

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2008



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The Honorable Board of Selectmen
Town of Nantucket, Massachusetts:

In planning and performing our audit of the basic financial statements of the Town of Nantucket, Massachusetts (Town), as of and for the fiscal year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Town's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to constitute material weaknesses.

- Failure to act on previously communicated weaknesses.
- Inadequate design of internal control over significant accounts.
- A failure to perform reconciliations of significant accounts.
- Inadequate documentation of the components of internal control.

During our audit we became aware of several additional matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

The Town of Nantucket's written responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of Town of Nantucket, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience.

Powers & Sullivan

March 20, 2009

TOWN OF NANTUCKET, MASSACHUSETTS

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JUNE 30, 2008

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Material Weaknesses

MATERIAL WEAKNESSES

Failure to Act on Previously Communicated Weaknesses

The material weaknesses communicated herein represent control deficiencies that have been identified and reported to management for several years and have not been adequately resolved. The existence of significant deficiencies may be known and may represent a conscious decision to accept that degree of risk because of cost or other considerations. Management or those charged with governance are responsible for making decisions concerning costs to be incurred and related benefits. Failure by management to assess the effect of significant deficiencies previously communicated and to either correct them or conclude that they will not be corrected represent a material weakness in the Town's system of internal controls.

Inadequate Design of Internal Control Over Significant Accounts.

Management must rely on the financial information generated by the Treasurer's Office, the Collector's Office and the Accounting Office to make decisions that affect Town strategy in developing and meeting short-term and long-term financial goals. Consequently, management must be confident that the information they base their decisions on is complete and accurate. This confidence is gained when there is reasonable assurance that the internal control structure over cash, receivables, revenues and expenditures is of sound design and is functioning as intended.

Each of the Offices noted above play a key role in developing and monitoring of a sound internal control structure. These roles are summarized as follows:

- The Accountant is responsible for establishing and maintaining procedures to assure that 1) all Town receipts and disbursements are properly authorized and recorded in the general ledger accurately and timely and 2) all journal entries are properly recorded and documented.
- The Treasurer's Office is responsible for establishing and maintaining procedures to 1) properly safeguard the Town's cash and investments and 2) assure that all receipts and disbursements are reported accurately and timely.
- The Collector's Office is responsible for establishing and maintaining procedures to 1) assure all bills submitted to the Office are collected as quickly as possible 2) secure the Town's interest in property for delinquent taxes and 3) process receipts promptly in order to maximize cashflow.

Considering these general roles, our review of the internal control structure of these Offices revealed the following deficiencies:

- The Treasurer's cash book was not accurately reconciled to the bank balances or to the general ledger throughout the year.
 - More than eight months after fiscal year end, the Town reconciled the general ledger to the Treasurer's cashbook, and recorded over \$700,000 in adjustments as part of this process. After this original reconciliation process, an addition \$660,000 in corrections were recorded, which left approximately \$60,000 in unidentified variances. Additionally, the Treasurer's cashbook has unidentified variances to the bank balances of cash which exceed \$300,000. Cumulatively, this leaves approximately \$360,000 in cash on the Town's books that is not supported by cash in the bank.

- The reconciliations from the cashbook to the bank balance were not adequately supported. The Town Treasurer does not maintain an outstanding check listing to support the bank reconciliations to the cashbook. Outstanding check lists are prepared once a year, several months after year end, and were found to be inaccurate. The payroll account outstanding list contained several duplicate amounts, contained several checks dating back as far as 1996, and contained several checks made out to the Town of Nantucket. Additionally, the outstanding list did not tie to the Treasurer's reconciliation by over \$300,000. The outstanding check amount on the Treasurer's cash reconciliation was a negative amount. The vendor account outstanding list also contained items that were several years old, and did not agree with the Treasurer's reconciliation by approximately \$33,000.
 - The Treasurer's cashbook contained unidentified variances that have been carried forward for several years.
 - The process for reconciling the Treasurer's cashbook to the bank and to the general ledger is not adequately documented.
 - The Town has not performed reconciliations between the balances of individual trust fund accounts on the general ledger and the supporting bank balances.
- The Town utilizes due to/due from accounts to monitor inter-fund receivables and payables. The balances of these accounts are intended to represent cash that has not been transferred between funds. The Town does not have a system to reconcile the balances in these accounts with the balances maintained by the individual departments that they impact. The variances between the cash and due to/due from accounts reported on the Town's general ledger and the balances maintained by the Water Department and the Airport were out of balance by approximately \$400,000 in fiscal year 2006, by approximately \$157,000 in fiscal year 2007, and by a net variance of approximately \$372,000 in fiscal year 2008. Significant unidentified balances in the due to/due from accounts, even if they are reconciled, indicate that cash transfers are not being made timely. In several instances, untimely transfers and inaccurate transfers of cash between accounts have complicated the ability to reconcile and have decreased the likelihood that errors or inconsistencies would be detected.
- The Town was unable to provide support for several balances maintained on the general ledger. Some balances were caused by errors that have been carried for several years, and some unsupported balances are in a deficit position. Erroneous account balances impact the usefulness and reliability of data obtained from the Town's accounting system, which is the basis for Management's decision making process.
- The Town does not have internal procedure manuals clearly defining the responsibilities of each position within the financial departments. As a result, procedures, such as reconciliations, may not be completed, even though everyone feels that they have completed their individual tasks, therefore, the activities are not accomplishing the desired end result of identifying and correcting errors in a timely manner. Formally documented procedures and responsibilities of each position would clarify the process and ensure that the intended controls over the Town's assets are being achieved.

Summary

In summary, the objectives of an internal control structure are to safeguard the assets of the Town and provide reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly in the Town's ledgers. The omission of one or more elements of internal control can compromise the Town's ability to obtain these objectives. We have concluded that the deficiencies noted above, individually and collectively, represent material weaknesses in the Town's system of internal control under standards established by the American Institute of Certified Public Accountants.

These deficiencies constitute being classified as material weaknesses because they represent significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Furthermore, we believe that the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

For several years, we have recommended that the Town implement procedures to monitor all general ledger balances throughout the year and to reconcile those balances with the supporting Treasurer's cash book and other supporting documentation on a regular basis to identify and correct errors during the normal course of operations.

The procedures should include a process for insuring that all transactions are processed timely and correctly. We have also recommended that the Treasurer post all cash activity in a timely manner to the Treasurer's cash book and that the Treasurer's balances be reconciled to both the bank balances and the general ledger monthly and that record of the reconciliation process be maintained by both the Treasurer and the Town Accountant.

As indicated by Statement on Auditing Standards #112, *Communicating Internal Control Related Matters Identified in an Audit*, employees or management who lack the qualifications and training to fulfill their assigned functions represent a strong indication of a material weakness in internal controls. The lack of ability to properly reconcile the Treasurer's cashbook to the bank balances and to the general ledger is an indication that staff does not possess the necessary competency to implement internal controls that would reduce to a relatively low level the chance that errors or irregularities could occur in the normal course of business and not be prevented or detected by the Town's internal control structure.

Subsequent to fiscal year end, the Town has implemented new cash reconciliation policies and procedures, which, if performed properly, should increase internal controls, and improve financial reporting on a prospective basis. We recommend that as the new policies and procedures are implemented, management evaluate the competency of the staff as part of the Town's overall internal control structure.

Town of Nantucket Response

We concur with the auditor's recommendation and activities are in place to address the issues in the management letter.

Town Administration contracted with a third party consultant to provide assistance to the Finance Department in development and implementation of internal controls. The implementation of the consultant's recommendations is partially complete, with additional procedures to be implemented in the remainder of fiscal 2009 and in fiscal 2010. As part of the scope of work with the consultant, all workflows and controls will be documented in a comprehensive finance department manual.

Since July 2009, cash accounts have been reconciled on a monthly basis. The cash reconciliation includes a tri-reconciliation of the Treasurer's Cashbook to the Bank and General Ledger.

Other Matters

PRIOR YEAR COMMENTS

MASSACHUSETTS HIGHWAY GRANTS

Comment

Each year, the Commonwealth of Massachusetts allocates Chapter 90 highway project funds to the Town. These projects require the Town to incur the expenditure first and then submit a request for reimbursement to the Commonwealth. The Chapter 90 revenues and expenditures are accounted for in the Special Revenue fund to enable the financial position of the projects to be monitored and to provide a check and balance over the records of the Public Works Department.

Because it is a reimbursement program, the cash deficit in the Chapter 90 fund, at any given time, should equal the invoices that have not yet been submitted for reimbursement, or that have been submitted and are awaiting reimbursement from the Commonwealth. For several years, the Town's cash deficit has exceeded the known invoices that are awaiting reimbursement. This was most likely caused by a lack of procedures to reconcile invoices to reimbursements and to verify that all reimbursement requests are submitted timely.

To strengthen controls over this program going forward, and to minimize unnecessary deficits, we have recommended the Town reconcile the receivable balance due from the Commonwealth to the cash deficit in the fund and identify any permanent deficit that has been caused by a lack of reconciliation procedures in the past. Once the permanent deficit has been identified, we have recommended that the Town decide how the permanent deficit will be funded and implement reconciliation procedures going forward to ensure that similar permanent deficits do not occur in the future.

Status – Unresolved

As of June 30, 2008, the receivable balance has not been reconciled to the cash deficit.

Town of Nantucket Response

We concur with the auditor's recommendation. As part of the Fiscal Year 2007 pre-audit procedure, the Finance Director worked diligently with the Department of Public Works management team to ensure the accuracy of the balance reflected in the Fiscal 2007 Financial Statements that were finalized on August 14, 2008.

In June 2007, the Finance Department implemented an Accounts Receivable Reconciliation procedure with all Town departments including the Department of Public Works and Enterprise Funds. The accounts receivable that are showing balances in the general ledger are reconciled to departmental records on a monthly basis.

We recognize the Chapter 90 account is also a receivable due to the Town of Nantucket. In August 2008, we began the practice of including this account as part of the monthly accounts receivable reconciliation. The monthly reporting requirement has been communicated to both the Department of Public Works Manager and Assistant Manager. The Assistant Finance Director and Controller will follow up on a monthly basis to ensure Department of Public Works compliance.

ACCOUNTING FOR TRUST FUND BALANCES

Comment

Several of the Town's trust fund balances recorded on the general ledger do not agree with the balance of the funds on deposit in the bank. Such variances can be misleading and leave the Town at risk of overspending available balances and of inaccurate financial reporting.

For several years, we have recommended that the Town implement procedures to reconcile the Trust fund balances reported on the general ledger to the bank balances on a monthly basis. Lack of such a reconciliation puts the Town at risk of inaccurately reporting trust fund balances, overspending trust fund balances, and improperly allocating interest income to the individual trust fund accounts.

Status - Unresolved

There has been no significant change in this area.

Town of Nantucket Response

We concur with the auditor's recommendation. The Treasurer and Controller are performing monthly cash reconciliations on all Town accounts. Trust Funds are in the custody of a major bank's Trust Department and the Town is now receiving monthly (instead of quarterly) Trust Fund statements. Procedures are being developed with the bank's Trust Department to facilitate the timely transfer of trust funds to the Town for the reimbursement of expenses paid on behalf of the trust fund accounts through the Town of Nantucket's accounts payable process.

COMMINGLING CASH ACCOUNTS OF ENTERPRISE FUNDS

Comment

The Town maintains separate bank accounts to account for the cash balances and investment earnings of the Enterprise Funds. All Town bills, including those of the Enterprise Funds, are initially paid from the Town's vendor checking account. The Town does not have a process for transferring the cash from the Enterprise Fund Accounts to reimburse the vendor account timely or accurately. When the transfers are made, they often do not agree to the amounts on the warrants. As a result, the interest accruing in the Enterprise Fund accounts is overstated, the interest accruing to the General Fund is understated, and the recordkeeping required to monitor the variance between the actual transfers made and the bills paid contributes to the Town's inability to reconcile cash and due to/due from accounts between the Town's general ledger and the internal records of the Enterprise Funds.

Additionally, interest earned on the accounts is not recorded timely in the Town's general ledger. However it is often recorded more timely in the internal records of the Enterprise Funds. This creates further reconciling variances to be carried throughout the year.

For several years, we have recommended that the exact warrant amounts be transferred from the enterprise funds at the time the warrants are issued. This should result in a bank balance equal to the ledger balance for the enterprise fund cash and would reduce the balance in the due to/from accounts.

We have also recommended that interest be recorded more timely in the Town's general ledger and that procedures be implemented to reconcile the cash and due to/due from balances between the general ledger and

the internal records of the Enterprise Funds and that variances be and corrected in a timely manner.

Status – Partially resolved

During fiscal year 2008, the Town made a cash transfer to reconcile the due to/from accounts with one of the enterprise funds, and has improved the process for transferring the total warrant amounts from the enterprise fund bank accounts as the warrant is processed.

Nevertheless, significant un-reconciled variances remained between the cash and due to/from accounts reported by the Town and the supporting bank balances.

Town of Nantucket Response

We concur with the auditor's findings and recommendation. The Treasurer transfers exact amounts from the Enterprise Fund accounts to support payroll and accounts payable warrants to the General Fund on a timely basis. This activity reduces the need for the use of the "due to / due from" accounts except on a year end basis when timing differences typically exist. We expect to resolve any remaining differences between the internal records of the enterprise funds and the Town's general ledger before closing the 2009 fiscal year's accounts.

FRAUD RISK ASSESSMENT

Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.

Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

What assets of the Town are susceptible to misappropriation?

Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?

How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.

How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

We have recommended that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Status - Unresolved

The Town has not developed or implemented a fraud risk assessment program.

Town of Nantucket Response

During 2009, Town Administration has contracted with a third party consultant to assist the Finance Department in the development and implementation of internal controls. During fiscal 2010, the Town will conduct a fraud risk assessment.

ACCOUNTING FOR OFF-DUTY POLICE AND FIRE DETAILS

Comment

The Town records payments to police and fire personnel for details in an agency account on the General Ledger. Since it is the Town's practice to pay for details prior to receiving payments from the vendors, the agency fund typically has a negative cash and negative liability balance.

The Town also records a receivable and deferred revenue when the police detail bills are sent out to vendors. The Town does not have procedures to reconcile the negative cash and the receivable balances. Although the variances could represent details paid to officers and not yet billed, this has not been determined due to a lack of procedures to reconcile the variances.

We have recommended that the Town implement procedures to reconcile the deficit cash balances to the receivable balances to identify and address any permanent deficit and to ensure that all police details paid to officers are ultimately billed to vendors and collected.

Additionally, if it is the Town's policy to pay officers in advance, we recommend that the town follow the guidance from MGL to provide "seed" money to fund the advance payment and the activity should be recorded in a special revenue fund, as it not agency activity if the officers are paid in advance of the reimbursement from the vendors.

Status – Unresolved

The Town has not implemented procedures to reconcile off-duty police and fire detail accounts.

Town of Nantucket Response

We concur with the auditor's recommendation. Officers are paid by the Town of Nantucket in advance of any reimbursement from those individuals or companies who hire the officers. The Town of Nantucket is at risk for non-payment of accounts. As the pay rates and number of off duty detail assignments have increased, the amount of initial funding that needs to be provided has increased. Efforts will be made to provide such seed funding during 2010.

DENTAL INSURANCE WITHHOLDING DEFICIT

Comment

The Town had a deficit balance of approximately \$125,000 in the dental insurance withholding account at year-end. The deficit is partially the result of employee withholdings not being matched to premiums paid, and to the Town not adequately increasing employee withholdings when insurance rates were increased.

The balance in this account should represent amounts withheld from employees that have not yet been paid to fund the employee's share of dental insurance as of the end of the fiscal year. The amounts should be paid out, for their original purpose, shortly after the end of the fiscal year.

We have recommended that the Town implement procedures to verify that employee withholdings are commensurate with premiums paid, and that the balance in the withholding accounts reflect only amounts withheld from employees that have not yet been paid.

Status – Unresolved

The Town has not yet reconciled the full reason for the deficit balance in this account, or determined what the correct balance should be.

Town of Nantucket Response

We concur with the auditor's recommendation. In Fiscal Year 2009, the process has been partially implemented, with full implementation and reconciliation expected by the close of the Fiscal 2009 general ledger.

MONITORING GRANT PROCEEDS AND RECEIVABLE BALANCES

Comment

The Town has financed several capital projects through the loan program offered through the Massachusetts Water Abatement Trust (MWPAT). This program allows communities to borrow funds at reasonable interest rates to finance qualifying water and wastewater projects. Funds borrowed are reported as a liability once the loan has been approved. However, funds are not received until the qualifying expenditures have been made and the invoices have been submitted by the Town and approved by MWPAT.

The Town does not currently have a system of internal controls in place to properly monitor this process. This has resulted in a negative impact on the Town's cash flow, since capital expenditures were not submitted for reimbursement timely. Additionally, the Town has been unable to reconcile the amount of funds not yet drawn down through the MWPAT, putting the Town at risk of not drawing down all funds owed.

Until the funds are drawn down, the Town should record a receivable on the general ledger to monitor the amount of money that has been borrowed and recorded as a liability, but has not yet been received. Additionally, the Town should have a system in place to submit the necessary paperwork to draw down funds from MWPAT as quickly as possible once the expenditure has been made. This would provide a positive impact on the Town's cash position and a more accurate picture of the amount that can still be spent on the project that will be eligible for reimbursement.

We have recommended that the Town implement a system to monitor the receivable from MWPAT as well as to request reimbursements from MWPAT as timely as possible once the expenditures have been made.

Status – Unresolved

There has been no significant change in the Town's process for monitoring or drawing down funds from MWPAT loans during fiscal year 2008.

Town of Nantucket response

We concur with the auditor's recommendation. The Controller has implemented procedures to coordinate activities and signatures of the outside vendor, the Department of Public Works and the Board of Selectmen chair to obtain timely reimbursements for expenditures on major contracts for which borrowing is in place from MWPAT in Boston, but are received by the Town of Nantucket on an expenditure reimbursement basis. The Controller is also reconciling prior MWPAT reimbursements which were performed without finance department involvement, to determine that all eligible expenditures were reimbursed.

CURRENT YEAR COMMENTS

JOURNAL ENTRY CONTROL

Comment

Our review of the Town's journal entries revealed entries that lacked adequate support to document the reason for the adjustments to the Town's general ledger, or for which the support and approval could not be provided.

Recommendation

We recommend that the Town take steps to insure that all journal entry adjustments made to the general ledger be properly authorized, and supported with full explanations and reference to adequate supporting data.

Town of Nantucket response

We concur with the recommendation. Procedures put in place in 2009 include initials and dates indicating journal entry initiation, review, and approval steps. Further procedures will be implemented to ensure that full supporting data is included in the journal entry package for every entry.

WARRANTS PAYABLE BALANCES

Comment

The balance recorded on the general ledger for warrants payable at year end did not match the support provided by the Town by approximately \$31,000. We were advised that ledger balance was incorrect, and that the corrections would likely be identified through the cash reconciliation process. Since the Town's cash reconciliation process has not occurred on a timely basis throughout the year, relying on this process to identify and correct other ledger balances is not a dependable system and represents a weakness in the Town's system of internal controls over financial reporting.

Recommendation

We recommend the Town implement procedures to identify and correct inaccurate account balances on the general ledger.

Town of Nantucket response

We concur with the recommendation. Data entry errors at the departmental level result in incorrect year entries, especially in the early months of the new fiscal year.

USE OF FISCAL YEAR 2009 APPROPRIATIONS TO PAY FISCAL YEAR 2008 EXPENSES

Comment

Our review of payments made subsequent to year end identified approximately \$11,000 in payments for goods received and/or services provided during fiscal year 2008, which were paid for with fiscal year 2009 funds.

The Town's finance department is responsible for establishing a system of controls to review expenditures to ensure they are reported in the proper budgetary period. Lack of such controls puts the Town at greater risk of noncompliance with budgetary laws and regulations, misstatements in financial reporting, or the inability to prevent and detect fraud in the Town's financial statements.

Recommendation

We recommend the Town review and strengthen its procedures for reviewing and approving expenditures.

Town of Nantucket response

We concur with the recommendation. The occurrence noted by the auditors is for a beach cleaning contract. The contracted services overlapped fiscal years, with 90% of the services delivered in the 2009 fiscal year, and 100% of the contractual payments paid in the 2009 fiscal year.

The department will be required to pay for 10% of the summer 2009 contract from 2009 fiscal year funds to match services delivered with payments made.

FIXED ASSET DELETIONS, DISPOSALS AND TRANSFERS

Comment

Since the implementation of GASB Statement #34, the Town has compiled a detailed listing of all assets owned by the various departments of the Town. Maintaining this list requires the Town to account for additions, deletions, disposals, and transfers of fixed assets. At this time, the Town is maintaining the fixed assets listing, which is updated annually for financial reporting purposes, by recording depreciation and by adding fixed assets purchased during the year. The Town has not implemented procedures to account for fixed asset deletions, disposals or transfers. In order to maintain a complete and accurate fixed asset listing, and to facilitate accurate financial reporting, the Town should work to develop procedures to identify and record fixed asset deletions, disposals and transfers.

Recommendation

We recommend that management develop and implement procedures to identify and record fixed asset deletions, disposals and transfers.

Town of Nantucket response

We concur with the recommendation. Procedures which are in place include annual insurance renewal inventories, and review of construction in progress to determine when CIP assets are moved into permanent categories. Procedures will be expanded and documented.

BORROWING FOR DEFICITS AT YEAR END

Comment

The Town had several capital projects which have deficit cash and fund balances at year end. Several of these projects are still in progress and have not been completely financed. Under-financed projects drain on the Town's cash flows and can have a negative impact on the amount of funds certified by the Department of Revenue as available for appropriation in the subsequent year.

Recommendation

We recommend that management investigate all capital projects that have deficit cash balances and determine if funding is necessary to better manage cash flows and available funds.

Town of Nantucket response

We concur with the recommendation, and will formalize and document procedures regarding capital project cash flow planning, spending, and borrowing.