

TOWN OF ESSEX, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2019



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**TOWN OF ESSEX, MASSACHUSETTS
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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen
Town of Essex, 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 Essex, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Essex, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

To the Honorable Board of Selectmen
Town of Essex, Massachusetts

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Massachusetts, as of June 30, 2019, 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) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 58 through 62) 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 15, 2020, on our consideration of the Town of Essex, 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 Essex, Massachusetts' 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 Essex, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
January 15, 2020

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

As management of the Town of Essex, 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, 2019.

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 \$35,002,639 (net position). Of this amount, \$1,513,954 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$977,936.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,378,682, or 22.4%, of total general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$1,301,464 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 other 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, deferred outflows, liabilities, and deferred inflows with the difference 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, net pension liability, etc.).

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

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 sewer and water activities.

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 70 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 and Conomo Point (special revenue) funds, each of which are considered to be major funds. Data from the other 68 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 15-18 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water activities. The sewer enterprise fund and water enterprise fund are considered to be major funds.

The basic proprietary funds financial statements can be found on pages 19-21 of this report.

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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.

Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 22-23 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 24-58 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post-employment benefits information, which can be located on pages 58-62 of this report.

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 of resources by \$35,002,639 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current Assets	\$ 14,443,168	\$ 14,136,508	\$ 3,898,762	\$ 3,745,957	\$ 18,341,930	\$ 17,882,465
Noncurrent Assets (Excluding Capital Assets)	920,806	936,929	5,785,385	6,814,806	6,706,191	7,751,735
Capital assets (net)	10,850,857	9,745,196	22,938,839	23,527,514	33,789,696	33,272,710
Total Assets	26,214,831	24,818,633	32,622,986	34,088,277	58,837,817	58,906,910
Deferred Outflows of Resources	915,160	734,883	124,364	141,842	1,039,524	876,725
Liabilities						
Current Liabilities (Excluding Debt)	728,109	500,287	453,221	513,874	1,181,330	1,014,161
Noncurrent Liabilities (Excluding Debt)	10,800,715	9,890,779	3,150,546	1,907,274	13,951,261	11,798,053
Current Debt	89,439	89,439	1,415,050	1,388,050	1,504,489	1,477,489
Noncurrent Debt	638,162	539,576	7,164,641	8,579,691	7,802,803	9,119,267
Total Liabilities	12,256,425	11,020,081	12,183,458	12,388,889	24,439,883	23,408,970
Deferred Inflows of Resources	382,800	330,332	52,019	63,758	434,819	394,090
Net Position						
Net Investment in Capital Assets	10,442,924	9,243,332	14,294,148	13,470,773	24,737,072	22,714,105
Restricted	8,751,613	10,316,563	-	-	8,751,613	10,316,563
Unrestricted	(4,703,771)	(5,356,792)	6,217,725	8,306,699	1,513,954	2,949,907
Total Net Position	\$ 14,490,766	\$ 14,203,103	\$ 20,511,873	\$ 21,777,472	\$ 35,002,639	\$ 35,980,575

A portion of the Town's net position (70.7%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment 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 (25.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (4.3% or \$1,513,954) may be used to meet the Town's ongoing obligations to citizens and creditors. \$6,217,725 may be used to support business-type activities. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of the net pension and other postemployment benefit liabilities.

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Changes in Net Position

For the fiscal year ended June 30, 2019, the Town's total net position decreased by \$977,936, compared to an increase of \$517,225 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 726,913	\$ 639,555	\$ 1,819,788	\$ 1,709,986	\$ 2,546,701	\$ 2,349,541
Operating Grants and Contributions	194,430	306,962	312,681	361,558	507,111	668,520
Capital Grants and Contributions	453,473	350,414	-	-	453,473	350,414
General Revenues:						
Real Estate and Personal Property Taxes	13,275,263	12,796,514	-	-	13,275,263	12,796,514
Motor Vehicle and Other Excise Taxes	1,009,782	951,149	-	-	1,009,782	951,149
Hotel/Motel Taxes	18,875	17,038	-	-	18,875	17,038
Lease Revenue	478,804	476,735	-	-	478,804	476,735
Penalties and Interest on Taxes	30,163	30,449	-	-	30,163	30,449
Community Preservation Surcharges	163,428	155,508	-	-	163,428	155,508
Grants and Contributions not Restricted to Specific Programs	318,373	333,368	-	-	318,373	333,368
Unrestricted Investment Income	265,518	135,504	-	-	265,518	135,504
Total Revenues	16,937,718	16,193,196	2,132,469	2,071,544	19,070,187	18,264,740
Expenses						
General Government	1,969,562	1,321,495	-	-	1,969,562	1,321,495
Public Safety	3,291,332	2,836,119	-	-	3,291,332	2,836,119
Education	8,692,708	8,794,173	-	-	8,692,708	8,794,173
Public Works	1,472,198	1,325,183	-	-	1,472,198	1,325,183
Health and Human Services	511,767	416,636	-	-	511,767	416,636
Culture and Recreation	338,058	406,657	-	-	338,058	406,657
Debt Service - Interest	8,855	9,754	-	-	8,855	9,754
Sewer	-	-	3,301,263	1,880,458	3,301,263	1,880,458
Water	-	-	475,716	770,378	475,716	770,378
Total Expenses	16,284,480	15,110,017	3,776,979	2,650,836	20,061,459	17,760,853
Change in Net Position Before Special Item and Transfers	653,238	1,083,179	(1,644,510)	(579,292)	(991,272)	503,887
Special Item - Gain on Sale of Lots	13,336	13,338	-	-	13,336	13,338
Transfers, Net	(378,911)	(341,666)	378,911	341,666	-	-
Change in Net Position	287,663	754,851	(1,265,599)	(237,626)	(977,936)	517,225
Net Position - Beginning of Year	14,203,103	13,448,252	21,777,472	22,015,098	35,980,575	35,463,350
Net Position - End of Year	<u>\$ 14,490,766</u>	<u>\$ 14,203,103</u>	<u>\$ 20,511,873</u>	<u>\$ 21,777,472</u>	<u>\$ 35,002,639</u>	<u>\$ 35,980,575</u>

Governmental activities increased the Town's net position \$287,663. In the prior year, governmental activities increased the Town's net position by \$754,851. The key elements of this change relate an increase in pension benefit expenses.

Business-type activities decreased the Town's net position by \$1,265,599. In the prior year, business-type activities decreased the Town's net position by \$237,626. The key elements of this change relate to the settlement of a claim from the City of Gloucester (see Note 17).

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$13,362,566, a decrease of \$63,283 in comparison with the prior year. \$3,354,732 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$233,679
- Restricted - \$8,961,058
- Committed - \$770,817
- Assigned - \$42,280

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 \$3,378,682, while total fund balance was \$5,036,293. 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 22.4% of total general fund expenditures and transfers out, while total fund balance represents 33.4% of that same amount.

The balance of the Town's general fund increased by \$937,795 during fiscal year 2019. The Town anticipated utilizing approximately \$1,270,000 of reserves to fund the budget; however, the Town ultimately recognized an approximate \$1,638,000 budgetary surplus (excluding encumbrances and continuing appropriations).

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

The fund balance of the Conomo Point fund (special revenue) decreased by \$2,068,769 during the current year, which consisted primarily of a transfer out to the Capital Projects fund.

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 sewer and water enterprise funds at the end of the year amounted to \$6,668,657 and (\$450,932), respectively. The sewer enterprise fund had a decrease in net position of \$1,622,465 for the year, and the water enterprise fund had an increase in net position of \$356,866 for the year.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

General Fund Budgetary Highlights

The original general fund budget of \$15,644,052 was increased by \$751,541 (1.8%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Centennial Grove Cottage	\$ 14,500	Unassigned fund balance
Police Department	4,750	Unassigned fund balance
Fire Department	16,000	Unassigned fund balance
Senior Citizen Transportation Services	7,000	Unassigned fund balance
Police and Fire Headquarters design and renovation	16,000	Unassigned fund balance
Conomo Point seawall system	16,500	Unassigned fund balance
Conomo Point Stabilization Fund	100,000	Unassigned fund balance
Essex Senior Center	2,150	Unassigned fund balance
Essex Youth Commission	440	Unassigned fund balance
Bicentennial Fund	10,000	Unassigned fund balance
OPEB Trust Fund	200,000	Unassigned fund balance
Capital improvements and purchases	83,000	Unassigned fund balance
Finance Committees' Reserve Fund	17,000	Unassigned fund balance
Stabilization Fund	100,000	Unassigned fund balance
Snow and Ice	15,000	Unassigned fund balance
Advertise town resources budget line	5,874	Unassigned fund balance
Finance Committees' Reserve Fund	65,000	Unassigned fund balance
Pavement Markings	84,000	Unassigned fund balance
Fiber Optic Municipal Area Network	15,700	Unassigned fund balance
Rescind Sewer Debt Repayment	(21,373)	Unassigned fund balance
	<u>\$ 751,541</u>	

During the year, general fund revenues exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$1,358,000.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$33,789,696 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure. The total increase in the investment in capital assets for the current year was \$516,986, or 1.6% (a \$1,105,661 increase for governmental activities and a \$588,675 decrease for business-type activities).

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

- Purchase of 11 John Wise Avenue (\$785,000)
- Public safety building construction (\$394,715)
- Elementary school lighting improvements (\$155,038)
- Main Street Boardwalk improvements (\$130,576)

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 918,095	\$ 133,095	\$ 2	2	\$ 918,097	\$ 133,097
Land Improvements	780,481	314,951	-	-	780,481	314,951
Buildings and Improvements	6,800,257	6,696,755	376,682	403,041	7,176,939	7,099,796
Machinery, Vehicles and Equipment	806,856	924,052	194,040	158,114	1,000,896	1,082,166
Infrastructure	1,002,493	969,767	22,368,115	22,966,357	23,370,608	23,936,124
Construction in Progress	542,675	706,576	-	-	542,675	706,576
Total Capital Assets	<u>\$ 10,850,857</u>	<u>\$ 9,745,196</u>	<u>\$ 22,938,839</u>	<u>\$ 23,527,514</u>	<u>\$ 33,789,696</u>	<u>\$ 33,272,710</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$9,307,292, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 564,252	\$ 439,472	\$ 540,000	\$ 655,000	\$ 1,104,252	\$ 1,094,472
MCWT Notes	163,349	189,543	8,039,691	9,324,741	8,203,040	9,514,284
Total Bonds and Notes	<u>\$ 727,601</u>	<u>\$ 629,015</u>	<u>\$ 8,579,691</u>	<u>\$ 9,979,741</u>	<u>\$ 9,307,292</u>	<u>\$ 10,608,756</u>

The Town's total bonded debt decreased by \$1,301,464 (12.3%) during the current fiscal year.

State statutes limit the amount of general obligation debt the Town may issue to 5.0% of its equalized valuation. The current debt limit is \$43,367,215. Additional information on the Town's long-term debt can be found in Note 9 on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2019 general fund operating budget was influenced by five major factors: the property tax levy governed by Proposition 2 ½, new revenue sources, School District budget apportionments, employee wage increases, and increased state aid.

Proposition 2 ½ imposes a limit on the amount property taxes may increase in Massachusetts cities and towns in a given fiscal year. If the limit is not reached, or exceeded by means of an override vote, the excess amount remains available for future years. This helps to buffer the need for an override. In FY19 the Town of Essex had an excess levy of \$17,220, generated in part by conservative budgeting and new revenue sources, e.g. continued presence of the state meals tax and interest from the sale of property at Conomo Point. Excess levy is not yet available for FY20. Essex has not had an operational override since May of 2005.

Another component of Proposition 2 ½ is a factor added for "new growth". We are presently working on the new growth certification process for FY20.

The Manchester Essex Regional School District apportions its annual operating budget to the Towns of Essex and Manchester-by-the-Sea using a formula found in the Regional School Agreement that formed

**TOWN OF ESSEX, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

the District. For fiscal year 2020 the Essex apportionment increased by 3% (\$236,963) and totaled \$8,073,441, up from \$7,836,479 in fiscal year 2019. Also in fiscal year 2020, a debt assessment from the District relative to the Manchester Essex Regional High School building construction of \$1,474,238 comes due and is covered by a debt exclusion outside of the Proposition 2 ½ limit. This assessment represents a \$785,063 increase from the fiscal year 2019 assessment of \$689,175.

The Town of Essex is also a member of the Essex North Shore Agricultural and Technical School District. Enrollment has generally increased in recent years, largely due to the opening of a new facility. The town's assessment has however decreased from the FY 2019 assessment of \$323,548. In FY 2020 the assessment is \$282,795, a decrease of \$40,753 from Fiscal 2019, due to a slight decrease in pupil enrollment. Debt for the new school building is included in these amounts.

Approximately 60% of municipal employees are covered by collective bargaining agreements (CBAs) in two different unions (AFSCME and the Essex Police Benevolent Association – EPBA). Both CBAs were renewed, effective July 1, 2019 and run for three years. Percentage increases were two percent for union and non-union employees between fiscal year 2019 and fiscal year 2020.

In fiscal year 2019, the Commonwealth of Massachusetts provided the Town with \$300,139 in State Cherry Sheet aid. \$299,830 in State Cherry Sheet aid is expected for fiscal year 2020, representing a de-minimis decrease.

The Town presently leases property in an area known as Conomo Point to residential leaseholders and has done so for over 100 years. The last of the long-term leases (ten-year leases) for this property expired on December 31, 2011. The Selectmen entered into bridge leases at the end of the ten-year leases, in order for the Town to plan further. Town Meeting approved of that concept at the 2011 Annual Town Meeting after the Town received Special Legislation to offer bridge leases to the then-current leaseholders. The Selectmen offered 121 bridge leases and, ultimately, 119 leaseholders signed. Bridge leases had been be offered annually, for a total of five, one-year terms. Approximately 57 properties in the southern and central areas of Conomo Point have been sold to the tenants (as per Special Legislation and a 2012 Annual Town Meeting vote). The segregated proceeds from all Conomo Point property sales through January 30, 2017 totaled approximately \$12.5M. This fund has since been substantially drawn upon for the Town Hall renovation project and the upcoming public safety building project. In calendar year one, revenue from bridge leases was \$606,300, which represents an approximate \$500,000 increase over revenue generated from the expiring leases. In calendar year two, revenue from bridge leases was \$576,916. In calendar year three, revenue from bridge leases was \$670,939. In calendar year four, revenue from bridge leases was \$595,834. In calendar year five, revenue from bridge leases was \$601,450. The remaining northern area (the only area not sold) is under long-term (20-year) leases that commenced January 1, 2017 and revenue is expected to be approximately \$500,000 per year.

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, Town of Essex, 30 Martin Street, Essex, MA 01929.

TOWN OF ESSEX, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,272,310	\$ 2,211,909	\$ 6,484,219
Restricted Cash and Cash Equivalents	5,189,229	-	5,189,229
Restricted Investments	3,964,760	-	3,964,760
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	625,789	-	625,789
Tax and Utility Liens	2,595	2,742	5,337
Motor Vehicle and Other Excise Taxes	59,830	-	59,830
Community Preservation Surcharges	4,701	-	4,701
Water	-	304,391	304,391
Sewer	-	352,596	352,596
Special Assessments	-	834,886	834,886
Departmental and Other	67,670	-	67,670
Intergovernmental	249,425	192,238	441,663
Due from Agency Funds	6,859	-	6,859
Total Current Assets	14,443,168	3,898,762	18,341,930
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	-	4,901,608	4,901,608
Intergovernmental	-	883,777	883,777
Loans	94,172	-	94,172
Installment Sales	380,000	-	380,000
Tax Foreclosures	446,634	-	446,634
Capital Assets not being Depreciated	1,460,770	2	1,460,772
Capital Assets, Net of Accumulated Depreciation	9,390,087	22,938,837	32,328,924
Total Noncurrent Assets	11,771,663	28,724,224	40,495,887
Total Assets	26,214,831	32,622,986	58,837,817
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	123,938	16,843	140,781
Related to Pensions	791,222	107,521	898,743
Total Deferred Outflows of Resources	915,160	124,364	1,039,524
LIABILITIES			
Current Liabilities:			
Warrants Payable	433,501	135,874	569,375
Accrued Payroll	95,550	10,893	106,443
Other Liabilities	24,249	-	24,249
Accrued Interest	-	219,930	219,930
Capital Lease Obligations	31,706	-	31,706
Compensated Absences	19,165	4,681	23,846
Short-Term Notes Payable	-	65,000	65,000
Total OPEB Liability	123,938	16,843	140,781
Long-Term Bonds and Notes Payable	89,439	1,415,050	1,504,489
Total Current Liabilities	817,548	1,868,271	2,685,819
Noncurrent Liabilities:			
Compensated Absences	172,489	42,121	214,610
Settlement Payable	-	1,664,135	1,664,135
Total OPEB Liability	4,235,922	575,627	4,811,549
Net Pension Liability	6,392,304	868,663	7,260,967
Long-Term Bonds and Notes Payable	638,162	7,164,641	7,802,803
Total Noncurrent Liabilities	11,438,877	10,315,187	21,754,064
Total Liabilities	12,256,425	12,183,458	24,439,883
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	192,704	26,187	218,891
Related to Pensions	190,096	25,832	215,928
Total Deferred Outflows of Resources	382,800	52,019	434,819
NET POSITION			
Net Investment in Capital Assets	10,442,924	14,294,148	24,737,072
Restricted for:			
Capital Purposes	5,901,029	-	5,901,029
Employee Benefits	819,156	-	819,156
Community Preservation	558,663	-	558,663
Loans	94,172	-	94,172
Ambulance	430,699	-	430,699
Permanent Funds:			
Expendable	46,656	-	46,656
Nonexpendable	233,679	-	233,679
Other Specific Purposes	667,559	-	667,559
Unrestricted	(4,703,771)	6,217,725	1,513,954
Total Net Position	\$ 14,490,766	\$ 20,511,873	\$ 35,002,639

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

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	\$ 1,969,562	\$ 335,148	\$ 73,453	\$ 29,504	\$ (1,531,457)	
Public Safety	3,291,332	367,257	72,207	164,039	(2,687,829)	
Education	8,692,708	-	-	-	(8,692,708)	
Public Works	1,472,198	3,233	-	259,930	(1,209,035)	
Health and Human Services	511,767	17,725	17,314	-	(476,728)	
Culture and Recreation	338,058	3,550	31,456	-	(303,052)	
Debt Service-Interest	8,855	-	-	-	(8,855)	
Total Governmental Activities	16,284,480	726,913	194,430	453,473	(14,909,664)	
Business-Type Activities:						
Sewer	3,301,263	1,037,871	312,016	-	(1,951,376)	
Water	475,716	781,917	665	-	306,866	
Total Business-Type Activities	3,776,979	1,819,788	312,681	-	(1,644,510)	
Total Primary Government	\$ 20,061,459	\$ 2,546,701	\$ 507,111	\$ 453,473	\$ (16,554,174)	

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (14,909,664)	\$ (1,644,510)	\$ (16,554,174)
General Revenues:			
Real Estate and Personal Property Taxes	13,275,263	-	13,275,263
Motor Vehicle and Other Excise Taxes	1,009,782	-	1,009,782
Lease Revenue	478,804	-	478,804
Hotel/Motel Taxes	18,875	-	18,875
Penalties and Interest on Taxes	30,163	-	30,163
Community Preservation Surcharges	163,428	-	163,428
Grants and Contributions not Restricted to Specific Programs	318,373	-	318,373
Unrestricted Investment Income	265,518	-	265,518
Special Item - Gain on Sale of Lots	13,336	-	13,336
Transfers, Net	(378,911)	378,911	-
Total General Revenues, Special Item and Transfers, Net	15,197,327	378,911	15,576,238
CHANGE IN NET POSITION	287,663	(1,265,599)	(977,936)
Net Position - Beginning of Year	14,203,103	21,777,472	35,980,575
NET POSITION - END OF YEAR	\$ 14,490,766	\$ 20,511,873	\$ 35,002,639

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

ASSETS	<u>General</u>	<u>Conomo Point</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 4,272,310	\$ -	\$ -	\$ 4,272,310
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	625,789	-	-	625,789
Tax Liens	2,595	-	-	2,595
Motor Vehicle and Other Excise Taxes	59,830	-	-	59,830
Community Preservation Surcharges	-	-	4,701	4,701
Departmental and Other	23,511	-	44,159	67,670
Intergovernmental	19,177	-	230,248	249,425
Loans	-	-	94,172	94,172
Installment Sales	-	380,000	-	380,000
Due from Agency Funds	6,859	-	-	6,859
Tax Foreclosures	446,634	-	-	446,634
Restricted Assets:				
Cash and Cash Equivalents	844,514	1,557,534	2,787,181	5,189,229
Investments	-	3,963,495	1,265	3,964,760
Total Assets	<u>\$ 6,301,219</u>	<u>\$ 5,901,029</u>	<u>\$ 3,161,726</u>	<u>\$ 15,363,974</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants Payable	\$ 125,879	\$ -	\$ 307,622	\$ 433,501
Accrued Payroll	95,550	-	-	95,550
Other Liabilities	24,249	-	-	24,249
Total Liabilities	<u>245,678</u>	<u>-</u>	<u>307,622</u>	<u>553,300</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>1,019,248</u>	<u>380,000</u>	<u>48,860</u>	<u>1,448,108</u>
FUND BALANCES				
Nonspendable	-	-	233,679	233,679
Restricted	844,514	5,521,029	2,595,515	8,961,058
Committed	770,817	-	-	770,817
Assigned	42,280	-	-	42,280
Unassigned	3,378,682	-	(23,950)	3,354,732
Total Fund Balances	<u>5,036,293</u>	<u>5,521,029</u>	<u>2,805,244</u>	<u>13,362,566</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,301,219</u>	<u>\$ 5,901,029</u>	<u>\$ 3,161,726</u>	<u>\$ 15,363,974</u>

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2019**

	General	Conomo Point	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real Estate and Personal Property Taxes	\$ 13,157,191	\$ -	\$ -	\$ 13,157,191
Motor Vehicle and Other Excise Taxes	993,989	-	-	993,989
Hotel/Motel Tax	18,875	-	-	18,875
Tax Liens	4,034	-	-	4,034
Community Preservation Surcharges	-	-	161,295	161,295
Charges for Services	177,915	-	103,279	281,194
Intergovernmental	312,557	-	575,320	887,877
Special Assessments	-	-	2,074	2,074
Penalties and Interest on Taxes	30,163	-	-	30,163
Licenses and Permits	317,045	-	-	317,045
Fines and Forfeitures	15,257	-	-	15,257
Lease Revenue	478,804	-	-	478,804
Departmental and Other	96,597	-	33,509	130,106
Contributions	-	-	45,666	45,666
Investment Income	265,038	-	6,834	271,872
Other	-	-	-	-
Total Revenues	<u>15,867,465</u>	<u>-</u>	<u>927,977</u>	<u>16,795,442</u>
EXPENDITURES				
Current:				
General Government	1,157,299	-	238,920	1,396,219
Public Safety	1,769,908	-	1,619,360	3,389,268
Education	8,843,870	-	-	8,843,870
Public Works	1,028,926	-	67,186	1,096,112
Health and Human Services	331,489	-	20,633	352,122
Culture and Recreation	164,920	-	71,233	236,153
Pension Benefits	488,207	-	-	488,207
Employee Benefits	614,940	-	-	614,940
Property and Liability Insurance	96,365	-	-	96,365
State and County Charges	72,321	-	-	72,321
Debt Service:				
Principal	86,194	-	-	86,194
Interest	12,100	-	-	12,100
Total Expenditures	<u>14,666,539</u>	<u>-</u>	<u>2,017,332</u>	<u>16,683,871</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,200,926</u>	<u>-</u>	<u>(1,089,355)</u>	<u>111,571</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds and Notes	-	-	188,025	188,025
Sale of Capital Assets	2,696	-	-	2,696
Transfers In	163,955	-	2,112,976	2,276,931
Transfer Out	(429,782)	(2,082,105)	(143,955)	(2,655,842)
Total Other Financing Sources (Uses)	<u>(263,131)</u>	<u>(2,082,105)</u>	<u>2,157,046</u>	<u>(188,190)</u>
SPECIAL ITEM - SALE OF LOTS	<u>-</u>	<u>13,336</u>	<u>-</u>	<u>13,336</u>
NET CHANGE IN FUND BALANCES	<u>937,795</u>	<u>(2,068,769)</u>	<u>1,067,691</u>	<u>(63,283)</u>
Fund Balances - Beginning of Year	<u>4,098,498</u>	<u>7,589,798</u>	<u>1,737,553</u>	<u>13,425,849</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,036,293</u>	<u>\$ 5,521,029</u>	<u>\$ 2,805,244</u>	<u>\$ 13,362,566</u>

See accompanying Notes to Financial Statements.

TOWN OF ESSEX, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Governmental Fund Balances	\$ 13,362,566
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	10,850,857
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,448,108
In the statement of net position, deferred outflows of resources are reported for amounts related to OPEB	123,938
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions	791,222
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, Net	(727,601)
Capital Lease Obligations	(31,706)
Compensated Absences	(191,654)
Net Pension Liability	(6,392,304)
Total OPEB Liability	(4,359,860)
In the statement of net position, deferred outflows of resources are reported for amounts related to OPEB	(192,704)
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions	(190,096)
Net Position of Governmental Activities	\$ <u>14,490,766</u>

See accompanying Notes to Financial Statements.

TOWN OF ESSEX, 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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (63,283)
<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	1,570,596
Depreciation	(464,935)
<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>	
	139,578
<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 material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(188,025)
Bond Maturities	86,194
Net Amortization of Bond Premiums	3,245
Capital Lease Maturities	30,686
<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>	
Total OPEB Liability	(111,027)
Net Pension Liability	(820,584)
Compensated Absences	(22,591)
<p>In the statement of activities, deferred outflows related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred outflows related to OPEB.</p>	
	10,300
<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>	
	169,977
<p>In the statement of activities, deferred inflows related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred inflows related to OPEB.</p>	
	(192,704)
<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>	
	140,236
Changes in Net Position of Governmental Activities	\$ <u>287,663</u>

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,984,450	\$ 227,459	\$ 2,211,909
Receivables, Net of Allowance for Uncollectible Amounts:			
Utility Liens	417	2,325	2,742
User Charges	352,596	304,391	656,987
Special Assessments	834,886	-	834,886
Intergovernmental	192,238	-	192,238
Total Current Assets	3,364,587	534,175	3,898,762
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	4,901,608	-	4,901,608
Intergovernmental	883,777	-	883,777
Capital Assets not being Depreciated	-	2	2
Capital Assets, Net of Accumulated Depreciation	22,455,326	483,511	22,938,837
Total Noncurrent Assets	28,240,711	483,513	28,724,224
Total Assets	31,605,298	1,017,688	32,622,986
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	5,489	11,354	16,843
Related to Pensions	35,039	72,482	107,521
Total Deferred Outflows of Resources	40,528	83,836	124,364
LIABILITIES			
Current Liabilities:			
Warrants Payable	117,269	18,605	135,874
Accrued Payroll	3,582	7,311	10,893
Accrued Interest	219,930	-	219,930
Compensated Absences	2,382	2,299	4,681
Short-Term Notes Payable	-	65,000	65,000
Total OPEB Liability	5,489	11,354	16,843
Long-Term Bonds and Notes Payable	1,385,050	30,000	1,415,050
Total Current Liabilities	1,733,702	134,569	1,868,271
Noncurrent Liabilities:			
Compensated Absences	21,434	20,687	42,121
Settlement Payable	1,664,135	-	1,664,135
Total OPEB Liability	187,587	388,040	575,627
Net Pension Liability	283,083	585,580	868,663
Long-Term Bonds and Notes Payable	7,095,641	69,000	7,164,641
Total Noncurrent Liabilities	9,251,880	1,063,307	10,315,187
Total Liabilities	10,985,582	1,197,876	12,183,458
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	8,534	17,653	26,187
Related to Pensions	8,418	17,414	25,832
Total Deferred Outflows of Resources	16,952	35,067	52,019
NET POSITION			
Net Investment in Capital Assets	13,974,635	319,513	14,294,148
Unrestricted	6,668,657	(450,932)	6,217,725
Total Net Position	\$ 20,643,292	\$ (131,419)	\$ 20,511,873

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for Services	\$ 909,314	\$ 773,689	\$ 1,683,003
Penalties and Interest	128,557	8,228	136,785
Total Operating Revenues	1,037,871	781,917	1,819,788
OPERATING EXPENSES			
Cost of Service and Administration	684,893	376,203	1,061,096
Settlement Expense	1,664,135	-	1,664,135
Depreciation	612,515	95,935	708,450
Total Operating Expenses	2,961,543	472,138	3,433,681
OPERATING INCOME (LOSS)	(1,923,672)	309,779	(1,613,893)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	309,687	-	309,687
Investment Income	2,329	665	2,994
Interest Expense	(339,720)	(3,578)	(343,298)
Total Nonoperating Revenues (Expenses), Net	(27,704)	(2,913)	(30,617)
INCOME (LOSS) BEFORE TRANSFERS	(1,951,376)	306,866	(1,644,510)
TRANSFERS			
Transfers In	348,911	50,000	398,911
Transfers Out	(20,000)	-	(20,000)
Total Transfers, Net	328,911	50,000	378,911
CHANGE IN NET POSITION	(1,622,465)	356,866	(1,265,599)
Net Position - Beginning of Year	22,265,757	(488,285)	21,777,472
NET POSITION - END OF YEAR	<u>\$ 20,643,292</u>	<u>\$ (131,419)</u>	<u>\$ 20,511,873</u>

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,794,744	\$ 783,791	\$ 2,578,535
Payments to Vendors	(677,645)	(408,701)	(1,086,346)
Payments to Employees	(129,493)	(261,706)	(391,199)
Net Cash Provided (Used) by Operating Activities	987,606	113,384	1,100,990
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	348,911	50,000	398,911
Transfers Out	(20,000)	-	(20,000)
Net Cash Provided by Noncapital Financing Activities	328,911	50,000	378,911
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	-	65,000	65,000
Acquisition and Construction of Capital Assets	(22,298)	(97,476)	(119,774)
Principal Payments on Bonds and Notes	(1,185,647)	(108,000)	(1,293,647)
Interest Paid	(65,362)	(3,578)	(68,940)
Net Cash Used by Capital and Related Financing Activities	(1,273,307)	(144,054)	(1,417,361)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	2,329	665	2,994
NET CHANGE IN CASH AND CASH EQUIVALENTS	45,539	19,995	65,534
Cash and Cash Equivalents - Beginning of Year	1,938,911	207,464	2,146,375
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,984,450</u>	<u>\$ 227,459</u>	<u>\$ 2,211,909</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating (Loss)	\$ (1,923,672)	\$ 309,779	\$ (1,613,893)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	612,515	95,935	708,450
Net Pension Liability and Related Deferred Outflows and Inflows	(73,242)	(159,046)	(232,288)
Total OPEB Liability and Related Deferred Outflows and Inflows	(62,058)	(134,273)	(196,331)
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	551	(325)	226
User Charges	(64,112)	2,199	(61,913)
Special Assessments	820,434	-	820,434
Warrants Payable	8,130	(5,755)	2,375
Settlement Payable	1,664,135	-	1,664,135
Accrued Payroll	(624)	1,081	457
Compensated Absences	5,549	3,789	9,338
Total Adjustments	2,911,278	(196,395)	2,714,883
Net Cash Provided by Operating Activities	<u>\$ 987,606</u>	<u>\$ 113,384</u>	<u>\$ 1,100,990</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Intergovernmental Debt Subsidies (MWPAT) - Interest	\$ 309,687	\$ -	\$ 309,687
Intergovernmental Debt Subsidies (MWPAT) - Principal	183,403	-	183,403

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

ASSETS	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 207,511	\$ -
Receivables, Net of Allowance for Uncollectible Amounts:		
Departmental and Other	-	12,473
Total Assets	<u>207,511</u>	<u>12,473</u>
 LIABILITIES		
Accrued Payroll	-	2,080
Liabilities Due Depositors	-	5,614
Due to General Fund	-	6,859
Total Liabilities	<u>-</u>	<u>\$ 12,473</u>
 NET POSITION		
Held in Trust for Other Purposes	<u>\$ 207,511</u>	

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

	Private Purpose Trust Funds
ADDITIONS	
Net Investment Income:	
Interest	\$ 1,598
DEDUCTIONS	
Library	2,974
CHANGE IN NET POSITION	(1,376)
Net Position - Beginning of Year	208,887
NET POSITION - END OF YEAR	\$ 207,511

See accompanying Notes to Financial Statements.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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 Essex, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen (Board).

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

Name	Purpose	Address	Fiscal Year 2019 Assessment
Manchester Essex Regional School District	To provide educational services	36 Lincoln Street Manchester-by-the Sea, MA	\$ 8,525,653
North Shore Technical High School	To provide educational services	36 Log Bridge Road Middleton, MA	318,217
Essex County Regional Emergency Communications Center	To provide emergency services	18 Manning Avenue Middleton, MA	41,528

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Manchester Essex Regional School District

The Manchester Essex Regional School District is governed by a six member school committee consisting of two elected representatives from the Town. The Town is indirectly liable for the Manchester Essex Regional 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 on the previous page.

North Shore Technical High School

The North Shore Technical High School is governed by a sixteen member school committee consisting of one elected representative (appointed by the Board of Selectmen) from the Town. The Town is indirectly liable for the North Shore Technical High School'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 on the previous page.

Essex County Regional Emergency Communications Center (ERECC)

The Essex County Regional Emergency Communications Center (ERECC) in Middleton is governed by a set of three committees (fire, police, and administration – appointed pursuant to an Intermunicipal Agreement) from each of the five communities (Essex, Topsfield, Middleton, Amesbury and Wenham). The Town is indirectly liable for the ERECC's operating expenditures and is assessed annually for its share of operating costs. Separate financial statements may be obtained by writing to the Sheriff of Essex County at the address identified on the previous page.

C. Implementation of New Accounting Principles

For the year ending June 30, 2019, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

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.

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.

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Fund Financial Statements

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

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

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 *Conomo Point fund* is a special revenue fund used to account for the sales proceeds of various properties located in the Conomo Point area of town which are restricted for capital purposes.

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 funds 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 proprietary funds are reported:

The *sewer enterprise fund* is reported as a major fund and is used to account for the sewer activities.

The *water enterprise fund* is reported as a nonmajor fund and is used to account for the water activities.

Fiduciary funds 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 types are reported:

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of performance bonds and bid deposits. Agency funds do not present the results of operations or have a measurement focus.

F. Cash and Cash Equivalents and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value, net asset value (NAV) or amortized cost; as further described in Note 3.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide and proprietary funds' financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements is reported under the modified accrual basis of accounting.

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

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

Community Preservation Surcharges

Community preservation surcharges are levied annually at a rate of 1.5% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective 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 of the levy.

Water and Sewer Charges and Utility Liens

Water and sewer user charges are levied quarterly 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 user charges are recorded as receivables in the fiscal year of the levy and are recorded under the accrual basis of accounting. Utility liens are processed quarterly and are included as a lien on the property owner's tax bill.

Special Assessments

Special assessments for sewer betterments are levied annually based on the final sewer connection costs incurred related to the inter-municipal agreement entered into with the City of Gloucester. Residents have the option of paying their respective share of the betterment in full or over a period of up to 20 years and are subject to penalties and interest if they are not paid by the respective due dates. Sewer betterments are recorded as receivables in the fiscal year of the levy and are recorded under the accrual basis of accounting.

Special assessments for water betterments are levied based on various water system improvement costs incurred by the Town. Residents have the option of paying their respective share of the betterment in full or over a period of up to 20 years and are subject to penalties and interest if they are not paid by the respective due dates. Water betterments are recorded as receivables in the fiscal year of the levy and are recorded under the accrual basis of accounting.

Departmental and Other

Departmental and other receivables consist primarily of police detail and ambulance receivables and are recorded as receivables in the fiscal year accrued.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For all grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

Loans

The Town administers a loan program to residents that provide assistance to comply with Title V of the Massachusetts Department of Environmental Protection's regulations related to septic systems requirements. Loans are recorded as receivables upon issuance.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Installment Sales

In 2013, the Town sold three Conomo Point properties under installment sales transactions with principal balloon payments due in fiscal year 2043. One of the properties was paid off in fiscal year 2015. No other properties have been paid off through fiscal year 2019.

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
- Certain tax and utility liens
- Motor vehicle and other excise taxes
- Departmental and other

As of June 30, 2019, the allowance for uncollectible accounts for personal property taxes and motor vehicle and other excise taxes 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
- Community preservation surcharges
- Water and sewer charges
- Special assessments
- Loans

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 ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, 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 acquisition value at the date of donation.

All purchases and construction costs in excess of \$10,000 for land; \$50,000 for buildings; \$25,000 for land and building improvements; and \$5,000 for all other capital assets are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements	20 - 40
Buildings and improvements	20 - 40
Machinery, vehicles, and equipment	5 - 15
Infrastructure	50

The costs 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 capitalized.

Governmental Funds Financial Statements

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

L. Interfund Receivables and Payables

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

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

Transactions of a buyer/seller nature between 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 government-wide statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between 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 funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities. 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 funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Deferred Outflows of Resources

In addition to assets, the statement of net 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.

Deferred outflows of resources related to pensions are reported in the government-wide and proprietary funds statements of net position.

Deferred outflows of resources related to OPEB are reported in the government-wide and proprietary funds statements of net position.

O. Deferred Inflows of Resources

In addition to liabilities, the statement of net 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.

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows of resources related to pensions are reported in the government-wide and proprietary funds statements of net position.

Deferred inflows of resources related to OPEB are reported in the government-wide and proprietary funds statements of net position.

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

P. Net Position and Fund Balances

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

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows. Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

“Net Investment in Capital Assets” represents capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Net position has been “restricted” for the following:

“Capital purposes” represents amounts restricted as a result of the sale of town land.

“Employee benefits” represents amounts restricted for other postemployment benefits.

“Community preservation” represents amounts restricted for open space, historic resource and affordable housing purposes.

“Loans” represents outstanding septic loans receivable.

“Ambulance” represents amounts restricted for ambulance activities.

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

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

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

“Unrestricted” represents the remaining net position not considered invested in capital assets or restricted.

Governmental Funds Financial Statements (Fund Balances)

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

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are 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 Funds 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.

R. 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).

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment income from permanent, enterprise (proprietary), and fiduciary funds is retained in the funds.

S. 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 Funds Financial Statements

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

Governmental Funds 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.

T. Pensions

Government-Wide and Proprietary Fund Financial Statements

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.

U. Post-Retirement Benefits

Government-Wide and Proprietary Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

V. Use of Estimates

Government-Wide and Fund Financial Statements

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

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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 original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2019 approved budget for the general fund authorized \$15,644,052 in appropriations. During fiscal year 2019, supplemental appropriations totaling \$751,541 were authorized.

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

B. Fund Deficits

At June 30, 2019, the following governmental fund deficit exists:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
MA Environmental Protection Action Grant	\$ 23,950	State Grant

NOTE 3 DEPOSITS AND INVESTMENTS

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

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.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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 and private purpose trust funds are held separately from other Town funds.

A. 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, 2019, \$2,158,171 of the Town's bank balance of \$8,514,481 was uninsured, uncollateralized and exposed to custodial credit risk.

B. Investments Summary

The Town's investments at June 30, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (Years) Less Than 1
<u>Debt Securities:</u>		
U.S. Treasuries	\$ 1,000,000	\$ 1,000,000
Money market mutual funds	2,663,608	2,663,608
Mutual bond funds	312,556	312,556
Certificates of deposit	2,964,760	2,964,760
External investment pools	125,635	125,635
Total debt securities	7,066,559	\$ 7,066,559
<u>Other Investments:</u>		
Equity mutual funds	504,123	
Total investments	\$ 7,570,682	

C. 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.

D. Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2019 the Town's investments were not exposed to custodial credit risk.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

E. Investments - Credit Risk of Debt Securities

Credit risk for debt securities 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, 2019, the Town's debt securities were not rated by a national credit rating organization.

F. Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2019, the Town was not exposed to concentration of credit risk.

G. Investments – Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have a policy for foreign currency risk. As of June 30, 2019, the Town was not exposed to foreign currency risk.

H. Investments – Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Investments by Fair Value Level:</u>			
Money Market Mutual Funds	\$ 2,663,608	\$ 2,663,608	\$ -
US Treasuries	1,000,000	1,000,000	-
Mutual Bond Funds	312,556	312,556	-
Certificates of Deposit	2,964,760	-	2,964,760
Equity Mutual Funds	504,123	504,123	-
Total Investments at Fair Value	7,445,047	\$ 4,480,287	\$ 2,964,760
<u>Investments Measured at Amortized Cost</u>			
External Investment Pools (MMDT)	125,635		
Total Investments	\$ 7,570,682		

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2019, receivables for the individual major governmental funds, 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	\$ 625,789	\$ -	\$ 625,789
Tax liens	361,219	(358,624)	2,595
Motor vehicle and other excise taxes	59,830	-	59,830
Community preservation surcharges	4,701	-	4,701
Departmental and other	92,616	(12,473)	80,143
Intergovernmental	249,425	-	249,425
Loans	94,172	-	94,172
Installment sales	380,000	-	380,000
	<u>\$ 1,867,752</u>	<u>\$ (371,097)</u>	<u>\$ 1,496,655</u>

At June 30, 2019, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water	\$ 304,391	\$ -	\$ 304,391
Sewer	352,596	-	352,596
Utility Liens	9,019	(6,277)	2,742
Special assessments	5,736,494	-	5,736,494
Intergovernmental	1,076,015	-	1,076,015
	<u>\$ 7,478,515</u>	<u>\$ (6,277)</u>	<u>\$ 7,472,238</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 133,095	\$ 785,000	\$ -	\$ 918,095
Construction in progress	706,576	394,715	(558,616)	542,675
Total capital assets not being depreciated	<u>839,671</u>	<u>1,179,715</u>	<u>(558,616)</u>	<u>1,460,770</u>
<u>Capital assets being depreciated:</u>				
Land improvements	779,183	527,451	-	1,306,634
Buildings and improvements	9,305,637	295,619	-	9,601,256
Machinery, vehicles and equipment	2,692,128	61,405	-	2,753,533
Infrastructure	1,131,627	65,022	-	1,196,649
Total capital assets being depreciated	<u>13,908,575</u>	<u>949,497</u>	<u>-</u>	<u>14,858,072</u>
<u>Less accumulated depreciation for:</u>				
Land improvements	(464,232)	(61,921)	-	(526,153)
Buildings and improvements	(2,608,882)	(192,117)	-	(2,800,999)
Machinery, vehicles and equipment	(1,768,076)	(178,601)	-	(1,946,677)
Infrastructure	(161,860)	(32,296)	-	(194,156)
Total accumulated depreciation	<u>(5,003,050)</u>	<u>(464,935)</u>	<u>-</u>	<u>(5,467,985)</u>
Total capital assets being depreciated, net	<u>8,905,525</u>	<u>484,562</u>	<u>-</u>	<u>9,390,087</u>
Total governmental activities capital assets, net	<u>\$ 9,745,196</u>	<u>\$ 1,664,277</u>	<u>\$ (558,616)</u>	<u>\$ 10,850,857</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 2	\$ -	\$ -	\$ 2
Total capital assets not being depreciated.....	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	2,979,451	49,794	-	3,029,245
Machinery, vehicles and equipment	349,469	69,982	-	419,451
Infrastructure	29,834,500	-	-	29,834,500
Total capital assets being depreciated	<u>33,163,420</u>	<u>119,776</u>	<u>-</u>	<u>33,283,196</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(2,576,410)	(76,154)	-	(2,652,563)
Machinery, vehicles and equipment	(191,355)	(34,054)	-	(225,411)
Infrastructure	(6,868,143)	(598,242)	-	(7,466,385)
Total accumulated depreciation	<u>(9,635,908)</u>	<u>(708,450)</u>	<u>-</u>	<u>(10,344,359)</u>
Total capital assets being depreciated, net	<u>23,527,512</u>	<u>(588,674)</u>	<u>-</u>	<u>22,938,837</u>
Total business-type activities capital assets, net	<u>\$ 23,527,514</u>	<u>\$ (588,674)</u>	<u>\$ -</u>	<u>\$ 22,938,839</u>

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

Governmental Activities:

General government	\$ 183,595
Public safety	95,120
Education	3,875
Public works	138,150
Health and human services	1,670
Culture and recreation	<u>42,525</u>

Total depreciation expense - governmental activities \$ 464,935

Business-Type Activities:

Sewer	\$ 612,515
Water	<u>95,935</u>

Total depreciation expense - business-type activities \$ 708,450

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund		
General Fund	\$ -	\$ 30,871	\$ 50,000	\$ 348,911	\$	429,782 (1)
Conomo Point	-	2,082,105	-	-		2,082,105 (2)
Nonmajor Governmental Funds	143,955	-	-	-		143,955 (3)
Sewer Enterprise Fund	20,000	-	-	-		20,000 (4)
	<u>\$ 163,955</u>	<u>\$ 2,112,976</u>	<u>\$ 50,000</u>	<u>\$ 348,911</u>	<u>\$</u>	<u>2,675,842</u>

- (1) Represents budgeted transfers for the Essex Bicentennial special revenue fund (\$30,871), water enterprise fund for construction (\$50,000) and sewer enterprise fund for debt service (\$348,911).
- (2) Represents budgeted transfer from Conomo Point (\$2,082,105) for public safety facilities construction.
- (3) Represents budgeted transfers from the special revenue (\$107,894), permanent (\$29,461) and cemetery lots care permanent (\$6,600) funds to fund the fiscal year 2019 operating budget.
- (4) Represents budgeted transfer from the sewer enterprise fund (\$20,000) for funding the sewer usage line.

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 enterprise funds, respectively. Interest expense in the government-wide financial statements is reported in the applicable governmental or business-type activities column.

Details related to the short-term debt activity for the fiscal year ended June 30, 2019 is as follows:

Type	Purpose	Origination Date	Maturity Date	Rate %	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
BAN	Permanent Water Loan	7/28/17	7/27/18	1.30%	\$ 77,000	\$ -	\$ (77,000)	\$ -
BAN	Permanent Water Loan	7/27/18	7/26/19	2.65%		65,000		65,000
Total					<u>\$ 77,000</u>	<u>\$ 65,000</u>	<u>\$ (77,000)</u>	<u>\$ 65,000</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Subsequent Event

On July 26, 2019 the Town repaid \$12,000 of the Permanent Water Loan BAN with available funds and renewed the BAN in the amount of \$53,000 at an interest rate of 2.25% and a maturity date of July 24, 2020.

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental Activities:					
Bonds and notes payable	\$ 609,543	\$ 188,025	\$ (86,194)	\$ 711,374	\$ 86,194
Unamortized bond premium	19,472	-	(3,245)	16,227	3,245
Total bonds and notes payable	<u>629,015</u>	<u>188,025</u>	<u>(89,439)</u>	<u>727,601</u>	<u>89,439</u>
Capital lease obligations	62,392	-	(30,686)	31,706	31,706
Compensated absences	169,064	23,564	(974)	191,654	19,165
Total	<u>\$ 860,471</u>	<u>\$ 211,589</u>	<u>\$ (121,099)</u>	<u>\$ 950,961</u>	<u>\$ 140,310</u>
	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Business-type Activities:					
Bonds and notes payable	\$ 9,979,741	\$ -	\$ (1,400,050)	\$ 8,579,691	\$ 1,415,050
Compensated absences	37,464	9,338	-	46,802	4,681
Total	<u>\$ 10,017,205</u>	<u>\$ 9,338</u>	<u>\$ (1,400,050)</u>	<u>\$ 8,626,493</u>	<u>\$ 1,419,731</u>

Long-term liabilities of the governmental activities are generally liquidated by the general fund.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT

Bonds and Notes Payable – Governmental Funds

Details related to the outstanding indebtedness at June 30, 2019 and the debt service requirements are as follows:

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
MCWT - Title V Loan	8/1/19	5.33	\$ 10,668	\$ -	\$ (5,334)	\$ 5,334
MCWT - Title V Loan	8/1/22	4.90	9,902	-	(1,962)	7,940
MCWT - Title V Loan	7/15/25	0.00	80,000	-	(10,000)	70,000
MCWT - Title V Loan	7/15/27	0.00	88,973	-	(8,898)	80,075
MCWT - Title V Interim Loan	7/15/33	2.00	-	188,025	-	188,025
Building Remodeling - Town Hall	8/15/24	2.07	420,000	-	(60,000)	360,000
Total			<u>\$ 609,543</u>	<u>\$ 188,025</u>	<u>\$ (86,194)</u>	<u>\$ 711,374</u>

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

Fiscal Year	Principal	Interest	Total
2020	\$ 86,194	\$ 12,228	\$ 98,422
2021	80,860	15,287	96,147
2022	97,085	13,661	110,746
2023	97,437	11,727	109,164
2024	95,788	9,535	105,323
2025	96,156	7,386	103,542
2026	36,531	6,130	42,661
2027	26,914	5,766	32,680
2028	27,305	5,394	32,699
2029	18,808	4,013	22,821
2030	19,217	4,625	23,842
2031	19,635	4,228	23,863
2032	9,444	3,822	13,266
2033	-	3,408	3,408
Total	<u>\$ 711,374</u>	<u>\$ 107,210</u>	<u>\$ 818,584</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds Payable – Water Enterprise Fund

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Refunding Water Treatment Facility	8/15/20	2.00%	\$ 60,000	\$ -	\$ (20,000)	\$ 40,000
Refunding Water	8/15/24	2.00 - 3.00%	70,000	-	(11,000)	59,000
Total			<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ (31,000)</u>	<u>\$ 99,000</u>

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

Fiscal Year	Principal	Interest	Total
2020	\$ 30,000	\$ 1,970	\$ 31,970
2021	30,000	1,370	31,370
2022	10,000	970	10,970
2023	10,000	720	10,720
2024	10,000	420	10,420
2025	9,000	135	9,135
Total	<u>\$ 99,000</u>	<u>\$ 5,585</u>	<u>\$ 104,585</u>

Bonds and Notes Payable – Sewer Enterprise Fund

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
MCWT	8/1/23	4.43	\$ 1,645,000	\$ -	\$ (255,000)	\$ 1,390,000
MCWT	8/1/23	4.43	2,035,000	-	(315,000)	1,720,000
MCWT	8/1/23	4.43	915,000	-	(140,000)	775,000
MCWT	7/15/25	0.00	3,859,896	-	(482,487)	3,377,409
MCWT	7/20/26	0.00	501,932	-	(55,771)	446,161
MCWT	7/15/27	0.00	367,913	-	(36,792)	331,121
Refunding Sewer	8/15/24	2.00 - 3.00	525,000	-	(84,000)	441,000
Total			<u>\$ 9,849,741</u>	<u>\$ -</u>	<u>\$ (1,369,050)</u>	<u>\$ 8,480,691</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

<u>Fiscal Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2020	\$	1,385,050	\$	330,683	\$	1,715,733
2021		1,405,049		271,357		1,676,406
2022		1,430,048		210,832		1,640,880
2023		1,450,048		148,756		1,598,804
2024		1,460,048		85,506		1,545,554
2025		646,048		42,365		688,413
2026		575,048		20,650		595,698
2027		92,561		-		92,561
2028		36,791		-		36,791
Total	\$	<u>8,480,691</u>	\$	<u>1,110,149</u>	\$	<u>9,590,840</u>

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2019, the Town's subsidy totaled approximately \$493,000. Future subsidies total approximately \$1,987,000. The amount of MCWT bonds outstanding at June 30, 2019, totaled \$8,203,040.

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, 2019, the Town had \$812,000 authorized and unissued long-term debt for Title V septic repairs.

NOTE 10 CAPITAL LEASES

The Town has entered into certain capital lease agreements for a dump truck and loader under which the machinery, vehicles and equipment will become property of the Town when all terms of the lease agreement are met. The agreements also contain early purchase options which would allow the Town to purchase the property before the end of the lease terms.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 CAPITAL LEASES (CONTINUED)

The following schedule present future minimum lease payments as of June 30, 2019:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2020	\$ 32,740
Total minimum lease payments	32,740
Less: amounts representing interest	<u>(1,034)</u>
Present value of minimum lease payments	<u>\$ 31,706</u>

Machinery and equipment and the related accumulated amortization under capital leases is as follows:

<u>Asset:</u>	<u>Governmental</u> <u>Activities</u>
Machinery and equipment	\$ 120,193
Less: accumulated amortization	<u>(60,097)</u>
Total	<u>\$ 60,096</u>

Amortization of leased machinery, vehicles and equipment under capital leases is included with depreciation expense, which is allocated functionally.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

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

Benefits and Contribution Rates – The Town provides health, dental and life insurance coverage for its retirees and their survivors. 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 are 25-40% and 75-60%, respectively, depending upon the type of plan selected. The Plan members and Town each contribute 50% towards a life insurance policy. Plan members pay 100% of the dental plan. 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.

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Participants Covered by Benefit Terms – The number of participants as of July 1, 2018, the latest actuarial valuation, was as follows:

Active employees	33
Retirees and survivors	<u>26</u>
Total	<u><u>59</u></u>

Total OPEB Liability – The Town's total OPEB liability of \$4,952,330 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate:	3.00%
Healthcare/Medical Cost Trend Rate:	4.50%
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females

The actuarial assumptions used in the July 1, 2018 valuation were based on the result of an actuarial study for the period January 1, 2006 through December 31, 2011.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB</u> <u>Liability</u>
Balances at June 30, 2017	\$ 5,068,912
Changes for the year:	
Service cost	166,500
Interest	154,619
Change in assumptions	(6,220)
Differences between actual and expected experience	(267,394)
Benefits payments	<u>(164,087)</u>
Net Changes	<u>(116,582)</u>
Balances at June 30, 2018	<u><u>\$ 4,952,330</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability calculated using the current discount rate of 3.00%, as well as what the total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current rate:

	<u>1% Decrease</u> <u>(2.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.00%)</u>	<u>1% Increase</u> <u>(4.00%)</u>
Total OPEB Liability	\$ 5,655,943	\$ 4,952,330	\$ 4,372,473

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability calculated using the current healthcare cost trend rates (4.50%) as well as what the total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%) than the current rate:

	<u>1% Decrease</u> <u>(3.50%)</u>	<u>Current Trend</u> <u>Rate</u> <u>(4.50%)</u>	<u>1% Increase</u> <u>(5.50%)</u>
Total OPEB Liability	\$ 4,293,876	\$ 4,952,330	\$ 5,779,747

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2019, the Town recognized OPEB expense of \$266,396. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 213,915
Changes of assumptions	-	4,976
Contributions subsequent to the measurement date	140,781	-
Total	\$ <u>140,781</u>	\$ <u>218,891</u>

The \$140,781 reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the total OPEB liability during fiscal year 2020. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2020	\$ (54,723)
2021	(54,723)
2022	(54,723)
2023	<u>(54,722)</u>
Total	\$ <u>(218,891)</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 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>Conomo Point</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent fund principal	\$ -	\$ -	\$ 233,679	\$ 233,679
Restricted for:				
Municipal insurance	25,358	-	-	25,358
Loans	-	-	94,172	94,172
General government	-	-	159,594	159,594
Public safety	-	-	1,407,204	1,407,204
Public works	-	-	238,928	238,928
Health and human services	-	-	42,502	42,502
Culture and recreation	-	-	99,153	99,153
Community preservation	-	-	553,962	553,962
Capital purposes	-	5,521,029	-	5,521,029
Other postemployment benefits	819,156	-	-	819,156
Sub-total - Restricted	<u>844,514</u>	<u>5,521,029</u>	<u>2,595,515</u>	<u>8,961,058</u>
Committed to:				
Subsequent year's expenditures	200,000	-	-	200,000
Continuing appropriations	241,157	-	-	241,157
Capital stabilization	329,660	-	-	329,660
Sub-total - Committed	<u>770,817</u>	<u>-</u>	<u>-</u>	<u>770,817</u>
Assigned to:				
General government	23,267	-	-	23,267
Public works	19,013	-	-	19,013
Sub-total - Assigned	<u>42,280</u>	<u>-</u>	<u>-</u>	<u>42,280</u>
Unassigned	<u>3,378,682</u>	<u>-</u>	<u>(23,950)</u>	<u>3,354,732</u>
	<u>\$ 5,036,293</u>	<u>\$ 5,521,029</u>	<u>\$ 2,805,244</u>	<u>\$ 13,362,566</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 STABILIZATION FUNDS

The Town maintains a general, a town buildings capital, a recreational capital and a vehicles and major equipment capital stabilization funds that were 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 stabilization, town buildings capital, Conomo Point capital, recreational capital, vehicle and major equipment capital, and street light capital stabilization funds at June 30, 2019 total \$874,003, \$110,082, \$100,547, \$76,775, \$36,480, and \$6,039, respectively. The capital stabilization funds are reported in the general fund as committed fund balance. The general stabilization fund is reported in the general fund as unassigned fund balance.

NOTE 14 RISK FINANCING

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

The Town has a municipal building fund that is used to subsidize the Town's premium-based insurance. As of June 30, 2019, this fund had a balance of \$25,358, which is reported in the general fund as restricted fund balance.

NOTE 15 OPERATING LEASES (RENTAL INCOME)

The Town leases land to property owners within the Conomo Point area of the Town. Subsequent to the end of the 5th year annual bridge lease term, long-term (20-year) leases commenced on January 1, 2017. For the year ended June 30, 2019, the Town received \$478,804 in rental income, which is reported in the general fund as lease revenue.

Future rental revenues are expected to total \$8,185,331; which represents the total calendar year 2019 annual rents of \$467,733 multiplied by the remaining lives of the 20-year lease agreements (17.5 years) as of June 30, 2019. Rents will be adjusted annually based upon the consumer price index which is currently undefined for calendar year 2020.

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 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 Essex Regional Retirement System (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).

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.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

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. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$574,361 for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a liability of \$7,260,967 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll forward the total pension liability to the December 31, 2018 measurement date. The Town's proportion of the net pension liability is a blended rate of the proportionate share of active employers covered payroll and direct charges for early retirement incentives. At June 30, 2019, the Town's proportion was 1.719 percent, which compared to a proportion of 1.766 percent at June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$852,445. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$898,743 related to the net difference between projected and actual earnings on pension plan investments (\$373,459), changes of assumptions (\$384,945), and the changes in proportion and differences between employer contributions and proportionate share of contributions (\$140,339). At June 30, 2019, the Town reported deferred inflows of resources related to pensions of \$215,928 related to differences between expected and actual experience (\$62,975) and changes in proportion and differences between employer contributions and proportionate share of contributions (\$152,953).

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

<u>Year Ended June 30</u>	
2020	\$ 267,859
2021	176,070
2022	118,566
2023	120,320
Total	<u>\$ 682,815</u>

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

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

Salary increases	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Mortality Rates:	Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with scale BB. Healthy Retiree – The RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB. Disabled Retiree - The RP-2000 Healthy Annuitant Mortality Table, set forward two years, projected generationally with scale BB.
Investment rate of return:	7.50%, net of pension plan investment expense.
Cost of living adjustments:	3.0% of the first \$14,000.
Rates of retirement:	Varies based upon age for general employees, police and fire employees.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017, and applied to all periods included in this measurement.

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 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, adding expected inflation and subtracting investment expense and risk margin.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	21.00%	6.16%
International developed markets equity	13.00%	6.69%
International emerging markets equity	5.00%	9.47%
Core fixed income	15.00%	1.89%
High-yield fixed income	8.00%	4.00%
Real estate	10.00%	4.58%
Commodities	4.00%	4.77%
Hedge fund, GTAA, Risk parity	11.00%	3.68%
Private Equity	13.00%	10.00%
Totals	100.00%	

**TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 8,976,824	\$ 7,260,967	\$ 5,817,382

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 17 CONTINGENCIES/SETTLEMENT AGREEMENT

Subsequent to year-end, the Town entered into a Settlement Agreement (Agreement) with the City of Gloucester (City) regarding certain stipulations, as set forth in its June 6, 2000 inter-municipal agreement (IMA) concerning the collection, treatment and disposal of wastewater generated in Essex and processed through the City's sanitary sewer system, regarding the Town's obligation to pay the City certain sums of money to defray debt service costs related to the City's combined sewer overflow (CSO) project.

The Agreement provides the Town to pay the City a total of \$1,664,135 in equal, annual installments of \$66,565 over a 25-year period commencing July 2020 (fiscal year 2021) and concluding by July 2044 (fiscal year 2025). The total amount identified above has been recorded as a liability in the sewer enterprise fund's and business-type activities' statements of net position.

The Agreement also provides that under the new IMA, effective October 1, 2019, the Town will be charged a sewer rate that is 14% less than the sewer rate charged to the City's residential users. The Town expects that this reduced sewer rate will completely offset each of the annual CSO-related payments.

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$13,300,000 for vehicles and equipment, streets, buildings and improvements, police cruisers, and water and sewer infrastructure in accordance with its five-year capital improvement plan.

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$283,437 at June 30, 2019.

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

TOWN OF ESSEX, MASSACHUSETTS
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 13,252,312	\$ (21,373)	\$ 13,230,939
Motor Vehicle and Other Excise Taxes	-	889,000	-	889,000
Hotel/Motel Tax	-	15,000	-	15,000
Tax Liens	-	-	-	-
Charges for Services	-	164,734	-	164,734
Intergovernmental	-	300,139	-	300,139
Penalties and Interest on Taxes	-	22,000	-	22,000
Licenses and Permits	-	7,052	-	7,052
Fines and Forfeitures	-	10,275	-	10,275
Lease Revenue	-	434,000	-	434,000
Departmental and Other	-	57,739	-	57,739
Investment Income	-	25,000	-	25,000
Total Revenues	-	15,177,251	(21,373)	15,155,878
EXPENDITURES				
Current:				
General Government	184,819	1,220,156	218,318	1,623,293
Public Safety	10,380	1,859,941	37,094	1,907,415
Education	-	8,882,859	(33,657)	8,849,202
Public Works	43,625	1,122,500	(27,475)	1,138,650
Health and Human Services	-	371,102	61,590	432,692
Culture and Recreation	-	167,717	-	167,717
Pension Benefits	-	497,666	(9,459)	488,207
Employee Benefits	-	782,269	15,382	797,651
Property and Liability Insurance	-	120,443	(7,750)	112,693
State and County Charges	-	90,321	-	90,321
Debt Service:				
Principal	-	86,194	-	86,194
Interest	-	24,600	-	24,600
Total Expenditures	238,824	15,225,768	254,043	15,718,635
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(238,824)	(48,517)	(275,416)	(562,757)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	195,255	15,700	210,955
Sale of Capital Assets	-	-	-	-
Transfers Out	-	(418,284)	(497,498)	(915,782)
Total Other Financing Sources (Uses)	-	(223,029)	(481,798)	(704,827)
NET CHANGE IN FUND BALANCE	(238,824)	(271,546)	(757,214)	(1,267,584)
Fund Balance - Beginning of Year	2,474,494	2,474,494	2,474,494	2,474,494
FUND BALANCE - END OF YEAR	\$ 2,235,670	\$ 2,202,948	\$ 1,717,280	\$ 1,206,910

See accompanying Independent Auditors' Report.

TOWN OF ESSEX, MASSACHUSETTS
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 13,089,397	\$ -	\$ 13,089,397	\$ (141,542)
993,989	-	993,989	104,989
18,875	-	18,875	3,875
4,034	-	4,034	4,034
177,915	-	177,915	13,181
312,557	-	312,557	12,418
30,163	-	30,163	8,163
317,045	-	317,045	309,993
15,257	-	15,257	4,982
478,804	-	478,804	44,804
96,597	-	96,597	38,858
208,313	-	208,313	183,313
<u>15,742,946</u>	<u>-</u>	<u>15,742,946</u>	<u>587,068</u>
1,157,299	208,916	1,366,215	257,078
1,769,908	18,263	1,788,171	119,244
8,843,870	-	8,843,870	5,332
1,028,926	56,258	1,085,184	53,466
331,489	-	331,489	101,203
164,920	-	164,920	2,797
488,207	-	488,207	-
614,940	-	614,940	182,711
96,365	-	96,365	16,328
72,321	-	72,321	18,000
86,194	-	86,194	-
12,100	-	12,100	12,500
<u>14,666,539</u>	<u>283,437</u>	<u>14,949,976</u>	<u>768,659</u>
<u>1,076,407</u>	<u>(283,437)</u>	<u>792,970</u>	<u>1,355,727</u>
210,955	-	210,955	-
2,696	-	2,696	2,696
(915,782)	-	(915,782)	-
<u>(702,131)</u>	<u>-</u>	<u>(702,131)</u>	<u>2,696</u>
374,276	(283,437)	90,839	1,358,423
<u>2,474,494</u>	<u>-</u>	<u>2,474,494</u>	<u>-</u>
<u>\$ 2,848,770</u>	<u>\$ (283,437)</u>	<u>\$ 2,565,333</u>	<u>\$ 1,358,423</u>

See accompanying Independent Auditors' Report.

**TOWN OF ESSEX, MASSACHUSETTS
PENSION PLAN SCHEDULES
JUNE 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	1.719%	1.766%	1.724%	1.692%	1.672%
Town's proportionate share of the net pension liability	7,260,967	6,647,132	6,643,169	6,147,565	5,672,204
Town's covered-employee payroll	2,190,580	2,110,254	2,264,722	2,231,674	2,146,894
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	331.46%	314.99%	293.33%	275.47%	264.21%
Plan fiduciary net position as a percentage of the total pension liability	51.89%	55.40%	51.12%	51.01%	52.27%

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 574,361	\$ 550,026	\$ 499,581	\$ 464,836	\$ 428,738
Contributions in Relation to the Actuarially Required Contribution	<u>(574,361)</u>	<u>(550,026)</u>	<u>(499,581)</u>	<u>(464,836)</u>	<u>(428,738)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 2,190,580	\$ 2,110,254	\$ 2,264,722	\$ 2,231,674	\$ 2,146,894
Contributions as a Percentage of Covered Employee Payroll	26.22%	26.06%	22.06%	20.83%	19.97%

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

**TOWN OF ESSEX, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE
JUNE 30, 2019**

SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (1)(2)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 166,500	\$ 166,433
Interest on unfunded liability	154,619	161,606
Change in assumptions	(6,220)	-
Differences between actual and expected experience	(267,394)	-
Benefits payments	<u>(164,087)</u>	<u>(129,345)</u>
Net change in Total OPEB liability	(116,582)	198,694
Total OPEB liability - beginning	<u>5,068,912</u>	<u>4,870,218</u>
Total OPEB liability - ending	<u>\$ 4,952,330</u>	<u>\$ 5,068,912</u>
 Covered employee payroll	 \$ 2,062,198	 \$ 2,779,588
 Total OPEB liability as a percentage of covered employee payroll	 240.15%	 182.36%

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

(2) Amounts presented were determined as of June 30th of the prior fiscal year

TOWN OF ESSEX, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2019 is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ (OFU), net</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 15,742,946	\$ 14,949,976	\$ (702,131)	\$ 2,565,333
<u>Adjustments and reclassifications:</u>				
Net Change in Recording 60-Day Receipts	67,794	-	-	139,113
To record Encumbrances and Continuing Appropriations	-	(283,437)	-	283,437
To Reclassify the Activity of the Stabilization Funds to the General Fund	10,725	-	239,000	1,203,926
To Reclassify the Activity of the Municipal Building Trust Fund to the General Fund	194	-	-	25,358
To Reclassify the Activity of the OPEB Trust Fund to the General Fund	<u>45,806</u>	<u>-</u>	<u>200,000</u>	<u>819,156</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 15,867,465</u>	<u>\$ 14,666,539</u>	<u>\$ (263,131)</u>	<u>\$ 5,036,293</u>

See accompanying Independent Auditors' Report.

