TOWN OF NAHANT, MASSACHUSETTS

FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

TOWN OF NAHANT, MASSACHUSETTS
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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Nahant, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nahant, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Nahant, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nahant, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of the implementation of GASBS No. 68, the Town reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11), general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information, and the related notes to the required supplementary information (located on pages 65 through 72) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015 on our consideration of the Town of Nahant, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Nahant, Massachusetts' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, MA
October 8, 2015

TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

As management of the Town of Nahant, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $18,071,005 (net position). Of this amount, $294,798 of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors for business-type activities.

- The Town's total net position increased $337,697

- At the end of the fiscal year, unassigned fund balance for the general fund totaled $863,008, or 8.1% of total general fund expenditures and transfers out.

- The Town's total bonded debt decreased by $660,410 during the fiscal year; the Town issued no new debt in the current fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The **statement of net position** presents information on all of the Town's non-fiduciary assets liabilities and deferred outflows and inflows, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town 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*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service - interest. Business-type activities include the water/sewer and rubbish operations.

The government-wide financial statements can be found on pages 12-14 of this report.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, community preservation (special revenue), and Coast Guard houses (capital projects) funds, each of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 15-20 of this report.

Proprietary Funds
The Town maintains one type of proprietary fund.

The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer operations, which is considered to be a major fund, and its rubbish operations, which is considered to be a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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 statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption "agency funds".

The basic fiduciary fund financial statement can be found on page 24 of this report.

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. The notes to the financial statements can be found on pages 25-63 of this report.

Required Supplementary Information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and community preservation fund and certain pension and other postemployment benefits information, which can be found on pages 65-72 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by $18,071,005 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		*Business-Type Activities*		*Total*	
	2015	2014	2015	2014	2015	2014
Assets						
Current assets	$ 4,352,871	$ 4,250,007	$ 1,490,508	$ 1,698,913	$ 5,843,379	$ 5,948,920
Noncurrent assets (excluding capital assets)	148,608	140,533	-	-	148,608	140,533
Capital assets (net)	23,057,593	23,047,944	7,029,025	7,039,190	30,086,618	30,087,134
Total assets	27,559,072	27,438,484	8,519,533	8,738,103	36,078,605	36,176,587
Liabilities						
Current liabilities (excluding debt)	471,510	443,297	101,892	68,696	573,402	511,993
Noncurrent liabilities (excluding debt)	8,853,323	8,694,560	780,279	765,306	9,633,602	9,459,866
Current debt	3,076,000	3,121,500	255,910	255,910	3,331,910	3,377,410
Noncurrent debt	3,301,500	3,706,000	1,132,100	1,388,010	4,433,600	5,094,010
Total liabilities	15,702,333	15,965,357	2,270,181	2,477,922	17,972,514	18,443,279
Deferred Inflows of Resources	32,244	-	2,842	-	35,086	-
Net Position						
Net investment in capital assets	16,979,520	16,473,115	5,951,712	5,720,460	22,931,232	22,193,575
Restricted	1,507,659	1,378,073	-	-	1,507,659	1,378,073
Unrestricted	(6,662,684)	(6,378,061)	294,798	539,721	(6,367,886)	(5,838,340)
Total net position	$ 11,824,495	$ 11,473,127	$ 6,246,510	$ 6,260,181	$ 18,071,005	$ 17,733,308

The largest portion of the Town's net position ($22,931,232) reflects its investment in capital assets (e.g., land, works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its 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 Town's net position ($1,507,659) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the business-type activities of $294,798 may be used to support business-type activities.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of both post-retirement benefit liabilities and pension liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2015, the Town's total net position increased by $337,697, compared to an increase of $320,963 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		*Business-Type Activities*		*Total*	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services	$ 945,423	$ 1,051,722	$ 2,038,168	$ 2,060,740	$ 2,983,591	$ 3,112,462
Operating grants and contributions	1,114,759	906,775	1,274	1,479	1,116,033	908,254
Capital grants and contributions	353,892	176,692	-	-	353,892	176,692
General Revenues:						
Real estate and personal property taxes	8,229,692	8,041,639	-	-	8,229,692	8,041,639
Motor vehicle and other excise taxes	524,180	516,910	-	-	524,180	516,910
Penalties and interest on taxes	30,470	28,422	-	-	30,470	28,422
Payments in lieu of taxes	1,559	1,559	-	-	1,559	1,559
Community preservation surcharges	187,394	181,052	-	-	187,394	181,052
Grants and contributions not restricted to specific programs	403,830	1,124,941	-	-	403,830	1,124,941
Unrestricted investment income	1,911	1,263	-	-	1,911	1,263
Total revenues	11,793,110	12,030,975	2,039,442	2,062,219	13,832,552	14,093,194
Expenses						
General government	1,450,442	1,375,821	-	-	1,450,442	1,375,821
Public safety	3,482,068	3,489,196	-	-	3,482,068	3,489,196
Education	4,707,763	5,175,273	-	-	4,707,763	5,175,273
Public works	1,000,188	834,086	-	-	1,000,188	834,086
Health and human services	158,820	175,621	-	-	158,820	175,621
Culture and recreation	522,069	511,191	-	-	522,069	511,191
Debt service - interest	192,726	206,902	-	-	192,726	206,902
Water/Sewer	-	-	1,599,238	1,632,082	1,599,238	1,632,082
Rubbish	-	-	381,541	372,059	381,541	372,059
Total expenses	11,514,076	11,768,090	1,980,779	2,004,141	13,494,855	13,772,231
Change in net position before transfers	279,034	262,885	58,663	58,078	337,697	320,963
Transfers, net	72,334	58,628	(72,334)	(58,628)	-	-
Change in net assets	351,368	321,513	(13,671)	(550)	337,697	320,963
Net position - beginning of year (as restated)	11,473,127	11,151,614	6,260,181	6,260,731	17,733,308	17,412,345
Net position - end of year	$ 11,824,495	$ 11,473,127	$ 6,246,510	$ 6,260,181	$ 18,071,005	$ 17,733,308

Governmental activities increased the Town's net position by $351,368. This is consistent with the prior year increase of $321,513.

Business-type activities decreased the Town's net position by $13,671. This is consistent with the prior year decrease of $550.

Fund Financial Statement Analysis

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of $723,983, an increase of $18,685 in comparison with the prior year. Unassigned fund balance totaled $1,771,075, resulting from temporary fund deficits in the Coast Guard houses and other capital projects funds. The remainder of fund balance includes the following constraints:

- Nonspendable - $25,150
- Restricted – $1,675,989
- Committed - $769,733
- Assigned - $24,186

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled $863,008 while total fund balance was $1,656,927. 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 general fund expenditures and transfers out. Unassigned fund balance represents 8.1% of total general fund expenditures and transfers out, while total fund balance represents 15.6% of that same amount.

The balance of the Town's general fund decreased $47,954 during the current fiscal year. Although the Town's increase in fund balance on a budgetary basis was greater than the final amended budget amount by approximately $750,000 (excluding encumbrances and continuing appropriations), approximately $772,000 of reserves were used to fund the fiscal year 2015 budget.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) increased by $166,539 during the current fiscal year. The fund recognized $187,852 in surcharges, $131,607 in intergovernmental revenues and $882 of investment income. Expenditures of $153,802 were incurred during the fiscal year.

The fund balance of the Coast Guard houses fund (capital projects) remained the same during the current fiscal year. The fund's deficit totaling $1,866,000 will be funded through the issuance of long-term debt in future fiscal years.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water/sewer enterprise fund at the end of the year amounted to $303,184. The water/sewer fund had a decrease in net position for the year of $4,024. Unrestricted net position of the rubbish enterprise fund at the end of the year amounted to ($8,386). The rubbish enterprise fund had a decrease in net position for the year of $9,647. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of $10,804,178 was increased by $113,307 (1.00%) during the fiscal year. The following table summarizes the net increase:

Purpose of Increase	Amount	Funding Source
Snow and ice…….……	$ 63,561	Unassigned fund balance
Paving……	35,000	Unassigned fund balance
Council on Aging van……	6,000	Unassigned fund balance
Transfer to stabilization fund……	5,000	Unassigned fund balance
Prior year bills…….……	3,746	Unassigned fund balance
Total increase……	$ 113,307	

During the year, revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately $726,000.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled $30,086,618 (net of accumulated depreciation). This investment in capital assets includes land, works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled $516.

Major capital asset events that occurred during the current fiscal year included the following:

- Street and sidewalk improvements (approximately $392,000)
- Water and sewer infrastructure improvements (approximately $266,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		*Business-Type Activities*		*Total*	
	2015	2014	2015	2014	2015	2014
Land	$ 7,669,465	$ 7,669,465	$ -	$ -	$ 7,669,465	$ 7,669,465
Works of art	110,500	110,500	-	-	110,500	110,500
Land improvements	824,604	735,276	-	-	824,604	735,276
Buildings & improvements	11,049,944	11,400,835	-	-	11,049,944	11,400,835
Machinery and equipment	906,909	859,683	107,736	90,517	1,014,645	950,200
Library books	186,911	178,868	-	-	186,911	178,868
Vehicles	842,571	873,312	45,325	74,694	887,896	948,006
Infrastructure	1,466,689	1,220,005	6,875,964	6,873,979	8,342,653	8,093,984
Total capital assets	$ 23,057,593	$ 23,047,944	$ 7,029,025	$ 7,039,190	$ 30,086,618	$ 30,087,134

Additional information on the Town's capital assets can be found in Note 5 on pages 41-43 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was $5,094,010, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		*Business-Type Activities*		*Total*	
	2015	2014	2015	2014	2015	2014
General obligation bonds	$ 3,706,000	$ 4,110,500	$ 575,610	$ 685,420	$ 4,281,610	$ 4,795,920
MWRA notes	-	-	812,400	958,500	812,400	958,500
Total bonds and notes	$ 3,706,000	$ 4,110,500	$ 1,388,010	$ 1,643,920	$ 5,094,010	$ 5,754,420

The Town's total bonded debt decreased by $660,410 (11.5%) during the current fiscal year; the Town issued no new debt in the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 on pages 46-48 of this report.

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2016 general fund operating budget was influenced by four major factors: slight increased revenue, all but school union contracts were not yet negotiated at budget time, increased and decreased uncontrollable expenses, and limitations on the property tax levy imposed by Proposition 2 ½.

Budgeted revenue increased slightly and was mainly due to a 5.45% increase in state aid (after 2.19% increase in FY15 3.77% increase in FY14, 2% increase in FY13 and 7% reduction in FY12 on top of 10% decrease from FY 11 and 15% decrease from FY 10), and 5.01% increase in total local receipts, mainly due to rentals and motor vehicle increases. We are planning to rent the military houses all of FY16.

Approximately 90% of school employees and 75% of municipal employees are covered by collective bargaining agreements. In fiscal year 2016, none of the unions, except school, had negotiated contracts at budget time and all employees were budgeted for 2% increases. The cherry sheet assessments decreased by 10.65% for FY16. The police cruiser, fire capital and DPW capital were funded in FY16 (increase of $45,000 from FY15).

The Town is now again funding a full time town administrator, the increase to that line item is 35.42%. School SPED Tuition increased by 3.8% and SPED Transportation increased by 17.64%. The payments to veterans has increased 115.45% due to more veterans qualifying for assistance from the Town (the Town will be eligible for reimbursement of 75%). Health insurance decreased 2.2% due to changes in retirees plan, Essex Regional Retirement Board assessment increased 8.49% and we decreased the reserve fund by 7.17%. North Shore Vocational School Assessment was decreased by 40.88%. Swampscott tuition decreased 5.19%.

Property taxes in Massachusetts' municipalities are limited to a growth of 2.5% plus a factor for new construction, unless the voters elect to approve an increase for operating expenses or debt service for a specific project. This limitation, exclusive of debt previously excluded from Proposition 2 ½, provided for an increase of property taxes of $232,233 (2.86%).

Due to limited new debt, limited new capital, and the limited increases of salaries and expenses of all departmental budgets, the Town was able to approve a balanced budget.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 334 Nahant Road, Nahant, Massachusetts 01908.

TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,972,615	$ 739,852	$ 2,712,467
Restricted Cash and Cash Equivalents	1,771,112	310,697	2,081,809
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	60,990	-	60,990
Tax and Utility Liens	301,089	13,429	314,518
Motor Vehicle and Other Excise Taxes	34,007	-	34,007
Community Preservation Surcharges	924	-	924
Water	-	186,837	186,837
Sewer	-	220,269	220,269
Trash	-	19,424	19,424
Parking Violations	10,765	-	10,765
Department and Other	36,257	-	36,257
Intergovernmental	165,112	-	165,112
Total Current Assets	4,352,871	1,490,508	5,843,379
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			-
Real Estate Tax Deferrals	148,608	-	148,608
Capital Assets not being Depreciated	7,779,965	-	7,779,965
Capital Assets, Net of Accumulated Depreciation	15,277,628	7,029,025	22,306,653
Total Noncurrent Assets	23,206,201	7,029,025	30,235,226
Total Assets	27,559,072	8,519,533	36,078,605
LIABILITIES			
Current Liabilities:			
Warrants Payable	261,885	86,788	348,673
Accrued Payroll	97,600	12,204	109,804
Other Liabilities	11,389	-	11,389
Accrued Interest	73,336	-	73,336
Compensated Absences	27,300	2,900	30,200
Short-Term Notes Payable	2,671,500	-	2,671,500
Long-Term Bonds and Notes Payable	404,500	255,910	660,410
Total Current Liabilities	3,547,510	357,802	3,905,312
Noncurrent Liabilities:			
Compensated Absences	245,700	26,100	271,800
Net OPEB Obligation	1,193,585	100,712	1,294,297
Net Pension Liability	7,414,038	653,467	8,067,505
Long-Term Bonds and Notes Payable	3,301,500	1,132,100	4,433,600
Total Noncurrent Liabilities	12,154,823	1,912,379	14,067,202
Total Liabilities	15,702,333	2,270,181	17,972,514
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	32,244	2,842	35,086
NET POSITION			
Net Investment in Capital Assets	16,979,520	5,951,712	22,931,232
Restricted for:			
Community Preservation	884,095	-	884,095
Permanent Funds:			-
Expendable	41,028	-	41,028
Nonexpendable	25,150	-	25,150
Other Specific Purposes	557,386	-	557,386
Unrestricted	(6,662,684)	294,798	(6,367,886)
Total Net Position	$ 11,824,495	$ 6,246,510	$ 18,071,005

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
Primary Government:					
Governmental Activities:					
General Government	$ 1,450,442	$ 515,896	$ 6,023	$ -	$ (928,523)
Public Safety	3,482,068	88,702	154,565	8,550	(3,230,251)
Education	4,707,763	187,685	884,984	-	(3,635,094)
Public Works	1,000,188	103,051	1,939	213,735	(681,463)
Health and Human Services	158,820	11,470	8,488	-	(138,862)
Culture and Recreation	522,069	38,619	35,447	131,607	(316,396)
Debt Service-Interest	192,726	-	23,313	-	(169,413)
Total Governmental Activities	11,514,076	945,423	1,114,759	353,892	(9,100,002)
Business-Type Activities:					
Water/Sewer	1,599,238	1,598,481	1,067	-	310
Rubbish	381,541	439,687	207	-	58,353
Total Business-Type Activities	1,980,779	2,038,168	1,274	-	58,663
Total Primary Government	$ 13,494,855	$ 2,983,591	$ 1,116,033	$ 353,892	$ (9,041,339)

TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	$ (9,100,002)	$ 58,663	$ (9,041,339)
General Revenues:			
Real Estate and Personal Property Taxes	8,229,692	-	8,229,692
Motor Vehicle and Other Excise Taxes	524,180	-	524,180
Penalties and Interest on Taxes	30,470	-	30,470
Payments in Lieu of Taxes	1,559	-	1,559
Community Preservation Surcharges	187,394	-	187,394
Grants and Contributions not Restricted to Specific Programs	403,830	-	403,830
Unrestricted Investment Income	1,911	-	1,911
Transfers, Net	72,334	(72,334)	-
Total General Revenues and Transfers	9,451,370	(72,334)	9,379,036
CHANGE IN NET POSITION	351,368	(13,671)	337,697
Net Position - Beginning of Year (as Restated)	11,473,127	6,260,181	17,733,308
NET POSITION - END OF YEAR	$ 11,824,495	$ 6,246,510	$ 18,071,005

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

ASSETS	General	Community Preservation	Coast Guard Houses
Cash and Cash Equivalents	$ 1,972,615	$ -	$ -
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	60,990	-	-
Real Estate Tax Deferrals	148,608	-	-
Tax and Trash Liens	295,528	5,561	-
Motor Vehicle and Other Excise taxes	34,007	-	-
Community Preservation Surcharges	-	924	-
Parking Violations	10,765	-	-
Departmental and Other	36,257	-	-
Intergovernmental	7,338	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	994,351	-
Total Assets	$ 2,566,108	$ 1,000,836	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	$ 217,507	$ 16,741	$ -
Accrued Payroll	89,856	-	-
Other Liabilities	11,389	-	-
Accrued Short-Term Interest	25,398	-	-
Short-Term Notes Payable	-	100,000	1,866,000
Total Liabilities	344,150	116,741	1,866,000
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	565,031	6,485	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	877,610	-
Committed	769,733	-	-
Assigned	24,186	-	-
Unassigned	863,008	-	(1,866,000)
Total Fund Balances	1,656,927	877,610	(1,866,000)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,566,108	$ 1,000,836	$ -

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

ASSETS	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	$ -	$ 1,972,615
Receivables, Net of Allowance for Uncollectible Amounts:		
Real Estate and Personal Property Taxes	-	60,990
Real Estate Tax Deferrals	-	148,608
Tax and Trash Liens	-	301,089
Motor Vehicle and Other Excise taxes	-	34,007
Community Preservation Surcharges	-	924
Parking Violations	-	10,765
Departmental and Other	-	36,257
Intergovernmental	157,774	165,112
Restricted Assets:		
Cash and Cash Equivalents	776,761	1,771,112
Total Assets	$ 934,535	$ 4,501,479
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Warrants Payable	$ 27,637	$ 261,885
Accrued Payroll	7,744	97,600
Other Liabilities	-	11,389
Accrued Short-Term Interest	-	25,398
Short-Term Notes Payable	705,500	2,671,500
Total Liabilities	740,881	3,067,772
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	138,208	709,724
FUND BALANCES		
Nonspendable	25,150	25,150
Restricted	798,379	1,675,989
Committed	-	769,733
Assigned	-	24,186
Unassigned	(768,083)	(1,771,075)
Total Fund Balances	55,446	723,983
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 934,535	$ 4,501,479

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Community Preservation	Coast Guard
REVENUES			
Real Estate and Personal Property Taxes	$ 8,174,281	$ -	$ -
Motor Vehicle and Other Excise Taxes	573,982	-	-
Tax and Trash Liens	30,048	-	-
Payments in Lieu of Taxes	1,559	-	-
Community Preservation Surcharges	-	187,852	-
Charges for Services	1,930	-	-
Trash Disposal	8,509	-	-
Intergovernmental	881,098	131,607	-
Penalties and Interest on Taxes	30,470	-	-
Licenses and Permits	92,839	-	-
Fines and Forfeitures	29,662	-	-
Departmental and Other	540,458	-	-
Contributions	-	-	-
Investment Income	2,615	882	-
Total Revenues	10,367,451	320,341	-
EXPENDITURES			
Current:			
General Government	1,013,413	78,298	-
Public Safety	2,412,786	-	-
Education	3,456,585	-	-
Public Works	495,481	-	-
Health and Human Services	98,232	-	-
Culture and Recreation	263,940	1,520	-
Pension Benefits	609,931	-	-
Employee Benefits	815,715	-	-
Property and Liability Insurance	185,916	-	-
State and County Charges	151,028	-	-
Debt Service:			
Principal	342,000	62,500	-
Interest	186,859	11,484	-
Total Expenditures	10,031,886	153,802	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	335,565	166,539	-
OTHER FINANCING SOURCES (USES)			
Premium from Issuance of Bonds and Notes	23,313	-	-
Transfers In	184,720	-	-
Transfer Out	(591,552)	-	-
Total Other Financing Sources (Uses)	(383,519)	-	-
NET CHANGE IN FUND BALANCES	(47,954)	166,539	-
Fund Balances - Beginning of Year	1,704,881	711,071	(1,866,000)
FUND BALANCES - END OF YEAR	$ 1,656,927	$ 877,610	$ (1,866,000)

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES		
Real Estate and Personal Property Taxes	$ -	$ 8,174,281
Motor Vehicle and Other Excise Taxes	-	573,982
Tax and Trash Liens	-	30,048
Payments in Lieu of Taxes	-	1,559
Community Preservation Surcharges	-	187,852
Charges for Services	181,954	183,884
Trash Disposal	-	8,509
Intergovernmental	441,896	1,454,601
Penalties and Interest on Taxes	-	30,470
Licenses and Permits	-	92,839
Fines and Forfeitures	-	29,662
Departmental and Other	98,461	638,919
Contributions	73,495	73,495
Investment Income	156	3,653
Total Revenues	795,962	11,483,754
EXPENDITURES		
Current:		
General Government	27,936	1,119,647
Public Safety	152,829	2,565,615
Education	381,243	3,837,828
Public Works	693,151	1,188,632
Health and Human Services	27,343	125,575
Culture and Recreation	92,526	357,986
Pension Benefits	-	609,931
Employee Benefits	-	815,715
Property and Liability Insurance	-	185,916
State and County Charges	-	151,028
Debt Service:		
Principal	-	404,500
Interest	-	198,343
Total Expenditures	1,375,028	11,560,716
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(579,066)	(76,962)
OTHER FINANCING SOURCES (USES)		
Premium from Issuance of Bonds and Notes	-	23,313
Transfers In	479,166	663,886
Transfer Out	-	(591,552)
Total Other Financing Sources (Uses)	479,166	95,647
NET CHANGE IN FUND BALANCES	(99,900)	18,685
Fund Balances - Beginning of Year	155,346	705,298
FUND BALANCES - END OF YEAR	$ 55,446	$ 723,983

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Governmental Fund Balances (Page 16)	$ 723,983
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	23,057,593
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	709,724
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(47,938)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(3,706,000)
Compensated Absences	(273,000)
Net OPEB Obligation	(1,193,585)
Net Pension Liability	(7,414,038)
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions	(32,244)
Net Position of Governmental Activities (Page 12)	$ 11,824,495

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds (Page 18)	$	18,685
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. These amounts represent the related activity of the current period.		
Capital Outlays		863,021
Depreciation		(853,371)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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 inflows of resources.		104,921
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 impact on net position. 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. This amount represents the related activity of the current period.		
Bond Maturities		404,500
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable		5,619
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:		
Compensated Absences		(10,000)
Net OPEB Obligation		(150,064)
Net Pension Liability		301
In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.		(32,244)
Changes in Net Position of Governmental Activities (Page 14)	$	351,368

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 660,298	$ 79,554	$ 739,852
Restricted Cash and Cash Equivalents	310,697	-	310,697
Receivables, Net of Allowance for Uncollectible Amounts:			
Utility Liens	8,380	5,049	13,429
Water	186,837	-	186,837
Sewer	220,269	-	220,269
Trash	-	19,424	19,424
Total Current Assets	1,386,481	104,027	1,490,508
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	7,020,096	8,929	7,029,025
Total Assets	8,406,577	112,956	8,519,533
LIABILITIES			
Current Liabilities:			
Warrants Payable	62,678	24,110	86,788
Accrued Payroll	11,845	359	12,204
Compensated Absences	2,900	-	2,900
Long-Term Bonds and Notes Payable	255,910	-	255,910
Total Current Liabilities	333,333	24,469	357,802
Noncurrent Liabilities:			
Compensated Absences	26,100	-	26,100
Net OPEB Obligation	93,793	6,919	100,712
Net Pension Liability	572,793	80,674	653,467
Long-Term Bonds and Notes Payable	1,132,100	-	1,132,100
Total Noncurrent Liabilities	1,824,786	87,593	1,912,379
Total Liabilities	2,158,119	112,062	2,270,181
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	2,491	351	2,842
FUND NET POSITION			
Net Investment in Capital Assets	5,942,783	8,929	5,951,712
Unrestricted	303,184	(8,386)	294,798
Total Net Position	$ 6,245,967	$ 543	$ 6,246,510

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
OPERATING REVENUES			
Charges for Services	$ 1,598,481	$ 439,687	$ 2,038,168
OPERATING EXPENSES			
Cost of Service and Administration	695,939	380,657	1,076,596
MWRA Assessment	382,274	-	382,274
Lynn Assessment	185,431	-	185,431
Depreciation	304,452	884	305,336
Total Operating Expenses	1,568,096	381,541	1,949,637
OPERATING INCOME (LOSS)	30,385	58,146	88,531
NONOPERATING REVENUES (EXPENSES)			
Investment Income	1,067	207	1,274
Interest Expense	(31,142)	-	(31,142)
Total Nonoperating Revenues (Expenses), Net	(30,075)	207	(29,868)
INCOME BEFORE TRANSFERS	310	58,353	58,663
Transfers In	287,052	-	287,052
Transfers Out	(291,386)	(68,000)	(359,386)
Total Transfers	(4,334)	(68,000)	(72,334)
CHANGE IN FUND NET POSITION	(4,024)	(9,647)	(13,671)
Fund Net Position - Beginning of Year	6,249,991	10,190	6,260,181
FUND NET POSITION - END OF YEAR	$ 6,245,967	$ 543	$ 6,246,510

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	$ 1,557,901	$ 430,478	$ 1,988,379
Payments to Vendors	(879,149)	(337,922)	(1,217,071)
Payments to Employees	(329,479)	(46,744)	(376,223)
Net Cash Provided by Operating Activities	349,273	45,812	395,085
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	287,052	-	287,052
Transfers Out	(291,386)	(68,000)	(359,386)
Net Cash Provided by Noncapital Financing Activities	(4,334)	(68,000)	(72,334)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(295,167)	-	(295,167)
Principal Payments on Bonds and Notes	(255,910)	-	(255,910)
Interest Paid	(31,142)	-	(31,142)
Net Cash Used by Capital and Related Financing Activities	(582,219)	-	(582,219)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	1,067	207	1,274
NET CHANGE IN CASH AND CASH EQUIVALENTS	(236,213)	(21,981)	(258,194)
Cash and Cash Equivalents - Beginning of Year (Includes $325,190 reported as restricted in the water/sewer enterprise fund)	1,207,208	101,535	1,308,743
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes $310,697 reported as restricted in the water/sewer enterprise fund)	$ 970,995	$ 79,554	$ 1,050,549
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 30,385	$ 58,146	$ 88,531
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Adjustments not Requiring Current Cash Flows:			
Depreciation	304,452	884	305,336
Net OPEB Obligation	11,592	1,608	13,200
Net Pension Liability	2,464	347	2,811
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	2,838	(2,307)	531
Water Receivables	(136)	-	(136)
Sewer Receivables	(43,282)	-	(43,282)
Trash Receivables	-	(6,902)	(6,902)
Warrants Payable	36,040	(5,613)	30,427
Accrued Payroll	2,920	(351)	2,569
Compensated Absences	2,000		2,000
Total Adjustments	318,888	(12,334)	306,554
Net Cash Provided by Operating Activities	$ 349,273	$ 45,812	$ 395,085

The accompanying notes are an integral part of the financial statements.

TOWN OF NAHANT, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 44,957
LIABILITIES	
Accrued Payroll	3,854
Liabilities Due Depositors	41,103
Total Liabilities	$ 44,957

The accompanying notes are an integral part of the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Nahant, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen (Board) and an appointed Town Administrator.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in a joint venture with another municipality to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint venture and related information:

Name	Purpose	Address	Fiscal Year 2015 Assessment
North Shore Regional Vocational School District……	To provide vocational education services	30 Log Bridge Road Middleton, MA 01949	$ 79,328

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Venture (Continued)

The Town is indirectly liable for the North Shore Regional Vocational School District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address identified above.

C. Implementation of New Accounting Principles

For the year ended June 30, 2015, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

The implementation of GASB Statement No. 68 required the reporting of a net pension liability for the Town's future pension benefits obligations and also expanded footnote disclosures and required supplementary information.

The implementation of GASB Statement No.'s 69 and 71 had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all 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 primarily supported by user fees.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements (Continued)

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.

Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting and Basis of 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 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 specific function or segment.

- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements

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

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. 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 g*eneral fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *community preservation fund* is a special revenue fund used to account for the 3% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first $100,000 of all residential property and also property owned by low income or seniors with a low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *Coast Guard houses fund* is a capital projects fund used to account for financial resources used for the acquisition and renovation of land and buildings (houses) formerly owned by the federal government. The Town, through a contractual agreement with a property manager, is renting these houses to citizens. The revenues and expenditures related to the housing rentals are accounted for in the general fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are 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. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby 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 fund is reported:

The *water/sewer enterprise fund* is used to account for water and sewer activities.

The following nonmajor proprietary fund is reported:

The *rubbish enterprise fund* is used to account for trash disposal activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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 government's programs.

The following fiduciary fund is reported:

The a*gency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of special permit payments from cellular phone and wireless service providers held in escrow and student activity funds. Agency funds do not present the results of operations or have a measurement focus.

F. Cash and Cash Equivalents

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.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1 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 1 and May 1 and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed during the fourth quarter of each fiscal year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town 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 to the Town. The tax calculation is the fair value of the vehicle multiplied by $25 per $1,000 of value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Government-Wide and Fund Financial Statements (Continued)

Community Preservation Surcharges

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills with exemptions for the first $100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on November 1 and May 1 and is subject to penalties and interest if they are not paid by the due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year issued.

Water and Sewer Charges and Liens (Utility)

User fees are levied tri-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed after the close of the fourth quarter of each fiscal year and 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 issued.

Trash

Trash fees are levied annually for each type of property that utilizes the collection service and are based upon a third party waste collection contract. The contract is funded entirely from residence billings. Trash liens are processed after the close of the fourth quarter of each fiscal year and are included as a lien on the property owner's tax bill. Trash fees and liens are recorded as receivables in the fiscal year issued.

Parking Violations

Parking tickets are issued for various parking violations and are recorded as receivables in the fiscal year issued.

Departmental and Other

Departmental and other receivables primarily consist of amounts due from ambulance charges. These receivables are recorded when the service has been performed.

Intergovernmental

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Parking violations
- Departmental and other

As of June 30, 2015, the allowance for uncollectible amounts for personal property taxes and departmental and other receivables are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes, real estate tax deferrals and tax liens
- Community preservation surcharges
- Water and sewer charges and utility liens
- Trash

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

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.

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of $5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Land improvements……	10 - 30
Buildings and improvements……	6 - 40
Machinery and equipment……	3 - 40
Library books……	3 - 10
Vehicles……	3 - 15
Infrastructure……	5 - 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 subject to capitalization.

Governmental Fund Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. 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.

O. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Town does not have items that qualify for reporting in this category.

P. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources (Continued)

The Town has two items that qualify for reporting in this category. Deferred inflows related to pensions are reported in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 68. Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue 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.

Q. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been "restricted" for the following:

"Community preservation" represents amounts restricted for the purpose of acquiring land for conservation, recreational, and affordable housing purposes.

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

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

"Other specific purposes" represents other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of Town meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town meeting.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances) (Continued)

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

R. Long Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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 when the debt is issued. 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.

S. 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).

Investment income from the water and sewer enterprise fund is retained in the fund. Investment income from the rubbish enterprise fund is also retained in the fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Essex Regional Retirement System (ERRS) and additions to/deductions from ERRS's fiduciary net position have been determined on the same basis as they are reported by ERRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Postretirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health insurance coverage for current and future retirees and their spouses.

W. 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.

X. Total Column

Government-Wide Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Total Column (Continued)

Fund Financial Statements

The total column presented 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 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the budget subsequent to Annual Town Meeting approval require Special Town Meeting approval.

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.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund and community preservation (CPA) fund in conformity with the guidelines described above. The original fiscal year 2015 approved budget for the general fund authorized $10,804,178 in appropriations. During fiscal year 2015, increases in appropriations totaling $113,307 for the general fund were authorized. The original fiscal year 2015 approved budget for the CPA fund authorized $387,368 in appropriations. No additional appropriations were authorized during the year.

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

The budgetary comparison schedules presented in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Fund Deficits

At June 30, 2015, the following fund deficits exist:

Fund	Amount	Funding Source
Coast Guard houses (major fund)……	$ 1,866,000	Issuance of long-term debt
Road construction……	301,264	Issuance of long-term debt
Emergency management……	124,266	Federal grant
Compost site……	76,785	Issuance of long-term debt
Bear Pond……	60,000	Issuance of long-term debt
Fire Dispatch……	57,000	Issuance of long-term debt
Fire truck……	50,000	Issuance of long-term debt
Johnson school computers……	34,500	Issuance of long-term debt
Utility tractor……	27,000	Issuance of long-term debt
Short beach dunes……	23,326	Issuance of long-term debt
Chapter 90……	13,942	State grant

NOTE 3 DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds are held separately from other Town funds.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2015, $2,994,890 of the Town's bank balance of $4,657,819 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The Town's investment at June 30, 2015 consisted of $316,024 in MMDT.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities. As of June 30, 2015, the Town was not exposed to interest rate risk.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2015, the Town was not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2015, the Town's investment in MMDT did not have a credit quality rating.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2015, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	$ 60,990	$ -	$ 60,990
Real estate tax deferrals	148,608	-	148,608
Tax and trash liens	301,089	-	301,089
Motor vehicle and other excise taxes	79,256	(45,249)	34,007
Community preservation surcharges	924	-	924
Parking violations	122,735	(111,970)	10,765
Departmental and other	36,257	-	36,257
Intergovernmental	165,112	-	165,112
	$ 914,971	$ (157,219)	$ 757,752

At June 30, 2015, receivables for the enterprise funds, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water	$ 186,837	$ -	$ 186,837
Sewer	220,269	-	220,269
Trash	19,424	-	19,424
Utility liens	13,429	-	13,429
	$ 439,959	$ -	$ 439,959

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 7,669,465	$ -	-	$ 7,669,465
Works of art	110,500	-	-	110,500
Total capital assets not being depreciated	7,779,965	-	-	7,779,965
Capital assets being depreciated:				
Land improvements	1,150,208	127,364	-	1,277,572
Buildings and improvements	16,910,796	55,254	-	16,966,050
Machinery and equipment	2,330,638	177,491	(372,013)	2,136,116
Library books	634,897	45,203	-	680,100
Vehicles	1,614,630	65,648	-	1,680,278
Infrastructure	3,141,696	392,060	-	3,533,756
Total capital assets being depreciated	25,782,865	863,020	(372,013)	26,273,872
Less accumulated depreciation for:				
Land improvements	(414,932)	(38,036)	-	(452,968)
Buildings and improvements	(5,509,961)	(406,145)	-	(5,916,106)
Machinery and equipment	(1,470,955)	(130,265)	372,013	(1,229,207)
Library books	(456,029)	(37,160)	-	(493,189)
Vehicles	(741,318)	(96,389)	-	(837,707)
Infrastructure	(1,921,691)	(145,376)	-	(2,067,067)
Total accumulated depreciation	(10,514,886)	(853,371)	372,013	(10,996,244)
Total capital assets being depreciated, net	15,267,979	9,649	-	15,277,628
Total governmental activities capital assets, net	$ 23,047,944	$ 9,649	-	$ 23,057,593

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water/Sewer Enterprise Fund:				
Capital assets being depreciated:				
Machinery and equipment	$ 123,557	$ 29,056	-	$ 152,613
Vehicles	146,842	-	-	146,842
Infrastructure	11,189,315	266,112	-	11,455,427
Total capital assets being depreciated	11,459,714	295,168	-	11,754,882
Less accumulated depreciation for:				
Machinery and equipment	(42,852)	(10,954)	-	(53,806)
Vehicles	(72,148)	(29,369)	-	(101,517)
Infrastructure	(4,315,334)	(264,129)	-	(4,579,463)
Total accumulated depreciation	(4,430,334)	(304,452)	-	(4,734,786)
Total water/sewer enterprise capital assets, net	$ 7,029,380	$ (9,284)	-	$ 7,020,096

	Beginning Balance	Increases	Decreases	Ending Balance
Rubbish Enterprise Fund:				
Capital assets being depreciated:				
Machinery and equipment	$ 11,581	$ -	-	$ 11,581
Less accumulated depreciation for:				
Machinery and equipment	(1,768)	(884)	-	(2,652)
Total rubbish nonmajor enterprise capital assets, net	9,813	(884)	-	8,929
Total business-type activities capital assets, net	$ 7,039,193	$ (10,168)	-	$ 7,029,025

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 90,515
Public safety	146,549
Education	241,290
Public works	210,687
Health and human services	3,431
Culture and recreation	170,548
Total depreciation expense - governmental activities	$ 863,020
Business-Type Activities:	
Water/Sewer	$ 304,452
Rubbish	884
Total depreciation expense - business-type activities	$ 305,336

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2015 are summarized as follows:

	Transfers In:				
Transfers Out:	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Total	
General Fund	$ -	$ 304,500	$ 287,052	$ 591,552	(1)
Water/Sewer Enterprise Fund	184,720	106,666	-	291,386	(2)
Rubbish Enterprise Fund	-	68,000	-	68,000	(3)
	$ 184,720	$ 479,166	$ 287,052	$ 950,938	

(1) Represents budgeted transfer from the general fund to the water/sewer enterprise fund to pay debt service ($287,052). Also represents budgeted transfers from the general fund to pay down short-term notes ($304,500).

(2) Represents budgeted transfer of water/sewer enterprise fund indirect costs to the general fund ($184,720). Also represents budgeted transfer from the water/sewer enterprise fund to fund capital projects ($106,666).

(3) Represents budgeted transfer from the rubbish enterprise fund to pay down a short-term note ($48,000). Also represents budgeted transfer from the rubbish enterprise fund to fund capital projects ($20,000).

NOTE 7 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 anticipation notes (RAN) or tax anticipation notes (TAN).

- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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 water/sewer enterprise fund, respectively.

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2015 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2014	Increases	Decreases	Balance at 6/30/2015
BAN	Land acquisition……	07/18/13	07/18/14	1.00%	$ 1,866,000	$ -	$ (1,866,000)	$ -
BAN	Road and sidewalk paving……	07/18/13	07/18/14	1.00%	80,000	-	(80,000)	-
BAN	Bear pond drainage……	07/18/13	07/18/14	1.00%	175,000	-	(175,000)	-
BAN	Street and sidewalk paving……	07/18/13	07/18/14	1.00%	100,000	-	(100,000)	-
BAN	Fire department equipment……	07/18/13	07/18/14	1.00%	54,000	-	(54,000)	-
BAN	Paving……	07/18/13	07/18/14	1.00%	100,000	-	(100,000)	-
BAN	Utility tractor……	07/18/13	07/18/14	1.00%	45,000	-	(45,000)	-
BAN	School computers……	07/18/13	07/18/14	1.00%	58,500	-	(58,500)	-
BAN	Seawall - CPA……	07/18/13	07/18/14	1.00%	100,000	-	(100,000)	-
BAN	Beach dune restoration……	07/18/13	07/18/14	1.00%	55,000	-	(55,000)	-
BAN	Short beach……	07/18/13	07/18/14	1.00%	3,500	-	(3,500)	-
BAN	Compost……	07/18/13	07/18/14	1.00%	80,000	-	(80,000)	-
BAN	Land Acquisition……	07/18/14	07/17/15	1.00%	-	1,866,000	-	1,866,000
BAN	Road and sidewalk paving……	07/18/14	07/17/15	1.00%	-	40,000	-	40,000
BAN	Bear Pond drainage……	07/18/14	07/17/15	1.00%	-	60,000	-	60,000
BAN	Street and sidewalk paving……	07/18/14	07/17/15	1.00%	-	90,000	-	90,000
BAN	Fire department equipment……	07/18/14	07/17/15	1.00%	-	50,000	-	50,000
BAN	Paving……	07/18/14	07/17/15	1.00%	-	100,000	-	100,000
BAN	Utility tractor……	07/18/14	07/17/15	1.00%	-	27,000	-	27,000
BAN	School Computers……	07/18/14	07/17/15	1.00%	-	34,500	-	34,500
BAN	Seawall (CPA)……	07/18/14	07/17/15	1.00%	-	100,000	-	100,000
BAN	Beach dune restoration……	07/18/14	07/17/15	1.00%	-	35,000	-	35,000
BAN	Departmental equipment……	07/18/14	07/17/15	1.00%	-	32,000	-	32,000
BAN	Road and sidewalk paving……	07/18/14	07/17/15	1.00%	-	100,000	-	100,000
BAN	Compost……	07/18/14	07/17/15	1.00%	-	80,000	-	80,000
BAN	Fire dispatch network update……	07/18/14	07/17/15	1.00%	-	57,000	-	57,000
RAN	Revenue anticipation notes……	07/18/14	05/14/15	1.00%	-	1,300,000	(1,300,000)	-
	Total……				$ 2,717,000	$ 3,971,500	$ (4,017,000)	$ 2,671,500

Subsequent Events

On July 17, 2015, the Town paid down $250,000 of the BANs outstanding at June 30, 2015 and renewed $2,421,500 of the BANs outstanding at June 30, 2015. The renewed BANs have an interest rate of 1.25% and maturity dates of July 15, 2016.

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Governmental Activities:					
Bonds and notes payable……	$ 4,110,500	$ -	$ (404,500)	$ 3,706,000	$ 404,500
Net OPEB obligation……	1,043,521	288,993	(138,929)	1,193,585	-
Net pension liability……	7,414,339	641,573	(641,874)	7,414,038	-
Compensated absences……	263,000	10,000	-	273,000	27,300
Total……	$ 12,831,360	$ 940,566	$ (1,185,303)	$ 12,586,623	$ 431,800
Business-type Activities:					
Bonds and notes payable……	$ 1,643,920	$ -	$ (255,910)	$ 1,388,010	$ 255,910
Net OPEB obligation……	87,512	25,420	(12,220)	100,712	-
Net pension liability……	653,494	2,789	(2,816)	653,467	-
Compensated absences……	27,000	2,000	-	29,000	2,900
Total……	$ 2,411,926	$ 30,209	$ (270,946)	$ 2,171,189	$ 258,810

The governmental activities long-term liabilities will be liquidated from the general fund and community preservation fund. The business-type activities long-term liabilities will be liquidated from the water/sewer enterprise fund, rubbish enterprise fund and general fund subsidies.

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2015 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
9/1/2006	9/1/2025	5,693,580	School remodeling……	3.75% - 5.00%	$ 3,590,000	$ -	$ (300,000)	$ 3,290,000
11/1/2008	11/1/2018	168,000	Johnson school roof……	3.375% - 4.25%	95,500	-	(19,500)	76,000
11/1/2008	11/1/2018	625,000	Building reconstruction…….	3.375% - 4.25%	312,500	-	(62,500)	250,000
11/1/2008	11/1/2018	125,000	School road/traffic……	3.375% - 4.25%	62,500	-	(12,500)	50,000
11/1/2008	11/1/2018	100,000	Remodeling……	3.375% - 4.25%	50,000	-	(10,000)	40,000
			Total governmental funds…….		$ 4,110,500	$ -	$ (404,500)	$ 3,706,000

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Governmental Funds (Continued)

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

Fiscal Year	Principal	Interest	Total
2016	$ 404,500	$ 144,416	$ 548,916
2017	404,500	125,986	530,486
2018	404,500	108,177	512,677
2019	402,500	91,778	494,278
2020	300,000	77,600	377,600
2021	300,000	65,600	365,600
2022	300,000	53,600	353,600
2023	300,000	41,600	341,600
2024	300,000	29,600	329,600
2025	300,000	17,600	317,600
2026	290,000	5,800	295,800
Total	$ 3,706,000	$ 761,757	$ 4,467,757

Bonds and Notes Payable – Water/Sewer Enterprise Fund

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
11/15/1982	11/15/2022	1,300,000	Sewer project	5.00%	$ 292,500	$ -	$ (32,500)	$ 260,000
6/28/1985	6/27/2025	290,100	Sewer project	5.00%	75,500	-	(7,400)	68,100
2/7/1986	2/7/2026	376,400	Sewer project	5.00%	112,920	-	(9,410)	103,510
5/18/2006	5/15/2016	268,000	Water note (MWRA)	0.00%	53,600	-	(26,800)	26,800
5/22/2008	5/15/2018	134,000	Water note (MWRA)	0.00%	53,600	-	(13,400)	40,200
9/1/2006	9/1/2025	150,000	Sewer project	3.75% - 5.00%	45,000	-	(15,000)	30,000
9/1/2006	9/1/2025	300,000	Sewer project	3.75% - 5.00%	90,000	-	(30,000)	60,000
11/1/2008	11/1/2018	72,000	Water projects	3.375% - 4.25%	32,000	-	(8,000)	24,000
11/1/2008	11/1/2018	75,000	Sewer project	3.375% - 4.25%	37,500	-	(7,500)	30,000
5/19/2011	5/15/2021	134,000	Water note (MWRA)	0.00%	93,800	-	(13,400)	80,400
8/15/2011	8/15/2021	750,000	Water note (MWRA)	0.00%	600,000	-	(75,000)	525,000
6/17/2013	5/15/2023	175,000	Water note (MWRA)	0.00%	157,500	-	(17,500)	140,000
			Total water/sewer enterprise fund		$ 1,643,920	$ -	$ (255,910)	$ 1,388,010

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. The financial assistance is in the form of interest free loans that are payable in ten equal installments. At June 30, 2015, the outstanding principal of MWRA loans totaled $812,400.

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water/Sewer Enterprise Fund (Continued)

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

Fiscal Year	Principal	Interest	Total
2016	255,910	26,753	282,663
2017	229,110	21,530	250,640
2018	184,110	17,298	201,408
2019	162,710	14,344	177,054
2020	155,210	11,720	166,930
2021	155,210	9,255	164,465
2022	141,810	6,788	148,598
2023	66,810	4,323	71,133
2024	16,810	1,858	18,668
2025	10,910	1,018	11,928
2026	9,410	470	9,880
Total	$ 1,388,010	$ 115,357	$ 1,503,367

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, 2015, the Town had the following authorized and unissued debt:

Purpose	Amount
Land Acquisition	$ 1,866,000
Paving	250,000
Dump Trucks	213,334
MWRA Water Renovation	134,000
Paving	100,000
Seawall (CPA)	100,000
Road and sidewalk paving	100,000
Street and sidewalk paving	90,000
Compost	80,000
Bear Pond drainage	60,000
Fire dispatch network update	57,000
Fire department equipment	50,000
Road and sidewalk paving	40,000
Gas Pumps	38,500
Beach dune restoration	35,000
School Computers	34,500
Departmental equipment	32,000
Utility tractor	27,000
Total	$ 3,307,334

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2015, the latest actuarial valuation, is as follows:

Active employees	50
Retired employees, beneficiaries and dependents	48
Total	98

Funding Policy

The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 35-50% and 50-65%, respectively. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following table shows 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 to the plan:

		Amount
Annual required contribution	$	320,405
Interest on net OPEB obligation		45,241
Adjustment to annual required contribution		(51,233)
Annual OPEB cost		314,413
Contributions made		(151,149)
Increase in net OPEB obligation		163,264
Net OPEB obligation at beginning of year		1,131,033
Net OPEB obligation at end of year	$	1,294,297

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2013	486,000	43.1%	832,816
June 30, 2014	492,858	39.5%	1,131,033
June 30, 2015	314,413	48.1%	1,294,297

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The funded status of the Plan at June 30, 2015, the most recent actuarial valuation, was as follows:

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)
06/30/15	$ -	$ 3,701,293	$ 3,701,293	-	$ 2,871,605	129%

The projection of future benefit payments for an ongoing plan involves 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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Methods and Assumptions (Continued)

The assumptions made (including simplifying assumptions under the alternative measurement method) are as follows:

Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of projected payroll
Remaining Amortization Period:	30 years
Interest Discount Rate:	4.0%
Healthcare/Medical Cost Trend Rate:	Year 1 – 3.0% Year 2 through Year 6 – 6.0% per year Year 7 and Subsequent – 5.0% per year
Health Insurance Premiums:	Health insurance premiums for retirees at the calculation date was used as the basis for calculation of the present value of total benefits to be paid
Projected Salary Increases:	2.0% annually
Retirement Age:	65
Marital Status:	Status of plan members at the calculation date
Mortality:	Based on the Life Expectancy Table from the National Center for Health Statistics (2008)
Turnover:	Data from GASB Statement #45 was used to assign active members a probability of remaining employed until the assumed retirement age and to develop an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Allocation of AOPEBC

AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:	
General government	$ 42,680
Public safety	140,099
Education	80,519
Public works	14,845
Health and human services	1,933
Culture and recreation	8,917
Total AOPEBC - governmental activities	288,993
Business-Type Activities:	
Water/Sewer	22,323
Rubbish	3,097
Total AOPEBC - business-type activities	25,420
Total AOPEBC	$ 314,413

NOTE 11 FUND BALANCES

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet are detailed as follows:

	General	Community Preservation	Coast Guard Houses	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal	-	-	-	$ 25,150	$ 25,150
Restricted:					
Community preservation	-	877,610	-	-	877,610
Revolving funds	-	-	-	143,150	143,150
Town state grants	-	-	-	46,402	46,402
Town federal grants	-	-	-	3,098	3,098
Wharf	-	-	-	133,526	133,526
Capital	-	-	-	199,965	199,965
General government	-	-	-	17,753	17,753
Education	-	-	-	37,640	37,640
Public works	-	-	-	5,433	5,433
Culture and recreation	-	-	-	17,020	17,020
Other	-	-	-	168,029	168,029
Insurance proceeds	-	-	-	26,363	26,363
Sub-total - Restricted	-	877,610	-	798,379	1,675,989
Committed:					
Subsequent year's expenditures	569,168	-	-	-	569,168
Water/Sewer Stabilization	200,564	-	-	-	200,564
OPEB Stabilization	1	-	-	-	1
Sub-total - Committed	769,733	-	-	-	769,733
Assigned:					
Encumbrances - general government	3,000	-	-	-	3,000
Encumbrances - public safety	11,973	-	-	-	11,973
Encumbrances - culture and recreation	264	-	-	-	264
Encumbrances - debt service	8,949	-	-	-	8,949
Sub-total - Assigned	24,186	-	-	-	24,186
Unassigned	863,008	-	(1,866,000)	(768,083)	(1,771,075)
Total fund balances	$ 1,656,927	$ 877,610	$ (1,866,000)	$ 55,446	$ 723,983

NOTE 12 STABILIZATION FUNDS

The Town maintains general, water/sewer and OPEB stabilization funds established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balance of the general, water/sewer and OPEB stabilization funds at June 30, 2015 total $85,786, $200,564 and $1, respectively and are reported in the general fund as unassigned ($85,786) and committed ($200,565) fund balance.

NOTE 13 OPERATING LEASES

The Town (Lessor) has entered into an operating lease agreement (Agreement) with Kelley Greens at Nahant (Lessee) to manage the Kelley Greens Golf Club (Golf Club). The Agreement provides for a flat rate lease fee for each year of the contract, commencing January 1 of each year. The Lessee may choose to reduce the lease fee, up to an amount equal to two (2) months' rent per year by completing capital improvements as approved by the Town. The contract expires on December 31, 2016.

During fiscal year 2015, the Town received approximately $105,000 in rental fees related to the Golf Club, which are recorded as departmental and other revenue in the general fund. Rental requirements in future fiscal years are as follows:

Fiscal Year	Payment
2016……	106,668
2017……	53,751

NOTE 14 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 Town participates in a premium-based health care and workers' compensation plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Employees of the Town deemed eligible by the Essex Regional Retirement Board are provided with pensions through the ERRS - a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Membership in the ERRS is mandatory immediately upon the commencement of employment for all permanent, full time employees (except for school department employees who serve in a teaching capacity). The ERRS issues a publicly available financial report that can be obtained by contacting the ERRS located at 491 Maple Street, Suite 202, Danvers, Massachusetts, 01923.

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

NOTE 15 PENSION PLAN (CONTINUED)

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 11% of their gross regular compensation.

The percentage rate is keyed to the date upon which an employee's membership commences. Contributions to the pension plan from the Town were $609,931 for the year ended June 30, 2015

NOTE 15 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of $8,067,505 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2014, the Town's proportion was 2.378 percent, which was the same proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of $644,689. At June 30, 2015, the Town reported deferred inflows of resources related to pensions of $35,086 from the net difference between projected and actual investment earnings on plan investments.

The amount reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	$ 8,772
2017	8,772
2018	8,772
2019	8,770

Actuarial assumptions. The total pension liability was determined using the following actuarial assumptions:

Salary increases:	Select and Ultimate. 7.50% year one, 6.5% year two, 6.00% year three, 5.50% year four, 5.00% year five, 3.75% ultimate rate.
Mortality Rates:	Pre-Retirement - The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. Disabled Retiree - The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to January 1, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Bonds	13.00%	0.97%
Value-Added Bonds	10.00%	3.80%
Large Cap Equities	14.50%	4.61%
Mid/Small Cap Equities	3.50%	4.85%
International Equities	16.00%	5.10%
Emerging Market Equities	6.00%	6.31%
Private Equity	10.00%	6.55%
Real Estate	10.00%	3.40%
Timber/Natural Resources	4.00%	3.64%
Hedge Funds	9.00%	3.64%
Cash/Portfolio Completion	4.00%	0.00%
Totals	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 15 PENSION PLAN (CONTINUED)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Town's Proportionate Share of the Net Pension Liability	$ 9,971,526	$ 8,067,505	$ 6,535,432

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERRS financial report.

NOTE 16 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html.

Benefits provided. MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of $30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2015. The Commonwealth's net pension liability associated with the Town was $2,607,021.

The MTRS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of $181,122 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The MTRS' total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. This valuation used the following assumptions:

Investment rate of return - 8.0%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates - Pre-retirement reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct). Post-retirement reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct). Disability reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Other - 3.5% interest rate credited to the annuity savings fund and 3.0% cost of living increase per year

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43%	7.2%
Core Fixed Income	13%	2.5%
Hedge Funds	10%	5.5%
Private Equity	10%	8.8%
Real Estate	10%	6.3%
Value Added Fixed Income	10%	6.3%
Timber/Natural Resources	4%	5.0%
Totals	100%	

Discount rate. The discount rate used to measure the MTRS' total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

NOTE 17 CONTINGENCIES

Various legal actions and claims are pending against the Town. 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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2015.

The Town participates in a number of federal award programs. The programs are 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 the Town expects such amounts, if any, to be immaterial.

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement requires the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown as follows:

	Governmental Activities	Business-Type Activities	Water/Sewer Enterprise Fund	Rubbish Enterprise Fund
Net Position, June 30, 2014, as Previously Reported	$ 18,887,466	$ 6,913,675	$ 6,822,807	$ 90,868
Cumulative Affect of Application of GASB 68, Net Pension Liability	(7,414,339)	(653,494)	(572,816)	(80,678)
Net Position, June 30, 2014, as Restated	$ 11,473,127	$ 6,260,181	$ 6,249,991	$ 10,190

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 72, *Fair Value Measurement and Application*, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which is required to be implemented during fiscal year 2018. Management is evaluating the Statement's future impact on the basic financial statements.

- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which is required to be implemented during fiscal year 2016. Management does not believe the implementation of this Statement will impact the basic financial statements.

- Statement No. 77, *Tax Abatement Disclosures,* which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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TOWN OF NAHANT, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	$ -	$ 8,110,176	$ -	$ 8,110,176
Motor Vehicle and Other Excise Taxes	-	492,591	-	492,591
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	1,545	-	1,545
Charges for Services	-	6,250	-	6,250
Trash Disposal	-	-	-	-
Intergovernmental	-	862,314	-	862,314
Penalties and Interest on Taxes	-	27,375	-	27,375
Licenses and Permits	-	64,603	-	64,603
Fines and Forfeitures	-	39,380	-	39,380
Departmental and Other	-	475,343	-	475,343
Investment Income	-	900	-	900
Total Revenues	-	10,080,477	-	10,080,477
EXPENDITURES				
Current:				
General Government	9,000	1,145,675	1,695	1,156,370
Public Safety	-	2,395,853	48,283	2,444,136
Education	-	3,510,245	1,704	3,511,949
Public Works	21,183	404,595	73,000	498,778
Health and Human Services	-	78,148	21,425	99,573
Culture and Recreation	3,475	277,902	-	281,377
Pension Benefits	-	641,780	(20,000)	621,780
Employee Benefits	1,628	976,451	(67,800)	910,279
Property and Liability Insurance	-	223,055	(20,000)	203,055
State and County Charges	-	145,746	-	145,746
Debt Service:	-			
Principal	32,400	459,100	(143,800)	347,700
Interest	52,175	258,576	(90,700)	220,051
Total Expenditures	119,861	10,517,126	(196,193)	10,440,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(119,861)	(436,649)	196,193	(360,317)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	184,720		184,720
Premium from Issuance of Bonds and Notes	-	-		-
Transfers Out	-	(287,052)	(309,500)	(596,552)
Total Other Financing Sources (Uses)	-	(102,332)	(309,500)	(411,832)
NET CHANGE IN FUND BALANCE	(119,861)	(538,981)	(113,307)	(772,149)
Fund Balance - Beginning of Year	1,397,098	1,397,098	1,397,098	1,397,098
FUND BALANCE - END OF YEAR	$ 1,277,237	$ 858,117	$ 1,283,791	$ 624,949

See accompanying notes to required supplementary information.

TOWN OF NAHANT, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
REVENUES				
Real Estate and Personal Property Taxes	$ 8,206,128	$ -	$ 8,206,128	$ 95,952
Motor Vehicle and Other Excise Taxes	573,982	-	573,982	81,391
Tax Liens	30,048	-	30,048	30,048
Payments in Lieu of Taxes	1,559	-	1,559	14
Charges for Services	1,930	-	1,930	(4,320)
Trash Disposal	8,509	-	8,509	8,509
Intergovernmental	881,098	-	881,098	18,784
Penalties and Interest on Taxes	30,470	-	30,470	3,095
Licenses and Permits	92,839	-	92,839	28,236
Fines and Forfeitures	29,662	-	29,662	(9,718)
Departmental and Other	540,458	-	540,458	65,115
Investment Income	1,911	-	1,911	1,011
Total Revenues	10,398,594	-	10,398,594	318,117
EXPENDITURES				
Current:				
General Government	1,013,413	3,000	1,016,413	139,957
Public Safety	2,412,786	11,973	2,424,759	19,377
Education	3,456,584	-	3,456,584	55,365
Public Works	495,481	-	495,481	3,297
Health and Human Services	98,232	-	98,232	1,341
Culture and Recreation	263,940	264	264,204	17,173
Pension Benefits	609,931	-	609,931	11,849
Employee Benefits	815,715	-	815,715	94,564
Property and Liability Insurance	185,916	-	185,916	17,139
State and County Charges	151,028	-	151,028	(5,282)
Debt Service:				
Principal	342,000	5,700	347,700	-
Interest	187,291	3,249	190,540	29,511
Total Expenditures	10,032,317	24,186	10,056,503	384,291
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	366,277	(24,186)	342,091	702,408
OTHER FINANCING SOURCES (USES)				
Transfers In	184,720	-	184,720	-
Premium from Issuance of Bonds and Notes	23,313	-	23,313	23,313
Transfers Out	(596,552)	-	(596,552)	-
Total Other Financing Sources (Uses)	(388,519)	-	(388,519)	23,313
NET CHANGE IN FUND BALANCE	(22,242)	(24,186)	(46,428)	725,721
Fund Balance - Beginning of Year	1,397,098	-	1,397,098	-
FUND BALANCE - END OF YEAR	$ 1,374,856	$ (24,186)	$ 1,350,670	$ 725,721

See accompanying notes to required supplementary information.

TOWN OF NAHANT, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community preservation surcharges	$ -	$ 174,565	$ -	$ 174,565
Intergovernmental	-	104,739	-	104,739
Investment income	-	-	-	-
Total Revenues	-	279,304	-	279,304
EXPENDITURES				
Current:				
Administrative	-	5,000	-	5,000
Acquisitions and projects	302,165	308,384	-	610,549
Debt Service:				
Principal	-	62,500	-	62,500
Interest	-	11,484	-	11,484
Total Expenditures	302,165	387,368	-	689,533
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(302,165)	(108,064)	-	(410,229)
Fund Balance - Beginning of Year	711,071	711,071	711,071	711,071
FUND BALANCE - END OF YEAR	$ 408,906	$ 603,007	$ 711,071	$ 300,842

See accompanying notes to required supplementary information.

TOWN OF NAHANT, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
REVENUES				
Community preservation surcharges	$ 187,852	$ -	$ 187,852	$ 13,287
Intergovernmental	131,607	-	131,607	26,868
Investment income	882	-	882	882
Total Revenues	320,341	-	320,341	41,037
EXPENDITURES				
Current:				
Administrative	2,579	-	2,579	2,421
Acquisitions and projects	77,239	376,580	453,819	156,730
Debt Service:				
Principal	62,500	-	62,500	-
Interest	11,484	-	11,484	-
Total Expenditures	153,802	376,580	530,382	159,151
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	166,539	(376,580)	(210,041)	200,188
Fund Balance - Beginning of Year	711,071	-	711,071	-
FUND BALANCE - END OF YEAR	$ 877,610	$ (376,580)	$ 501,030	$ 200,188

See accompanying notes to required supplementary information.

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM

	2015*
Town's proportion of the net pension liability	2.378%
Town's proportionate share of the net pension liability	8,067,505
Town's covered-employee payroll	2,940,837
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	274.33%
Plan fiduciary net position as a percentage of the total pension liability	52.27%

*The amounts presented were determined as of 12/31/14

SCHEDULE OF TOWN CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM

	2015
Actuarially Required Contribution	$ 609,931
Contributions in Relation to the Actuarially Required Contribution	(609,931)
Contribution Deficiency (Excess)	$ -
Town's Covered-Employee Payroll	$ 2,940,837
Contributions as a Percentage of Covered Employee Payroll	20.74%

TOWN OF NAHANT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

	2015
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	$ -
Commonwealth's proportionate share of the net pension liability associated with the Town	2,607,021
Total	$ 2,607,021
Town's covered-employee payroll	$ 1,005,565
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.64%

SCHEDULE OF TOWN CONTRIBUTIONS
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

	2015
Contractually required contribution	$ -
Contributions in relation to the contractually required contribution	-
Contribution deficiency (excess)	$ -
Town's covered-employee payroll	$ 1,005,565
Contributions as a percentage of covered-employee payroll	N/A

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

The following schedules provide information related to the Town's other postemployment benefits plan:

SCHEDULES 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)
06/30/15	$ -	$ 3,701,293	$ 3,701,293	-	$ 2,871,605	129%
06/30/12	-	6,140,917	6,140,917	-	2,686,377	229%
07/01/09	-	4,586,481	4,586,481	-	2,427,894	189%

NOTE A – BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. Reconciliations of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA Fund) for the fiscal year ended June 30, 2015 are presented below:

General Fund

	Revenues	Expenditures	Other Financing Sources/ (Uses)	Fund Balances
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	$ 10,398,594	$ 10,056,503	$ (388,519)	$ 1,350,670
Reclassifications				
Activity of stabilization funds recorded in the general fund for GAAP purposes	703	-	5,000	286,344
Adjustments				
Net change in recording 60-day receipts	(31,846)		-	21,125
Net change in recording short-term interest accrual	-	(431)	-	(25,398)
To record encumbrances and continuing appropriations	-	(24,186)	-	24,186
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	$ 10,367,451	$ 10,031,886	$ (383,519)	$ 1,656,927

CPA Fund

	Expenditures	Fund Balances
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	$ 530,382	$ 501,030
Adjustments		
To record encumbrances and continuing appropriations	(376,580)	376,580
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	$ 153,802	$ 877,610