)	(49,803)	-	(378,454)
Total accumulated depreciation.....	(328,651)	(49,803)	-	(378,454)
Total capital assets being depreciated, net.....	43,299	23,655	-	66,954
Total County Component Unit capital assets.....	\$ 71,757	\$ 23,655	\$ -	\$ 95,412

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government.....	\$ 98,982
Public safety.....	1,024,188
Education.....	839,485
Public works.....	990,792
Human services.....	8,384
Culture and recreation.....	102,649
Total depreciation expense - governmental activities.....	\$ 3,064,480

Business-Type Activities:

Water.....	\$ 937,217
Sewer.....	2,036,045
Solid waste.....	493,906
Airport.....	2,403,673
Our Island Home.....	43,994
Total depreciation expense - business-type activities.....	\$ 5,914,835

Nantucket County Component Unit:

Registry of Deeds.....	\$ 49,803
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Nantucket Islands Land Bank Component Unit:

Land Bank.....	\$ 972,899
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NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Due From:	Due To:					
	General Fund	Siasconset Water Company	Sewer Enterprise Fund	Nantucket Memorial Airport	Internal Service	Total
General Fund.....	\$ -	\$ -	\$ -	\$ 1,332	\$ 76,984	\$ 78,316
Nonmajor Governmental Funds.....	555,126	-	-	17,443	-	572,569
Wannacomet Water Company.....	-	78,021	461,644	-	-	539,665
Total.....	\$ 555,126	\$ 78,021	\$ 461,644	\$ 18,775	\$ 76,984	\$ 1,190,550

Interfund receivables and payables represent timing differences between financial transactions and the corresponding transfer of cash between accounts.

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

Transfers Out:	Transfers In:							
	General Fund	Capital Projects	Nonmajor Governmental Funds	Nantucket Memorial Airport	Our Island Home	Solid Waste Enterprise Fund	Internal Service Fund	Total
General Fund.....	\$ -	\$ 175,108	\$ 341,070	\$ 2,792,264	\$ 2,781,920	\$ 4,991,085	\$ 197,000	\$ 11,278,447 (1)
Capital Projects.....	-	125,000	-	54,206	-	-	-	179,206 (2)
Nonmajor Governmental Funds.....	106,831	-	-	400,000	445,122	-	-	951,953 (3)
Wannacomet Water Company.....	-	260,966	-	-	-	-	-	260,966 (4)
Total.....	\$ 106,831	\$ 561,074	\$ 341,070	\$ 3,246,470	\$ 3,227,042	\$ 4,991,085	\$ 197,000	\$ 12,670,572

(1) Appropriations from the General Fund to fund prior year deficits in other funds, annual funding to the Community School and General Fund subsidies to Enterprise Funds.

(2) Transfers within the Town’s various Capital Projects Funds and to Airport capital projects.

(3) Transfers to the General Fund from the 3C grant fund, and the Parks and Recreation Revolving Funds to reimburse for indirect costs and to fund appropriations. Also, transfers from revolving funds to the Airport and Our Island Home enterprise funds.

(4) Transfer to the Capital Project Fund from Wannacomet Water Company to fund prior year a deficit.

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, 2012, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
<i>Governmental Funds</i>							
BAN	MWPAT Title V Loan.....	0.00	N/A	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
<i>Enterprise Funds</i>							
BAN	Bond Anticipation Note.....	1.25	02/24/12	2,600,000	-	2,600,000	-
BAN	Bond Anticipation Note.....	1.50	02/24/12	3,550,000	-	3,550,000	-
BAN	Bond Anticipation Note.....	1.00	06/08/12	-	6,089,000	6,089,000	-
BAN	Bond Anticipation Note.....	1.25	06/07/13	-	8,968,090	-	8,968,090
BAN	Bond Anticipation Note.....	1.50	02/24/12	150,000	-	150,000	-
BAN	Bond Anticipation Note.....	1.50	02/24/12	2,050,000	-	2,050,000	-
BAN	Bond Anticipation Note.....	1.00	06/08/12	-	2,050,000	2,050,000	-
<i>Total Enterprise Fund.....</i>				<u>8,350,000</u>	<u>17,107,090</u>	<u>16,489,000</u>	<u>8,968,090</u>
<i>Total.....</i>				<u>\$ 8,350,000</u>	<u>\$ 18,107,090</u>	<u>\$ 16,489,000</u>	<u>\$ 9,968,090</u>

The Town entered into a \$1,000,000 zero percent interim loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT). Proceeds of the interim loan are to be used to fund a community septic management program. The Town has recorded the interim loan as short-term debt until the loan is permanently funded by the MWPAT.

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, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Issue	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Municipal Purpose Refunding Bonds of 1997.....	2011	\$ 10,896,166	4.75 - 6.00	\$ 1,385,000	\$ -	\$ 1,385,000	\$ -
Municipal Purpose Bonds 2001.....	2018	330,000	4.00 - 4.90	130,000	-	130,000	-
MWPAT Bonds 2001.....	2019	20,893	-	10,424	-	1,170	9,254
Municipal Purpose Bonds 2003.....	2023	2,945,000	2.25 - 5.00	1,825,000	-	1,510,000	315,000
Municipal Purpose Bonds 2004.....	2024	17,498,000	2.50 - 4.25	13,020,000	-	835,000	12,185,000
Municipal Purpose Bonds 2005.....	2025	19,764,000	3.75 - 5.00	14,395,000	-	1,775,000	12,620,000
Municipal Purpose Bonds 2008.....	2028	11,453,613	3.00 - 5.00	7,465,600	-	1,226,800	6,238,800
MWPAT Bonds 2008.....	2038	44,635,228	2.14	12,965,549	-	344,730	12,620,819
Municipal Purpose Bonds 2009.....	2048	1,380,000	4.125	1,311,000	-	34,500	1,276,500
MWPAT Bonds 2009.....	2028	5,340,420	2.00	4,154,898	-	200,655	3,954,243
Municipal Purpose Bonds 2010.....	2030	13,070,000	2.50 - 4.00	12,395,000	-	675,000	11,720,000
Municipal Purpose Bonds 2012.....	2026	3,200,000	2.00 - 5.00	-	3,200,000	-	3,200,000
Municipal Purpose Refunding Bonds of 2012.....	2018	1,329,900	2.00 - 4.90	-	1,329,900	-	1,329,900
Total Governmental Bonds Payable.....				69,057,471	4,529,900	8,117,855	65,469,516
Unamortized Premiums on Bonds and Notes.....				121,368	-	31,577	89,791
Total.....				\$ 69,178,839	\$ 4,529,900	\$ 8,149,432	\$ 65,559,307

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>
2013.....	\$ 5,496,334	\$ 2,201,215	\$ 7,697,549
2014.....	5,358,098	2,020,141	7,378,239
2015.....	5,430,460	1,821,312	7,251,772
2016.....	5,429,097	1,624,025	7,053,122
2017.....	5,523,166	1,416,307	6,939,473
2018.....	5,052,149	1,214,477	6,266,626
2019.....	3,121,457	1,063,060	4,184,517
2020.....	3,101,093	951,659	4,052,752
2021.....	3,089,920	845,769	3,935,689
2022.....	3,070,241	731,925	3,802,166
2023.....	3,015,915	624,864	3,640,779
2024.....	2,921,951	512,151	3,434,102
2025.....	1,893,358	429,571	2,322,929
2026.....	1,880,144	366,025	2,246,169
2027.....	1,788,545	306,697	2,095,242
2028.....	1,520,131	255,388	1,775,519
2029.....	1,450,303	206,702	1,657,005
2030.....	916,852	163,669	1,080,521
2031.....	579,860	135,237	715,097
2032.....	593,185	120,489	713,674
2033.....	606,837	105,414	712,251
2034.....	620,822	90,006	710,828
2035.....	635,148	74,257	709,405
2036.....	649,825	58,157	707,982
2037.....	664,861	41,698	706,559
2038.....	680,264	24,872	705,136
2039.....	34,500	15,654	50,154
2040.....	34,500	14,231	48,731
2041.....	34,500	12,808	47,308
2042.....	34,500	11,385	45,885
2043.....	34,500	9,962	44,462
2044.....	34,500	8,539	43,039
2045.....	34,500	7,116	41,616
2046.....	34,500	5,693	40,193
2047.....	34,500	4,269	38,769
2048.....	34,500	2,846	37,346
2049.....	34,500	1,423	35,923
Total.....	\$ <u>65,469,516</u>	\$ <u>17,499,013</u>	\$ <u>82,968,529</u>

Bonds Payable Schedule – Enterprise

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Municipal Purpose Bonds 2001.....	2021	\$ 850,000	4.00 - 5.00	\$ 450,000	\$ -	\$ 450,000	\$ -
MWPAT Bonds 2004.....	2023	2,107,708	Various	1,420,858	-	102,052	1,318,806
Municipal Purpose Bonds 2004.....	2023	1,216,000	2.25 - 5.00	780,000	-	660,000	120,000
MWPAT Bonds 2005.....	2024	11,587,521	4.50 - 5.25	4,839,965	-	370,289	4,469,676
MWPAT Bonds 2007.....	2026	53,642,118	Various	28,609,377	-	821,958	27,787,419
Municipal Purpose Bonds 2008.....	2028	3,268,088	3.00 - 5.00	2,474,400	-	218,200	2,256,200
MWPAT Bonds 2009.....	2026	3,125,318	2.00	2,830,978	-	151,644	2,679,334
Municipal Purpose Bonds 2011.....	2014	120,000	2.50 - 3.00	90,000	-	30,000	60,000
MWPAT Bonds 2011.....	2031	4,006,000	2.00	4,006,000	-	164,542	3,841,458
Municipal Purpose Bonds 2012.....	2032	2,750,000	2.00 - 5.00	-	2,750,000	-	2,750,000
Municipal Purpose Refunding Bonds of 2012.....	2021	916,100	2.00 - 5.00	-	916,100	-	916,100
Total Sewer Enterprise Bonds Payable.....				45,501,578	3,666,100	2,968,685	46,198,993
Municipal Purpose Bonds 2004.....	2013	390,000	2.25 - 5.00	110,000	-	40,000	70,000
Municipal Purpose Bonds 2005.....	2013	1,751,000	2.50 - 4.00	580,000	-	195,000	385,000
Municipal Purpose Bonds 2006.....	2015	219,000	3.75 - 5.00	100,000	-	20,000	80,000
Municipal Purpose Bonds 2008.....	2017	1,522,312	3.00 - 5.00	650,000	-	275,000	375,000
Municipal Purpose Bonds 2011.....	2036	5,000,000	2.00 - 5.00	5,000,000	-	140,000	4,860,000
Municipal Purpose Bonds 2012.....	2032	2,759,000	2.00 - 5.00	-	2,759,000	-	2,759,000
Total Airport Enterprise Bonds Payable.....				6,440,000	2,759,000	670,000	8,529,000
Municipal Purpose Bonds 2001.....	2021	1,168,000	4.00 - 5.00	565,000	-	565,000	-
Municipal Purpose Bonds 2005.....	2024	4,000,000	2.50 - 4.13	2,800,000	-	200,000	2,600,000
Municipal Purpose Bonds 2006.....	2025	5,150,000	3.75 - 5.00	4,040,000	-	250,000	3,790,000
Municipal Purpose Bonds 2008.....	2030	9,400,000	3.00 - 5.00	7,975,000	-	475,000	7,500,000
Municipal Purpose Bonds 2009.....	2029	2,815,000	3.00 - 5.00	2,600,000	-	110,000	2,490,000
Municipal Purpose Bonds 2010.....	2030	1,800,000	2.50 - 4.00	1,660,000	-	140,000	1,520,000
Municipal Purpose Bonds 2012.....	2032	4,450,000	2.00 - 5.00	-	4,450,000	-	4,450,000
Municipal Purpose Refunding Bonds of 2012.....	2021	460,000	2.00 - 5.00	-	460,000	-	460,000
Total Wannacomet Water Enterprise Bonds Payable.....				19,640,000	4,910,000	1,740,000	22,810,000
Municipal Purpose Bonds 2006.....	2015	2,000,000	3.75 - 5.00	1,105,000	-	205,000	900,000
Municipal Purpose Bonds 2009.....	2029	6,373,000	3.00 - 5.00	5,890,000	-	250,000	5,640,000
Municipal Purpose Bonds 2010.....	2030	1,400,000	2.50 - 4.00	1,330,000	-	70,000	1,260,000
Municipal Purpose Bonds 2012.....	2016	150,000	2.00 - 3.00	-	150,000	-	150,000
Total Siasconset Water Enterprise Bonds Payable.....				8,325,000	150,000	525,000	7,950,000
Municipal Purpose Bonds 2005.....	2024	100,000	2.50 - 4.13	70,000	-	5,000	65,000
Municipal Purpose Bonds 2008.....	2028	1,000,000	3.00 - 5.00	685,000	-	105,000	580,000
Total Solid Waste Enterprise Bonds Payable.....				755,000	-	110,000	645,000
Total Enterprise Bonds Payable.....				80,661,578	11,485,100	6,013,685	86,132,993
Unamortized Premiums on Bonds and Notes.....				321,817	1,076,663	17,878	1,380,602
Total.....				\$ 80,983,395	\$ 12,561,763	\$ 6,031,563	\$ 87,513,595

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 5,067,015	\$ 2,943,557	\$ 8,010,572
2014.....	5,019,019	2,771,174	7,790,193
2015.....	4,840,525	2,590,021	7,430,546
2016.....	4,905,733	2,420,246	7,325,979
2017.....	4,593,417	2,251,044	6,844,461
2018.....	4,401,131	2,090,809	6,491,940
2019.....	4,463,779	1,935,622	6,399,401
2020.....	4,455,068	1,754,738	6,209,806
2021.....	4,574,484	1,591,540	6,166,024
2022.....	4,341,162	1,427,844	5,769,006
2023.....	4,411,001	1,261,742	5,672,743
2024.....	4,365,691	1,096,568	5,462,259
2025.....	4,269,792	934,679	5,204,471
2026.....	3,609,826	793,850	4,403,676
2027.....	3,306,204	678,105	3,984,309
2028.....	3,129,477	571,601	3,701,078
2029.....	2,604,916	464,587	3,069,503
2030.....	1,999,234	361,926	2,361,160
2031.....	1,914,250	304,535	2,218,785
2032.....	1,704,507	252,860	1,957,367
2033.....	1,361,007	208,846	1,569,853
2034.....	1,398,154	169,823	1,567,977
2035.....	1,440,964	129,663	1,570,627
2036.....	1,479,455	88,111	1,567,566
2037.....	1,223,641	45,030	1,268,671
2038.....	1,253,541	15,130	1,268,671
Total.....	\$ <u>86,132,993</u>	\$ <u>29,153,651</u>	\$ <u>115,286,644</u>

In order to take advantage of favorable interest rates, the Town issued \$2,706,000 of General Obligation Refunding Bonds on June 7, 2012. The Town advanced refunded \$2,970,000 of general obligation bonds by placing the proceeds of the refunding bonds and additional Town funds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$130,076. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$342,475 and resulted in an economic gain of \$303,421. At June 30, 2012, \$2,970,000 of bonds outstanding from the advance refunding are considered defeased.

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 \$2,017,186 and interest costs of \$2,132,318, relating to certain MWPAT bonds outstanding in the sewer enterprise fund. Thus, net principal debt repayments in the sewer enterprise fund are scheduled to be \$41,520,707. The principal subsidies are guaranteed and therefore a \$2,017,186 intergovernmental receivable has been reported in the sewer enterprise fund. 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 2012 principal and interest subsidies totaled approximately \$124,854 and \$346,240, respectively.

For MWPAT loans issued for projects first appearing on Department of Environmental Protection's Intended Use Plan in 2002 and forward, the net debt service is structured to result in the financial equivalent of a loan with an annual interest rate of 2%.

Bonds and Notes Payable Schedule – Land Bank Component Unit

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Land Bank Bonds and Notes Payable.....	2016	N/A	6.06%	\$ 6,650,000	\$ 1,845,343	\$ (4,200,000)	\$ 4,295,343
Land Bank Bonds and Notes Payable.....	2032	N/A	4.00 - 5.50	24,989,835	6,725,000	(1,392,312)	30,322,523
Total Land Bank Component Unit Bonds Payable.....				\$ 31,639,835	\$ 8,570,343	\$ (5,592,312)	\$ 34,617,866

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 4,785,829	\$ 1,141,559	\$ 5,927,388
2014.....	2,400,315	954,701	3,355,016
2015.....	2,475,279	878,251	3,353,530
2016.....	2,570,736	796,349	3,367,085
2017.....	2,151,704	711,504	2,863,208
2018-2022.....	10,048,520	2,491,090	12,539,610
2023-2027.....	7,023,520	1,109,312	8,132,832
2028-2032.....	3,161,963	177,031	3,338,994
Total.....	\$ 34,617,866	\$ 8,259,797	\$ 42,877,663

Bonds payable is comprised of the 2007 Series A Bonds dated December 1, 2007 and bearing interest at rates ranging from 4% to 5.5% and mature serially from December 1, 2008 through December 1, 2027. The 2009 Series A Bonds dated March 13, 2009 bear interest at a rate of 2.95% and mature serially from June 30, 2009 through June 30, 2023. During the current fiscal year, the Land Bank issued 2012 Series A Bonds, in the aggregate principle amount of \$6,725,000, bearing interest at rates ranging from 2% to 3% and maturing serially from February 15, 2013 to February 15, 2032. 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. Proceeds from the 2012 Series A Bonds were used to purchase the Siasconset Golf Course.

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, 2012, the Town had the following authorized and unissued debt:

Governmental Activities

Purpose	Amount
Bike paths.....	\$ 599,250
Title V Septic.....	2,000,000
Total General Government.....	<u>\$ 2,599,250</u>

Business-Type Activities

Purpose	Amount
Landfill.....	\$ 2,308,948
Sewer.....	11,831,872
Our Island Home.....	175,000
Nantucket Memorial Airport.....	30,032,100
Siasconset Water Company.....	2,100,000
Wannacomet Water Company.....	1,100,000
Total Enterprise.....	<u>\$ 47,547,920</u>

Land Bank Component Unit

Purpose	Amount
Land Bank	<u>\$ 1,171,692</u>
Total.....	<u>\$ 51,318,862</u>

Changes in Long-term Liabilities

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

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Current Portion
GOVERNMENTAL ACTIVITIES:					
Long-Term Bonds.....	\$ 69,057,471	\$ 4,529,900	\$ (8,117,855)	\$ 65,469,516	\$ 5,496,334
Compensated Absences.....	1,293,382	148,656	(258,676)	1,183,362	236,672
Workers' Compensation.....	249,374	89,510	(249,374)	89,510	89,510
Other Postemployment Benefits.....	16,410,405	5,005,600	(2,027,205)	19,388,800	-
Total Governmental Funds.....	<u>\$ 87,010,632</u>	<u>\$ 9,773,666</u>	<u>\$ (10,653,110)</u>	<u>\$ 86,131,188</u>	<u>\$ 5,822,516</u>
BUSINESS-TYPE ACTIVITIES:					
Long-Term Bonds and Notes.....	\$ 80,661,578	\$ 11,485,100	\$ (6,013,685)	\$ 86,132,993	\$ 5,067,015
Compensated Absences.....	816,784	222,341	(444,682)	594,443	118,888
Other Postemployment Benefits.....	3,959,010	1,207,600	(489,062)	4,677,548	-
Landfill Closure.....	3,064,000	965,000	-	4,029,000	-
Total Business-type Funds.....	<u>\$ 88,501,372</u>	<u>\$ 13,880,041</u>	<u>\$ (6,947,429)</u>	<u>\$ 95,433,984</u>	<u>\$ 5,185,903</u>
LAND BANK COMPONENT UNIT:					
Long-Term Bonds and Notes.....	\$ 31,639,835	\$ 8,570,343	\$ (5,592,312)	\$ 34,617,866	\$ 4,764,125
Other Postemployment Benefits.....	348,900	-	-	348,900	-
Total Land Bank Component Unit.....	31,988,735	8,570,343	(5,592,312)	34,966,766	4,764,125
COUNTY COMPONENT UNIT:					
Other Postemployment Benefits.....	143,591	52,122	(26,061)	169,652	-
Total Component Units.....	<u>\$ 32,132,326</u>	<u>\$ 8,622,465</u>	<u>\$ (5,618,373)</u>	<u>\$ 35,136,418</u>	<u>\$ 4,764,125</u>
Total.....	<u>\$ 207,644,330</u>	<u>\$ 32,276,172</u>	<u>\$ (23,218,912)</u>	<u>\$ 216,701,590</u>	<u>\$ 15,772,544</u>

Long-term liabilities of the governmental activities, business-type activities, and Land Bank and County component units are generally liquidated by the general fund, the business-type activities, and the Land Bank and County component units, respectively.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental accounting standards establish a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. The reporting standards establish a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. The Town reports two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, the Town reports spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of Town Meeting and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of Town Meeting. At year end the balance of the General Stabilization Fund is approximately \$3.8 million and is reported as unassigned fund balance within the General Fund.

As of June 30, 2012, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS			
	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 44,305	\$ 44,305
Restricted for:				
Town capital projects.....	-	5,355,578	-	5,355,578
Community preservation.....	-	-	5,915,827	5,915,827
Town revolving funds.....	-	-	4,688,461	4,688,461
Federal and state grants.....	-	-	538,807	538,807
Education revolving funds.....	-	-	736,639	736,639
Trust funds.....	-	-	39,704	39,704
Federal and state education grants.....	-	-	762,327	762,327
School lunch.....	-	-	229,793	229,793
Gift funds.....	-	-	1,086,191	1,086,191
School revolving funds.....	-	-	283,760	283,760
Road improvements.....	-	-	647,836	647,836
Expendable permanent funds.....	-	-	27,779	27,779
Committed to:				
General government.....	1,404,655	-	-	1,404,655
Public safety.....	930	-	-	930
Education.....	359,597	-	-	359,597
Public works.....	176,461	-	-	176,461
Human services.....	95	-	-	95
Assigned to:				
General government.....	814,424	-	-	814,424
Public safety.....	191,695	-	-	191,695
Education.....	217,271	-	-	217,271
Public works.....	315,622	-	-	315,622
Human services.....	1,005	-	-	1,005
Culture and recreation.....	444	-	-	444
Employee benefits.....	34,598	-	-	34,598
Free cash for FY2013 budget.....	607,264	-	-	607,264
Unassigned.....	14,373,770	-	(104,106)	14,269,664
TOTAL FUND BALANCES (DEFICIT).....	\$ 18,497,831	\$ 5,355,578	\$ 14,897,323	\$ 38,750,732

As of June 30, 2012, the county fund balances consisted of the following:

	GOVERNMENTAL FUNDS		
	General	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES			
Restricted for:			
Deeds excise.....	\$ -	\$ 1,049,015	\$ 1,049,015
Other special revenue funds.....	-	598,727	598,727
Unassigned.....	<u>1,369,777</u>	<u>-</u>	<u>1,369,777</u>
TOTAL FUND BALANCES.....	<u>\$ 1,369,777</u>	<u>\$ 1,647,742</u>	<u>\$ 3,017,519</u>

NOTE 9 – 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 historical trends. At June 30, 2012, the amount of the liability for health insurance claims totaled \$778,820. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2009, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2010.....	\$ 721,784	\$ 11,111,752	\$ (11,050,453)	\$ 783,083
Fiscal Year 2011.....	783,083	10,816,282	(10,869,510)	729,855
Fiscal Year 2012.....	729,855	11,207,253	(11,158,288)	778,820

(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 special revenue fund for workers compensation. Annual appropriations are made to add to the fund. The estimated future workers’ compensation liability is based on history and injury type.

At June 30, 2012, the amount of the liability for workers' compensation claims totaled \$89,510. This liability is the Town's best estimate based on available information. Changes in the reported liability since July 1, 2009, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2010.....	\$ 93,146	\$	228,930	\$	(145,426)	\$	176,650
Fiscal Year 2011.....	176,650		219,799		(147,075)		249,374
Fiscal Year 2012.....	249,374		102,269		(262,133)		89,510

NOTE 10 – 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 \$2,357,000 for the fiscal year ended June 30, 2012, 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 increases 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 actuarially 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, 2012, 2011 and 2010 totaled \$4,372,452, \$4,263,340 and \$3,925,224 respectively, which equaled its required contributions for each fiscal year. The County's contribution to the System for the fiscal years ended June 30, 2012, 2011 and 2010 were \$126,269, \$110,888, and \$152,865 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 which 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 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes between 80 and 90 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10 to 20 percent of their premium costs. For fiscal year 2012, the Town contributed approximately \$2.5, million to the plan.

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

Annual required contribution.....	\$	5,982,000
Interest on net OPEB obligation.....		1,025,000
Adjustment to the ARC.....		<u>(750,000)</u>
Annual OPEB cost (expense).....		6,257,000
Contributions made.....		<u>(2,534,000)</u>
Increase in net OPEB obligation.....		3,723,000
Net OPEB obligation - beginning of year.....		<u>20,513,000</u>
Net OPEB obligation - end of year.....	\$	<u><u>24,236,000</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal year 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 6,257,000	40%	\$ 24,236,000
6/30/2011	5,905,000	37%	20,513,000
6/30/2010	11,184,000	23%	16,808,000

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2010, is as follows:

Actuarial Valuation Date	Value of Assets (A)	Liability (AAL) Projected Unit Credit (B)	AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 82,253,000	\$ 82,253,000	0%	\$ N/A	N/A
7/1/2009	-	127,923,000	127,923,000	0%	N/A	N/A
7/1/2007	-	104,980,000	104,980,000	0%	N/A	N/A

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

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

In the July 1, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5.00% investment return assumption, calculated based on the funded level of the plan at the valuation date. The UAAL is being amortized over a 30 year period. The remaining amortization period at June 30, 2012 is 26 years.

NOTE 12 – LANDFILL CLOSURE

State and Federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town's landfill operates under an Administrative Consent Order (ACO) with the Department of Environmental Protection. The ACO was amended in fiscal year 2010 to allow for landfill mining over a five year period. The landfill currently maintains three cells, one unlined cell and two lined cells. The largest is the unlined cell which has been closed (no longer accepts waste) and is currently being mined to reduce the total footprint of the unlined area and to potentially increase future capacity. The first lined cell has been closed for several years. The second lined cell is currently accepting waste and is estimated to be closed in fiscal year 2014. The final capping of the cells is dependent on the successful continuance of the mining program, construction of new lined cells, and the approval of the Department of Environmental Protection. The Town has reflected a \$4 million, closure liability at June 30, 2012, as an obligation of the solid waste enterprise fund. This amount is based upon estimates of what it would cost to perform all closure costs and post-closure care for 30 years. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 13 – COMMITMENTS

The Town has entered into contracts totaling approximately \$13.5 million where \$3 million relates to Town projects, \$6.7 million relates to Airport projects, \$1.5 million relates to Wannacomet improvement projects, \$1.6 million relates to Sewer improvement projects and \$738,000 relates to Siasconset improvement projects.

NOTE 14 – 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, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

The Town is contingently liable for 35% of any deficit, including the operating and debt service costs, which may be incurred by the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority"). As of December 31, 2011, the Authority had total amount of bonds outstanding, net of unamortized premiums of \$1,859,968 and the deferred loss on defeasance of \$186,557, of \$63,185,000, and the amount of monies in its reserve fund totaled \$3,102,712. For the fiscal year ended December 31, 2011, the Authorities costs of services exceeded operating revenues \$11,210,536, (Change in Net Assets). The Town is not required to make payment to the Authority unless the amount in the Authority's reserve is insufficient. Since 1962, the Town has never made a payment to the Authority.

NOTE 15 – SIGNIFICANT EVENTS

The Nantucket Memorial Airport is one of over 100 transportation hubs in the United States that is facing the possibility of federal spending cuts by the Federal Aviation Administration (FAA). The FAA currently funds and staffs the island's air traffic control tower. Federal grant agreements require the Airport to remain open regardless of the operation of the air traffic control tower. If the cuts are implemented, the Airport expects that operations would continue without the guidance of the control tower. The most significant financial impact that the Airport expects would be a reduction in aviation fuel revenue due to a decrease in landings. This revenue source is currently accounted for within a revolving fund and, accordingly, it is not anticipated to have a significant impact on the Airport's operating budget. The pending deadline of the budget cut decision is currently set for early in 2013.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in future fiscal years. Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.

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

FISCAL YEAR ENDED JUNE 30, 2012

	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.....	\$ -	\$ 61,252,026	\$ 61,252,026	\$ 61,252,026
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,997,000	1,997,000	1,997,000
Hotel and meals taxes.....	-	2,240,000	2,240,000	2,240,000
Charges for services.....	-	9,000	9,000	9,000
Penalties and interest on taxes.....	-	580,000	580,000	580,000
Payments in lieu of taxes.....	-	8,000	8,000	8,000
Licenses and permits.....	-	1,007,000	1,007,000	1,007,000
Fines and forfeitures.....	-	250,000	250,000	250,000
Intergovernmental.....	-	1,606,689	1,606,689	1,606,689
Departmental and other.....	-	1,072,500	1,072,500	1,072,500
Investment income.....	-	50,000	50,000	50,000
TOTAL REVENUES.....	-	70,072,215	70,072,215	70,072,215
EXPENDITURES:				
Current:				
General government.....	1,929,121	6,460,039	8,389,160	10,518,219
Public safety.....	528,121	9,025,754	9,553,875	9,064,122
Education.....	783,257	22,789,121	23,572,378	23,261,130
Public works.....	469,681	3,312,650	3,782,331	3,130,326
Human services.....	28,639	841,023	869,662	1,106,458
Culture and recreation.....	4,366	978,106	982,472	1,166,140
Pension benefits.....	-	2,988,750	2,988,750	2,988,750
Employee benefits.....	-	8,963,860	8,963,860	7,258,907
State and county charges.....	-	532,144	532,144	532,144
Debt service:				
Principal.....	-	6,751,900	6,751,900	6,751,900
Interest.....	-	2,301,960	2,301,960	2,301,960
TOTAL EXPENDITURES.....	3,743,185	64,945,307	68,688,492	68,080,056
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,743,185)	5,126,908	1,383,723	1,992,159
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	-	-	40,000
Transfers out.....	-	(7,835,552)	(7,835,552)	(11,278,447)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(7,835,552)	(7,835,552)	(11,238,447)
NET CHANGE IN FUND BALANCE.....	(3,743,185)	(2,708,644)	(6,451,829)	(9,246,288)
BUDGETARY FUND BALANCE, Beginning of year.....	-	13,660,442	13,660,442	13,660,442
BUDGETARY FUND BALANCE, End of year.....	\$ (3,743,185)	\$ 10,951,798	\$ 7,208,613	\$ 4,414,154

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	61,602,908	\$ -	\$ 350,882
	325,055	-	325,055
	1,948,316	-	(48,684)
	2,711,174	-	471,174
	83,315	-	74,315
	681,176	-	101,176
	7,329	-	(671)
	1,058,052	-	51,052
	223,054	-	(26,946)
	1,640,021	-	33,332
	1,592,320	-	519,820
	51,408	-	1,408
	<u>71,924,128</u>	<u>-</u>	<u>1,851,913</u>
	7,167,598	2,219,079	1,131,542
	8,487,197	192,626	384,299
	22,496,281	576,868	187,981
	2,582,349	492,083	55,894
	1,042,313	1,100	63,045
	1,147,001	444	18,695
	2,988,749	-	1
	6,134,157	34,598	1,090,152
	531,772	-	372
	6,656,685	-	95,215
	2,147,721	-	154,239
	<u>61,381,823</u>	<u>3,516,798</u>	<u>3,181,435</u>
	<u>10,542,305</u>	<u>(3,516,798)</u>	<u>5,033,348</u>
	106,831	-	66,831
	(11,278,447)	-	-
	<u>(11,171,616)</u>	<u>-</u>	<u>66,831</u>
	(629,311)	(3,516,798)	5,100,179
	13,660,442	-	-
\$	<u>13,031,131</u>	<u>(3,516,798)</u>	<u>5,100,179</u>

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

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

The Town's share of the UAAL, as of January 1, 2011, is approximately 10%.

See notes to required supplementary information.

**BARNSTABLE COUNTY CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Town of Nantucket

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
2011	\$ 43,807,158	\$ 43,807,158	100%	\$ 4,372,452	9.98%
2010	41,327,508	41,327,508	100%	4,263,340	10.32%
2009	39,820,453	39,820,453	100%	3,925,224	9.86%
2008	41,826,233	41,826,233	100%	3,643,915	8.71%
2007	36,738,676	36,738,676	100%	3,346,353	9.11%
2006	31,044,132	31,044,132	100%	2,761,460	8.90%
2005	27,846,430	27,846,430	100%	2,629,487	9.44%

County of Nantucket

Plan Year Ended December 31	System Wide			County of Nantucket	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) County's Percentage of System Wide Actual Contributions
2011	\$ 43,807,158	\$ 43,807,158	100%	\$ 126,269	0.29%
2010	41,327,508	41,327,508	100%	110,888	0.27%
2009	39,820,453	39,820,453	100%	152,865	0.38%
2008	41,826,233	41,826,233	100%	145,083	0.35%
2007	36,738,676	36,738,676	100%	138,012	0.38%
2006	31,044,132	31,044,132	100%	128,612	0.41%
2005	27,846,430	27,846,430	100%	112,420	0.40%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 82,253,000	\$ 82,253,000	0%	\$ N/A	N/A
7/1/2009	-	127,923,000	127,923,000	0%	N/A	N/A
7/1/2007	-	104,980,000	104,980,000	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
6/30/2012	\$ 5,982,000	\$ 2,534,000	42%
6/30/2011	5,680,000	2,201,000	39%
6/30/2010	10,647,000	2,587,000	24%
6/30/2009	10,745,000	2,534,000	24%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

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

Actuarial Assumptions:

Investment rate of return.....	5.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10.0% decreasing by .75% for 6 years and by .50% for 1 year to an ultimate level of 5.00% per year.

Plan Membership:

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

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget. An annual budget is prepared by Town Administration, reviewed and forwarded by the Board of Selectmen, reviewed and recommended by the Finance Committee to Annual Town Meeting for adoption by positive vote. 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 or in certain circumstances by vote of the Finance Committee and Board of Selectmen, as outlined in Massachusetts General Law.

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 claims and 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 2012 budget includes \$73 million in appropriations and other amounts to be raised and \$3.7 million in amounts carried forward from the previous fiscal year. During fiscal year 2012, the Town’s budget increased by \$2.8 million mainly due free cash voted for unpaid bills and to subsidize the enterprise funds at the annual Town meeting.

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, 2012, is presented below:

Net change in fund balance - budgetary basis.....	\$ <u>(629,311)</u>
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	100,871
<u>Basis of accounting differences:</u>	
Recognition of revenue based on available criteria.....	227,149
Accrued expenditures.....	(12,277)
Recognition of revenue for on-behalf payments.....	(2,357,000)
Recognition of expenditures for on-behalf payments.....	<u>2,357,000</u>
Net change in fund balance - GAAP basis.....	\$ <u><u>(313,568)</u></u>

3. Appropriation Deficits

During Fiscal year 2012, none of the Town's general fund expenditures exceeded budgeted appropriations.

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

Actuarial Assumptions:

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

Plan Membership:

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

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health plan”). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

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

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

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

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

***Nantucket County Component Unit
Combining Statements***

Nantucket County Component Unit Combining Statements

County General Fund – primary operating fund for Nantucket County. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

County Deeds Excise Special Revenue Fund – accounts for the deeds excise tax revenue that is returned to the County each year.

County Administration – accounts for the 15% of deeds excise tax revenue that is required to be designated for County Administration.

Corrections Department – accounts for the 75% of deeds excise tax revenue that is required to be designated for the County Corrections Department.

Registry of Deeds – accounts for the 10% of deeds excise tax revenue that is required to be designated for the Registry of Deeds.

County Other Special Revenue Funds – accounts for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. This fund is comprised of the sheriff funds, state and federal grants, Cape Cod license plate fund, escrow funds and gift funds.

NANTUCKET COUNTY
COMBINING BALANCE SHEET

JUNE 30, 2012

ASSETS	General Fund	Deeds Excise Special Revenue Fund			Total Deeds Excise Fund	Other Special Revenue Funds	Total Nantucket County
		County Administration	Correction's Department	Registry of Deeds			
Cash and cash equivalents.....	\$ 1,199,438	\$ 150,400	\$ 1,407	\$ 871,884	\$ 1,023,691	\$ 598,727	\$ 2,821,856
Other assets.....	222,023	-	-	25,324	25,324	-	247,347
TOTAL ASSETS.....	\$ 1,421,461	\$ 150,400	\$ 1,407	\$ 897,208	\$ 1,049,015	\$ 598,727	\$ 3,069,203
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Warrants payable.....	\$ 995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 995
Accrued payroll.....	3,337	-	-	-	-	-	3,337
Payroll withholdings.....	9,424	-	-	-	-	-	9,424
Other liabilities.....	37,928	-	-	-	-	-	37,928
TOTAL LIABILITIES.....	51,684	-	-	-	-	-	51,684
FUND BALANCES:							
Restricted.....	-	150,400	1,407	897,208	1,049,015	598,727	1,647,742
Unassigned.....	1,369,777	-	-	-	-	-	1,369,777
TOTAL FUND BALANCES.....	1,369,777	150,400	1,407	897,208	1,049,015	598,727	3,017,519
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,421,461	\$ 150,400	\$ 1,407	\$ 897,208	\$ 1,049,015	\$ 598,727	\$ 3,069,203

NANTUCKET COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Deeds County Administration	Excise Correction's Department	Special Revenue Fund Registry of Deeds	Total Deeds Excise	Other Special Revenue Funds	Total Nantucket County
REVENUES:							
Intergovernmental.....	\$ 178,200	\$ -	\$ -	\$ -	\$ -	223,615	\$ 401,815
Departmental and other.....	407,011	171,920	250,000	114,614	536,534	376,744	1,320,289
Investment income.....	4,604	96	310	1,868	2,274	-	6,878
TOTAL REVENUES.....	589,815	172,016	250,310	116,482	538,808	600,359	1,728,982
EXPENDITURES:							
Current:							
County administration.....	295,105	-	-	-	-	-	295,105
Registry of Deeds.....	344,201	-	-	59,753	59,753	73,458	477,412
Special Projects.....	-	-	-	-	-	380,695	380,695
TOTAL EXPENDITURES.....	639,306	-	-	59,753	59,753	454,153	1,153,212
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(49,491)	172,016	250,310	56,729	479,055	146,206	575,770
OTHER FINANCING SOURCES (USES):							
Transfers in.....	474,202	-	-	-	-	-	474,202
Transfers out.....	-	(140,250)	(250,000)	(83,952)	(474,202)	-	(474,202)
TOTAL OTHER FINANCING SOURCES (USES).....	474,202	(140,250)	(250,000)	(83,952)	(474,202)	-	-
NET CHANGE IN FUND BALANCES.....	424,711	31,766	310	(27,223)	4,853	146,206	575,770
FUND BALANCES AT BEGINNING OF YEAR.....	945,066	118,634	1,097	924,431	1,044,162	452,521	2,441,749
FUND BALANCES AT END OF YEAR.....	\$ 1,369,777	\$ 150,400	\$ 1,407	\$ 897,208	\$ 1,049,015	\$ 598,727	\$ 3,017,519

Additional Information

NANTUCKET PLANNING AND ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF INDIRECT COST RATE

FISCAL YEAR ENDED JUNE 30, 2012

	Highway Planning and Construction Grant				General Fund Unreimbursed Amounts allocable to 3C Grant	
	Reimbursed Direct Labor	Reimbursed Direct Costs	Other Direct Costs	Indirect Costs	Direct Costs	Total Expenditures
EXPENDITURES:						
Direct Salaries.....	\$ 94,495	\$ -	\$ 24,265	\$ -	\$ -	\$ 118,760
Payroll taxes.....	1,359	-	-	-	-	1,359
Consultants and professional fees...	-	23,489	20,401	-	1,919	45,809
Travel.....	-	1,505	1,201	-	113	2,819
Equipment.....	-	1,116	145	-	14	1,275
Supplies.....	-	-	2,536	-	239	2,775
Advertising.....	-	-	1,001	-	94	1,095
Postage.....	-	-	706	-	66	772
Conference.....	-	-	17	-	2	19
Dues and subscriptions.....	-	-	423	-	40	463
Repairs and maintenance.....	-	-	1,012	-	95	1,107
Health insurance.....	7,596	-	-	12,656	1,480	21,732
General governance.....	-	-	-	17,481	-	17,481
Finance and treasurer's office.....	-	-	-	3,372	-	3,372
Information technology.....	-	-	-	2,451	-	2,451
Utilities.....	-	-	-	7,321	-	7,321
TOTAL EXPENDITURES.....	\$ 103,450	\$ 26,110	\$ 51,707	\$ 43,281	\$ 4,062	\$ 228,610
			(a)	(a)	(b)	

- (a) = Direct and indirect grant costs reimbursed through grant overhead.
- (b) = Direct and indirect grant costs not reimbursed.

Indirect Cost Rate = All related costs not paid by grant/Direct labor paid by grant

$$\frac{99,050}{103,450} = 95.747\%$$

NANTUCKET PLANNING AND ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF PUBLIC SUPPORT

FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Highway Planning and Construction Grant	Total
REVENUES:			
Federal and state grants.....	\$ -	\$ 224,548	\$ 224,548
General fund subsidy.....	4,062	-	4,062
TOTAL REVENUES.....	4,062	224,548	228,610
EXPENDITURES:			
Salaries.....	-	118,760	118,760
Payroll taxes.....	-	1,359	1,359
Consultants and professional fees.....	1,919	43,890	45,809
Travel.....	113	2,706	2,819
Equipment.....	14	1,261	1,275
Supplies.....	239	2,536	2,775
Advertising.....	94	1,001	1,095
Postage.....	66	706	772
Conferences.....	2	17	19
Dues and subscriptions.....	40	423	463
Repairs and maintenance.....	95	1,012	1,107
General governance.....	-	17,481	17,481
Finance and treasurer's office.....	-	3,372	3,372
Information technology.....	-	2,451	2,451
Utilities.....	-	7,321	7,321
Health insurance.....	1,480	20,252	21,732
TOTAL EXPENDITURES.....	4,062	224,548	228,610
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	\$ -	\$ -	\$ -