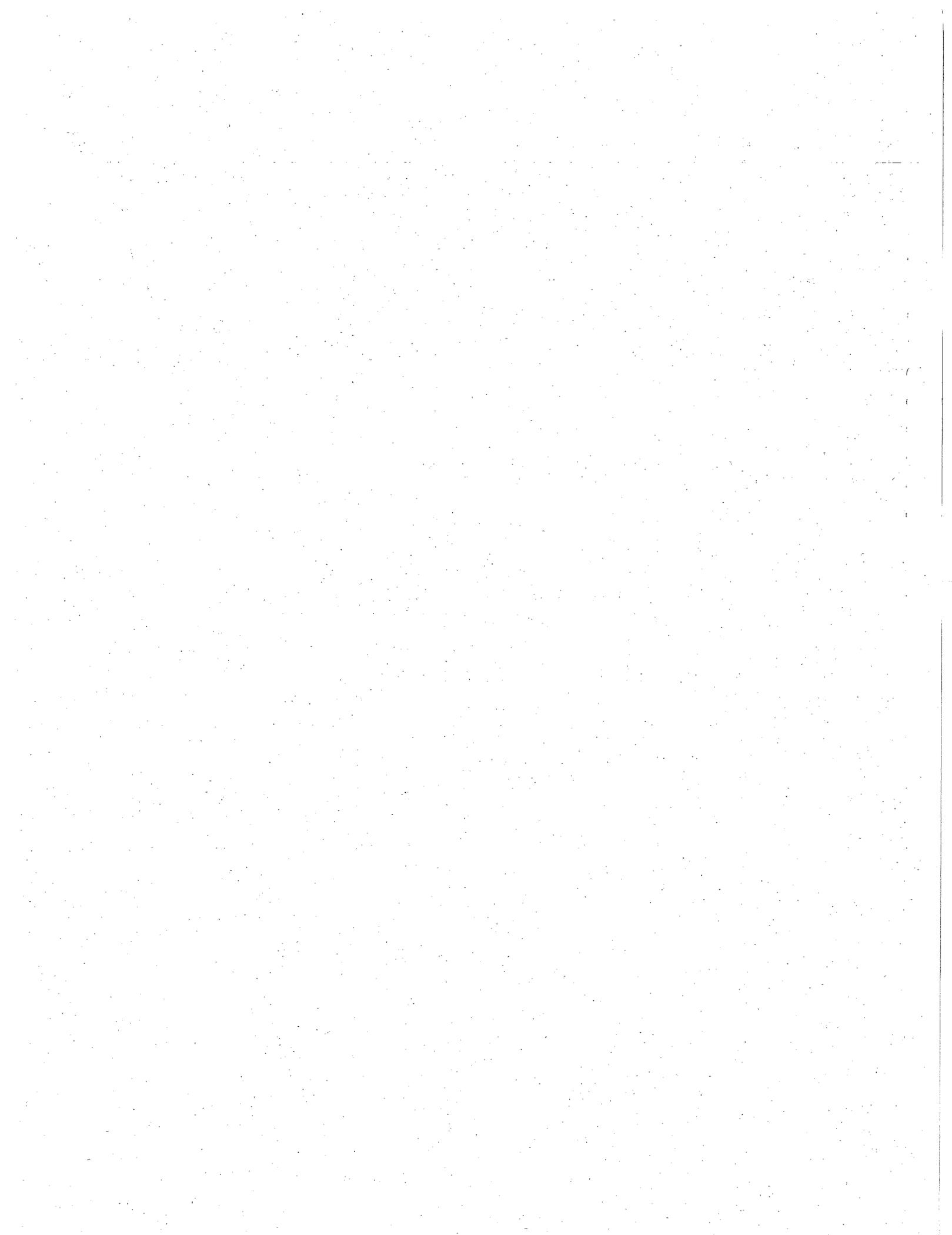


**TOWN OF NAHANT, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



TOWN OF NAHANT, MASSACHUSETTS  
INDEPENDENT AUDITORS' REPORT ON  
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REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

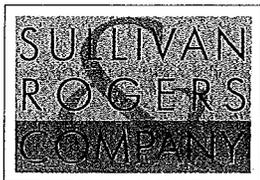
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# *Independent Auditors' Report*



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*Certified Public Accountants*

## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Nahant, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nahant, Massachusetts, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Nahant, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 12, the Town implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010 on our consideration of the Town of Nahant, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and budgetary comparison and pension information (located on pages 55 through 60) 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.



October 12, 2010

## *Management's Discussion and Analysis*

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, 2010.

### *Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$21,217,588 (net assets). Of this amount, \$1,386,763 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$186,366.
- As of the close of the fiscal year, the Town's governmental funds reported a combined ending fund balance of (\$9,425), a decrease of \$511,516 in comparison with the prior year. \$1,735,255 represents unreserved fund balance of the general fund, special revenue funds, nonmajor capital projects funds and permanent funds. The Coast Guard houses major fund deficit totaling \$1,866,000 will be funded through the issuance of long-term debt in future fiscal years.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$537,717, or 5.1 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$902,934 during the fiscal year; no new bonded debt was issued during the current fiscal year.

### *Overview of the Basic Financial Statements*

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

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

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

#### Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, trash disposal, health and human services, culture and recreation and debt service - interest. Business-type activities include the water and sewer operations.

The government-wide financial statements can be found on pages 15-17 of this report.

#### Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

#### **Governmental Funds**

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

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

The Town maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, stabilization (special revenue), community preservation (special revenue), and Coast Guard houses (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 18-23 of this report.

#### **Proprietary funds**

The Town maintains one type of proprietary fund.

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

The basic proprietary fund financial statements can be found on pages 24-26 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 27 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 28-53 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 certain pension information, which can be found on pages 55-60 of this report.

***Government-Wide Financial Analysis***

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

**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$21,217,588 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current assets.....	\$ 2,770,462	\$ 3,260,182	\$ 617,815	\$ 645,754	\$ 3,388,277	\$ 3,905,936
Noncurrent assets (excluding capital assets).....	131,783	120,173	-	-	131,783	120,173
Capital assets (net).....	<u>21,236,844</u>	<u>21,188,892</u>	<u>6,975,126</u>	<u>7,084,355</u>	<u>28,211,970</u>	<u>28,273,247</u>
Total assets.....	<u>24,139,089</u>	<u>24,569,247</u>	<u>7,592,941</u>	<u>7,730,109</u>	<u>31,732,030</u>	<u>32,299,356</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	661,147	593,808	27,869	34,894	689,016	628,702
Noncurrent liabilities (excluding debt).....	408,816	287,100	30,712	13,500	439,528	300,600
Current debt.....	2,440,500	2,606,500	248,435	262,434	2,688,935	2,868,934
Noncurrent debt.....	<u>5,373,000</u>	<u>5,897,500</u>	<u>1,323,963</u>	<u>1,572,398</u>	<u>6,696,963</u>	<u>7,469,898</u>
Total liabilities.....	<u>8,883,463</u>	<u>9,384,908</u>	<u>1,630,979</u>	<u>1,883,226</u>	<u>10,514,442</u>	<u>11,268,134</u>
<b>Net Assets</b>						
Invested in capital assets (net of related debt).....	13,521,849	12,802,908	5,402,728	5,249,523	18,924,577	18,052,431
Restricted.....	906,248	1,385,079	-	-	906,248	1,385,079
Unrestricted.....	<u>827,529</u>	<u>996,352</u>	<u>559,234</u>	<u>597,360</u>	<u>1,386,763</u>	<u>1,593,712</u>
Total net assets.....	<u>\$ 15,255,626</u>	<u>\$ 15,184,339</u>	<u>\$ 5,961,962</u>	<u>\$ 5,846,883</u>	<u>\$ 21,217,588</u>	<u>\$ 21,031,222</u>

The largest portion of the Town's net assets (89.2%) reflects its investment in capital assets (e.g., land, works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (6.5% or \$1,386,763) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$827,529 may be used to support governmental activities and \$559,234 may be used to support business-type activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2010, the Town's total net assets increased by \$186,366, compared to an increase of \$687,802 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 1,278,007	\$ 1,307,973	\$ 1,289,645	\$ 1,341,869	\$ 2,567,652	\$ 2,649,842
Operating grants and contributions.....	944,435	819,970	-	9,338	944,435	829,308
Capital grants and contributions.....	210,523	267,537	-	-	210,523	267,537
<i>General Revenues:</i>						
Real estate and personal property taxes.....	7,272,430	7,147,475	-	-	7,272,430	7,147,475
Motor vehicle and other excise taxes.....	443,572	418,261	-	-	443,572	418,261
Penalties and interest on taxes.....	27,095	27,689	-	-	27,095	27,689
Payments in lieu of taxes.....	2,075	-	-	-	2,075	-
Community preservation surcharges.....	166,933	168,223	-	-	166,933	168,223
Grants and contributions not restricted to specific programs.....	1,069,154	1,215,042	-	-	1,069,154	1,215,042
Unrestricted investment income.....	2,392	6,409	-	-	2,392	6,409
<b>Total revenues.....</b>	<b>11,416,616</b>	<b>11,378,579</b>	<b>1,289,645</b>	<b>1,351,207</b>	<b>12,706,261</b>	<b>12,729,786</b>
<b>Expenses</b>						
General government.....	1,294,591	1,252,228	-	-	1,294,591	1,252,228
Public safety.....	2,780,763	2,663,036	-	-	2,780,763	2,663,036
Education.....	5,148,223	4,848,886	-	-	5,148,223	4,848,886
Public works.....	819,825	823,567	-	-	819,825	823,567
Health and human services.....	132,572	120,193	-	-	132,572	120,193
Culture and recreation.....	374,039	370,320	-	-	374,039	370,320
Trash disposal.....	324,989	359,238	-	-	324,989	359,238
Debt service - principal.....	-	-	-	-	-	-
Debt service - interest.....	290,024	345,882	-	-	290,024	345,882
Water/Sewer.....	-	-	1,354,869	1,258,634	1,354,869	1,258,634
<b>Total expenses.....</b>	<b>11,165,026</b>	<b>10,783,350</b>	<b>1,354,869</b>	<b>1,258,634</b>	<b>12,519,895</b>	<b>12,041,984</b>
Change in net assets before transfers.....	251,590	595,229	(65,224)	92,573	186,366	687,802
Transfers, net.....	(180,303)	(242,425)	180,303	242,425	-	-
Change in net assets.....	71,287	352,804	115,079	334,998	186,366	687,802
Net assets - beginning of year.....	15,184,339	14,831,535	5,846,883	5,511,885	21,031,222	20,343,420
Net assets - end of year.....	\$ 15,255,626	\$ 15,184,339	\$ 5,961,962	\$ 5,846,883	\$ 21,217,588	\$ 21,031,222

Governmental activities increased the Town's net assets by \$71,287. In the prior year, governmental activities increased the Town's net assets by \$352,804. The key element of this change is the first-year recognition of other postemployment benefit expenses (\$178,416).

Business-type activities increased the Town's net assets by \$115,079. In the prior year, business-type activities increased the Town's net assets by \$334,998. The key elements of this change are as follows:

- An approximate 7% decrease in combined water/sewer user consumption
- A decrease in transfers from the general fund for debt service of approximately \$57,000

### *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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of (\$9,425), a decrease of \$511,516 in comparison with the prior year. \$1,721,360 represents undesignated fund balance of the general fund, special revenue funds, nonmajor capital projects funds and permanent funds. The Coast Guard houses major fund deficit totaling \$1,866,000 will be funded through the issuance of long-term debt in future fiscal years. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has been committed to:

- Liquidate contracts and purchase orders of the prior period (\$6,300)
- Perpetual permanent funds (\$25,150)
- Other specific purposes (\$89,870)
- Fund a portion of the fiscal year 2011 operating budget (\$13,895)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$537,717, while total fund balance was \$557,912. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 5.1% of total general fund expenditures and transfers out, while total fund balance represents 5.3% of that same amount.

The balance of the Town's general fund decreased \$44,489 during the current fiscal year. Although the Town's increase in fund balance on a budgetary basis was less than the final amended budget amount by approximately \$218,000 (excluding encumbrances and continuing appropriations), approximately \$336,000 of reserves were used to fund the fiscal year 2010 budget. In addition, the Town's accrual for 60-day receipts increased by approximately \$57,000.

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

The fund balance of the stabilization fund (special revenue) increased by \$1,028 during the current fiscal year. This is attributable to investment income.

The fund balance of the community preservation fund (special revenue) decreased by \$436,030 during the current fiscal year. The fund recognized \$166,562 in surcharges, \$130,283 in intergovernmental revenues and \$1,488 of investment income. Expenditures of \$734,363 were incurred during the fiscal year.

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

#### Proprietary fund

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

Unrestricted net assets of the water/sewer enterprise fund at the end of the year amounted to \$559,234. The water/sewer fund had an increase in net assets for the year of \$115,079. 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 \$9,873,296 was increased by \$173,813 (1.8%) during the fiscal year. The following table summarizes the decrease:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Transfer to special revenue fund.....	104,019	Undesignated fund balance
Snow and ice.....	41,594	Undesignated fund balance
Fire department.....	20,000	Undesignated fund balance
School department.....	<u>8,200</u>	Undesignated fund balance
Total increase.....	<u>\$ 173,813</u>	

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 favorable budget to actual variance of approximately \$212,000.

*Capital Asset and Debt Administration*

Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$28,211,970 (net of accumulated depreciation). This investment in capital assets includes land, works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled 0.2% (a 0.2% increase for governmental activities and a 0.4% decrease for business-type activities).

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

- Town wharf construction (\$499,000)
- Continued upgrades of road and sidewalk infrastructure (\$93,000)
- Continued upgrades of the water and sewer infrastructure (\$84,000)

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land.....	\$ 7,663,885	\$ 7,663,885	\$ -	\$ -	\$ 7,663,885	\$ 7,663,885
Works of art.....	107,500	107,500	-	-	107,500	107,500
Land improvements.....	328,393	267,936	-	-	328,393	267,936
Buildings & Improvements.....	10,443,028	10,288,521	-	-	10,443,028	10,288,521
Machinery and equipment.....	884,880	953,138	117,831	96,178	1,002,711	1,049,316
Library books.....	177,290	167,403	-	-	177,290	167,403
Vehicles.....	326,452	400,247	-	-	326,452	400,247
Infrastructure.....	1,305,416	1,340,262	6,857,295	6,988,177	8,162,711	8,328,439
Total capital assets.....	\$ 21,236,844	\$ 21,188,892	\$ 6,975,126	\$ 7,084,355	\$ 28,211,970	\$ 28,273,247

Additional information on the Town's capital assets can be found in Note 5 on pages 41-42 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$7,469,898, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds.....	\$ 5,807,500	\$ 6,298,000	\$ 1,170,660	\$ 1,339,470	\$ 6,978,160	\$ 7,637,470
Federally taxable general obligation bonds.....	-	60,000	-	-	-	60,000
State house notes.....	90,000	180,000	-	-	90,000	180,000
MWRA notes.....	-	-	401,738	495,362	401,738	495,362
Total bonds and notes.....	\$ 5,897,500	\$ 6,538,000	\$ 1,572,398	\$ 1,834,832	\$ 7,469,898	\$ 8,372,832

The Town's total bonded debt decreased by \$902,934 (10.8%) during the current fiscal year; no new bonded debt was issued during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 8 on pages 43-48 of this report.

*Economic Factors and Next Year's Budgets and Rates*

The development of the fiscal year 2011 general fund operating budget was influenced by four major factors: decreased revenue, contractual obligations, increased uncontrollable assessments and expenses, and limitations on the property tax levy imposed by Proposition 2 ½.

Budgeted revenue decreases were mainly due to a 10% reduction in state aid (on top of 15% from previous year), and 5% reduction in total local receipts.

Approximately 90% of school employees and 75% of municipal employees are covered by collective bargaining agreements. In fiscal year 2011, all employees received 0% increases due to all union contracts ending on June 30, 2010 and the Town's financial constraints.

The North Shore Vocational and Technical School assessment was increased 91%, health insurance increased 15%, Essex Regional Retirement Board assessment increased 8% and property insurance increased 36%. Also, due to Military Houses reverting back to rentals, there was a 57% increase in that account compared to the original fiscal year 2010 budget.

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 \$162,179 (2.2%).

Due to lower debt service, limited new debt, limited new capital, and the level funding of salaries and expenses of all departmental budgets, the Town was able to approve a budget with a limited reduction of staff.

### *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.

## *Basic Financial Statements*

STATEMENT OF NET ASSETS

JUNE 30, 2010

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Current assets:</b>			
Cash and cash equivalents.....	\$ 1,382,465	\$ 285,076	\$ 1,667,541
Restricted cash and cash equivalents.....	1,023,334	51,728	1,075,062
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	107,268	-	107,268
Tax and utility liens.....	145,827	7,799	153,626
Motor vehicle and other excise taxes.....	67,958	-	67,958
Community preservation surcharges.....	2,095	-	2,095
Water.....	-	137,230	137,230
Sewer.....	-	135,982	135,982
Trash.....	58	-	58
Parking violations.....	13,932	-	13,932
Departmental and other.....	20,948	-	20,948
Intergovernmental.....	6,577	-	6,577
<b>Total current assets.....</b>	<b>2,770,462</b>	<b>617,815</b>	<b>3,388,277</b>
<b>Noncurrent assets:</b>			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	131,783	-	131,783
Capital assets not being depreciated.....	7,771,385	-	7,771,385
Capital assets, net of accumulated depreciation.....	13,465,459	6,975,126	20,440,585
<b>Total noncurrent assets.....</b>	<b>21,368,627</b>	<b>6,975,126</b>	<b>28,343,753</b>
<b>Total assets.....</b>	<b>24,139,089</b>	<b>7,592,941</b>	<b>31,732,030</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Warrants payable.....	410,873	18,810	429,683
Accrued payroll.....	103,667	7,159	110,826
Other liabilities.....	24,563	-	24,563
Accrued interest.....	96,444	-	96,444
Compensated absences.....	25,600	1,900	27,500
Short-term notes payable.....	1,916,000	-	1,916,000
Long-term bonds and notes payable.....	524,500	248,435	772,935
<b>Total current liabilities.....</b>	<b>3,101,647</b>	<b>276,304</b>	<b>3,377,951</b>
<b>Noncurrent liabilities:</b>			
Net OPEB obligation.....	178,416	13,612	192,028
Compensated absences.....	230,400	17,100	247,500
Long-term bonds and notes payable.....	5,373,000	1,323,963	6,696,963
<b>Total noncurrent liabilities.....</b>	<b>5,781,816</b>	<b>1,354,675</b>	<b>7,136,491</b>
<b>Total liabilities.....</b>	<b>8,883,463</b>	<b>1,630,979</b>	<b>10,514,442</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	13,521,849	5,402,728	18,924,577
Restricted for:			
Community preservation.....	723,095	-	723,095
Permanent funds:			
Expendable.....	68,133	-	68,133
Nonexpendable.....	25,150	-	25,150
Other specific purposes.....	89,870	-	89,870
Unrestricted.....	827,529	559,234	1,386,763
<b>Total net assets.....</b>	<b>\$ 15,255,626</b>	<b>\$ 5,961,962</b>	<b>\$ 21,217,588</b>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government.....	\$ 1,294,591	\$ 453,463	\$ 12,977	\$ -	\$ (828,151)
Public safety.....	2,780,763	71,261	20,791	-	(2,688,711)
Education.....	5,148,223	231,534	790,890	-	(4,125,799)
Public works.....	819,825	83,938	70,738	80,240	(584,909)
Trash disposal.....	324,989	370,237	-	-	45,248
Health and human services.....	132,572	5,289	6,062	-	(121,221)
Culture and recreation.....	374,039	62,285	32,223	130,283	(149,248)
Debt service - interest.....	290,024	-	10,754	-	(279,270)
Total governmental activities...	<u>11,165,026</u>	<u>1,278,007</u>	<u>944,435</u>	<u>210,523</u>	<u>(8,732,061)</u>
Business-type activities:					
Water/Sewer.....	<u>1,354,869</u>	<u>1,289,645</u>	<u>-</u>	<u>-</u>	<u>(65,224)</u>
Total primary government.....	<u>\$ 12,519,895</u>	<u>\$ 2,567,652</u>	<u>\$ 944,435</u>	<u>\$ 210,523</u>	<u>\$ (8,797,285)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets:</b>			
Net (expense)/revenue (from previous page).....	\$ (8,732,061)	\$ (65,224)	\$ (8,797,285)
<i>General revenues:</i>			
Real estate and personal property taxes.....	7,272,430	-	7,272,430
Motor vehicle and other excise taxes.....	443,572	-	443,572
Penalties and interest on taxes.....	27,095	-	27,095
Payments in lieu of taxes.....	2,075	-	2,075
Community preservation surcharges.....	166,933	-	166,933
Grants and contributions not restricted to specific programs.....	1,069,154	-	1,069,154
Unrestricted investment income.....	2,392	-	2,392
<i>Transfers, net</i> .....	(180,303)	180,303	-
<b>Total general revenues and transfers.....</b>	<b>8,803,348</b>	<b>180,303</b>	<b>8,983,651</b>
 Change in net assets.....	 71,287	 115,079	 186,366
Net assets - beginning of year.....	15,184,339	5,846,883	21,031,222
Net assets - end of year.....	<u>\$ 15,255,626</u>	<u>\$ 5,961,962</u>	<u>\$ 21,217,588</u>

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

	General	Stabilization	Community Preservation
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 941,915	\$ 79,131	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	107,268	-	-
Real estate tax deferrals.....	131,783	-	-
Tax and trash liens.....	143,453	-	2,374
Motor vehicle and other excise taxes.....	67,958	-	-
Community preservation surcharges.....	-	-	2,095
Trash.....	58	-	-
Parking violations.....	13,932	-	-
Departmental and other.....	20,948	-	-
Intergovernmental.....	-	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	831,528
<b>TOTAL ASSETS.....</b>	<b>\$ 1,427,315</b>	<b>\$ 79,131</b>	<b>\$ 835,997</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 293,092	\$ -	\$ 62,902
Accrued payroll.....	99,650	-	-
Other liabilities.....	24,563	-	-
Deferred revenue.....	427,962	-	4,469
Accrued short-term interest.....	24,136	-	-
Short-term notes payable.....	-	-	50,000
<b>TOTAL LIABILITIES.....</b>	<b>869,403</b>	<b>-</b>	<b>117,371</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances and continuing appropriations.....	6,300	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for subsequent year's expenditures.....	13,895	-	-
Undesignated, reported in:			
General fund.....	537,717	-	-
Special revenue funds.....	-	79,131	718,626
Capital projects funds.....	-	-	-
Permanent funds.....	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>557,912</b>	<b>79,131</b>	<b>718,626</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,427,315</b>	<b>\$ 79,131</b>	<b>\$ 835,997</b>

See notes to basic financial statements.

Coast Guard Houses	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 361,419	\$ 1,382,465
-	-	107,268
-	-	131,783
-	-	145,827
-	-	67,958
-	-	2,095
-	-	58
-	-	13,932
-	-	20,948
-	6,577	6,577
-	191,806	1,023,334
<u>\$ -</u>	<u>\$ 559,802</u>	<u>\$ 2,902,245</u>
\$ -	\$ 54,879	\$ 410,873
-	4,017	103,667
-	-	24,563
-	-	432,431
-	-	24,136
1,866,000	-	1,916,000
<u>1,866,000</u>	<u>58,896</u>	<u>2,911,670</u>
-	-	6,300
-	25,150	25,150
-	89,870	89,870
-	-	13,895
-	-	537,717
-	219,247	1,017,004
(1,866,000)	98,506	(1,767,494)
-	68,133	68,133
<u>(1,866,000)</u>	<u>500,906</u>	<u>(9,425)</u>
<u>\$ -</u>	<u>\$ 559,802</u>	<u>\$ 2,902,245</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Stabilization	Community Preservation
<b>REVENUES</b>			
Real estate and personal property taxes.....	\$ 7,259,048	\$ -	\$ -
Motor vehicle and other excise taxes.....	436,162	-	-
Tax liens.....	9,433	-	-
Payments in lieu of taxes.....	2,075	-	-
Community preservation surcharges.....	-	-	166,562
Charges for services.....	2,413	-	-
Trash disposal.....	378,904	-	-
Intergovernmental .....	1,532,986	-	130,283
Penalties and interest on taxes.....	27,095	-	-
Licenses and permits.....	72,257	-	-
Fines and forfeitures.....	46,956	-	-
Departmental.....	463,041	-	-
Contributions.....	-	-	-
Investment income.....	2,392	1,028	1,488
	<u>10,232,762</u>	<u>1,028</u>	<u>298,333</u>
<b>TOTAL REVENUES.....</b>			
<b>EXPENDITURES</b>			
Current:			
General government.....	829,169	-	45,395
Public safety.....	2,011,863	-	-
Education.....	3,148,767	-	-
Public works.....	430,291	-	-
Trash disposal.....	323,589	-	-
Health and human services.....	37,203	-	-
Culture and recreation.....	242,308	-	503,264
Pension benefits.....	1,033,743	-	-
Employee benefits.....	746,584	-	-
Property and liability insurance.....	165,662	-	-
State and county charges.....	256,389	-	-
Debt service:			
Principal.....	488,000	-	152,500
Interest.....	265,115	-	33,204
	<u>9,978,683</u>	<u>-</u>	<u>734,363</u>
<b>TOTAL EXPENDITURES.....</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<u>254,079</u>	<u>1,028</u>	<u>(436,030)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in.....	166,925	-	-
Premium from issuance of bonds and notes.....	10,754	-	-
Transfers out.....	(476,247)	-	-
	<u>(298,568)</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>			
<b>NET CHANGE IN FUND BALANCES.....</b>	<u>(44,489)</u>	<u>1,028</u>	<u>(436,030)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<u>602,401</u>	<u>78,103</u>	<u>1,154,656</u>
<b>FUND BALANCES AT END OF YEAR.....</b>	<u>\$ 557,912</u>	<u>\$ 79,131</u>	<u>\$ 718,626</u>

See notes to basic financial statements.

Coast Guard Houses	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 7,259,048
-	-	436,162
-	-	9,433
-	-	2,075
-	-	166,562
-	224,323	226,736
-	-	378,904
-	472,224	2,135,493
-	-	27,095
-	-	72,257
-	-	46,956
-	110,371	573,412
-	64,106	64,106
-	1,243	6,151
-	872,267	11,404,390
-	82,753	957,317
-	65,897	2,077,760
-	609,016	3,757,783
-	191,963	622,254
-	-	323,589
-	8,262	45,465
-	75,420	820,992
-	-	1,033,743
-	-	746,584
-	-	165,662
-	-	256,389
-	-	640,500
-	-	298,319
-	1,033,311	11,746,357
-	(161,044)	(341,967)
-	129,019	295,944
-	-	10,754
-	-	(476,247)
-	129,019	(169,549)
-	(32,025)	(511,516)
(1,866,000)	532,931	502,091
<u>\$ (1,866,000)</u>	<u>\$ 500,906</u>	<u>\$ (9,425)</u>

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

JUNE 30, 2010

Total governmental fund balances (page 19).....	\$	(9,425)
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		21,236,844
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		432,431
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(72,308)
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.....		(5,897,500)
Net OPEB obligation.....		(178,416)
Compensated absences.....		<u>(256,000)</u>
Net assets of governmental activities (page 15).....	\$	<u><u>15,255,626</u></u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 21)..... \$ (511,516)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.

Capital outlays.....	801,592
Depreciation.....	(753,640)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....

1,472

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the related activity of the current period:

Bond maturities.....	640,500
----------------------	---------

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....

8,295

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.

This amount represents the net change:

Net OPEB obligation.....	(178,416)
Compensated absences.....	<u>63,000</u>

Changes in net assets of governmental activities (page 17)..... \$ 71,287

See notes to basic financial statements.

**PROPRIETARY FUND  
STATEMENT OF FUND NET ASSETS**

JUNE 30, 2010

		Business-Type Activities - Enterprise Fund
<b>ASSETS</b>		<b>Water/Sewer</b>
Current assets:		
Cash and cash equivalents.....	\$	285,076
Restricted cash and cash equivalents.....		51,728
Receivables, net of allowance for uncollectible amounts:		
Water.....		137,230
Sewer.....		135,982
Utility liens.....		7,799
Total current assets.....		617,815
Noncurrent assets:		
Capital assets, net of accumulated depreciation.....		6,975,126
Total assets.....		7,592,941
<b>LIABILITIES</b>		
Current liabilities:		
Warrants payable.....		18,810
Accrued payroll.....		7,159
Compensated absences.....		1,900
Long-term bonds and notes payable.....		248,435
Total current liabilities.....		276,304
Noncurrent liabilities:		
Net OPEB obligation.....		13,612
Compensated absences.....		17,100
Long-term bonds and notes payable.....		1,323,963
Total noncurrent liabilities.....		1,354,675
Total liabilities.....		1,630,979
<b>FUND NET ASSETS</b>		
Invested in capital assets, net of related debt.....		5,402,728
Unrestricted.....		559,234
Total fund net assets.....	\$	5,961,962

See notes to basic financial statements.

**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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		Business-Type Activities - Enterprise Fund
		Water/Sewer
<b>OPERATING REVENUES</b>		
Charges for services.....	\$	1,289,645
<b>OPERATING EXPENSES</b>		
Cost of service and administration.....		612,295
MWRA assessment.....		340,192
Lynn assessment.....		114,508
Depreciation.....		223,414
TOTAL OPERATING EXPENSES.....		1,290,409
OPERATING INCOME (LOSS).....		(764)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense.....		(64,460)
INCOME (LOSS) BEFORE TRANSFERS.....		(65,224)
<b>TRANSFERS</b>		
Transfers in.....		347,228
Transfers out.....		(166,925)
TOTAL TRANSFERS.....		180,303
CHANGE IN FUND NET ASSETS.....		115,079
FUND NET ASSETS AT BEGINNING OF YEAR.....		5,846,883
FUND NET ASSETS AT END OF YEAR.....	\$	5,961,962

See notes to basic financial statements.

PROPRIETARY FUND  
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Fund
	Water/Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users.....	\$ 1,396,229
Payments to vendors.....	(744,615)
Payments to employees.....	(312,193)
	339,421
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in.....	347,228
Transfers out.....	(166,925)
	180,303
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets.....	(114,185)
Principal payments on bonds and notes.....	(262,434)
Interest expense.....	(64,460)
	(441,079)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	78,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$43,568 reported as restricted cash and cash equivalents).....	258,159
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$51,728 reported as restricted cash and cash equivalents).....	\$ 336,804
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>	
Operating income (loss).....	\$ (764)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	223,414
Changes in assets and liabilities:	
Utility liens.....	(4,414)
User charges.....	110,998
Warrants payable.....	(6,983)
Accrued payroll.....	(442)
Net OPEB obligation.....	13,612
Compensated absences.....	4,000
Total adjustments.....	340,185
NET CASH FROM OPERATING ACTIVITIES.....	\$ 339,421

See notes to basic financial statements.

**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2010

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ <u>37,196</u>
<b>LIABILITIES</b>	
Current liabilities:	
Warrants payable.....	2,004
Liabilities due depositors.....	<u>35,192</u>
Total liabilities.....	\$ <u>37,196</u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

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

**B. Reporting Entity**

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

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

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Venture

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

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

Name	Purpose	Address	Fiscal Year 2010 Assessment
Northeastern Metropolitan Regional Vocational School District.....	To provided vocational educational services	100 Hemlock Road Wakefield, MA 01880	\$ 74,252

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

### C. *Government-Wide and Fund Financial Statements*

#### Government-Wide Financial Statements

The government-wide financial statements (statement of net assets 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.

#### 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.

### D. *Measurement Focus, Basis of Accounting and Basis of Presentation*

#### Government-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### 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.

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

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves upon Town Meeting approval.

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

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

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

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

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

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

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.

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 of primarily of rent payments held in escrow and student activity funds. Agency funds do not present the results of operations or have a measurement focus.

#### *E. Cash and Cash Equivalents and Investments*

##### Government-Wide and Fund Financial Statements

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

#### *F. 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, Real Estate Tax Deferrals, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> 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<sup>st</sup> and May 1<sup>st</sup> 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.

### 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<sup>st</sup> and May 1<sup>st</sup> 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 and Utility Liens

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 during 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 fees 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.

### G. 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

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:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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.

#### *K. 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

#### Fund Financial Statements

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

#### *L. 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

As of June 30, 2010, the allowance for uncollectible amounts for personal property taxes, motor vehicle and other excise 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 and utility liens
- Trash

Intergovernmental receivables are considered 100% collectible.

#### *H. 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.

#### *I. 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.

#### *J. Capital Assets*

##### Government-Wide and Proprietary Fund Financial Statements

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

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

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

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.

*M. Deferred Revenue*

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

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

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

Net assets have been "restricted" for the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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

Fund balances have been "reserved for" the following:

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

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

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

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2011 operating budget.

*O. 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 assets. 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.

*P. 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 proprietary fund is retained in the fund.

*Q. 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.

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

In addition to providing pension benefits, and as more fully described in Note 12, the Town provides health insurance coverage for current and future retirees and their spouses.

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

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

*T. Total Column*

Government-Wide Financial Statements

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

Fund Financial Statements

The total column 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 annual 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 in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the general fund authorized \$9,873,296 in appropriations. During fiscal year 2010, supplemental appropriations totaling \$173,813 were authorized.

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

*B. Fund Deficits*

At June 30, 2010, the following fund deficit exists:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Coast Guard houses (major fund).....	\$ 1,866,000	Issuance of long-term debt

*C. Excess of Expenditures over Appropriations*

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations for state and county charges.

**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, 2010, \$1,692,346 of the Town's bank balance of \$2,666,976 was uninsured and uncollateralized and therefore exposed to custodial credit risk.

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, 2010, 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 the 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, 2010, 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.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2010, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	Allowance for Uncollectibles	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 107,268	\$ -	\$ 107,268
Real estate tax deferrals.....	131,783	-	131,783
Tax and trash liens.....	145,827	-	145,827
Motor vehicle and other excise taxes.....	67,958	-	67,958
Community preservation surcharges.....	2,095	-	2,095
Trash.....	58	-	58
Parking violations.....	119,812	(105,880)	13,932
Departmental and other.....	20,948	-	20,948
Intergovernmental.....	6,577	-	6,577
	<u>\$ 602,326</u>	<u>\$ (105,880)</u>	<u>\$ 496,446</u>

At June 30, 2010, receivables for the water/sewer enterprise fund, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	Allowance for Uncollectibles	<u>Net Amount</u>
<u>Receivables:</u>			
Water.....	\$ 137,230	\$ -	\$ 137,230
Sewer.....	135,982	-	135,982
Utility liens.....	7,799	-	7,799
	<u>\$ 281,011</u>	<u>\$ -</u>	<u>\$ 281,011</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

<u>Receivable type:</u>	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Total</u>
Real estate and personal property taxes.....	\$ 49,830	\$ -	\$ 49,830
Real estate tax deferrals.....	131,783	-	131,783
Tax and trash liens.....	143,453	2,374	145,827
Motor vehicle and other excise taxes.....	67,958	-	67,958
Community preservation surcharges.....	-	2,095	2,095
Trash.....	58	-	58
Parking violations.....	13,932	-	13,932
Departmental and other.....	20,948	-	20,948
 Total.....	 <u>\$ 427,962</u>	 <u>\$ 4,469</u>	 <u>\$ 432,431</u>

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,663,885	\$ -	\$ -	\$ 7,663,885
Works of art.....	107,500	-	-	107,500
Total capital assets not being depreciated.....	<u>7,771,385</u>	<u>-</u>	<u>-</u>	<u>7,771,385</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	535,350	82,266	-	617,616
Buildings and improvements.....	13,855,043	527,346	(22,740)	14,359,649
Machinery and equipment.....	2,115,450	54,838	(19,649)	2,150,639
Library books.....	448,230	43,985	-	492,215
Vehicles.....	1,530,857	-	(525,000)	1,005,857
Infrastructure.....	2,584,610	93,157	-	2,677,767
Total capital assets being depreciated.....	<u>21,069,540</u>	<u>801,592</u>	<u>(567,389)</u>	<u>21,303,743</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(267,414)	(21,809)	-	(289,223)
Buildings and improvements.....	(3,566,522)	(372,839)	22,740	(3,916,621)
Machinery and equipment.....	(1,162,312)	(123,096)	19,649	(1,265,759)
Library books.....	(280,827)	(34,098)	-	(314,925)
Vehicles.....	(1,130,610)	(73,795)	525,000	(679,405)
Infrastructure.....	(1,244,348)	(128,003)	-	(1,372,351)
Total accumulated depreciation.....	<u>(7,652,033)</u>	<u>(753,640)</u>	<u>567,389</u>	<u>(7,838,284)</u>
Total capital assets being depreciated, net.....	<u>13,417,507</u>	<u>47,952</u>	<u>-</u>	<u>13,465,459</u>
Total governmental activities capital assets, net.....	<u>\$ 21,188,892</u>	<u>\$ 47,952</u>	<u>\$ -</u>	<u>\$ 21,236,844</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 99,616	\$ 30,610	\$ -	\$ 130,226
Infrastructure.....	10,255,223	83,575	-	10,338,798
<b>Total capital assets being depreciated.....</b>	<b>10,354,839</b>	<b>114,185</b>	<b>-</b>	<b>10,469,024</b>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(3,438)	(8,957)	-	(12,395)
Infrastructure.....	(3,267,046)	(214,457)	-	(3,481,503)
<b>Total accumulated depreciation.....</b>	<b>(3,270,484)</b>	<b>(223,414)</b>	<b>-</b>	<b>(3,493,898)</b>
<b>Total business-type activities capital assets, net.....</b>	<b>\$ 7,084,355</b>	<b>\$ (109,229)</b>	<b>\$ -</b>	<b>\$ 6,975,126</b>

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

<b>Governmental Activities:</b>	
General government.....	\$ 91,259
Public safety.....	107,591
Education.....	242,178
Public works.....	182,698
Culture and recreation.....	129,914
<b>Total depreciation expense - governmental activities.....</b>	<b>\$ 753,640</b>
<b>Business-Type Activities:</b>	
Water/Sewer.....	\$ 223,414

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Total
General Fund.....	\$ -	\$ 129,019	\$ 347,228	\$ 476,247 (1)
Water/Sewer Enterprise Fund.....	166,925	-	-	166,925 (2)
	<b>\$ 166,925</b>	<b>\$ 129,019</b>	<b>\$ 347,228</b>	<b>\$ 643,172</b>

(1) Represents budgeted transfers to a school expense special revenue fund (\$104,019), the wharf insurance special revenue fund (\$25,000) and the water/sewer enterprise fund to pay debt service (\$347,228)

(2) Represents transfer of indirect costs to the general fund (\$166,925)

**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.

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, is as follows:

*Notes Payable - Governmental Funds*

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2009	Increases	Decreases	Balance at 6/30/2010
BAN	Forty steps beach.....	07/10/08	07/10/09	2.40%	\$ 100,000	\$ -	\$ (100,000)	\$ -
BAN	Coast Guard houses.....	09/12/08	09/11/09	2.50%	1,866,000	-	(1,866,000)	-
BAN	Forty steps beach.....	7/10/09	07/08/10	1.80%	-	50,000	-	50,000
RAN	Revenue anticipation note.....	8/12/09	11/12/09	2.00%	-	900,000	(900,000)	-
BAN	Coast Guard houses.....	09/11/09	10/13/09	1.75%	-	1,866,000	(1,866,000)	-
BAN	Coast Guard houses.....	10/13/09	10/13/10	1.75%	-	1,866,000	-	1,866,000
Total.....					\$ 1,966,000	\$ 4,682,000	\$ (4,732,000)	\$ 1,916,000

**NOTE 8 - LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

*Bonds and Notes Payable - Governmental Funds*

Project	Interest Rate	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Golf course project*	10.25%	\$ 60,000	\$ -	\$ (60,000)	-
School remodeling	3.75% - 5.00%	5,090,000	-	(300,000)	4,790,000
Equipment	4.00%	22,000	-	(22,000)	-
Computers	4.00%	12,000	-	(12,000)	-
Remodeling	4.00%	13,000	-	(13,000)	-
Other equipment	4.00%	8,000	-	(8,000)	-
Coast Guard station	4.70%	180,000	-	(90,000)	90,000
DPW dump truck	3.375% - 3.50%	28,000	-	(10,000)	18,000
Fire department truck	3.375% - 3.50%	32,000	-	(11,000)	21,000
Johnson school roof	3.375% - 4.25%	168,000	-	(14,500)	153,500
Building reconstruction	3.375% - 4.25%	625,000	-	(62,500)	562,500
School traffic lights	3.375% - 4.25%	125,000	-	(12,500)	112,500
Remodeling	3.375% - 4.25%	100,000	-	(10,000)	90,000
Departmental equipment	3.375% - 3.50%	75,000	-	(15,000)	60,000
Total governmental funds		\$ 6,538,000	\$ -	\$ (640,500)	\$ 5,897,500

\* Federally taxable general obligation bonds

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 524,500	\$ 231,696	\$ 756,196
2012.....	433,500	210,943	644,443
2013.....	414,500	195,064	609,564
2014.....	414,500	179,806	594,306
2015.....	404,500	162,717	567,217
2016.....	404,500	144,416	548,916
2017.....	404,500	125,986	530,486
2018.....	404,500	108,177	512,677
2019.....	402,500	91,778	494,278
2020.....	300,000	77,600	377,600
2021.....	300,000	65,600	365,600
2022.....	300,000	53,600	353,600
2023.....	300,000	41,600	341,600
2024.....	300,000	29,600	329,600
2025.....	300,000	17,600	317,600
2026.....	290,000	5,800	295,800
Total.....	\$ <u>5,897,500</u>	\$ <u>1,741,983</u>	\$ <u>7,639,483</u>

*Bonds and Notes Payable - Enterprise Fund*

Project	Interest Rate	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Sewer project.....	5.00%	\$ 455,000	\$ -	\$ (32,500)	\$ 422,500
Sewer project.....	5.00%	112,500	-	(7,400)	105,100
Sewer project.....	5.00%	159,970	-	(9,410)	150,560
Water and sewer projects.....	6.70%-7.00%	95,000	-	(50,000)	45,000
Water note (MWRA).....	0.00%	26,625	-	(13,312)	13,313
Water note (MWRA).....	0.00%	39,937	-	(13,312)	26,625
Water note (MWRA).....	0.00%	53,600	-	(13,400)	40,200
Water note (MWRA).....	0.00%	67,000	-	(13,400)	53,600
Water note (MWRA).....	0.00%	187,600	-	(26,800)	160,800
Water note (MWRA).....	0.00%	120,600	-	(13,400)	107,200
Sewer project.....	3.75% - 5.00%	120,000	-	(15,000)	105,000
Sewer project.....	3.75% - 5.00%	240,000	-	(30,000)	210,000
Sewer project.....	4.00%	10,000	-	(10,000)	-
Water projects.....	3.375% - 4.25%	72,000	-	(7,000)	65,000
Sewer project.....	3.375% - 4.25%	75,000	-	(7,500)	67,500
Total enterprise fund.....		\$ 1,834,832	\$ -	\$ (262,434)	\$ 1,572,398

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. The financial assistance is in the form of interest free loans that are payable in ten equal annual installments. At June 30, 2010, the outstanding principal amount of MWRA loans totaled \$401,738.

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

Fiscal Year	Principal	Interest	Total
2011.....	\$ 248,435	\$ 54,361	\$ 302,796
2012.....	191,123	46,406	237,529
2013.....	176,810	41,649	218,459
2014.....	163,410	36,952	200,362
2015.....	150,010	31,956	181,966
2016.....	150,010	26,753	176,763
2017.....	123,210	21,530	144,740
2018.....	78,210	17,298	95,508
2019.....	56,810	14,344	71,154
2020.....	49,310	11,720	61,030
2021.....	49,310	9,255	58,565
2022.....	49,310	6,788	56,098
2023.....	49,310	4,323	53,633
2024.....	16,810	1,858	18,668
2025.....	10,910	1,018	11,928
2026.....	9,410	470	9,880
Total.....	\$ <u>1,572,398</u>	\$ <u>326,681</u>	\$ <u>1,899,079</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, 2010, the Town had the following authorized and unissued debt:

Purpose	Amount
Coast guard houses.....	\$ 1,866,000 *
MWRA water lines.....	134,000
Paving.....	100,000
Fire equipment.....	60,000
Forty steps beach.....	<u>50,000 *</u>
Total.....	\$ <u>2,210,000</u>

\* A BAN is outstanding for this amount as of June 30, 2010

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 6,538,000	\$ -	\$ (640,500)	\$ 5,897,500	\$ 524,500
Net OPEB obligation.....	-	348,296	(169,880)	178,416	-
Compensated absences.....	319,000	-	(63,000)	256,000	25,600
Total.....	<u>\$ 6,857,000</u>	<u>\$ 348,296</u>	<u>\$ (873,380)</u>	<u>\$ 6,331,916</u>	<u>\$ 550,100</u>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 1,834,832	\$ -	\$ (262,434)	\$ 1,572,398	\$ 248,435
Net OPEB obligation.....	-	26,572	(12,960)	13,612	-
Compensated absences.....	15,000	4,000	-	19,000	1,900
Total.....	<u>\$ 1,849,832</u>	<u>\$ 30,572</u>	<u>\$ (275,394)</u>	<u>\$ 1,605,010</u>	<u>\$ 250,335</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 and general fund subsidies.

**NOTE 9 - RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care and workers' compensation plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**NOTE 10 - PENSION PLAN**

*Plan Description* - The Town contributes to the Essex Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Essex Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts, 01923.

**Funding Policy** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town’s contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$423,691, \$383,675, and \$358,682, respectively, which equaled its required contribution for each fiscal year.

**Noncontributory Retirement Allowance** – The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2010 totaled approximately \$5,700.

**NOTE 11 – MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$604,359 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS**

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

The number of participants as of July 1, 2009, the latest actuarial valuation, is as follows:

Active employees.....	50
Retired employees, beneficiaries and dependents.....	<u>43</u>
Total.....	<u>93</u>

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

**Annual OPEB Cost and Net OPEB Obligation** - The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement #45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation to the plan:

	<u>Amount</u>
Annual required contribution.....	\$ 374,868
Interest on net OPEB obligation.....	-
Adjustment to annual required contribution.....	-
Annual OPEB cost.....	374,868
Contributions made.....	<u>(182,840)</u>
Increase in net OPEB obligation.....	192,028
Net OPEB obligation at beginning of year.....	-
Net OPEB obligation at end of year.....	<u>\$ 192,028</u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010*.....	\$ 374,868	48.8%	\$ 192,028

\* Transition year

**Funded Status and Funding Progress** - The funded status of the Plan at July 1, 2009, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/09	\$ -	\$ 4,586,481	\$ 4,586,481	-	\$ 2,427,894	189%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

Cost method:	Entry Age Normal
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years
Interest discount rate:	3.0%
Healthcare/Medical cost trend rate:	Year 1 through Year 6 - 6.0% per year Year 7 and Subsequent - 5.0% per year
Health insurance premiums:	Health insurance premiums for retirees at the calculation date was used as the basis for calculation of the present value of total benefits to be paid
Projected salary increases:	2.0% annually
Retirement age:	The greater of age 65 or the first year of eligibility
Marital status:	Status of plan members at the calculation date
Mortality:	Based on the Expectation of Life by Age and Sex in the United States from the National Center for Health Statistics (2008)
Turnover:	Data from GASB Statement #45 was used to assign active members a probability of remaining employed until the assumed retirement age and to develop an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid

*Allocation of AOPEBC* - AOPEBC costs were allocated to the Town's functions as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 44,216
Public safety.....	143,075
Education.....	126,955
Public works.....	17,149
Trash disposals.....	2,733
Health and human services.....	2,012
Culture and recreation.....	<u>12,156</u>
Total AOPEBC - governmental activities.....	\$ <u>348,296</u>
<b>Business-Type Activities:</b>	
Water/Sewer.....	\$ <u>26,572</u>

**NOTE 13 - 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2010.

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 14 - OPERATING LEASES**

The Town (Lessor) has entered into an operating lease agreement (Agreement) with Kelley Greens at Nahant (Lessee) to manage the Kelley Greens Golf Club (Golf Club). The Agreement provides for a flat rate lease fee for each year of the contract, commencing January 1st of each year. The Lessee may choose to reduce the lease fee, up to an amount equal to two (2) months rent per year by completing capital improvements as approved by the Town. The contract expires on December 31, 2011 with an option to renew for an additional five-year term.

During fiscal year 2010, the Town received approximately \$97,000 in rental fees related to the Golf Club. Rental requirements in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2011.....	\$ 118,002
2012.....	59,501

**NOTE 15 - IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The Town implemented the following GASB pronouncements during fiscal year 2010:

- Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This pronouncement requires the recording of an OPEB liability that relates to the Town’s future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details related to the Town’s OPEB liability and its calculation is provided at Note 12.
- Statement #51, Accounting and Financial Reporting for Intangible Assets. The implementation of this Statement had no impact on the financial statements.
- Statement #53, Accounting and Financial Reporting for Derivative Instruments. The implementation of this Statement had no impact on the financial statements.
- Statement #55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The implementation of this Statement had no impact on the financial statements.
- Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The implementation of this Statement had no impact on the financial statements.

- Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The implementation of this Statement had no impact on the financial statements.

#### NOTE 16 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is required to be implemented during fiscal year 2012. The implementation of this pronouncement will not impact the basic financial statements.
- Statement #59, Financial Instruments Omnibus, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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*Required Supplementary Information*

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 7,183,411	\$ -	\$ 7,183,411
Motor vehicle and other excise taxes.....	-	423,434	-	423,434
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	6,512	-	6,512
Charges for services.....	-	4,625	-	4,625
Trash disposal.....	-	388,697	-	388,697
Intergovernmental.....	-	928,679	-	928,679
Penalties and interest on taxes.....	-	27,650	-	27,650
Licenses and permits.....	-	79,370	-	79,370
Fines and forfeitures.....	-	46,070	-	46,070
Departmental.....	-	469,843	-	469,843
Investment income.....	-	6,400	-	6,400
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>9,564,691</b>	<b>-</b>	<b>9,564,691</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	12,770	930,537	(50,251)	893,056
Public safety.....	2,410	1,999,563	42,500	2,044,473
Education.....	-	3,121,609	27,950	3,149,559
Public works.....	-	395,164	81,550	476,714
Trash disposal.....	-	388,697	(24,955)	363,742
Health and human services.....	-	43,300	1,000	44,300
Culture and recreation.....	5,000	222,795	15,000	242,795
Pension benefits.....	-	444,982	(15,000)	429,982
Employee benefits.....	-	782,924	(8,000)	774,924
Property and liability insurance.....	-	168,738	-	168,738
State and county charges.....	-	231,989	-	231,989
Debt service:				
Principal.....	-	488,000	-	488,000
Interest.....	-	282,770	-	282,770
<b>TOTAL EXPENDITURES.....</b>	<b>20,180</b>	<b>9,501,068</b>	<b>69,794</b>	<b>9,591,042</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(20,180)</b>	<b>63,623</b>	<b>(69,794)</b>	<b>(26,351)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	-	166,925	-	166,925
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(372,228)	(104,019)	(476,247)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(205,303)</b>	<b>(104,019)</b>	<b>(309,322)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(20,180)</b>	<b>(141,680)</b>	<b>(173,813)</b>	<b>(335,673)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>381,398</b>	<b>381,398</b>	<b>381,398</b>	<b>381,398</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 361,218</b>	<b>\$ 239,718</b>	<b>\$ 207,585</b>	<b>\$ 45,725</b>

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 7,201,606	\$ -	\$ 7,201,606	\$ 18,195
436,162	-	436,162	12,728
9,433	-	9,433	9,433
2,075	-	2,075	(4,437)
2,413	-	2,413	(2,212)
378,904	-	378,904	(9,793)
928,627	-	928,627	(52)
27,095	-	27,095	(555)
72,257	-	72,257	(7,113)
46,956	-	46,956	886
463,041	-	463,041	(6,802)
2,392	-	2,392	(4,008)
<u>9,570,961</u>	<u>-</u>	<u>9,570,961</u>	<u>6,270</u>
829,169	6,300	835,469	57,587
2,011,863	-	2,011,863	32,610
3,148,767	-	3,148,767	792
430,291	-	430,291	46,423
323,589	-	323,589	40,153
37,203	-	37,203	7,097
242,308	-	242,308	487
429,384	-	429,384	598
746,584	-	746,584	28,340
165,662	-	165,662	3,076
256,389	-	256,389	(24,400)
488,000	-	488,000	-
280,505	-	280,505	2,265
<u>9,389,714</u>	<u>6,300</u>	<u>9,396,014</u>	<u>195,028</u>
<u>181,247</u>	<u>(6,300)</u>	<u>174,947</u>	<u>201,298</u>
166,925	-	166,925	-
10,754	-	10,754	10,754
(476,247)	-	(476,247)	-
<u>(298,568)</u>	<u>-</u>	<u>(298,568)</u>	<u>10,754</u>
(117,321)	(6,300)	(123,621)	212,052
<u>381,398</u>	<u>381,398</u>	<u>381,398</u>	<u>-</u>
<u>\$ 264,077</u>	<u>\$ 375,098</u>	<u>\$ 257,777</u>	<u>\$ 212,052</u>

**PENSION PLAN SCHEDULES**

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

**SCHEDULES OF FUNDING PROGRESS (SYSTEM)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/08	\$ 301,420,965	\$ 445,171,554	\$ 143,750,589	67.7%	\$ 111,726,856	128.7%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)**

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2004	\$ 12,648,657	100
2005	14,609,198	100
2006	15,274,181	100
2007	16,294,571	100
2008	16,995,636	100
2009	18,173,867	100

The following schedule provides information related to the Town's portion of the System's ARC:

**TOWN SHARE OF SYSTEM ARC**

Fiscal Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2005	\$ 268,755	100	2.1%
2006	302,506	100	2.1%
2007	340,826	100	2.2%
2008	358,682	100	2.2%
2009	383,675	100	2.3%
2010	423,691	100	2.3%

**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. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

	<u>Revenues</u>	<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.....	\$ 9,570,961	\$ 9,396,014	\$ 257,777
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	57,442	-	57,442
To record activity for MTRS on-behalf payments.....	604,359	604,359	-
Net change in recording short-term interest accrual.....	-	(15,390)	(24,136)
To record encumbrances and continuing appropriations.....	-	(6,300)	6,300
To record prior years' water/sewer net cash activities reclassified to the water/sewer enterprise fund prior to the legal adoption of the enterprise fund.....	-	-	260,529
	<u>                    </u>	<u>                    </u>	<u>                    </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 10,232,762</u>	<u>\$ 9,978,683</u>	<u>\$ 557,912</u>

**NOTE B - PENSION PLAN**

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2008
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Approximate level percent of payroll based on 4.5% annual increases; except level dollar for ERI liability for certain units
Remaining amortization period:	As of July 1, 2008, schedules as selected by the units for 2002 ERI liability, schedules as selected by units for 2003 ERI liability and 20 years for remaining unfunded liability
Asset valuation method:	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (as the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value. In order that the actuarial value not differ to significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.

Actuarial assumptions:

Investment rate of return:	8.50%
Projected salary increases:	5.00%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income