

TOWN OF NAHANT, MASSACHUSETTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018



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**TOWN OF NAHANT, MASSACHUSETTS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	12
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
GOVERNMENTAL FUNDS – BALANCE SHEET	15
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	17
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
PROPRIETARY FUNDS – STATEMENT OF FUND NET POSITION	21
PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION	22
PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS	23
FIDUCIARY FUNDS – STATEMENT OF NET POSITION	24
NOTES TO BASIC FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	59
COMMUNITY PRESERVATION FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	61

**TOWN OF NAHANT, MASSACHUSETTS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

PENSION PLAN SCHEDULES	63
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – ESSEX REGIONAL RETIREMENT SYSTEM	63
SCHEDULE OF TOWN CONTRIBUTIONS – ESSEX REGIONAL RETIREMENT SYSTEM	63
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM	64
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	66



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, 2018, 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.

Auditors' 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.

Opinions

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, 2018, 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 Matter

During the fiscal year ended June 30, 2018, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the Town reported a restatement for a change in accounting principle (See Note 1). 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 59 through 67) 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 March 19, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Nahant's 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

Boston, Massachusetts
March 19, 2019

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,761,085 (net position). Of this amount, \$121,428 of unrestricted net position in the Rubbish Enterprise Fund may be used to meet the government's ongoing obligations to citizens and creditors for rubbish activities.
- The Town's total net position increased \$1,148,965.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$931,452, or 7.9% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$614,420 during the 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.).

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 20 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), Coast Guard houses (capital projects), capital projects (capital projects), and Storm Riley (capital projects) funds, each of which are considered to be major funds. Data from the other 15 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.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 25-58 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 59-67 of this report.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 and deferred outflows of resources exceeded liabilities and deferred inflows by \$15,761,085 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current assets.....	\$ 7,003,387	\$ 4,241,584	\$ 974,718	\$ 1,298,539	\$ 7,978,105	\$ 5,540,123
Noncurrent assets (excluding capital assets).....	166,995	156,031	-	-	166,995	156,031
Capital assets (net).....	<u>23,807,658</u>	<u>23,337,284</u>	<u>6,397,764</u>	<u>6,594,312</u>	<u>30,205,422</u>	<u>29,931,596</u>
Total assets.....	<u>30,978,040</u>	<u>27,734,899</u>	<u>7,372,482</u>	<u>7,892,851</u>	<u>38,350,522</u>	<u>35,627,750</u>
Deferred Outflows of Resources	<u>1,763,849</u>	<u>673,950</u>	<u>159,651</u>	<u>61,001</u>	<u>1,923,500</u>	<u>734,951</u>
Liabilities						
Current liabilities (excluding debt).....	751,355	499,429	64,530	60,387	815,885	559,816
Noncurrent liabilities (excluding debt).....	12,509,352	9,299,777	1,070,464	827,859	13,579,816	10,127,636
Current debt.....	4,924,034	3,403,334	1,188,520	1,209,920	6,112,554	4,613,254
Noncurrent debt.....	<u>2,090,000</u>	<u>2,492,500</u>	<u>762,650</u>	<u>951,170</u>	<u>2,852,650</u>	<u>3,443,670</u>
Total liabilities.....	<u>20,274,741</u>	<u>15,695,040</u>	<u>3,086,164</u>	<u>3,049,336</u>	<u>23,360,905</u>	<u>18,744,376</u>
Deferred Inflows of Resources	<u>1,056,414</u>	<u>844,269</u>	<u>95,618</u>	<u>76,417</u>	<u>1,152,032</u>	<u>920,686</u>
Net Position						
Net investment in capital assets.....	18,154,799	17,605,599	5,516,972	5,533,411	23,671,771	23,139,010
Restricted.....	1,764,278	1,467,805	-	-	1,764,278	1,467,805
Unrestricted.....	<u>(8,508,343)</u>	<u>(7,203,864)</u>	<u>(1,166,621)</u>	<u>(705,312)</u>	<u>(9,674,964)</u>	<u>(7,909,176)</u>
Total net position.....	<u>\$ 11,410,734</u>	<u>\$ 11,869,540</u>	<u>\$ 4,350,351</u>	<u>\$ 4,828,099</u>	<u>\$ 15,761,085</u>	<u>\$ 16,697,639</u>

The largest portion of the Town's net position (\$23,671,771) reflects its investment in capital assets (e.g., land, works of art, construction in progress, 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 (\$1,764,278) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the rubbish enterprise fund of \$121,428 may be used to support business-type activities.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018, the Town's total net position increased by \$1,148,965, compared to a decrease of \$1,468,763 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 1,271,076	\$ 1,007,035	\$ 2,019,595	\$ 2,096,469	\$ 3,290,671	\$ 3,103,504
Operating grants and contributions.....	1,258,910	1,205,415	2,204	2,510	1,261,114	1,207,925
Capital grants and contributions.....	1,677,621	393,612	-	-	1,677,621	393,612
<i>General Revenues:</i>						
Real estate and personal property taxes.....	8,857,988	8,633,945	-	-	8,857,988	8,633,945
Motor vehicle and other excise taxes.....	626,733	614,323	-	-	626,733	614,323
Penalties and interest on taxes.....	23,337	207,571	-	-	23,337	207,571
Payments in lieu of taxes.....	1,555	1,556	-	-	1,555	1,556
Community preservation surcharges.....	209,029	202,167	-	-	209,029	202,167
Grants and contributions not restricted to specific programs.....	444,601	424,681	-	-	444,601	424,681
Unrestricted investment income.....	3,437	588	-	-	3,437	588
Total revenues.....	14,374,287	12,690,893	2,021,799	2,098,979	16,396,086	14,789,872
Expenses						
General government.....	1,925,900	1,672,327	-	-	1,925,900	1,672,327
Public safety.....	4,094,530	3,841,495	-	-	4,094,530	3,841,495
Education.....	4,912,537	4,899,294	-	-	4,912,537	4,899,294
Public works.....	1,012,403	1,000,902	-	-	1,012,403	1,000,902
Health and human services.....	242,921	250,684	-	-	242,921	250,684
Culture and recreation.....	544,948	614,996	-	-	544,948	614,996
Debt service - interest.....	168,484	174,445	-	-	168,484	174,445
Water/Sewer.....	-	-	1,951,217	3,433,328	1,951,217	3,433,328
Rubbish.....	-	-	394,181	371,164	394,181	371,164
Total expenses.....	12,901,723	12,454,143	2,345,398	3,804,492	15,247,121	16,258,635
Change in net position before transfers.....	1,472,564	236,750	(323,599)	(1,705,513)	1,148,965	(1,468,763)
Transfers, net.....	24,549	(254,388)	(24,549)	254,388	-	-
Change in net position.....	1,497,113	(17,638)	(348,148)	(1,451,125)	1,148,965	(1,468,763)
Net position - beginning of year (as restated).....	9,913,621	11,887,178	4,698,499	6,279,224	14,612,120	18,166,402
Net position - end of year.....	\$ 11,410,734	\$ 11,869,540	\$ 4,350,351	\$ 4,828,099	\$ 15,761,085	\$ 16,697,639

Governmental activities increased the Town's net position by \$1,497,113. In the prior year, governmental activities decreased the Town's net position by \$17,638. The change from the prior year is primarily the result of an increase in capital grants.

Business-type activities decreased the Town's net position by \$348,148. In the prior year, business-type activities decreased the Town's net position by \$1,451,125. The change from the prior year was primarily the result of prior year non-recurring expenses for water main breaks.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 \$476,551, a decrease of \$96,099 in comparison with the prior year. The total unassigned fund deficit totaled \$2,258,597, resulting from temporary fund deficits in the Coast Guard houses, capital projects, Storm Riley, and nonmajor governmental funds. The remainder of fund balance includes the following constraints:

- Nonspendable - \$25,150
- Restricted - \$1,733,810
- Committed - \$916,852
- Assigned - \$59,336

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 \$931,452 while total fund balance was \$1,907,640. 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 7.9% of total general fund expenditures and transfers out, while total fund balance represents 16.1% of that same amount.

The balance of the Town's general fund decreased \$59,047 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 \$912,000 (excluding encumbrances and continuing appropriations), approximately \$950,000 of reserves were used to fund the fiscal year 2018 budget.

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

The fund balance of the community preservation fund (special revenue) decreased by \$19,373 during the current fiscal year. The fund recognized \$206,719 in surcharges, \$80,951 in intergovernmental revenues and \$5,044 of investment income. Expenditures of \$312,087 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.

The fund balance of the capital projects fund (capital projects) increased by \$193,186 during the current fiscal year. The fund received \$375,500 of transfers and incurred \$182,314 of expenditures during the fiscal year.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The fund balance of the Storm Riley fund (capital projects) decreased by \$520,522 during the current fiscal year. The fund recognized \$3,911 of intergovernmental revenues and incurred \$524,433 of expenditures during the fiscal year.

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 (\$1,288,049). The water/sewer enterprise fund had a decrease in net position for the year of \$364,568. Unrestricted net position of the rubbish enterprise fund at the end of the year amounted to \$121,428. The rubbish enterprise fund had an increase in net position for the year of \$16,420. 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 \$11,668,142 was increased by \$203,919 (1.75%) during the fiscal year.

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 \$853,000.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 \$30,205,422 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$273,826.

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

- Storm rehabilitation construction in progress (approximately \$524,000)
- Road construction projects (approximately \$107,000)
- Wharf ramp and seawall improvements (approximately \$312,000)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land.....	\$ 7,669,465	\$ 7,669,465	\$ -	\$ -	\$ 7,669,465	\$ 7,669,465
Construction in progress.....	524,433	-	-	-	524,433	-
Works of art.....	110,500	110,500	-	-	110,500	110,500
Land improvements.....	1,089,587	835,058	-	-	1,089,587	835,058
Buildings & improvements.....	10,361,398	10,558,326	-	-	10,361,398	10,558,326
Machinery and equipment.....	1,214,504	1,150,799	72,270	82,033	1,286,774	1,232,832
Library books.....	175,924	159,890	-	-	175,924	159,890
Vehicles.....	1,017,721	1,159,324	3,048	9,146	1,020,769	1,168,470
Infrastructure.....	1,644,126	1,693,922	6,322,446	6,503,133	7,966,572	8,197,055
Total capital assets.....	<u>\$ 23,807,658</u>	<u>\$ 23,337,284</u>	<u>\$ 6,397,764</u>	<u>\$ 6,594,312</u>	<u>\$ 30,205,422</u>	<u>\$ 29,931,596</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$3,443,670, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds.....	\$ 2,492,500	\$ 2,897,000	\$ 291,180	\$ 355,990	\$ 2,783,680	\$ 3,252,990
MWRA notes.....	-	-	659,990	805,100	659,990	805,100
Total bonds and notes.....	<u>\$ 2,492,500</u>	<u>\$ 2,897,000</u>	<u>\$ 951,170</u>	<u>\$ 1,161,090</u>	<u>\$ 3,443,670</u>	<u>\$ 4,058,090</u>

The Town's total bonded debt decreased by \$614,420 (15.1%) during the current fiscal year.

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

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2019 general fund operating budget was influenced by four major factors: slight increased revenue, negotiated union contracts with 1% increases for DPW and Fire Unions, 1% increase for police and 2% increase for the school union contracts, 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 property taxes and a 1% increase in state aid (After 2 % increase in FY18, 3% increase in FY17, 5.45% increase in FY16, 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). There is a 1% increase in budgetary total local receipts, mainly due to ambulance revenues.

Approximately 90% of school employees and 75% of municipal employees are covered by collective bargaining agreements. For fiscal year 2019, the non-school unions negotiated 3%, 2% increases and the school unions negotiated 2.25% increases. The cherry sheet assessments decreased by 7.48% for FY19. The general government budget increased by 3.14% (due to legal costs), public safety increased by 2.6%, school increased by 4.1%, DPW decreased by 4.11% (excluding snow & ice), debt service in the general fund increased by 4.6% and employee benefits increased by 9% and insurance increased by 11.36%. Transfers-Out increased by 88.68% mainly due to sewer debt increase which is raised on the tax rate due to debt shift.

The Swampscott Tuition increased by 3.5% and Technical School Assessment increased by 76.74%. SPED Transportation increased by 19.64% and Charter School Tuition decreased by 30.11%. Essex Regional Retirement Board assessment increased 6.45%.

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 \$880,778 (9.88%) which includes the debt shift of \$862,033 which was an increase over the previous year's debt shift of 272%. The actual non-debt shift amount was only an increase of 0.21% or \$18,745 in dollars.

Due to limited new non water/sewer debt, limited new capital, and the limited increases of salaries and expenses of 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, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,353,379	\$ 491,797	\$ 2,845,176
Restricted Cash and Cash Equivalents	3,129,941	70,378	3,200,319
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	129,536	-	129,536
Tax and Utility Liens	80,432	19,925	100,357
Motor Vehicle and Other Excise Taxes	44,017	-	44,017
Community Preservation Surcharges	2,185	-	2,185
Water	-	206,981	206,981
Sewer	-	171,439	171,439
Trash	-	14,198	14,198
Parking Violations	12,175	-	12,175
Departmental and Other	40,028	-	40,028
Intergovernmental	1,211,694	-	1,211,694
Total Current Assets	7,003,387	974,718	7,978,105
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	166,995	-	166,995
Capital Assets not being Depreciated	8,304,398	-	8,304,398
Capital Assets, Net of Accumulated Depreciation	15,503,260	6,397,764	21,901,024
Total Noncurrent Assets	23,974,653	6,397,764	30,372,417
Total Assets	30,978,040	7,372,482	38,350,522
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	1,763,849	159,651	1,923,500
LIABILITIES			
Current Liabilities:			
Warrants Payable	341,811	41,459	383,270
Accrued Payroll	88,083	6,961	95,044
Other Liabilities	13,971	-	13,971
Accrued Interest	88,347	-	88,347
Compensated Absences	32,400	2,100	34,500
Total OPEB Liability	186,743	14,010	200,753
Short-Term Notes Payable	4,521,534	1,000,000	5,521,534
Long-Term Bonds and Notes Payable	402,500	188,520	591,020
Total Current Liabilities	5,675,389	1,253,050	6,928,439
Noncurrent Liabilities:			
Compensated Absences	291,600	18,900	310,500
Total OPEB Liability	3,505,090	262,959	3,768,049
Net Pension Liability	8,712,662	788,605	9,501,267
Long-Term Bonds and Notes Payable	2,090,000	762,650	2,852,650
Total Noncurrent Liabilities	14,599,352	1,833,114	16,432,466
Total Liabilities	20,274,741	3,086,164	23,360,905
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	1,056,414	95,618	1,152,032
NET POSITION			
Net Investment in Capital Assets	18,154,799	5,516,972	23,671,771
Restricted for:			
Community Preservation	805,197	-	805,197
Permanent Funds:			
Expendable	36,134	-	36,134
Nonexpendable	25,150	-	25,150
Other Specific Purposes	897,797	-	897,797
Unrestricted	(8,508,343)	(1,166,621)	(9,674,964)
Total Net Position	\$ 11,410,734	\$ 4,350,351	\$ 15,761,085

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,925,900	\$ 657,911	\$ 74,790	\$ -	(1,193,199)
Public Safety	4,094,530	198,979	107,323	113,000	(3,675,228)
Education	4,912,537	188,109	958,142	-	(3,766,286)
Public Works	1,012,403	175,055	1,599	9	(835,740)
Health and Human Services	242,921	12,705	22,348	-	(207,868)
Culture and Recreation	544,948	38,317	51,200	1,564,612	1,109,181
Debt Service-Interest	168,484	-	43,508	-	(124,976)
Total Governmental Activities	<u>12,901,723</u>	<u>1,271,076</u>	<u>1,258,910</u>	<u>1,677,621</u>	<u>(8,694,116)</u>
Business-Type Activities:					
Water/Sewer	1,951,217	1,557,108	1,590	-	(392,519)
Rubbish	394,181	462,487	614	-	68,920
Total Business-Type Activities	<u>2,345,398</u>	<u>2,019,595</u>	<u>2,204</u>	<u>-</u>	<u>(323,599)</u>
Total Primary Government	<u>\$ 15,247,121</u>	<u>\$ 3,290,671</u>	<u>\$ 1,261,114</u>	<u>\$ 1,677,621</u>	<u>\$ (9,017,715)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ <u>(8,694,116)</u>	\$ <u>(323,599)</u>	\$ <u>(9,017,715)</u>
General Revenues:			
Real Estate and Personal Property Taxes	8,857,988	-	8,857,988
Motor Vehicle and Other Excise Taxes	626,733	-	626,733
Penalties and Interest on Taxes	23,337	-	23,337
Payments in Lieu of Taxes	1,555	-	1,555
Community Preservation Surcharges	209,029	-	209,029
Grants and Contributions not Restricted to Specific Programs	444,601	-	444,601
Unrestricted Investment Income	3,437	-	3,437
Transfers, Net	<u>24,549</u>	<u>(24,549)</u>	<u>-</u>
Total General Revenues and Transfers	<u>10,191,229</u>	<u>(24,549)</u>	<u>10,166,680</u>
CHANGE IN NET POSITION	1,497,113	(348,148)	1,148,965
Net Position - Beginning of Year (As Restated)	<u>9,913,621</u>	<u>4,698,499</u>	<u>14,612,120</u>
NET POSITION - END OF YEAR	<u>\$ <u>11,410,734</u></u>	<u>\$ <u>4,350,351</u></u>	<u>\$ <u>15,761,085</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Coast Guard Houses</u>	<u>Capital Projects</u>
Cash and Cash Equivalents	\$ 2,353,379	\$ -	\$ -	\$ -
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	129,536	-	-	-
Real Estate Tax Deferrals	166,995	-	-	-
Tax and Trash Liens	79,234	1,198	-	-
Motor Vehicle and Other Excise taxes	44,017	-	-	-
Community Preservation Surcharges	-	2,185	-	-
Parking Violations	12,175	-	-	-
Departmental and Other	40,028	-	-	-
Intergovernmental	-	-	-	-
Tax Foreclosures	-	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	<u>-</u>	<u>802,502</u>	<u>-</u>	<u>251,521</u>
Total Assets	<u>\$ 2,825,364</u>	<u>\$ 805,885</u>	<u>\$ -</u>	<u>\$ 251,521</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants Payable	\$ 307,373	\$ 688	\$ -	\$ 10,570
Accrued Payroll	83,025	-	-	-
Other Liabilities	13,971	-	-	-
Accrued Short-Term Interest	55,939	-	-	-
Short-Term Notes Payable	<u>-</u>	<u>-</u>	<u>1,866,000</u>	<u>1,042,534</u>
Total Liabilities	<u>460,308</u>	<u>688</u>	<u>1,866,000</u>	<u>1,053,104</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>457,416</u>	<u>3,383</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	801,814	-	-
Committed	916,852	-	-	-
Assigned	59,336	-	-	-
Unassigned	<u>931,452</u>	<u>-</u>	<u>(1,866,000)</u>	<u>(801,583)</u>
Total Fund Balances	<u>1,907,640</u>	<u>801,814</u>	<u>(1,866,000)</u>	<u>(801,583)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,825,364</u>	<u>\$ 805,885</u>	<u>\$ -</u>	<u>\$ 251,521</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
JUNE 30, 2018**

ASSETS	Storm Riley	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ -	\$ -	\$ 2,353,379
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	-	-	129,536
Real Estate Tax Deferrals	-	-	166,995
Tax and Trash Liens	-	-	80,432
Motor Vehicle and Other Excise taxes	-	-	44,017
Community Preservation Surcharges	-	-	2,185
Parking Violations	-	-	12,175
Departmental and Other	-	-	40,028
Intergovernmental	1,209,750	1,944	1,211,694
Tax Foreclosures	-	-	-
Restricted Assets:			
Cash and Cash Equivalents	1,109,657	966,261	3,129,941
Total Assets	\$ 2,319,407	\$ 968,205	\$ 7,170,382
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 17,179	\$ 6,001	\$ 341,811
Accrued Payroll	-	5,058	88,083
Other Liabilities	-	-	13,971
Accrued Short-Term Interest	-	-	55,939
Short-Term Notes Payable	1,613,000	-	4,521,534
Total Liabilities	1,630,179	11,059	5,021,338
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,209,750	1,944	1,672,493
FUND BALANCES			
Nonspendable	-	25,150	25,150
Restricted	-	931,996	1,733,810
Committed	-	-	916,852
Assigned	-	-	59,336
Unassigned	(520,522)	(1,944)	(2,258,597)
Total Fund Balances	(520,522)	955,202	476,551
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,319,407	\$ 968,205	\$ 7,170,382

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	General	Community Preservation	Coast Guard	Capital Projects
REVENUES				
Real Estate and Personal Property Taxes	\$ 8,779,508	\$ -	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	629,461	-	-	-
Tax and Trash Liens	4,747	-	-	-
Payments in Lieu of Taxes	1,555	-	-	-
Community Preservation Surcharges	-	206,719	-	-
Charges for Services	2,590	-	-	-
Intergovernmental	1,261,682	80,951	-	-
Penalties and Interest on Taxes	23,337	-	-	-
Licenses and Permits	146,354	-	-	-
Fines and Forfeitures	32,392	-	-	-
Departmental and Other	701,312	-	-	-
Contributions	-	-	-	-
Investment Income	5,217	5,044	-	-
	<u>11,588,155</u>	<u>292,714</u>	<u>-</u>	<u>-</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	1,210,238	224,761	-	-
Public Safety	2,662,025	-	-	45,900
Education	3,921,591	-	-	-
Public Works	572,928	-	-	136,414
Health and Human Services	90,159	-	-	-
Culture and Recreation	285,918	20,841	-	-
Pension Benefits	786,196	-	-	-
Employee Benefits	918,886	-	-	-
Property and Liability Insurance	208,491	-	-	-
State and County Charges	116,611	-	-	-
Debt Service:				
Principal	342,000	62,500	-	-
Interest	169,208	3,985	-	-
	<u>11,284,251</u>	<u>312,087</u>	<u>-</u>	<u>182,314</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>303,904</u>	<u>(19,373)</u>	<u>-</u>	<u>(182,314)</u>
OTHER FINANCING SOURCES (USES)				
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers In	211,854	-	-	375,500
Transfer Out	(574,805)	-	-	-
	<u>(362,951)</u>	<u>-</u>	<u>-</u>	<u>375,500</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	(59,047)	(19,373)	-	193,186
Fund Balances - Beginning of Year	<u>1,966,687</u>	<u>821,187</u>	<u>(1,866,000)</u>	<u>(994,769)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,907,640</u>	<u>\$ 801,814</u>	<u>\$ (1,866,000)</u>	<u>\$ (801,583)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	Storm Riley	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Real Estate and Personal Property Taxes	\$ -	\$ -	\$ 8,779,508
Motor Vehicle and Other Excise Taxes	-	-	629,461
Tax and Trash Liens	-	-	4,747
Payments in Lieu of Taxes	-	-	1,555
Community Preservation Surcharges	-	-	206,719
Charges for Services	-	174,121	176,711
Intergovernmental	3,911	618,346	1,964,890
Penalties and Interest on Taxes	-	-	23,337
Licenses and Permits	-	-	146,354
Fines and Forfeitures	-	-	32,392
Departmental and Other	-	289,505	990,817
Contributions	-	85,989	85,989
Investment Income	-	165	10,426
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	3,911	1,168,126	13,052,906
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current:			
General Government	-	85,649	1,520,648
Public Safety	-	172,923	2,880,848
Education	-	240,976	4,162,567
Public Works	524,433	15,509	1,249,284
Health and Human Services	-	35,109	125,268
Culture and Recreation	-	363,811	670,570
Pension Benefits	-	-	786,196
Employee Benefits	-	-	918,886
Property and Liability Insurance	-	-	208,491
State and County Charges	-	-	116,611
Debt Service:			
Principal	-	-	404,500
Interest	-	-	173,193
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	524,433	913,977	13,217,062
	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(520,522)</u>	<u>254,149</u>	<u>(164,156)</u>
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Premium from Issuance of Bonds and Notes	-	43,508	43,508
Transfers In	-	12,000	599,354
Transfer Out	-	-	(574,805)
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	-	55,508	68,057
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	(520,522)	309,657	(96,099)
	<u> </u>	<u> </u>	<u> </u>
Fund Balances - Beginning of Year	-	645,545	572,650
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - END OF YEAR	<u>\$ (520,522)</u>	<u>\$ 955,202</u>	<u>\$ 476,551</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

Total Governmental Fund Balances	\$	476,551
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		23,807,658
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		1,672,493
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		(32,408)
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		(2,492,500)
Compensated Absences		(324,000)
Total OPEB Liability		(3,691,833)
Net Pension Liability		(8,712,662)
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		(1,056,414)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions		<u>1,763,849</u>
Net Position of Governmental Activities	\$	<u><u>11,410,734</u></u>

See accompanying Notes to Basic 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
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	(96,099)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital Outlays		1,436,579
Depreciation		(966,205)
<p>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.</p>		
		1,277,875
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any 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.</p>		
Bond Maturities		404,500
<p>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</p>		
		4,708
<p>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:</p>		
Compensated Absences		(16,000)
Total OPEB Liability		(248,840)
Net Pension Liability		(1,177,159)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>		
		1,089,899
<p>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.</p>		
		<u>(212,145)</u>
Changes in Net Position of Governmental Activities	\$	<u><u>1,497,113</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
ASSETS	Water/Sewer	Nonmajor Rubbish	Total
Current Assets:			
Cash and Cash Equivalents	\$ 235,558	\$ 256,239	\$ 491,797
Restricted Cash and Cash Equivalents	70,378	-	70,378
Receivables, Net of Allowance for Uncollectible Amounts:			
Utility Liens	14,269	5,656	19,925
Water	206,981	-	206,981
Sewer	171,439	-	171,439
Trash	-	14,198	14,198
Total Current Assets	698,625	276,093	974,718
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	6,391,487	6,277	6,397,764
Total Assets	7,090,112	282,370	7,372,482
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	142,339	17,312	159,651
LIABILITIES			
Current Liabilities:			
Warrants Payable	4,607	36,852	41,459
Accrued Payroll	5,729	1,232	6,961
Compensated Absences	2,000	100	2,100
Total OPEB Liability	12,138	1,872	14,010
Short-Term Notes Payable	1,000,000	-	1,000,000
Long-Term Bonds and Notes Payable	188,520	-	188,520
Total Current Liabilities	1,212,994	40,056	1,253,050
Noncurrent Liabilities:			
Compensated Absences	18,000	900	18,900
Total OPEB Liability	227,817	35,142	262,959
Net Pension Liability	703,094	85,511	788,605
Long-Term Bonds and Notes Payable	762,650	-	762,650
Total Noncurrent Liabilities	1,711,561	121,553	1,833,114
Total Liabilities	2,924,555	161,609	3,086,164
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	85,250	10,368	95,618
FUND NET POSITION			
Net Investment in Capital Assets	5,510,695	6,277	5,516,972
Unrestricted	(1,288,049)	121,428	(1,166,621)
Total Net Position	\$ 4,222,646	\$ 127,705	\$ 4,350,351

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
OPERATING REVENUES			
Charges for Services	\$ 1,557,108	\$ 462,487	\$ 2,019,595
OPERATING EXPENSES			
Cost of Service and Administration	822,859	392,399	1,215,258
MWRA Assessment	537,696	-	537,696
Lynn Assessment	262,050	-	262,050
Depreciation	296,670	884	297,554
Total Operating Expenses	1,919,275	393,283	2,312,558
OPERATING INCOME (LOSS)	(362,167)	69,204	(292,963)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	1,590	614	2,204
Interest Expense	(31,942)	(898)	(32,840)
Total Nonoperating Revenues (Expenses), Net	(30,352)	(284)	(30,636)
INCOME BEFORE TRANSFERS	(392,519)	68,920	(323,599)
TRANSFERS, NET			
Transfers In	239,805	-	239,805
Transfers Out	(211,854)	(52,500)	(264,354)
Total Transfers, Net	27,951	(52,500)	(24,549)
CHANGE IN FUND NET POSITION	(364,568)	16,420	(348,148)
Fund Net Position - Beginning of Year (As Restated)	4,587,214	111,285	4,698,499
FUND NET POSITION - END OF YEAR	\$ 4,222,646	\$ 127,705	\$ 4,350,351

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water/Sewer</u>	<u>Nonmajor Rubbish</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,526,003	\$ 462,027	\$ 1,988,030
Payments to Vendors	(1,247,372)	(321,344)	(1,568,716)
Payments to Employees	(354,475)	(54,114)	(408,589)
Net Cash Provided (Used) by Operating Activities	<u>(75,844)</u>	<u>86,569</u>	<u>10,725</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	239,805	-	239,805
Transfers Out	(211,854)	(52,500)	(264,354)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>27,951</u>	<u>(52,500)</u>	<u>(24,549)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	1,000,000	-	1,000,000
Acquisition and Construction of Capital Assets	(101,006)	-	(101,006)
Principal Payments on Bonds and Notes	(1,209,920)	-	(1,209,920)
Interest Paid	(31,942)	(898)	(32,840)
Net Cash (Used) by Capital and Related Financing Activities	<u>(342,868)</u>	<u>(898)</u>	<u>(343,766)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u>1,590</u>	<u>614</u>	<u>2,204</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(389,171)	33,785	(355,386)
Cash and Cash Equivalents - Beginning of Year (Includes \$100,189 Reported as Restricted in the Water/Sewer Enterprise Fund)	<u>695,107</u>	<u>222,454</u>	<u>917,561</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$70,378 Reported as Restricted in the Water/Sewer Enterprise Fund)	<u>\$ 305,936</u>	<u>\$ 256,239</u>	<u>\$ 562,175</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (362,167)	\$ 69,204	\$ (292,963)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Adjustments not Requiring Current Cash Flows:			
Depreciation	296,670	884	297,554
Total OPEB Liability	16,174	2,495	18,669
Net Pension Liability	94,994	11,553	106,547
Deferred Outflows of Resources Related to Pensions	(87,954)	(10,697)	(98,651)
Deferred Inflows of Resources Related to Pensions	17,119	2,082	19,201
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(5,505)	(1,035)	(6,540)
Water Receivables	(15,065)	-	(15,065)
Sewer Receivables	(10,535)	-	(10,535)
Trash Receivables	-	575	575
Warrants Payable	(17,768)	11,221	(6,547)
Accrued Payroll	(2,807)	287	(2,520)
Compensated Absences	1,000	-	1,000
Total Adjustments	<u>286,323</u>	<u>17,365</u>	<u>303,688</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (75,844)</u>	<u>\$ 86,569</u>	<u>\$ 10,725</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ <u>77,131</u>
LIABILITIES	
Accrued Payroll	9,556
Liabilities Due Depositors	<u>67,575</u>
Total Liabilities	\$ <u>77,131</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal Year 2018 Assessment</u>
North Shore Regional Vocational School District.....	To provide vocational education services	30 Log Bridge Road Middleton, MA 01949	\$ 94,229

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles

For the year ending June 30, 2018, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statement No. 75 resulted in, among other things, the establishment of the total other postemployment benefits (OPEB) liability in the Statements of Net Position and enhanced disclosures to OPEB. As a result, the Town has restated its 2018 beginning net position to reflect the implementation of the Statement. The effect of the change in accounting principle is as follows:

	Government-Wide		Fund-Basis	
	Governmental Activities	Business-Type Activities	Water/Sewer Enterprise Fund	Nonmajor Rubish Enterprise Fund
Net Position as Previously Reported	\$ 11,869,540	\$ 4,828,099	\$ 4,692,142	\$ 135,957
Impact of GASB 75 Implementation	(1,955,919)	(129,600)	(104,928)	(24,672)
Net Position as Restated	<u>\$ 9,913,621</u>	<u>\$ 4,698,499</u>	<u>\$ 4,587,214</u>	<u>\$ 111,285</u>

The implementation of GASB Statement No's 81, 82, 85 and 86 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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 *general 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, recreation, housing and historic preservation 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.

The *Capital Projects* fund is a capital projects fund used to account for financial resources used for the acquisition and construction of capital projects other than those reported in different major capital projects funds.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Storm Riley* fund is a capital projects fund used to account for financial resources used for renovations of Town property damaged by the March 2018 Winter Storm Riley.

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 *agency 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 amortized cost.

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, 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.

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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 acquisition value at the date of donation. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material.

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.

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”.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

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 has one item that qualifies for reporting in this category. Deferred outflows related to pensions are reported in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 68.

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.

The Town has two items that qualify for reporting in this category. They are as follows:

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources (Continued)

Deferred inflows related to pensions are reported in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 68.

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 community preservation fund, which is restricted for open space, recreation, housing and historic preservation 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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, liabilities, deferred outflows of resources and deferred inflows of resources 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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 2018 approved budget for the general fund authorized \$11,668,142 in appropriations. During fiscal year 2018, supplemental appropriations totaling \$203,919 were authorized. The original and final fiscal year 2018 approved budget for the CPA fund authorized \$362,600 in appropriations.

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Fund Deficits

At June 30, 2018, the following fund deficits exist:

Description	Amount	Funding Source
Coast Guard Houses.....	\$ 1,866,000	Issuance of Long-Term Debt
Storm Riley.....	520,522	Federal Grant
Road Construction.....	396,194	Issuance of Long-Term Debt
Ambulance.....	134,000	Issuance of Long-Term Debt
DPW Trucks.....	125,334	Issuance of Long-Term Debt
Police HVAC.....	45,900	Issuance of Long-Term Debt
Fire Radio.....	37,000	Issuance of Long-Term Debt
Police Cruiser.....	23,218	Issuance of Long-Term Debt
Fire Dispatch.....	16,000	Issuance of Long-Term Debt
40 Steps Revetment.....	12,179	Issuance of Long-Term Debt
Compost Site.....	7,426	Issuance of Long-Term Debt
School Security Door.....	4,332	Issuance of Long-Term Debt
Teacher Quality Grant.....	796	Federal Grant
Fire HazMat Grant.....	753	State Grant
Fire EOPSS NERAC.....	395	State Grant
	<u>\$ 3,190,049</u>	

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, 2018, \$4,687,523 of the Town’s bank balance of \$6,005,993 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The Town’s investment at June 30, 2018 consisted of \$84,215 in MMDT.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, 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, 2018, 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, 2018, the Town's investment in MMDT did not have a credit quality rating.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2018, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real Estate and Personal Property Taxes.....	\$ 129,536	\$ -	\$ 129,536
Real Estate Tax Deferrals.....	166,995	-	166,995
Tax Liens.....	80,432	-	80,432
Motor Vehicle And other Excise Taxes.....	81,326	(37,309)	44,017
Community Preservation Surcharges.....	2,185	-	2,185
Parking Violations.....	124,685	(112,510)	12,175
Departmental and Other.....	40,028	-	40,028
Intergovernmental.....	<u>1,211,694</u>	<u>-</u>	<u>1,211,694</u>
	<u>\$ 1,836,881</u>	<u>\$ (149,819)</u>	<u>\$ 1,687,062</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2018, receivables for the enterprise funds, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water.....	\$ 206,981	\$ -	\$ 206,981
Sewer.....	171,439	-	171,439
Trash.....	14,198	-	14,198
Utility Liens.....	19,925	-	19,925
	<u>\$ 412,543</u>	<u>\$ -</u>	<u>\$ 412,543</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land.....	\$ 7,669,465	\$ -	\$ -	\$ 7,669,465
Construction in Progress.....	-	524,433	-	524,433
Works of Art.....	110,500	-	-	110,500
Total Capital Assets Not Being Depreciated.....	<u>7,779,965</u>	<u>524,433</u>	<u>-</u>	<u>8,304,398</u>
<u>Capital assets being depreciated:</u>				
Land Improvements.....	1,370,214	312,201	-	1,682,415
Buildings and Improvements.....	17,297,158	222,981	-	17,520,139
Machinery and Equipment.....	2,634,245	212,847	-	2,847,092
Library Books.....	729,617	57,520	-	787,137
Vehicles.....	2,177,694	-	-	2,177,694
Infrastructure.....	4,061,680	106,597	-	4,168,277
Total Capital Assets Being Depreciated.....	<u>28,270,608</u>	<u>912,146</u>	<u>-</u>	<u>29,182,754</u>
<u>Less: Accumulated Depreciation for:</u>				
Land Improvements.....	(535,157)	(57,671)	-	(592,828)
Buildings and Improvements.....	(6,738,832)	(419,909)	-	(7,158,741)
Machinery and Equipment.....	(1,483,445)	(149,146)	-	(1,632,591)
Library Books.....	(569,726)	(41,487)	-	(611,213)
Vehicles.....	(1,018,371)	(141,601)	-	(1,159,972)
Infrastructure.....	(2,367,758)	(156,391)	-	(2,524,149)
Total Accumulated Depreciation.....	<u>(12,713,289)</u>	<u>(966,205)</u>	<u>-</u>	<u>(13,679,494)</u>
Total Capital Assets Being Depreciated, Net.....	<u>15,557,319</u>	<u>(54,059)</u>	<u>-</u>	<u>15,503,260</u>
Total Governmental Activities Capital Assets, Net.....	<u>\$ 23,337,284</u>	<u>\$ 470,374</u>	<u>\$ -</u>	<u>\$ 23,807,658</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water/Sewer Enterprise Fund:				
<u>Capital Assets Being Depreciated:</u>				
Machinery and Equipment.....	\$ 152,613	\$ -	\$ -	\$ 152,613
Vehicles.....	146,842	-	-	146,842
Infrastructure.....	<u>11,641,842</u>	<u>101,006</u>	<u>-</u>	<u>11,742,848</u>
Total Capital Assets Being Depreciated.....	<u>11,941,297</u>	<u>101,006</u>	<u>-</u>	<u>12,042,303</u>
<u>Less: Accumulated Depreciation for:</u>				
Machinery and Equipment.....	(77,741)	(8,879)	-	(86,620)
Vehicles.....	(137,696)	(6,100)	-	(143,796)
Infrastructure.....	<u>(5,138,709)</u>	<u>(281,691)</u>	<u>-</u>	<u>(5,420,400)</u>
Total Accumulated Depreciation.....	<u>(5,354,146)</u>	<u>(296,670)</u>	<u>-</u>	<u>(5,650,816)</u>
Total Water/Sewer Enterprise Capital Assets, Net.....	<u>\$ 6,587,151</u>	<u>\$ (195,664)</u>	<u>\$ -</u>	<u>\$ 6,391,487</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Rubbish Enterprise Fund:				
<u>Capital Assets Being Depreciated:</u>				
Machinery and Equipment.....	\$ 11,581	\$ -	\$ -	\$ 11,581
<u>Less: Accumulated Depreciation for:</u>				
Machinery and Equipment.....	<u>(4,420)</u>	<u>(884)</u>	<u>-</u>	<u>(5,304)</u>
Total Rubbish Nonmajor Enterprise Capital Assets, Net.....	<u>7,161</u>	<u>(884)</u>	<u>-</u>	<u>6,277</u>
Total Business-Type Activities Capital Assets, Net.....	<u>\$ 6,594,312</u>	<u>\$ (196,548)</u>	<u>\$ -</u>	<u>\$ 6,397,764</u>

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

Governmental Activities:	
General Government.....	\$ 116,939
Public Safety.....	148,361
Education.....	249,217
Public Works.....	246,537
Health and Human Services.....	6,863
Culture and Recreation.....	<u>198,288</u>
Total Depreciation Expense - Governmental Activities.....	<u>\$ 966,205</u>
Business-Type Activities:	
Water/Sewer.....	\$ 296,670
Rubbish.....	<u>884</u>
Total Depreciation Expense - Business-Type Activities.....	<u>\$ 297,554</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018 are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 323,000	\$ 12,000	\$ 239,805	\$ 574,805 (1)
Water/Sewer Enterprise Fund.....	211,854	-	-	-	211,854 (2)
Rubbish Enterprise Fund.....	-	52,500	-	-	52,500 (3)
	<u>\$ 211,854</u>	<u>375,500</u>	<u>\$ 12,000</u>	<u>\$ 239,805</u>	<u>\$ 839,159</u>

- (1) Represents budgeted transfer from the general fund to the water/sewer enterprise fund to pay debt service (\$239,805). Also represents budgeted transfers from the general fund to the capital projects fund (\$323,000) and nonmajor special revenue funds (\$12,000).
- (2) Represents budgeted transfer of indirect costs to the general fund (\$211,854).
- (3) Represents budgeted transfer from the rubbish enterprise fund to the capital projects fund to pay down a short-term note (\$52,500).

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2018 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2017	Increases	Decreases	Balance at 6/30/2018
BAN	Land Acquisition.....	07/15/16	07/14/17	1.50%	\$ 1,866,000	\$ -	\$ (1,866,000)	\$ -
BAN	Paving.....	07/15/16	07/14/17	1.50%	45,000	-	(45,000)	-
BAN	Utility Tractor.....	07/15/16	07/14/17	1.50%	7,000	-	(7,000)	-
BAN	School Computers.....	07/15/16	07/14/17	1.50%	11,500	-	(11,500)	-
BAN	Beach Dune Restoration.....	07/15/16	07/14/17	1.50%	12,000	-	(12,000)	-
BAN	Road and Sidewalk Paving.....	07/15/16	07/14/17	1.50%	100,000	-	(100,000)	-
BAN	Fire Dispatch Network Update.....	07/15/16	07/14/17	1.50%	32,000	-	(32,000)	-
BAN	Compost Area.....	07/15/16	07/14/17	1.50%	60,000	-	(60,000)	-
BAN	Paving.....	07/15/16	07/14/17	1.50%	250,000	-	(250,000)	-
BAN	Dump Trucks.....	07/15/16	07/14/17	1.50%	150,334	-	(150,334)	-
BAN	Gas Pumps.....	07/15/16	07/14/17	1.50%	21,500	-	(21,500)	-
BAN	Paving.....	07/15/16	07/14/17	1.50%	100,000	-	(100,000)	-
BAN	School Security Door.....	07/15/16	07/14/17	1.50%	28,000	-	(28,000)	-
BAN	Police Vehicle.....	07/15/16	07/14/17	1.50%	43,500	-	(43,500)	-
BAN	Ambulance.....	07/15/16	07/14/17	1.50%	205,000	-	(205,000)	-
BAN	Fire Radio Upgrade.....	07/15/16	07/14/17	1.50%	67,000	-	(67,000)	-
RAN	Revenue Anticipation Notice.....	07/14/17	05/11/18	1.25%	-	800,000	(800,000)	-
BAN	Land Acquisition.....	07/14/17	07/13/18	1.55-2.00%	-	1,866,000	-	1,866,000
BAN	Road and Sidewalk Paving.....	07/14/17	07/13/18	1.55-2.00%	-	55,000	-	55,000
BAN	Fire Dispatch Network Update.....	07/14/17	07/13/18	1.55-2.00%	-	16,000	-	16,000
BAN	Compost Area.....	07/14/17	07/13/18	1.55-2.00%	-	28,000	-	28,000
BAN	Paving.....	07/14/17	07/13/18	1.55-2.00%	-	250,000	-	250,000
BAN	Dump Trucks.....	07/14/17	07/13/18	1.55-2.00%	-	125,334	-	125,334
BAN	Paving.....	07/14/17	07/13/18	1.55-2.00%	-	100,000	-	100,000
BAN	School Security Door.....	07/14/17	07/13/18	1.55-2.00%	-	9,000	-	9,000
BAN	Police Vehicle.....	07/14/17	07/13/18	1.55-2.00%	-	23,500	-	23,500
BAN	Ambulance.....	07/14/17	07/13/18	1.55-2.00%	-	134,000	-	134,000
BAN	Fire Radio Upgrade.....	07/14/17	07/13/18	1.55-2.00%	-	37,000	-	37,000
BAN	Paving.....	07/14/17	07/13/18	1.55-2.00%	-	80,000	-	80,000
BAN	Police HVAC.....	07/14/17	07/13/18	1.55-2.00%	-	46,000	-	46,000
BAN	Renovation.....	07/14/17	07/13/18	1.55-2.00%	-	138,700	-	138,700
BAN	2018 Emergency Storm.....	06/29/18	06/29/19	3.00%	-	1,613,000	-	1,613,000
Total.....					\$ 2,998,834	\$ 5,321,534	\$ (3,798,834)	\$ 4,521,534

Notes Payable – Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2017	Increases	Decreases	Balance at 6/30/2018
RAN	Sewer Mains.....	06/30/17	06/29/18	1.55%	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
BAN	Pump Station/Sewer line.....	06/29/18	06/29/19	3.00%	-	1,000,000	-	1,000,000
Total.....					\$ 1,000,000	\$ 1,000,000	\$ (1,000,000)	\$ 1,000,000

Subsequent Events

On July 13, 2018, the Town paid down \$250,500 of the BANs outstanding at June 30, 2018 and renewed \$2,658,034 of the BANs outstanding at June 30, 2018. The renewed BANs have interest rates of 2.50-3.00% and a maturity date of July 13, 2019.

On July 13, 2018, the Town issued a new RAN in the amount of \$800,000 with an interest rate of 2.30% and a maturity date of May 10, 2019.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental Activities:					
Bonds and Notes Payable.....	\$ 2,897,000	\$ -	\$ (404,500)	\$ 2,492,500	\$ 402,500
Compensated Absences.....	308,000	28,000	(12,000)	324,000	32,400
Total.....	<u>\$ 3,205,000</u>	<u>\$ 28,000</u>	<u>\$ (416,500)</u>	<u>\$ 2,816,500</u>	<u>\$ 434,900</u>
Business-Type Activities:					
Bonds and Notes Payable.....	\$ 1,161,090	\$ -	\$ (209,920)	\$ 951,170	\$ 188,520
Compensated Absences.....	19,000	2,000	-	21,000	2,100
Total.....	<u>\$ 1,180,090</u>	<u>\$ 2,000</u>	<u>\$ (209,920)</u>	<u>\$ 972,170</u>	<u>\$ 190,620</u>

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, 2018 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, 2017	Issued	Redeemed	Outstanding at June 30, 2018
9/1/2006	9/1/2025	5,693,580	School Remodeling.....	3.75% - 5.00%	\$ 2,690,000	\$ -	\$ (300,000)	\$ 2,390,000
11/1/2008	11/1/2018	168,000	Johnson School Roof.....	3.375% - 4.25%	37,000	-	(19,500)	17,500
11/1/2008	11/1/2018	625,000	Building Reconstruction.....	3.375% - 4.25%	125,000	-	(62,500)	62,500
11/1/2008	11/1/2018	125,000	School Road/Traffic.....	3.375% - 4.25%	25,000	-	(12,500)	12,500
11/1/2008	11/1/2018	100,000	Remodeling.....	3.375% - 4.25%	20,000	-	(10,000)	10,000
Total Governmental Funds..					<u>\$ 2,897,000</u>	<u>\$ -</u>	<u>\$ (404,500)</u>	<u>\$ 2,492,500</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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
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.....	\$ 2,492,500	\$ 383,178	\$ 2,875,678

Bonds and Notes Payable – Water/Sewer Enterprise Fund

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
11/15/1982	11/15/2022	1,300,000	Sewer Project.....	5.00%	\$ 195,000	\$ -	\$ (32,500)	\$ 162,500
6/28/1985	6/27/2025	290,100	Sewer Project.....	5.00%	53,300	-	(7,400)	45,900
2/7/1986	2/7/2026	376,400	Sewer Project.....	5.00%	84,690	-	(9,410)	75,280
5/22/2008	5/15/2018	134,000	Water Note (MWRA).....	0.00%	13,400	-	(13,400)	-
11/1/2008	11/1/2018	72,000	Water Projects.....	3.375% - 4.25%	8,000	-	(8,000)	-
11/1/2008	11/1/2018	75,000	Sewer Project.....	3.375% - 4.25%	15,000	-	(7,500)	7,500
5/19/2011	5/15/2021	134,000	Water Note (MWRA).....	0.00%	53,600	-	(13,400)	40,200
8/15/2011	8/15/2021	750,000	Water Note (MWRA).....	0.00%	375,000	-	(75,000)	300,000
6/17/2013	5/15/2023	175,000	Water Note (MWRA).....	0.00%	105,000	-	(17,500)	87,500
9/19/2016	8/15/2026	258,100	Water Note (MWRA).....	0.00%	258,100	-	(25,810)	232,290
Total water/sewer enterprise fund.....					<u>\$ 1,161,090</u>	<u>\$ -</u>	<u>\$ (209,920)</u>	<u>\$ 951,170</u>

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 10 equal installments. At June 30, 2018, the outstanding principal of MWRA loans totaled \$659,990.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019.....	\$ 188,520	\$ 14,344	\$ 202,864
2020.....	181,020	11,720	192,740
2021.....	181,020	9,255	190,275
2022.....	167,620	6,788	174,408
2023.....	92,620	4,323	96,943
2024.....	42,620	1,858	44,478
2025.....	36,720	1,018	37,738
2026.....	35,220	470	35,690
2027.....	25,810	-	25,810
Total.....	\$ <u>951,170</u>	\$ <u>49,776</u>	\$ <u>1,000,946</u>

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, 2018, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Sewer.....	\$ 4,090,500
MWRA Water Renovation.....	277,900
Drainage Lowlands.....	175,000
Water Upgrades.....	105,100
2 DPW Trucks.....	96,500
Paving.....	80,000
Fire Structure.....	75,000
Fire Truck Grant Match.....	54,600
Total.....	\$ <u>4,954,600</u>

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

The Town provides health and life insurance coverage for its retirees and their dependents and survivors (including those eligible for Medicare Part B) through payment of 50-65 percent of insurance premiums.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Active Employees.....	51
Inactive Employees.....	<u>42</u>
Total.....	<u><u>93</u></u>

Significant Assumptions

The Total OPEB liability was determined using the following assumptions, applied to all periods in the measurement, unless otherwise specified:

Discount Rate:	3.95% (20-year municipal bond rate)
Healthcare Cost Trend Rates:	Year 1 - 3.0% Year 2 through Year 6 - 6.0% per year Year 7 and Subsequent - 5.0% per year
Projected Salary Increases:	2.0% annually
Inflation:	2.0% annually
Retirement Age:	65
Mortality:	Based on the Life Expectancy Table from the National Center for Health Statistics (2015)

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$3,968,802 was measured as of June 30, 2018, and was determined by the alternative measurement method.

Changes in the Total OPEB Liability

		<u>Increase (Decrease)</u>	
		<u>Total OPEB Liability</u>	
Balance at June 30, 2017	\$	3,701,293	
Changes for the Year:			
Service Cost		182,374	
Interest		146,201	
Differences Between Expected and Actual Experience		133,840	
Benefits Payments		<u>(194,906)</u>	
Net Changes		<u>267,509</u>	
Balance at June 30, 2018	\$	<u><u>3,968,802</u></u>	

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability calculated using the discount rate of 3.95%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.95%) or 1-percentage-point higher (4.95%) than the current rate:

		<u>1% Decrease (2.95%)</u>		<u>Current Discount Rate (3.95%)</u>		<u>1% Increase (4.95%)</u>
Total OPEB Liability	\$	4,378,276	\$	3,968,802	\$	3,582,724

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

		<u>1% Decrease</u>		<u>Current Trend Rate</u>		<u>1% Increase</u>
Total OPEB Liability	\$	3,516,761	\$	3,968,802	\$	4,497,264

OPEB expense

For the year ended June 30, 2018, the Town recognized OPEB expense of \$462,415.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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	Capital Projects	Storm Riley	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Permanent Fund Principal.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,150	\$ 25,150
Restricted:							
Community Preservation.....	-	801,814	-	-	-	-	801,814
Revolving Funds.....	-	-	-	-	-	155,759	155,759
Town State Grants.....	-	-	-	-	-	58,482	58,482
Town Federal Grants.....	-	-	-	-	-	46,302	46,302
Wharf.....	-	-	-	-	-	165,526	165,526
Grave Lots.....	-	-	-	-	-	145,941	145,941
General Government.....	-	-	-	-	-	12,982	12,982
Education.....	-	-	-	-	-	83,813	83,813
Public Works.....	-	-	-	-	-	8,374	8,374
Culture and Recreation.....	-	-	-	-	-	13,924	13,924
Other.....	-	-	-	-	-	188,652	188,652
Insurance Proceeds.....	-	-	-	-	-	52,241	52,241
Subtotal - Restricted.....	-	801,814	-	-	-	931,996	1,733,810
Committed:							
Subsequent Year's Expenditures.....	913,459	-	-	-	-	-	913,459
Water/Sewer Stabilization.....	82	-	-	-	-	-	82
OPEB Stabilization.....	3,311	-	-	-	-	-	3,311
Subtotal - Committed.....	916,852	-	-	-	-	-	916,852
Assigned:							
Encumbrances - General Government.....	14,808	-	-	-	-	-	14,808
Encumbrances - Debt Service.....	44,528	-	-	-	-	-	44,528
Subtotal - Assigned.....	59,336	-	-	-	-	-	59,336
Unassigned.....	931,452	-	(1,866,000)	(801,583)	(520,522)	(1,944)	(2,258,597)
Total Fund Balances.....	\$ 1,907,640	\$ 801,814	\$ (1,866,000)	\$ (801,583)	\$ (520,522)	\$ 955,202	\$ 476,551

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, 2018 total \$92,988, \$82, and \$3,311, respectively and are reported in the general fund as unassigned (\$92,988) and committed (\$3,393) fund balance.

NOTE 13 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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 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 online at <https://www.essexregional.com/home/pages/annual-audits>, or 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.

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

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 \$786,196 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$9,501,267 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2017, the Town's proportion was 2.525 percent. At December 31, 2016, the Town's proportion was 2.133 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,112,699. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$1,923,500; which represented changes of assumptions (\$780,082) and changes in proportion and differences between employer contributions and proportionate share of contributions (\$1,143,418). At June 30, 2018, the Town reported deferred inflows of resources related to pensions of \$1,152,032; which represented the net difference between projected and actual investment earnings on pension plan investments (\$418,322), differences between expected and actual experience (\$134,461), and changes in proportion and differences between employer contributions and proportionate share of contributions (\$599,249).

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

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

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

<u>Year Ended June 30,</u>	
2019	\$ 232,295
2020	241,541
2021	105,815
2022	191,817
	<u>\$ 771,468</u>

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

Salary Increases:	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Mortality Rates:	<p>Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with Scale BB is used.</p> <p>Healthy Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB is used.</p> <p>Disabled Retiree - The RP-2000 Healthy Annuitant Mortality Table, set forward two years and projected generationally with Scale BB is used.</p>
Net Investment Return/Discount Rate	7.50%
Inflation Rate	2.75%
Cost of Living Adjustments	3% of first \$14,000

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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity.....	17.50%	6.15%
International Developed Markets Equity.....	15.50%	7.11%
International Emerging Markets Equity.....	6.00%	9.41%
Core Fixed Income.....	12.00%	1.68%
High-Yield Fixed Income.....	10.00%	4.13%
Real Estate.....	10.00%	4.90%
Commodities.....	4.00%	4.71%
Hedge Fund, GTAA, Risk Parity.....	13.00%	3.94%
Private Equity.....	12.00%	10.28%
Totals	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.50 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.

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's Proportionate Share of the Net Pension Liability	\$ 11,953,749	\$ 9,501,267	\$ 7,438,388

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

TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 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.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 15 PENSION PLAN – MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
(CONTINUED)**

**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, 2018. The Commonwealth's net pension liability associated with the Town was \$2,975,354.

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$310,546 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

Investment rate of return - 7.5%

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 - Preretirement reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Postretirement reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct). Disability is assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 15 PENSION PLAN – MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
(CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core Fixed Income	12.00%	1.10%
Private Equity	11.00%	6.60%
Value Added Fixed Income	10.00%	3.80%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	3.20%
Hedge Funds	0.00%	3.60%
Totals	<u>100.00%</u>	

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.50%. 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 16 OPERATING LEASE

The Town (Lessor) has entered into an operating lease agreement (Agreement) with Play It As It Lies Golf Management, Inc. (Lessee) to manage the Kelley Greens Golf Club (Golf Club). The Agreement provides for a flat rate lease fee (\$125,000 per year) for each year of the contract, commencing January 1 of each year. The initial term of the Agreement expires on December 31, 2021.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 OPERATING LEASE (CONTINUED)

During fiscal year 2018, the Town received approximately \$95,000 in rental fees related to the Golf Club, which are recorded as departmental and other revenue in the general fund.

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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2018.

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.

**TOWN OF NAHANT, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 8,741,933	\$ -	\$ 8,741,933
Motor Vehicle and Other Excise Taxes	-	546,804	-	546,804
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	1,556	-	1,556
Charges for Services	-	326	-	326
Intergovernmental	-	952,726	-	952,726
Penalties and Interest on Taxes	-	29,569	-	29,569
Licenses and Permits	-	67,718	-	67,718
Fines and Forfeitures	-	30,528	-	30,528
Departmental and Other	-	450,124	-	450,124
Investment Income	-	922	-	922
Total Revenues	<u>-</u>	<u>10,822,206</u>	<u>-</u>	<u>10,822,206</u>
EXPENDITURES				
Current:				
General Government	13,181	1,169,006	155,169	1,337,356
Public Safety	-	2,686,858	25,000	2,711,858
Education	-	3,750,596	-	3,750,596
Public Works	-	567,729	21,980	589,709
Health and Human Services	-	113,095	-	113,095
Culture and Recreation	-	288,855	-	288,855
Pension Benefits	-	784,426	1,770	786,196
Employee Benefits	-	935,133	-	935,133
Property and Liability Insurance	-	208,510	-	208,510
State and County Charges	-	129,741	-	129,741
Debt Service:		-		
Principal	67,700	279,034	-	346,734
Interest	31,440	180,354	-	211,794
Total Expenditures	<u>112,321</u>	<u>11,093,337</u>	<u>203,919</u>	<u>11,409,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(112,321)</u>	<u>(271,131)</u>	<u>(203,919)</u>	<u>(587,371)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	211,854	-	211,854
Transfers Out	-	(574,805)	-	(574,805)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(362,951)</u>	<u>-</u>	<u>(362,951)</u>
NET CHANGE IN FUND BALANCE	(112,321)	(634,082)	(203,919)	(950,322)
Fund Balance - Beginning of Year	<u>1,890,706</u>	<u>1,890,706</u>	<u>1,890,706</u>	<u>1,890,706</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,778,385</u>	<u>\$ 1,256,624</u>	<u>\$ 1,686,787</u>	<u>\$ 940,384</u>

See accompanying Notes to Required Supplementary Information.

**TOWN OF NAHANT, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
REVENUES				
Real Estate and Personal Property Taxes	\$ 8,787,961	\$ -	\$ 8,787,961	\$ 46,028
Motor Vehicle and Other Excise Taxes	629,461	-	629,461	82,657
Tax Liens	4,747	-	4,747	4,747
Payments in Lieu of Taxes	1,555	-	1,555	(1)
Charges for Services	2,590	-	2,590	2,264
Intergovernmental	951,136	-	951,136	(1,590)
Penalties and Interest on Taxes	23,337	-	23,337	(6,232)
Licenses and Permits	146,354	-	146,354	78,636
Fines and Forfeitures	32,392	-	32,392	1,864
Departmental and Other	701,312	-	701,312	251,188
Investment Income	4,938	-	4,938	4,016
Total Revenues	<u>11,285,783</u>	<u>-</u>	<u>11,285,783</u>	<u>463,577</u>
EXPENDITURES				
Current:				
General Government	1,210,238	14,808	1,225,046	112,310
Public Safety	2,662,025	-	2,662,025	49,833
Education	3,611,045	-	3,611,045	139,551
Public Works	572,928	-	572,928	16,781
Health and Human Services	90,159	-	90,159	22,936
Culture and Recreation	285,918	-	285,918	2,937
Pension Benefits	786,196	-	786,196	-
Employee Benefits	918,886	-	918,886	16,247
Property and Liability Insurance	208,491	-	208,491	19
State and County Charges	116,611	-	116,611	13,130
Debt Service:				
Principal	342,000	4,734	346,734	-
Interest	156,403	39,794	196,197	15,597
Total Expenditures	<u>10,960,900</u>	<u>59,336</u>	<u>11,020,236</u>	<u>389,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>324,883</u>	<u>(59,336)</u>	<u>265,547</u>	<u>852,918</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	211,854	-	211,854	-
Transfers Out	(574,805)	-	(574,805)	-
Total Other Financing Sources (Uses)	<u>(362,951)</u>	<u>-</u>	<u>(362,951)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE				
	(38,068)	(59,336)	(97,404)	852,918
Fund Balance - Beginning of Year	<u>1,890,706</u>	<u>-</u>	<u>1,890,706</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,852,638</u>	<u>\$ (59,336)</u>	<u>\$ 1,793,302</u>	<u>\$ 852,918</u>

See accompanying Notes to Required Supplementary Information.

**TOWN OF NAHANT, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 187,682	\$ -	\$ 187,682
Intergovernmental	-	75,073	-	75,073
Investment Income	-	1,000	-	1,000
Total Revenues	<u>-</u>	<u>263,755</u>	<u>-</u>	<u>263,755</u>
EXPENDITURES				
Current:				
Administrative	-	13,000	-	13,000
Acquisitions and Projects	629,463	283,115	-	912,578
Debt Service:				
Principal	-	62,500	-	62,500
Interest	-	3,985	-	3,985
Total Expenditures	<u>629,463</u>	<u>362,600</u>	<u>-</u>	<u>992,063</u>
NET CHANGE IN FUND BALANCE	(629,463)	(98,845)	-	(728,308)
Fund Balance - Beginning of Year	<u>821,187</u>	<u>821,187</u>	<u>821,187</u>	<u>821,187</u>
FUND BALANCE - END OF YEAR	<u>\$ 191,724</u>	<u>\$ 722,342</u>	<u>\$ 821,187</u>	<u>\$ 92,879</u>

See accompanying Notes to Required Supplementary Information.

**TOWN OF NAHANT, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
REVENUES				
Community Preservation Surcharges	\$ 206,719	\$ -	\$ 206,719	\$ 19,037
Intergovernmental	80,951	-	80,951	5,878
Investment Income	<u>5,044</u>	<u>-</u>	<u>5,044</u>	<u>4,044</u>
Total Revenues	<u>292,714</u>	<u>-</u>	<u>292,714</u>	<u>28,959</u>
EXPENDITURES				
Current:				
Administrative	10,275	-	10,275	2,725
Acquisitions and Projects	235,327	622,339	857,666	54,912
Debt Service:				
Principal	62,500	-	62,500	-
Interest	<u>3,985</u>	<u>-</u>	<u>3,985</u>	<u>-</u>
Total Expenditures	<u>312,087</u>	<u>622,339</u>	<u>934,426</u>	<u>57,637</u>
NET CHANGE IN FUND BALANCE	(19,373)	(622,339)	(641,712)	86,596
Fund Balance - Beginning of Year	<u>821,187</u>	<u>-</u>	<u>821,187</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 801,814</u>	<u>\$ (622,339)</u>	<u>\$ 179,475</u>	<u>\$ 86,596</u>

See accompanying Notes to Required Supplementary Information.

**TOWN OF NAHANT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM (1) (2)**

	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	2.525%	2.133%	2.409%	2.378%
Town's Proportionate Share of the Net Pension Liability	\$ 9,501,267	\$ 8,217,561	\$ 8,751,239	\$ 8,067,505
Town's Covered Payroll	\$ 3,290,819	\$ 3,278,389	\$ 3,060,264	\$ 2,940,837
Town's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	288.72%	250.66%	285.96%	274.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.40%	51.12%	51.01%	52.27%

**SCHEDULE OF TOWN CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM (1) (2)**

	2018	2017	2016	2015
Actuarially Required Contribution	\$ 786,196	\$ 617,979	\$ 661,707	\$ 609,931
Contributions in Relation to the Actuarially Required Contribution	(786,196)	(617,979)	(661,707)	(609,931)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 3,290,819	\$ 3,278,389	\$ 3,060,264	\$ 2,940,837
Contributions as a Percentage of Covered Payroll	23.89%	18.85%	21.62%	20.74%

(1) Amounts presented were determined as of December 31 of each fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF NAHANT, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2018
 (SEE INDEPENDENT AUDITORS' REPORT)**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

	2018	2017	2016	2015
Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	\$ 2,975,354	\$ 2,995,786	\$ 3,093,343	\$ 2,607,021
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 310,546	\$ 305,590	\$ 250,898	\$ 181,122
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.25%	52.73%	55.38%	61.64%

- (1) Amounts presented were determined as of June 30 of the previous calendar year.
 (2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF NAHANT, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2018
 (SEE INDEPENDENT AUDITORS' REPORT)**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

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

SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS*

	06/30/2018
Total OPEB Liability	
Service Cost	\$ 182,374
Interest on Unfunded Liability	146,201
Differences Between Expected and Actual Experience	133,840
Benefits Payments	(194,906)
Net Change in Total OPEB Liability	267,509
Total OPEB Liability - Beginning	3,701,293
Total OPEB Liability - Ending (a)	\$ 3,968,802

*Data is being accumulated annually to present 10 years of the reported information.

TOWN OF NAHANT, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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, 2018 are presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/ (Uses)</u>	<u>Fund Balance</u>
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	\$ 11,285,783	\$ 11,020,236	\$ (362,951)	\$ 1,793,302
<u>Reclassifications</u>				
Activity of Stabilization Funds Recorded in the General Fund for GAAP Purposes.....	269	-	-	96,381
<u>Adjustments</u>				
Net Change in Recording 60-Day Receipts.....	(8,443)	-	-	14,560
To Record MTRS On-Behalf Payments.....	310,546	310,546	-	-
Net Change in Recording Short-Term Interest Accrual.....	-	12,805	-	(55,939)
To Record Encumbrances and Continuing Appropriations.....	-	<u>(59,336)</u>	-	<u>59,336</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.....	<u>\$ 11,588,155</u>	<u>\$ 11,284,251</u>	<u>\$ (362,951)</u>	<u>\$ 1,907,640</u>

CPA Fund

	<u>Expenditures</u>	<u>Fund Balances</u>
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	\$ 934,426	\$ 179,475
<u>Adjustments</u>		
To Record Encumbrances and Continuing Appropriations.....	<u>(622,339)</u>	<u>622,339</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.....	<u>\$ 312,087</u>	<u>\$ 801,814</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE B – SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

