

TOWN OF NAHANT, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2017



To the Honorable Board of Selectmen
Town of Nahant, Massachusetts

In planning and performing our audit of the financial statements of the Town of Nahant, Massachusetts as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated January 8, 2018, on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

This communication is intended solely for the information and use of management, the Board of Selectmen, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, MA
January 8, 2018

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TOWN OF NAHANT, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2017

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Comments and Recommendations

Information Technology

Comment

In the prior year Management Letter, we reported various deficiencies related to the Town's use of information technology. During the fiscal year 2017 audit, we identified that the deficiencies reported in the prior year were not resolved.

The deficiencies are summarized as follows:

- There are no written policies to address employees' use of information technology
- Some of the Town's software programs do not support proper segregation of duties through technical access rights, such as password requirements. In addition, the password requirements for programs with technical access rights could be strengthened.
- Periodic reviews of network and application user accounts are not performed to ensure only current employees and approved business partners have active user accounts

Recommendation

We recommend the following:

- Implementation of an IT security policy governing end users of information technology. All employees should be required to acknowledge in writing that they understand and will adhere to the policy. The policy should address the following areas:
 - Mobile devices
 - Security awareness
 - Acceptable use of technology
 - Peripheral devices
- For software programs that do not allow for access passwords, implementation of control measures to require a periodic review of user access logs to ensure no unauthorized access to such programs has occurred
- For software programs that do allow for access passwords, implementation of stronger password requirements, as follows:
 - Regular Users:
 - Minimum length of 8 characters
 - Complexity Enabled (Upper case, lower case, alpha numeric, special character)
 - Minimum password age of 1 day; maximum password age of 90 days
 - 12-24 passwords remembered

- System Administrators:
 - Minimum length of 15 characters
 - Complexity enforced (Upper case, lower case, alpha numeric, special character)
 - Change frequency of 60 days enforced
 - Password history of 24

If stronger and more complex administrator passwords cannot be implemented due to system limitations, then it should be implemented via written policy.

- Implementation of annual (at a minimum) procedures to compare network and application user accounts to a list of current employees to validate only current employees and approved business partners have active user accounts. Documentation must be maintained to provide evidence of these periodic reviews.

Management's Response

Lack of Written Policies

Written policies will be created and provided to the employees

Software segregation

All Town software programs support user segregation and the Town will pursue full implementation.

All users have separate credentials to the computer network and data is locked down by user and/or group. User can only see department information or data that is relevant. Finance applications contain an added level of security and separate login passwords are required for access. Only authorized users have access.

Ext. penetration testing

Nahant town hall has only 1 firewall with no external access available. Security testing (penetration test and vulnerability assessment) are completed annually and has functioned to verify system security. In addition to the testing, the system receives internal upgrades and patches to all workstations and servers.

Network and application user accounts

When a User leaves the system, the IT Specialist disables the account and deletes the User as soon as a new hire is on-site. User accounts are deleted from finance software immediately. New Users are reported to the manager and relevant data is provided the new hire. The Town will work to routinely assess and make modification to user passwords in order to remain current with Town policy and to ensure system security.

Charles Waelde is our IT specialists and he continues to work with CliftonLarsonAllen LLP to ensure that the Town remains current on our implementation of our annual procedures.

Risk Assessment and Monitoring

Comment

As reported in prior years, when internal controls are *initially* implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and services, can add risks that previously did not exist. As a result, all municipalities must periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset misappropriation. Risk assessment (which includes fraud risk assessment), is one element of internal control.

The risk assessment should be performed by management-level employees who have extensive knowledge of the Town's operations. Ordinarily, the management-level employees would conduct interviews or lead group discussions with personnel who have knowledge of the Town's operations, its environment, and its processes. The risk assessment process should consider the Town's vulnerability to misappropriation of assets. It should also address operations that involve heightened levels of risk. When conducting the assessment, the following questions should be considered:

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?
- What prior internal control issues could still continue to be problematic?

Once the areas vulnerable to risks have been identified, a review of the Town's systems, procedures, and existing controls related to these areas should be conducted. The Town should consider what additional controls (if any) need to be implemented to reduce risk.

After risk has been assessed, periodic monitoring of the identified risk areas must be performed in order to evaluate the controls that have been implemented to mitigate the risks. Since control-related policies and procedures tend to deteriorate over time, the monitoring process ensures that controls are fully operational and effective.

We identified the Town has implemented an Employee Handbook. The Employee Handbook is an aspect of risk assessment and monitoring, but more extensive measures must be taken in order to fully establish a comprehensive risk assessment and monitoring program.

Recommendation

We recommend that management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the Town's financial policies and procedures manual.

We recommend that management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

Management's Response

The Town currently keeps all assets over \$1,000 in the fixed asset software, One Squared, and periodically updates this list, as well as compare all assets to the insurance reports. The Town is working with the departments to strengthen internal controls in all areas listed above. Two key departments, Fire and Highway, have recently received new department heads who have created greater accountability in regards to asset management. The Town Administrator continues to develop a risk assessment programs to assist in this process and it is expected that this will be completed and formalized in the next 12 months.

Financial Policies and Procedures Manual

Comment

As reported in prior years, the Town's financial policies and procedures are well designed and functioning properly. However, we believe that preparation of a centralized formal (written) policy and procedures manual would improve and standardize the Town's financial policies and procedures. Inherent in any organization that operates without formalized written procedures are inconsistencies in everyday policies and procedures. The number of such inconsistencies can be minimized by the written codification of policies and procedures and insistence on adherence to them.

Such a manual should include policies and procedures relative to all financial functions and processes, including, but not limited to, the following:

- Cash receipts
- Cash disbursements
 - Payroll
 - Vendor
- Billing procedures
- Cash and accounts receivable reconciliations
- Debt issuance procedures
- Recordkeeping requirements
- State and federal financial reporting requirements
- Administration of student activity funds
- Month-end and year-end closing procedures

The manual should also clearly define the objectives, responsibilities and authorizations for all employees/job positions.

The use of written policies, procedures, and job descriptions in conjunction with specific assignment of responsibilities would increase supervisory personnel's effectiveness. Such written documents would decrease the time spent on supervision of clerical personnel and in attempts to define job responsibilities in the event of employee turnover.

Recommendation

The Town has prepared a few sections of the manual (payroll and vendor cash disbursements, accounts receivable reconciliations and debt issuance procedures). We recommend management continue its progress towards designing and implementing a formal financial policies and procedures manual.

Management's Response

The Town is continuing to design and implement formal financial policies and procedures and to insert them into a centralized manual. A recent turn over in the Treasurer/Collector position has slowed this process, but the Town Administrator is confident that a draft set of policies and procedures will soon be finalized and submit for approval by the Board of Selectmen.

Develop and Document a Disaster Recovery Plan

Comment

As reported in prior years, the Town has property insurance; however, it does not have a plan of action in case its offices should be destroyed by a fire, natural disaster such as a flood or tornado, or a bombing or other terrorist act. Such a disaster could strike at any time, perhaps without warning. In that case, the Town would have to act quickly to take steps critical to assessing and recovering from loss of, or damage to, its premises; furniture and equipment; and electronic data.

A well-thought out and documented disaster recovery plan would help Town personnel act quickly and appropriately at a time when the stress and disruption of a disaster might adversely affect their memory, emotions, and judgment. It would also help others take charge in place of managers who might be lost, injured, or otherwise unavailable at the time of the crisis.

As part of developing a disaster recovery plan, arrangements should be made for protection of files and for use of backup space, equipment and furniture, or services should a disaster occur. In addition, while developing the plan, management personnel could take the opportunity to reassess the adequacy of its property insurance and to learn about some of the financial assistance that might be available to the Town after a disaster so that such assistance could be requested as quickly as possible.

Recommendation

The Town has made improvements in this area, such as document back-ups and off-site storage of software. To continue its progress, we recommend management develop and implement a complete and formal disaster recovery plan. The disaster recovery plan should be documented and at least one copy stored in a secure, off-site location. We suggest that the documentation include the following:

- A list of key contacts, including all employees and their emergency contacts, insurance companies, key suppliers and customers, and important professional services such as restoration specialists
- A current schematic showing how the computer system is designed and connected
- A current, complete set of documentation for all of the operating systems and application software (including version numbers)
- A copy of the schedule for the off-site storage of backup data and programs
- A list of safety and community services that might be needed
- A list of pre-arranged temporary alternative work sites
- A list of probable equipment and supplies that would be needed for recovery operations and related vendors

The disaster recovery plan should be reviewed, updated, and tested at least annually. This will allow the disaster team members to assess the plan's continued appropriateness and feasibility in light of current conditions and to become familiar with implementing each step of the plan so that they could act more quickly and decisively at the time of the disaster.

Management's Response

The recent hire of a new Highway Superintendent and the combining of this position with the Emergency Management Coordinator position, has allowed the Town to place more focus on this effort. It is expected that a complete disaster recovery plan will be in place within the next 12 months. The Town Administrator has met with the key contacts and has completed a mitigation Plan (2014) and submitted it to MEMA for review. The facility recovery aspect of this plan is undergoing further development in order to incorporate the views of the new Highway Superintendent. The plan is envisioned as being finalized within the next 6 months.

TOWN OF NAHANT, MASSACHUSETTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

**TOWN OF NAHANT, MASSACHUSETTS
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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Nahant, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nahant, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Nahant, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nahant, Massachusetts, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11), general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information, and the related notes to the required supplementary information (located on pages 61 through 68) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018 on our consideration of the Town of Nahant, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Nahant's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Nahant, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, MA
January 8, 2018

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,697,639 (net position). Of this amount, \$128,796 of unrestricted net position in the Rubbish Enterprise Fund may be used to meet the government's ongoing obligations to citizens and creditors for rubbish activities.
- The Town's total net position decreased \$1,468,763.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,220,241, or 10.4% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$375,510 during the fiscal year.

Overview of the Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service - interest. Business-type activities include the water/sewer and rubbish operations.

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Proprietary Funds

The Town maintains one type of proprietary fund.

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-60 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and community preservation fund and certain pension and other postemployment benefits information, which can be found on pages 61-68 of this report.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Government-Wide Financial Analysis

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$16,697,639 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets.....	\$ 4,241,584	\$ 4,348,307	\$ 1,298,539	\$ 1,470,097	\$ 5,540,123	\$ 5,818,404
Noncurrent assets (excluding capital assets).....	156,031	182,667	-	-	156,031	182,667
Capital assets (net).....	23,337,284	23,251,201	6,594,312	6,887,089	29,931,596	30,138,290
Total assets.....	27,734,899	27,782,175	7,892,851	8,357,186	35,627,750	36,139,361
Deferred Outflows of Resources	673,950	457,478	61,001	45,798	734,951	503,276
Liabilities						
Current liabilities (excluding debt).....	499,429	526,205	60,387	61,622	559,816	587,827
Noncurrent liabilities (excluding debt).....	9,299,777	9,601,436	827,859	930,038	10,127,636	10,531,474
Current debt.....	3,403,334	3,327,834	1,209,920	229,110	4,613,254	3,556,944
Noncurrent debt.....	2,492,500	2,897,000	951,170	902,990	3,443,670	3,799,990
Total liabilities.....	15,695,040	16,352,475	3,049,336	2,123,760	18,744,376	18,476,235
Deferred Inflows of Resources	844,269	-	76,417	-	920,686	-
Net Position						
Net investment in capital assets.....	17,605,599	17,258,902	5,533,411	5,936,726	23,139,010	23,195,628
Restricted.....	1,467,805	1,371,027	-	-	1,467,805	1,371,027
Unrestricted.....	(7,203,864)	(6,742,751)	(705,312)	342,498	(7,909,176)	(6,400,253)
Total net position.....	\$ 11,869,540	\$ 11,887,178	\$ 4,828,099	\$ 6,279,224	\$ 16,697,639	\$ 18,166,402

The largest portion of the Town's net position (\$23,139,010) reflects its investment in capital assets (e.g., land, works of art, land improvements, buildings and improvements, machinery and equipment, library books, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$1,467,805) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the rubbish enterprise fund of \$128,796 may be used to support business-type activities.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

Changes in Net Position

For the fiscal year ended June 30, 2017, the Town's total net position decreased by \$1,468,763, compared to an increase of \$95,397 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 1,007,035	\$ 1,029,645	\$ 2,096,469	\$ 2,078,483	\$ 3,103,504	\$ 3,108,128
Operating grants and contributions.....	1,205,415	1,040,601	2,510	1,503	1,207,925	1,042,104
Capital grants and contributions.....	393,612	266,699	-	-	393,612	266,699
<i>General Revenues:</i>						
Real estate and personal property taxes.....	8,633,945	8,458,081	-	-	8,633,945	8,458,081
Motor vehicle and other excise taxes.....	614,323	591,799	-	-	614,323	591,799
Penalties and interest on taxes.....	207,571	84,413	-	-	207,571	84,413
Payments in lieu of taxes.....	1,556	1,557	-	-	1,556	1,557
Community preservation surcharges.....	202,167	196,776	-	-	202,167	196,776
Grants and contributions not restricted to specific programs.....	424,681	430,891	-	-	424,681	430,891
Unrestricted investment income.....	588	1,693	-	-	588	1,693
Total revenues.....	12,690,893	12,102,155	2,098,979	2,079,986	14,789,872	14,182,141
Expenses						
General government.....	1,672,327	1,699,976	-	-	1,672,327	1,699,976
Public safety.....	3,841,495	3,530,422	-	-	3,841,495	3,530,422
Education.....	4,899,294	4,793,679	-	-	4,899,294	4,793,679
Public works.....	1,000,902	907,557	-	-	1,000,902	907,557
Health and human services.....	250,684	248,619	-	-	250,684	248,619
Culture and recreation.....	614,996	619,381	-	-	614,996	619,381
Debt service - interest.....	174,445	186,685	-	-	174,445	186,685
Water/Sewer.....	-	-	3,433,328	1,758,248	3,433,328	1,758,248
Rubbish.....	-	-	371,164	342,177	371,164	342,177
Total expenses.....	12,454,143	11,986,319	3,804,492	2,100,425	16,258,635	14,086,744
Change in net position before transfers.....	236,750	115,836	(1,705,513)	(20,439)	(1,468,763)	95,397
Transfers, net.....	(254,388)	(53,153)	254,388	53,153	-	-
Change in net position.....	(17,638)	62,683	(1,451,125)	32,714	(1,468,763)	95,397
Net position - beginning of year.....	11,887,178	11,824,495	6,279,224	6,246,510	18,166,402	18,071,005
Net position - end of year.....	\$ 11,869,540	\$ 11,887,178	\$ 4,828,099	\$ 6,279,224	\$ 16,697,639	\$ 18,166,402

Governmental activities decreased the Town's net position by \$17,638. In the prior year, governmental activities increased the Town's net position by \$62,683. The change from the prior year is primarily the result of an increased transfers to the water/sewer enterprise fund to subsidize increased expenses due to the unforeseen water main breaks.

Business-type activities decreased the Town's net position by \$1,451,125. In the prior year, business-type activities increased the Town's net position by \$32,714. The change from the prior year was primarily the result of increased expenses due to the unforeseen water main breaks.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Fund Financial Statement Analysis

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

Governmental funds

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$572,650, an increase of \$12,606 in comparison with the prior year. The total unassigned fund deficit totaled \$1,719,573, resulting from temporary fund deficits in the Coast Guard houses and other capital projects funds. The remainder of fund balance includes the following constraints:

- Nonspendable - \$25,150
- Restricted - \$1,520,627
- Committed - \$634,125
- Assigned - \$112,321

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$1,220,241 while total fund balance was \$1,966,687. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 10.4% of total general fund expenditures and transfers out, while total fund balance represents 16.8% of that same amount.

The balance of the Town's general fund increased \$149,244 during the current fiscal year. Although the Town's increase in fund balance on a budgetary basis was greater than the final amended budget amount by approximately \$1,137,000 (excluding encumbrances and continuing appropriations), approximately \$780,000 of reserves were used to fund the fiscal year 2017 budget.

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

The fund balance of the community preservation fund (special revenue) increased by \$34,087 during the current fiscal year. The fund recognized \$207,429 in surcharges, \$93,525 in intergovernmental revenues and \$2,116 of investment income. Expenditures of \$268,983 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.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Proprietary Funds

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

Unrestricted net position of the water/sewer enterprise fund at the end of the year amounted to (\$834,108). The water/sewer enterprise fund had a decrease in net position for the year of \$1,510,775. Unrestricted net position of the rubbish enterprise fund at the end of the year amounted to \$128,796. The rubbish enterprise fund had an increase in net position for the year of \$59,650. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$11,511,096 was increased by \$11,507 (0.10%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Snow and ice.....	\$ 107,753	Pension benefits appropriation
Treasurer/Collector expenses.....	25,000	Various appropriations and available funds
Retirement account.....	24,142	Reserve fund
Fire expenses.....	23,350	Various appropriations and available funds
Fire vehicle repairs and maintenance.....	22,175	Reserve fund
Police salaries.....	22,000	Various appropriations and available funds
Police salaries.....	20,000	Reserve fund
Treasurer/Collector services.....	18,000	Reserve fund
Public works expenses.....	18,000	Reserve fund
Fire salaries.....	17,000	Various appropriations
Transfer to Water/Sewer enterprise fund.....	12,000	Various appropriations and available funds
Town Counsel expenses.....	10,000	Various appropriations and available funds
Transfer to stabilization fund.....	6,500	Unassigned fund balance
Town Administrator expenses.....	5,000	Various appropriations and available funds
Transfer to OPEB trust fund.....	3,300	Unassigned fund balance
Town Hall expenses.....	3,000	Various appropriations and available funds
Town Hall salaries.....	1,000	Various appropriations and available funds
Town Accountant salaries.....	(2,850)	Various appropriations
Fire capital.....	(7,900)	Various appropriations
Police expenses.....	(14,500)	Various appropriations
Data processing expenses.....	(18,560)	Various appropriations
Reserve fund.....	(102,317)	Available funds
Pension and employee benefits.....	<u>(180,586)</u>	Various appropriations
Total increase.....	<u>\$ 11,507</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 positive budget to actual variance of approximately \$1,025,000.

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 \$29,931,596 (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 \$206,694.

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

- Purchase of an ambulance (approximately \$205,000)
- Road construction projects (approximately \$211,000)
- Building improvements (approximately \$146,000)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land.....	\$ 7,669,465	\$ 7,669,465	\$ -	\$ -	\$ 7,669,465	\$ 7,669,465
Works of art.....	110,500	110,500	-	-	110,500	110,500
Land improvements.....	835,057	853,896	-	-	835,057	853,896
Buildings & improvements.....	10,558,326	10,824,746	-	-	10,558,326	10,824,746
Machinery and equipment.....	1,150,800	901,941	82,034	93,855	1,232,834	995,796
Library books.....	159,891	154,821	-	-	159,891	154,821
Vehicles.....	1,159,323	1,100,130	9,147	21,418	1,168,470	1,121,548
Infrastructure.....	<u>1,693,922</u>	<u>1,635,702</u>	<u>6,503,131</u>	<u>6,771,816</u>	<u>8,197,053</u>	<u>8,407,518</u>
Total capital assets.....	\$ <u>23,337,284</u>	\$ <u>23,251,201</u>	\$ <u>6,594,312</u>	\$ <u>6,887,089</u>	\$ <u>29,931,596</u>	\$ <u>30,138,290</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$4,058,090, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds.....	\$ 2,897,000	\$ 3,301,500	\$ 355,990	\$ 465,800	\$ 3,252,990	\$ 3,767,300
MWRA notes.....	<u>-</u>	<u>-</u>	<u>805,100</u>	<u>666,300</u>	<u>805,100</u>	<u>666,300</u>
Total bonds and notes.....	\$ <u>2,897,000</u>	\$ <u>3,301,500</u>	\$ <u>1,161,090</u>	\$ <u>1,132,100</u>	\$ <u>4,058,090</u>	\$ <u>4,433,600</u>

The Town's total bonded debt decreased by \$375,510 (8.5%) during the current fiscal year.

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

**TOWN OF NAHANT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2018 general fund operating budget was influenced by four major factors: slight increased revenue, negotiated union contracts with 3% increases for DPW and Fire Unions, 2% increase for police and 1.5% increase for the school union contracts, increased and decreased uncontrollable expenses, and limitations on the property tax levy imposed by Proposition 2 ½.

Budgeted revenue increased slightly and was mainly due to property taxes and a 2% increase in state aid (After 3% increase in FY17, 5.45% increase in FY16, 2.19% increase in FY15 3.77% increase in FY14, 2% increase in FY13 and 7% reduction in FY12 on top of 10% decrease from FY 11 and 15% decrease from FY 10). There is a 2% increase in budgetary total local receipts, mainly due to ambulance revenues.

Approximately 90% of school employees and 75% of municipal employees are covered by collective bargaining agreements. For fiscal year 2018, the non-school unions negotiated 3%, 3%, 2% increases and the school unions negotiated 1.5% increases. The cherry sheet assessments decreased by 13% for FY18. The general government budget decreased by .6%, public safety increased by 1.1%, school increased by 3.9%, DPW decreased by 5.7% (excluding snow & ice), debt decreased by 12.1% and employee benefits increased by 13.9%.

The Swampscott Tuition increased by .6% and Technical School Assessment increased by 33%. SPED Transportation increased by 5% and Charter School Tuition increased by 21%. Essex Regional Retirement Board assessment increased 31%.

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 \$187,458 (2.2%).

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

Requests for Information

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

TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,320,182	\$ 817,372	\$ 3,137,554
Restricted Cash and Cash Equivalents	1,659,793	100,189	1,759,982
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	103,709	-	103,709
Tax and utility liens	51,497	13,385	64,882
Motor Vehicle and Other Excise Taxes	46,745	-	46,745
Community Preservation Surcharges	323	-	323
Water	-	191,916	191,916
Sewer	-	160,904	160,904
Trash	-	14,773	14,773
Parking Violations	10,400	-	10,400
Departmental and Other	48,926	-	48,926
Intergovernmental	9	-	9
Total Current Assets	4,241,584	1,298,539	5,540,123
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	156,031	-	156,031
Capital Assets not being Depreciated	7,779,965	-	7,779,965
Capital Assets, Net of Accumulated Depreciation	15,557,319	6,594,312	22,151,631
Total Noncurrent Assets	23,493,315	6,594,312	30,087,627
Total Assets	27,734,899	7,892,851	35,627,750
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	673,950	61,001	734,951
LIABILITIES			
Current Liabilities:			
Warrants Payable	300,986	49,006	349,992
Accrued Payroll	76,667	9,481	86,148
Other Liabilities	10,726	-	10,726
Accrued Interest	80,250	-	80,250
Compensated Absences	30,800	1,900	32,700
Short-Term Notes Payable	2,998,834	1,000,000	3,998,834
Long-Term Bonds and Notes Payable	404,500	209,920	614,420
Total Current Liabilities	3,902,763	1,270,307	5,173,070
Noncurrent Liabilities:			
Compensated Absences	277,200	17,100	294,300
Net OPEB Obligation	1,487,074	128,701	1,615,775
Net Pension Liability	7,535,503	682,058	8,217,561
Long-Term Bonds and Notes Payable	2,492,500	951,170	3,443,670
Total Noncurrent Liabilities	11,792,277	1,779,029	13,571,306
Total Liabilities	15,695,040	3,049,336	18,744,376
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	844,269	76,417	920,686
NET POSITION			
Net Investment in Capital Assets	17,605,599	5,533,411	23,139,010
Restricted for:			
Community Preservation	822,260	-	822,260
Permanent Funds:			
Expendable	44,396	-	44,396
Nonexpendable	25,150	-	25,150
Other Specific Purposes	575,999	-	575,999
Unrestricted	(7,203,864)	(705,312)	(7,909,176)
Total Net Position	\$ 11,869,540	\$ 4,828,099	\$ 16,697,639

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,672,327	\$ 546,053	\$ 9,254	\$ 67,375	\$ (1,049,645)
Public Safety	3,841,495	146,982	79,954	-	(3,614,559)
Education	4,899,294	153,699	993,491	-	(3,752,104)
Public Works	1,000,902	125,727	15,492	92,712	(766,971)
Health and Human Services	250,684	10,876	24,609	-	(215,199)
Culture and Recreation	614,996	23,698	59,700	233,525	(298,073)
Debt Service-Interest	174,445	-	22,915	-	(151,530)
Total Governmental Activities	<u>12,454,143</u>	<u>1,007,035</u>	<u>1,205,415</u>	<u>393,612</u>	<u>(9,848,081)</u>
Business-Type Activities:					
Water/Sewer	3,433,328	1,636,004	2,161	-	(1,795,163)
Rubbish	371,164	460,465	349	-	89,650
Total Business-Type Activities	<u>3,804,492</u>	<u>2,096,469</u>	<u>2,510</u>	<u>-</u>	<u>(1,705,513)</u>
Total Primary Government	<u>\$ 16,258,635</u>	<u>\$ 3,103,504</u>	<u>\$ 1,207,925</u>	<u>\$ 393,612</u>	<u>\$ (11,553,594)</u>

**TOWN OF NAHANT, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (9,848,081)	\$ (1,705,513)	\$ (11,553,594)
General Revenues:			
Real Estate and Personal Property Taxes	8,633,945	-	8,633,945
Motor Vehicle and Other Excise Taxes	614,323	-	614,323
Penalties and Interest on Taxes	207,571	-	207,571
Payments in Lieu of Taxes	1,556	-	1,556
Community Preservation Surcharges	202,167	-	202,167
Grants and Contributions not Restricted to Specific Programs	424,681	-	424,681
Unrestricted Investment Income	588	-	588
Transfers, Net	<u>(254,388)</u>	<u>254,388</u>	<u>-</u>
Total General Revenues and Transfers	<u>9,830,443</u>	<u>254,388</u>	<u>10,084,831</u>
CHANGE IN NET POSITION	(17,638)	(1,451,125)	(1,468,763)
Net Position - Beginning of Year	<u>11,887,178</u>	<u>6,279,224</u>	<u>18,166,402</u>
NET POSITION - END OF YEAR	<u>\$ 11,869,540</u>	<u>\$ 4,828,099</u>	<u>\$ 16,697,639</u>

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Coast Guard Houses</u>
Cash and Cash Equivalents	\$ 2,320,182	\$ -	\$ -
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	103,709	-	-
Real Estate Tax Deferrals	156,031	-	-
Tax and Trash Liens	50,747	750	-
Motor Vehicle and Other Excise taxes	46,745	-	-
Community Preservation Surcharges	-	323	-
Parking Violations	10,400	-	-
Departmental and Other	48,926	-	-
Intergovernmental	-	-	-
Tax Foreclosures	-	-	-
Restricted Assets:			
Cash and Cash Equivalents	<u>-</u>	<u>834,624</u>	<u>-</u>
Total Assets	<u>\$ 2,736,740</u>	<u>\$ 835,697</u>	<u>\$ -</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 251,742	\$ 13,437	\$ -
Accrued Payroll	70,915	-	-
Other Liabilities	10,726	-	-
Accrued Short-Term Interest	43,134	-	-
Short-Term Notes Payable	<u>-</u>	<u>-</u>	<u>1,866,000</u>
Total Liabilities	<u>376,517</u>	<u>13,437</u>	<u>1,866,000</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>393,536</u>	<u>1,073</u>	<u>-</u>
 FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	821,187	-
Committed	634,125	-	-
Assigned	112,321	-	-
Unassigned	<u>1,220,241</u>	<u>-</u>	<u>(1,866,000)</u>
Total Fund Balances	<u>1,966,687</u>	<u>821,187</u>	<u>(1,866,000)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,736,740</u>	<u>\$ 835,697</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

ASSETS	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ -	\$ 2,320,182
Receivables, Net of Allowance for Uncollectible Amounts:		
Real Estate and Personal Property Taxes	-	103,709
Real Estate Tax Deferrals	-	156,031
Tax and Trash Liens	-	51,497
Motor Vehicle and Other Excise taxes	-	46,745
Community Preservation Surcharges	-	323
Parking Violations	-	10,400
Departmental and Other	-	48,926
Intergovernmental	9	9
Tax Foreclosures	-	-
Restricted Assets:		
Cash and Cash Equivalents	<u>825,169</u>	<u>1,659,793</u>
 Total Assets	 <u>\$ 825,178</u>	 <u>\$ 4,397,615</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Warrants Payable	\$ 35,807	\$ 300,986
Accrued Payroll	5,752	76,667
Other Liabilities	-	10,726
Accrued Short-Term Interest	-	43,134
Short-Term Notes Payable	<u>1,132,834</u>	<u>2,998,834</u>
Total Liabilities	<u>1,174,393</u>	<u>3,430,347</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>9</u>	<u>394,618</u>
 FUND BALANCES		
Nonspendable	25,150	25,150
Restricted	699,440	1,520,627
Committed	-	634,125
Assigned	-	112,321
Unassigned	<u>(1,073,814)</u>	<u>(1,719,573)</u>
Total Fund Balances	<u>(349,224)</u>	<u>572,650</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 825,178</u>	 <u>\$ 4,397,615</u>

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Community Preservation</u>	<u>Coast Guard</u>
REVENUES			
Real Estate and Personal Property Taxes	\$ 8,599,361	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	604,829	-	-
Tax and Trash Liens	230,327	-	-
Payments in Lieu of Taxes	1,556	-	-
Community Preservation Surcharges	-	207,429	-
Charges for Services	2,635	-	-
Intergovernmental	1,221,552	93,525	-
Penalties and Interest on Taxes	207,571	-	-
Licenses and Permits	120,481	-	-
Fines and Forfeitures	40,513	-	-
Departmental and Other	616,782	-	-
Contributions	-	-	-
Investment Income	3,088	2,116	-
	<u>11,648,695</u>	<u>303,070</u>	<u>-</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	1,146,906	155,984	-
Public Safety	2,584,495	-	-
Education	3,871,589	-	-
Public Works	547,976	-	-
Health and Human Services	102,939	-	-
Culture and Recreation	270,967	43,936	-
Pension Benefits	617,979	-	-
Employee Benefits	951,054	-	-
Property and Liability Insurance	215,887	-	-
State and County Charges	141,593	-	-
Debt Service:			
Principal	342,000	62,500	-
Interest	173,542	6,563	-
	<u>10,966,927</u>	<u>268,983</u>	<u>-</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>681,768</u>	<u>34,087</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Premium from Issuance of Bonds and Notes	19,864	-	-
Transfers In	205,683	-	-
Transfer Out	(758,071)	-	-
	<u>(532,524)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	149,244	34,087	-
Fund Balances - Beginning of Year	<u>1,817,443</u>	<u>787,100</u>	<u>(1,866,000)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,966,687</u>	<u>\$ 821,187</u>	<u>\$ (1,866,000)</u>

See accompanying notes to the basic financial statements.

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES		
Real Estate and Personal Property Taxes	\$ -	\$ 8,599,361
Motor Vehicle and Other Excise Taxes	-	604,829
Tax and Trash Liens	-	230,327
Payments in Lieu of Taxes	-	1,556
Community Preservation Surcharges	-	207,429
Charges for Services	150,337	152,972
Intergovernmental	569,488	1,884,565
Penalties and Interest on Taxes	-	207,571
Licenses and Permits	-	120,481
Fines and Forfeitures	-	40,513
Departmental and Other	94,851	711,633
Contributions	104,636	104,636
Investment Income	150	5,354
	<u>919,462</u>	<u>12,871,227</u>
Total Revenues		
EXPENDITURES		
Current:		
General Government	102,977	1,405,867
Public Safety	393,030	2,977,525
Education	341,341	4,212,930
Public Works	283,551	831,527
Health and Human Services	36,220	139,159
Culture and Recreation	234,120	549,023
Pension Benefits	-	617,979
Employee Benefits	-	951,054
Property and Liability Insurance	-	215,887
State and County Charges	-	141,593
Debt Service:		
Principal	-	404,500
Interest	-	180,105
	<u>1,391,239</u>	<u>12,627,149</u>
Total Expenditures		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(471,777)</u>	<u>244,078</u>
OTHER FINANCING SOURCES (USES)		
Premium from Issuance of Bonds and Notes	3,052	22,916
Transfers In	298,000	503,683
Transfer Out	-	(758,071)
	<u>301,052</u>	<u>(231,472)</u>
Total Other Financing Sources (Uses)		
NET CHANGE IN FUND BALANCES	(170,725)	12,606
Fund Balances - Beginning of Year	<u>(178,499)</u>	<u>560,044</u>
FUND BALANCES - END OF YEAR	<u>\$ (349,224)</u>	<u>\$ 572,650</u>

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2017**

Total Governmental Fund Balances	\$	572,650
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		23,337,284
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		394,618
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due		(37,116)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and Notes Payable		(2,897,000)
Compensated Absences		(308,000)
Net OPEB Obligation		(1,487,074)
Net Pension Liability		(7,535,503)
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		(844,269)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions		<u>673,950</u>
Net Position of Governmental Activities	\$	<u>11,869,540</u>

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$	12,606
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital Outlays		1,006,185
Depreciation		(920,102)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>		
		(203,249)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the related activity of the current period.</p>		
Bond Maturities		404,500
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>		
		5,660
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Compensated Absences		29,000
Net OPEB Obligation		(143,814)
Net Pension Liability		419,373
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>		
		216,472
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p>		
		<u>(844,269)</u>
Changes in Net Position of Governmental Activities	\$	<u><u>(17,638)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 594,918	\$ 222,454	\$ 817,372
Restricted Cash and Cash Equivalents	100,189	-	100,189
Receivables, Net of Allowance for Uncollectible Amounts:			
Utility Liens	8,764	4,621	13,385
Water	191,916	-	191,916
Sewer	160,904	-	160,904
Trash	-	14,773	14,773
Total Current Assets	1,056,691	241,848	1,298,539
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	6,587,151	7,161	6,594,312
Total Assets	7,643,842	249,009	7,892,851
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	54,386	6,615	61,001
LIABILITIES			
Current Liabilities:			
Warrants Payable	22,375	26,631	49,006
Accrued Payroll	8,536	945	9,481
Compensated Absences	1,900	-	1,900
Short-Term Notes Payable	1,000,000	-	1,000,000
Long-Term Bonds and Notes Payable	209,920	-	209,920
Total Current Liabilities	1,242,731	27,576	1,270,307
Noncurrent Liabilities:			
Compensated Absences	17,100	-	17,100
Net OPEB Obligation	118,854	9,847	128,701
Net Pension Liability	608,100	73,958	682,058
Long-Term Bonds and Notes Payable	951,170	-	951,170
Total Noncurrent Liabilities	1,695,224	83,805	1,779,029
Total Liabilities	2,937,955	111,381	3,049,336
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	68,131	8,286	76,417
FUND NET POSITION			
Net Investment in Capital Assets	5,526,250	7,161	5,533,411
Unrestricted	(834,108)	128,796	(705,312)
Total Net Position	\$ 4,692,142	\$ 135,957	\$ 4,828,099

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
OPERATING REVENUES			
Charges for Services	\$ 1,636,004	\$ 460,465	\$ 2,096,469
OPERATING EXPENSES			
Cost of Service and Administration	2,482,366	369,286	2,851,652
MWRA Assessment	476,532	-	476,532
Lynn Assessment	150,222	-	150,222
Depreciation	303,493	884	304,377
Total Operating Expenses	3,412,613	370,170	3,782,783
OPERATING INCOME (LOSS)	(1,776,609)	90,295	(1,686,314)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	2,161	349	2,510
Interest Expense	(20,715)	(994)	(21,709)
Total Nonoperating Revenues (Expenses), Net	(18,554)	(645)	(19,199)
INCOME BEFORE TRANSFERS	(1,795,163)	89,650	(1,705,513)
TRANSFERS, NET			
Transfers In	490,071	-	490,071
Transfers Out	(205,683)	(30,000)	(235,683)
Total Transfers, Net	284,388	(30,000)	254,388
CHANGE IN FUND NET POSITION	(1,510,775)	59,650	(1,451,125)
Fund Net Position - Beginning of Year	6,202,917	76,307	6,279,224
FUND NET POSITION - END OF YEAR	\$ 4,692,142	\$ 135,957	\$ 4,828,099

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water/Sewer	Nonmajor Rubbish	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,636,998	\$ 462,751	\$ 2,099,749
Payments to Vendors	(2,762,323)	(316,554)	(3,078,877)
Payments to Employees	(388,854)	(52,875)	(441,729)
Net Cash Provided (Used) by Operating Activities	(1,514,179)	93,322	(1,420,857)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	490,071	-	490,071
Transfers Out	(205,683)	(30,000)	(235,683)
Net Cash Provided (Used) by Noncapital Financing Activities	284,388	(30,000)	254,388
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	1,258,100	-	1,258,100
Acquisition and Construction of Capital Assets	(11,600)	-	(11,600)
Principal Payments on Bonds and Notes	(229,110)	-	(229,110)
Interest Paid	(20,715)	(994)	(21,709)
Net Cash Provided (Used) by Capital and Related Financing Activities	996,675	(994)	995,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	2,161	349	2,510
NET CHANGE IN CASH AND CASH EQUIVALENTS	(230,955)	62,677	(168,278)
Cash and Cash Equivalents - Beginning of Year (Includes \$181,737 reported as restricted in the water/sewer enterprise fund)	926,062	159,777	1,085,839
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$100,189 reported as restricted in the water/sewer enterprise fund)	\$ 695,107	\$ 222,454	\$ 917,561
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (1,776,609)	\$ 90,295	\$ (1,686,314)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Adjustments not Requiring Current Cash Flows:			
Depreciation	303,493	884	304,377
Net OPEB Obligation	11,548	1,478	13,026
Net Pension Liability	(109,502)	(4,803)	(114,305)
Deferred Outflows of Resources Related to Pensions	(13,117)	(2,086)	(15,203)
Deferred Inflows of Resources Related to Pensions	68,131	8,286	76,417
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(3,202)	223	(2,979)
Water Receivables	(997)	-	(997)
Sewer Receivables	5,193	-	5,193
Trash Receivables	-	2,063	2,063
Warrants Payable	14,198	2,079	16,277
Accrued Payroll	(12,315)	(5,097)	(17,412)
Compensated Absences	(1,000)	-	(1,000)
Total Adjustments	262,430	3,027	265,457
Net Cash Provided by Operating Activities	\$ (1,514,179)	\$ 93,322	\$ (1,420,857)

See accompanying notes to the basic financial statements.

**TOWN OF NAHANT, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

ASSETS	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ <u>68,184</u>
 LIABILITIES	
Accrued Payroll	3,191
Liabilities Due Depositors	<u>64,993</u>
 Total Liabilities	 \$ <u>68,184</u>

**TOWN OF NAHANT, MASSACHUSETTS
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

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

Joint Venture

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

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

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal Year 2017 Assessment</u>
North Shore Regional Vocational School District.....	To provide vocational education services	30 Log Bridge Road Middleton, MA 01949	\$ 72,315

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Venture (Continued)

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

C. Implementation of New Accounting Principles

For the year ending June 30, 2017, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The implementation of these GASB Statements had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

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

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

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

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

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund is reported:

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

The following nonmajor proprietary fund is reported:

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund is reported:

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

F. Cash and Cash Equivalents

Government-Wide and Fund Financial Statements

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

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1 and May 1 and are subject to penalties and interest if they are not paid by the respective due date.

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

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Government-Wide and Fund Financial Statements (Continued)

Community Preservation Surcharges

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

Water and Sewer Charges and Liens (Utility)

User fees are levied tri-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed after the close of the fourth quarter of each fiscal year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year issued.

Trash

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

Parking Violations

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

Departmental and Other

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

Intergovernmental

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowance for Uncollectible Amounts

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

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

As of June 30, 2017, the allowance for uncollectible amounts for personal property taxes and departmental and other receivables are immaterial and therefore not reported.

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

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

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

J. Restricted Assets

Government-Wide and Fund Financial Statements

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material.

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

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

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	10 - 30
Buildings and improvements...	6 - 40
Machinery and equipment.....	3 - 40
Library books.....	3 - 10
Vehicles.....	3 - 15
Infrastructure.....	5 - 50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are subject to capitalization.

Governmental Fund Financial Statements

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

TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

O. Deferred Outflows of Resources

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

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

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

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

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

Q. Net Position and Fund Balances

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

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

Net position has been “restricted” for the following:

“Community preservation” represents amounts restricted for the community preservation fund, which is restricted for open space, recreation, housing and historic preservation purposes.

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

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

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

Governmental Funds Financial Statements (Fund Balances)

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances) (Continued)

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

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

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

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

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

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

R. Long Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

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

T. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

U. Pensions

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

V. Postretirement Benefits

Government-Wide and Fund Financial Statements

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

W. Use of Estimates

Government-Wide and Fund Financial Statements

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. 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 budget subsequent to Annual Town Meeting approval require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

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

An annual budget is adopted for the general fund and community preservation (CPA) fund in conformity with the guidelines described above. The original fiscal year 2017 approved budget for the general fund authorized \$11,511,096 in appropriations. During fiscal year 2017, supplemental appropriations totaling \$11,507 were authorized. The original and final fiscal year 2017 approved budget for the CPA fund authorized \$454,070 in appropriations.

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Deficits

At June 30, 2017, the following fund deficits exist:

Fund	Amount	Funding Source
Coast Guard houses.....	\$ 1,866,000	Issuance of long-term debt
Road construction.....	467,361	Issuance of long-term debt
Ambulance.....	205,000	Issuance of long-term debt
DPW trucks.....	150,334	Issuance of long-term debt
Fire radio.....	67,000	Issuance of long-term debt
Police Cruiser.....	43,218	Issuance of long-term debt
Compost site.....	40,226	Issuance of long-term debt
Fire dispatch.....	32,000	Issuance of long-term debt
School security door.....	23,332	Issuance of long-term debt
Gas pumps.....	21,500	Issuance of long-term debt
Johnson school computers.....	11,500	Issuance of long-term debt
Utility tractor.....	7,000	Issuance of long-term debt
Short beach dunes.....	5,343	Issuance of long-term debt

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, 2017, \$2,866,328 of the Town's bank balance of \$5,445,152 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The Town's investment at June 30, 2017 consisted of \$102,175 in MMDT.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities. As of June 30, 2017, the Town was not exposed to interest rate risk.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2017, the Town was not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2017, the Town's investment in MMDT did not have a credit quality rating.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2017, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 103,709	\$ -	\$ 103,709
Real estate tax deferrals.....	156,031	-	156,031
Tax liens.....	51,497	-	51,497
Motor vehicle and other excise taxes.....	82,037	(35,292)	46,745
Community preservation surcharges.....	323	-	323
Parking violations.....	127,110	(116,710)	10,400
Departmental and other.....	48,926	-	48,926
Intergovernmental.....	9	-	9
	<u>\$ 569,642</u>	<u>\$ (152,002)</u>	<u>\$ 417,640</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2017, receivables for the enterprise funds, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water.....	\$ 191,916	\$ -	\$ 191,916
Sewer.....	160,904	-	160,904
Trash.....	14,773	-	14,773
Utility liens.....	<u>13,385</u>	<u>-</u>	<u>13,385</u>
	<u>\$ 380,978</u>	<u>\$ -</u>	<u>\$ 380,978</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,669,465	\$ -	-	\$ 7,669,465
Works of art.....	<u>110,500</u>	<u>-</u>	<u>-</u>	<u>110,500</u>
Total capital assets not being depreciated.....	<u>7,779,965</u>	<u>-</u>	<u>-</u>	<u>7,779,965</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,347,125	23,089	-	1,370,214
Buildings and improvements.....	17,150,827	146,331	-	17,297,158
Machinery and equipment.....	2,256,574	377,671	-	2,634,245
Library books.....	685,933	43,684	-	729,617
Vehicles.....	2,004,371	204,816	(31,493)	2,177,694
Infrastructure.....	<u>3,851,086</u>	<u>210,594</u>	<u>-</u>	<u>4,061,680</u>
Total capital assets being depreciated.....	<u>27,295,916</u>	<u>1,006,185</u>	<u>(31,493)</u>	<u>28,270,608</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(493,229)	(41,928)	-	(535,157)
Buildings and improvements.....	(6,326,081)	(412,751)	-	(6,738,832)
Machinery and equipment.....	(1,354,633)	(128,812)	-	(1,483,445)
Library books.....	(531,112)	(38,614)	-	(569,726)
Vehicles.....	(904,241)	(145,623)	31,493	(1,018,371)
Infrastructure.....	<u>(2,215,384)</u>	<u>(152,374)</u>	<u>-</u>	<u>(2,367,758)</u>
Total accumulated depreciation.....	<u>(11,824,680)</u>	<u>(920,102)</u>	<u>31,493</u>	<u>(12,713,289)</u>
Total capital assets being depreciated, net.....	<u>15,471,236</u>	<u>86,083</u>	<u>-</u>	<u>15,557,319</u>
Total governmental activities capital assets, net.....	<u>\$ 23,251,201</u>	<u>\$ 86,083</u>	<u>-</u>	<u>\$ 23,337,284</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water/Sewer Enterprise Fund:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 152,613	\$ -	-	\$ 152,613
Vehicles.....	146,842	-	-	146,842
Infrastructure.....	11,630,242	11,600	-	11,641,842
Total capital assets being depreciated.....	11,929,697	11,600	-	11,941,297
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(66,803)	(10,938)	-	(77,741)
Vehicles.....	(125,424)	(12,272)	-	(137,696)
Infrastructure.....	(4,858,426)	(280,283)	-	(5,138,709)
Total accumulated depreciation.....	(5,050,653)	(303,493)	-	(5,354,146)
Total water/sewer enterprise capital assets, net.....	\$ 6,879,044	\$ (291,893)	-	\$ 6,587,151
Rubbish Enterprise Fund:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 11,581	-	-	\$ 11,581
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(3,536)	(884)	-	(4,420)
Total rubbish nonmajor enterprise capital assets, net	8,045	(884)	-	7,161
Total business-type activities capital assets, net.....	\$ 6,887,089	\$ (292,777)	-	\$ 6,594,312

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

Governmental Activities:

General government.....	\$ 109,948
Public safety.....	141,071
Education.....	244,987
Public works.....	243,121
Health and human services.....	6,863
Culture and recreation.....	174,112

Total depreciation expense - governmental activities..... \$ 920,102

Business-Type Activities:

Water/Sewer.....	\$ 303,493
Rubbish.....	884

Total depreciation expense - business-type activities..... \$ 304,377

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2017 are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 268,000	\$ 490,071	\$ 758,071 (1)
Water/Sewer Enterprise Fund.....	205,683	-	-	205,683 (2)
Rubbish Enterprise Fund.....	-	30,000	-	30,000 (3)
	<u>\$ 205,683</u>	<u>\$ 298,000</u>	<u>\$ 490,071</u>	<u>\$ 993,754</u>

- (1) Represents budgeted transfer from the general fund to the water/sewer enterprise fund to pay debt service (\$288,625). Also represents a transfer from the water/sewer stabilization fund to the water/sewer enterprise fund for water/sewer repairs (\$201,446). Also represents a budgeted transfer from the general fund to capital project funds to pay down short-term notes (\$248,000) and budgeted transfer to the Wharf/NLSS special revenue fund for NLSS self-insurance (\$20,000).
- (2) Represents budgeted transfer of indirect costs to the general fund (\$205,683).
- (3) Represents budgeted transfer from the rubbish enterprise fund to the capital projects fund to pay down a short-term note (\$30,000).

NOTE 7 SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and water/sewer enterprise fund, respectively.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2017 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2016	Increases	Decreases	Balance at 6/30/2017
BAN	Land Acquisition.....	07/17/15	07/15/16	1.25%	\$ 1,866,000	\$ -	\$ (1,866,000)	\$ -
BAN	Street and sidewalk paving.....	07/17/15	07/15/16	1.25%	250,000	-	(250,000)	-
BAN	Dump trucks.....	07/17/15	07/15/16	1.25%	213,334	-	(213,334)	-
BAN	Seawall (CPA).....	07/17/15	07/15/16	1.25%	100,000	-	(100,000)	-
BAN	Street and sidewalk paving.....	07/17/15	07/15/16	1.25%	100,000	-	(100,000)	-
BAN	Street and sidewalk paving.....	07/17/15	07/15/16	1.25%	90,000	-	(90,000)	-
BAN	Compost.....	07/17/15	07/15/16	1.25%	80,000	-	(80,000)	-
BAN	Fire department equipment.....	07/17/15	07/15/16	1.25%	43,000	-	(43,000)	-
BAN	Road and sidewalk paving.....	07/17/15	07/15/16	1.25%	40,000	-	(40,000)	-
BAN	Fire dispatch network update....	07/17/15	07/15/16	1.25%	40,000	-	(40,000)	-
BAN	Gas pumps.....	07/17/15	07/15/16	1.25%	38,500	-	(38,500)	-
BAN	Beach dune restoration.....	07/17/15	07/15/16	1.25%	23,000	-	(23,000)	-
BAN	School Computers.....	07/17/15	07/15/16	1.25%	22,500	-	(22,500)	-
BAN	Utility tractor.....	07/17/15	07/15/16	1.25%	17,000	-	(17,000)	-
RAN	Revenue anticipation note.....	07/15/16	05/19/17	1.40%	-	1,000,000	(1,000,000)	-
BAN	Land Acquisition.....	07/15/16	07/14/17	1.50%	-	1,866,000	-	1,866,000
BAN	Paving.....	07/15/16	07/14/17	1.50%	-	45,000	-	45,000
BAN	Utility Tractor.....	07/15/16	07/14/17	1.50%	-	7,000	-	7,000
BAN	School Computers.....	07/15/16	07/14/17	1.50%	-	11,500	-	11,500
BAN	Beach Dune Restoration.....	07/15/16	07/14/17	1.50%	-	12,000	-	12,000
BAN	Road and Sidewalk Paving.....	07/15/16	07/14/17	1.50%	-	100,000	-	100,000
BAN	Fire dispatch network update....	07/15/16	07/14/17	1.50%	-	32,000	-	32,000
BAN	Compost Area.....	07/15/16	07/14/17	1.50%	-	60,000	-	60,000
BAN	Paving.....	07/15/16	07/14/17	1.50%	-	250,000	-	250,000
BAN	Dump trucks.....	07/15/16	07/14/17	1.50%	-	150,334	-	150,334
BAN	Gas pumps.....	07/15/16	07/14/17	1.50%	-	21,500	-	21,500
BAN	Paving.....	07/15/16	07/14/17	1.50%	-	100,000	-	100,000
BAN	School Security Door.....	07/15/16	07/14/17	1.50%	-	28,000	-	28,000
BAN	Police Vehicle.....	07/15/16	07/14/17	1.50%	-	43,500	-	43,500
BAN	Ambulance.....	07/15/16	07/14/17	1.50%	-	205,000	-	205,000
BAN	Fire Radio Upgrade.....	07/15/16	07/14/17	1.50%	-	67,000	-	67,000
Total.....					\$ 2,923,334	\$ 3,998,834	\$ (3,923,334)	\$ 2,998,834

Notes Payable – Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2016	Increases	Decreases	Balance at 6/30/2017
RAN	Sewer Mains.....	06/16/17	06/29/18	1.55%	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000

Subsequent Events

On July 14, 2017, the Town paid down \$355,000 of the BANs outstanding at June 30, 2017 and renewed \$2,643,834 of the BANs outstanding at June 30, 2017. The renewed BANs have interest rates of 1.55-2.00% and a maturity date of July 13, 2018.

On July 14, 2017, the Town issued a new RAN in the amount of \$800,000 with an interest rate of 1.25% and a maturity date of May 11, 2018.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 3,301,500	\$ -	\$ (404,500)	\$ 2,897,000	\$ 404,500
Net OPEB obligation.....	1,343,260	295,636	(151,822)	1,487,074	-
Net pension liability.....	7,954,876	-	(419,373)	7,535,503	-
Compensated absences.....	337,000	-	(29,000)	308,000	30,800
Total.....	<u>\$ 12,936,636</u>	<u>\$ 295,636</u>	<u>\$ (1,004,695)</u>	<u>\$ 12,227,577</u>	<u>\$ 435,300</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 1,132,100	\$ 258,100	\$ (229,110)	\$ 1,161,090	\$ 209,920
Net OPEB obligation.....	115,675	26,776	(13,750)	128,701	-
Net pension liability.....	796,363	-	(114,305)	682,058	-
Compensated absences.....	20,000	-	(1,000)	19,000	1,900
Total.....	<u>\$ 2,064,138</u>	<u>\$ 284,876</u>	<u>\$ (358,165)</u>	<u>\$ 1,990,849</u>	<u>\$ 211,820</u>

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

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2017 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
9/1/2006	9/1/2025	5,693,580	School remodeling.....	3.75% - 5.00%	\$ 2,990,000	\$ -	\$ (300,000)	\$ 2,690,000
11/1/2008	11/1/2018	168,000	Johnson school roof.....	3.375% - 4.25%	56,500	-	(19,500)	37,000
11/1/2008	11/1/2018	625,000	Building reconstruction.....	3.375% - 4.25%	187,500	-	(62,500)	125,000
11/1/2008	11/1/2018	125,000	School road/traffic.....	3.375% - 4.25%	37,500	-	(12,500)	25,000
11/1/2008	11/1/2018	100,000	Remodeling.....	3.375% - 4.25%	30,000	-	(10,000)	20,000
Total governmental funds.....					<u>\$ 3,301,500</u>	<u>\$ -</u>	<u>\$ (404,500)</u>	<u>\$ 2,897,000</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Governmental Funds (Continued)

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

Fiscal Year	Principal	Interest	Total
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.....	\$ 2,897,000	\$ 491,355	\$ 3,388,355

Bonds and Notes Payable – Water/Sewer Enterprise Fund

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
11/15/1982	11/15/2022	1,300,000	Sewer project.....	5.00%	\$ 227,500	\$ -	\$ (32,500)	\$ 195,000
6/28/1985	6/27/2025	290,100	Sewer project.....	5.00%	60,700	-	(7,400)	53,300
2/7/1986	2/7/2026	376,400	Sewer project.....	5.00%	94,100	-	(9,410)	84,690
5/22/2008	5/15/2018	134,000	Water note (MWRA).....	0.00%	26,800	-	(13,400)	13,400
9/1/2006	9/1/2025	150,000	Sewer project.....	3.75% - 5.00%	15,000	-	(15,000)	-
9/1/2006	9/1/2025	300,000	Sewer project.....	3.75% - 5.00%	30,000	-	(30,000)	-
11/1/2008	11/1/2018	72,000	Water projects.....	3.375% - 4.25%	16,000	-	(8,000)	8,000
11/1/2008	11/1/2018	75,000	Sewer project.....	3.375% - 4.25%	22,500	-	(7,500)	15,000
5/19/2011	5/15/2021	134,000	Water note (MWRA).....	0.00%	67,000	-	(13,400)	53,600
8/15/2011	8/15/2021	750,000	Water note (MWRA).....	0.00%	450,000	-	(75,000)	375,000
6/17/2013	5/15/2023	175,000	Water note (MWRA).....	0.00%	122,500	-	(17,500)	105,000
9/19/2016	8/15/2026	258,100	Water note (MWRA).....	0.00%	-	258,100	-	258,100
Total water/sewer enterprise fund.....					<u>\$ 1,132,100</u>	<u>\$ 258,100</u>	<u>\$ (229,110)</u>	<u>\$ 1,161,090</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. The financial assistance is in the form of interest free loans that are payable in ten equal installments. At June 30, 2017, the outstanding principal of MWRA loans totaled \$805,100.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

Fiscal Year	Principal	Interest	Total
2018.....	\$ 209,920	\$ 17,298	\$ 227,218
2019.....	188,520	14,344	202,864
2020.....	181,020	11,720	192,740
2021.....	181,020	9,255	190,275
2022.....	167,620	6,788	174,408
2023.....	92,620	4,323	96,943
2024.....	42,620	1,858	44,478
2025.....	36,720	1,018	37,738
2026.....	35,220	470	35,690
2027.....	25,810	-	25,810
Total.....	<u>\$ 1,161,090</u>	<u>\$ 67,074</u>	<u>\$ 1,228,164</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, 2017, the Town had the following authorized and unissued debt:

Purpose	Amount
MWRA Water Renovation.....	\$ 143,900
40 Steps Revetment.....	138,700
Paving.....	80,000
Police HVAC.....	<u>46,000</u>
Total.....	<u>\$ 408,600</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Active employees.....	50
Retired employees, beneficiaries and dependents.....	<u>48</u>
 Total.....	 <u><u>98</u></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 No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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.....	\$ 339,926
Interest on net OPEB obligation.....	58,357
Adjustment to annual required contribution.....	<u>(75,871)</u>
 Annual OPEB cost.....	 322,412
Contributions made.....	<u>(165,572)</u>
 Increase in net OPEB obligation.....	 156,840
Net OPEB obligation at beginning of year.....	<u>1,458,935</u>
 Net OPEB obligation at end of year.....	 \$ <u><u>1,615,775</u></u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2015.....	314,413	48.1%	1,294,297
June 30, 2016.....	312,556	47.3%	1,458,935
June 30, 2017.....	322,412	51.4%	1,615,775

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/15	\$ -	\$ 3,701,293	\$ 3,701,293	-	\$ 2,871,605	129%

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

Methods and Assumptions

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Methods and Assumptions (Continued)

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Allocation of AOPEBC

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

Governmental Activities:

General government.....	\$ 44,646
Public safety.....	142,877
Education.....	80,527
Public works.....	15,403
Health and human services.....	2,549
Culture and recreation.....	<u>9,634</u>
 Total AOPEBC - governmental activities.....	 <u>295,636</u>

Business-Type Activities:

Water/Sewer.....	23,738
Rubbish.....	<u>3,038</u>
 Total AOPEBC - business-type activities.....	 <u>26,776</u>
 Total AOPEBC.....	 <u>\$ 322,412</u>

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 FUND BALANCES

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

	<u>General</u>	<u>Community Preservation</u>	<u>Coast Guard Houses</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 25,150	\$ 25,150
Restricted:					
Community preservation.....	-	821,187	-	-	821,187
Revolving funds.....	-	-	-	113,147	113,147
Town state grants.....	-	-	-	62,914	62,914
Town federal grants.....	-	-	-	1,717	1,717
Wharf.....	-	-	-	153,526	153,526
Capital.....	-	-	-	79,045	79,045
General government.....	-	-	-	13,602	13,602
Education.....	-	-	-	52,176	52,176
Public works.....	-	-	-	8,277	8,277
Culture and recreation.....	-	-	-	21,672	21,672
Other.....	-	-	-	188,082	188,082
Insurance proceeds.....	-	-	-	5,282	5,282
Sub-total - Restricted.....	<u>-</u>	<u>821,187</u>	<u>-</u>	<u>699,440</u>	<u>1,520,627</u>
Committed:					
Subsequent year's expenditures.....	634,042	-	-	-	634,042
Water/Sewer Stabilization.....	81	-	-	-	81
OPEB Stabilization.....	2	-	-	-	2
Sub-total - Committed.....	<u>634,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>634,125</u>
Assigned:					
Encumbrances - general government.....	13,181	-	-	-	13,181
Encumbrances - debt service.....	99,140	-	-	-	99,140
Sub-total - Assigned.....	<u>112,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,321</u>
Unassigned.....	<u>1,220,241</u>	<u>-</u>	<u>(1,866,000)</u>	<u>(1,073,814)</u>	<u>(1,719,573)</u>
Total fund balances.....	<u>\$ 1,966,687</u>	<u>\$ 821,187</u>	<u>\$ (1,866,000)</u>	<u>\$ (349,224)</u>	<u>\$ 572,650</u>

NOTE 12 STABILIZATION FUNDS

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

The balance of the general, water/sewer and OPEB stabilization funds at June 30, 2017 total \$96,019, \$81 and \$2, respectively and are reported in the general fund as unassigned (\$96,019) and committed (\$83) fund balance.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 RISK FINANCING

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

NOTE 14 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 PENSION PLAN (CONTINUED)

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

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

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

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

The percentage rate is keyed to the date upon which an employee's membership commences. Contributions to the pension plan from the Town were \$617,979 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$8,217,561 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2016, the Town's proportion was 2.133 percent. At December 31, 2015, the Town's proportion was 2.409 percent.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the Town recognized pension expense of \$773,314. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$734,951; which represented the net difference between projected and actual investment earnings on pension plan investments (\$359,971), changes of assumptions (\$348,268), and changes in proportion and differences between employer contributions and proportionate share of contributions (\$26,712). At June 30, 2017, the Town reported deferred inflows of resources related to pensions of \$920,686; which represented differences between expected and actual experience (\$147,985), and changes in proportion and differences between employer contributions and proportionate share of contributions (\$772,701).

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

<u>Year Ended June 30</u>	
2018	\$ (14,601)
2019	(14,601)
2020	(6,790)
2021	(122,488)
2022	(27,255)

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

Salary increases: 3.75% ultimate rate, with steps. 7.50% year one, 6.50% year two, 6.00% year three, 5.50% year four, 5.00% year five.

Mortality Rates: Pre-Retirement - The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.

Disabled Retiree - The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.

Investment rate of return: 7.75% per year

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to January 1, 2016.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	14.50%	7.50%
Small/Md Cap Equities	3.50%	7.75%
International Equities	16.00%	7.83%
Emerging International Equities	6.00%	9.61%
Core Bonds	5.00%	4.00%
20+ Year Treasuries	5.00%	3.75%
TIPS	3.00%	3.75%
High-Yield Bonds	1.50%	5.75%
Bank Loans	1.50%	6.00%
EMD (External)	1.00%	5.75%
EMD (Local Currency)	2.00%	6.50%
Private Debt	4.00%	9.06%
Private Equity	10.00%	9.50%
Real Estate	10.00%	6.50%
Timberland	4.00%	6.00%
Hedge Funds	13.00%	6.48%
Totals	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 PENSION PLAN (CONTINUED)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's Proportionate Share of the Net Pension Liability	\$ 10,072,022	\$ 8,217,561	\$ 6,845,582

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

NOTE 15 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 PENSION PLAN (CONTINUED)

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

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

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

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2017. The Commonwealth's net pension liability associated with the Town was \$2,995,786.

The MTRS' net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

For the year ended June 30, 2017, the Town recognized pension expense of \$305,590 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The MTRS' total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

Investment rate of return - 7.5%

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

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 PENSION PLAN (CONTINUED)

Mortality Rates - Pre-retirement reflects RP-2014 Employees table projected generationally with a Scale BB and a base year of 2014 (gender distinct). Post-retirement reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct). Disability is assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.00%	6.90%
Core Fixed Income	13.00%	1.60%
Private Equity	10.00%	8.70%
Real Estate	10.00%	4.60%
Value Added Fixed Income	10.00%	4.80%
Hedge Funds	9.00%	4.00%
Portfolio Completion Strategies	4.00%	3.60%
Timber/Natural Resources	4.00%	5.40%
Totals	<u>100.00%</u>	

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

TOWN OF NAHANT, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 OPERATING LEASE

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

During fiscal year 2017, the Town received approximately \$69,000 in rental fees related to the Golf Club, which are recorded as departmental and other revenue in the general fund.

NOTE 17 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2017.

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

**TOWN OF NAHANT, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 8,554,475	\$ -	\$ 8,554,475
Motor Vehicle and Other Excise Taxes	-	546,804	-	546,804
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	1,556	-	1,556
Charges for Services	-	1,750	-	1,750
Intergovernmental	-	934,277	-	934,277
Penalties and Interest on Taxes	-	28,059	-	28,059
Licenses and Permits	-	65,774	-	65,774
Fines and Forfeitures	-	30,528	-	30,528
Departmental and Other	-	433,801	-	433,801
Investment Income	-	922	-	922
Total Revenues	<u>-</u>	<u>10,597,946</u>	<u>-</u>	<u>10,597,946</u>
EXPENDITURES				
Current:				
General Government	13,900	1,316,520	(61,727)	1,268,693
Public Safety	-	2,507,093	100,125	2,607,218
Education	-	3,606,627	-	3,606,627
Public Works	-	444,310	107,753	552,063
Health and Human Services	-	111,144	-	111,144
Culture and Recreation	-	283,299	-	283,299
Pension Benefits	-	774,423	(156,444)	617,979
Employee Benefits	1,400	969,425	-	970,825
Property and Liability Insurance	-	218,367	-	218,367
State and County Charges	-	148,503	-	148,503
Debt Service:		-		
Principal	29,034	380,666	-	409,700
Interest	16,239	206,094	-	222,333
Total Expenditures	<u>60,573</u>	<u>10,966,471</u>	<u>(10,293)</u>	<u>11,016,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(60,573)</u>	<u>(368,525)</u>	<u>10,293</u>	<u>(418,805)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	205,683	-	205,683
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(544,625)	(21,800)	(566,425)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(338,942)</u>	<u>(21,800)</u>	<u>(360,742)</u>
NET CHANGE IN FUND BALANCE	(60,573)	(707,467)	(11,507)	(779,547)
Fund Balance - Beginning of Year	<u>1,533,263</u>	<u>1,533,263</u>	<u>1,533,263</u>	<u>1,533,263</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,472,690</u>	<u>\$ 825,796</u>	<u>\$ 1,521,756</u>	<u>\$ 753,716</u>

See accompanying notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
REVENUES				
Real Estate and Personal Property Taxes	\$ 8,608,399	\$ -	\$ 8,608,399	\$ 53,924
Motor Vehicle and Other Excise Taxes	604,829	-	604,829	58,025
Tax Liens	230,327	-	230,327	230,327
Payments in Lieu of Taxes	1,556	-	1,556	-
Charges for Services	2,635	-	2,635	885
Intergovernmental	915,962	-	915,962	(18,315)
Penalties and Interest on Taxes	207,571	-	207,571	179,512
Licenses and Permits	120,481	-	120,481	54,707
Fines and Forfeitures	40,513	-	40,513	9,985
Departmental and Other	616,782	-	616,782	182,981
Investment Income	2,409	-	2,409	1,487
Total Revenues	<u>11,351,464</u>	<u>-</u>	<u>11,351,464</u>	<u>753,518</u>
EXPENDITURES				
Current:				
General Government	1,146,906	13,181	1,160,087	108,606
Public Safety	2,584,495	-	2,584,495	22,723
Education	3,565,999	-	3,565,999	40,628
Public Works	547,976	-	547,976	4,087
Health and Human Services	102,939	-	102,939	8,205
Culture and Recreation	270,967	-	270,967	12,332
Pension Benefits	617,979	-	617,979	-
Employee Benefits	951,054	-	951,054	19,771
Property and Liability Insurance	215,887	-	215,887	2,480
State and County Charges	141,593	-	141,593	6,910
Debt Service:				
Principal	342,000	67,700	409,700	-
Interest	165,348	31,440	196,788	25,545
Total Expenditures	<u>10,653,143</u>	<u>112,321</u>	<u>10,765,464</u>	<u>251,287</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>698,321</u>	<u>(112,321)</u>	<u>586,000</u>	<u>1,004,805</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	205,683	-	205,683	-
Premium from Issuance of Bonds and Notes	19,864	-	19,864	19,864
Transfers Out	(566,425)	-	(566,425)	-
Total Other Financing Sources (Uses)	<u>(340,878)</u>	<u>-</u>	<u>(340,878)</u>	<u>19,864</u>
NET CHANGE IN FUND BALANCE				
	357,443	(112,321)	245,122	1,024,669
Fund Balance - Beginning of Year	<u>1,533,263</u>	<u>-</u>	<u>1,533,263</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,890,706</u>	<u>\$ (112,321)</u>	<u>\$ 1,778,385</u>	<u>\$ 1,024,669</u>

See accompanying notes to required supplementary information.

**TOWN OF NAHANT, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community preservation surcharges	\$ -	\$ 182,215	\$ -	\$ 182,215
Intergovernmental	-	72,886	-	72,886
Investment income	-	1,000	-	1,000
Total Revenues	<u>-</u>	<u>256,101</u>	<u>-</u>	<u>256,101</u>
EXPENDITURES				
Current:				
Administrative	-	13,000	-	13,000
Acquisitions and projects	671,174	372,007	-	1,043,181
Debt Service:				
Principal	-	62,500	-	62,500
Interest	-	6,563	-	6,563
Total Expenditures	<u>671,174</u>	<u>454,070</u>	<u>-</u>	<u>1,125,244</u>
NET CHANGE IN FUND BALANCE	(671,174)	(197,969)	-	(869,143)
Fund Balance - Beginning of Year	<u>787,100</u>	<u>787,100</u>	<u>787,100</u>	<u>787,100</u>
FUND BALANCE - END OF YEAR	<u>\$ 115,926</u>	<u>\$ 589,131</u>	<u>\$ 787,100</u>	<u>\$ (82,043)</u>

See accompanying notes to required supplementary information.

	<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
REVENUES				
Community preservation surcharges	\$ 207,429	\$ -	\$ 207,429	\$ 25,214
Intergovernmental	93,525	-	93,525	20,639
Investment income	<u>2,116</u>	-	<u>2,116</u>	<u>1,116</u>
Total Revenues	<u>303,070</u>	<u>-</u>	<u>303,070</u>	<u>46,969</u>
EXPENDITURES				
Current:				
Administrative	8,144	-	8,144	4,856
Acquisitions and projects	191,776	629,463	821,239	221,942
Debt Service:				
Principal	62,500	-	62,500	-
Interest	<u>6,563</u>	-	<u>6,563</u>	-
Total Expenditures	<u>268,983</u>	<u>629,463</u>	<u>898,446</u>	<u>226,798</u>
NET CHANGE IN FUND BALANCE	34,087	(629,463)	(595,376)	273,767
Fund Balance - Beginning of Year	<u>787,100</u>	-	<u>787,100</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 821,187</u>	<u>\$ (629,463)</u>	<u>\$ 191,724</u>	<u>\$ 273,767</u>

See accompanying notes to required supplementary information.

**TOWN OF NAHANT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	2.133%	2.409%	2.378%
Town's proportionate share of the net pension liability	8,217,561	8,751,239	8,067,505
Town's covered payroll	3,278,389	3,060,264	2,940,837
Town's proportionate share of the net pension liability as a percentage of its covered payroll	250.66%	285.96%	274.33%
Plan fiduciary net position as a percentage of the total pension liability	51.12%	51.01%	52.27%

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

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

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

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

See Accompanying Independent Auditor's Report

**TOWN OF NAHANT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1)(2)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commonwealth's 100% share of the net pension liability associated with the Town	\$ 2,995,786	\$ 3,093,343	\$ 2,607,021
Town's expense and revenue recognized for the Commonwealth's support	305,590	250,898	181,122
Plan fiduciary net position as a percentage of the total pension liability	52.73%	55.38%	61.64%

(1) Amounts presented were determined as of June 30 of the previous calendar year.

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

See Accompanying Independent Auditor's Report

**TOWN OF NAHANT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

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

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/15	\$ -	\$ 3,701,293	\$ 3,701,293	-	\$ 2,871,605	129%
06/30/12	-	6,140,917	6,140,917	-	2,686,377	229%
07/01/09	-	4,586,481	4,586,481	-	2,427,894	189%

See Accompanying Independent Auditor's Report

**TOWN OF NAHANT, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

NOTE A – BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. Reconciliations of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA Fund) for the fiscal year ended June 30, 2017 are presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/ (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 11,351,464	\$ 10,765,464	\$ (340,878)	\$ 1,778,385
<u>Reclassifications</u>				
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	679	-	(191,646)	96,102
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	(9,038)	-	-	23,013
To record MTRS on-behalf payments.....	305,590	305,590	-	-
Net change in recording short-term interest accrual.....	-	8,194	-	(43,134)
To record encumbrances and continuing appropriations....	-	(112,321)	-	112,321
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 11,648,695</u>	<u>\$ 10,966,927</u>	<u>\$ (532,524)</u>	<u>\$ 1,966,687</u>

CPA Fund

	<u>Expenditures</u>	<u>Fund Balances</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 898,446	\$ 191,724
<u>Adjustments</u>		
To record encumbrances and continuing appropriations....	(629,463)	629,463
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 268,983</u>	<u>\$ 821,187</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Nahant, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nahant, Massachusetts (Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

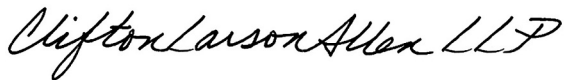
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, MA
January 8, 2018