

**TOWN OF ESSEX, MASSACHUSETTS**  
**FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**



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## INDEPENDENT AUDITORS' REPORT

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, 2020, 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.

### ***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, 2020, 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 59 through 63) 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 December 28, 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  
December 28, 2020

**TOWN OF ESSEX, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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, 2020.

**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 \$35,889,316 (net position). Of this amount, no net position is available to be used to meet the government's ongoing obligations to citizens and creditors. \$5,352,561 is available to support business-type activities.
- The Town's total net position increased by \$886,667.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,747,429, or 22.4%, of total general fund expenditures and transfers out.
- The Town's total long-term debt increased by \$11,057,907 during the fiscal year. \$12,562,396 of new debt was issued 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 nonfiduciary 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  
JUNE 30, 2020**

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 85 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, Municipal Safety Building (capital projects), and Conomo Point (special revenue) funds, each of which are considered to be major funds. Data from the other 82 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, 2020**

**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 24-57 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 59-63 of this report.



**TOWN OF ESSEX, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**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 \$35,889,316 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current Assets	\$ 23,614,008	\$ 14,443,168	\$ 4,275,206	\$ 3,898,762	\$ 27,889,214	\$ 18,341,930
Noncurrent Assets (Excluding Capital Assets)	1,114,515	920,806	4,677,582	5,785,385	5,792,097	6,706,191
Capital assets (net)	15,895,351	10,850,857	22,325,713	22,938,839	38,221,064	33,789,696
Total Assets	40,623,874	26,214,831	31,278,501	32,622,986	71,902,375	58,837,817
<b>Deferred Outflows of Resources</b>	912,224	915,160	138,241	124,364	1,050,465	1,039,524
<b>Liabilities</b>						
Current Liabilities (Excluding Debt)	1,528,755	728,109	459,504	453,221	1,988,259	1,181,330
Noncurrent Liabilities (Excluding Debt)	10,865,636	10,800,715	3,254,325	3,150,546	14,119,961	13,951,261
Current Debt	460,849	89,439	1,435,049	1,415,050	1,895,898	1,504,489
Noncurrent Debt	12,739,709	638,162	5,729,592	7,164,641	18,469,301	7,802,803
Total Liabilities	25,594,949	12,256,425	10,878,470	12,183,458	36,473,419	24,439,883
<b>Deferred Inflows of Resources</b>	512,466	382,800	77,639	52,019	590,105	434,819
<b>Net Position</b>						
Net Investment in Capital Assets	14,072,384	10,442,924	15,108,072	14,294,148	29,180,456	24,737,072
Restricted	7,162,527	8,751,613	-	-	7,162,527	8,751,613
Unrestricted	(5,806,228)	(4,703,771)	5,352,561	6,217,725	(453,667)	1,513,954
Total Net Position	\$ 15,428,683	\$ 14,490,766	\$ 20,460,633	\$ 20,511,873	\$ 35,889,316	\$ 35,002,639

A portion of the Town's net position (80.3%) 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 (19.7%) represents resources that are subject to external restrictions on how they may be used.

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. \$5,352,561 may be used to support business-type activities.

**TOWN OF ESSEX, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Changes in Net Position**

For the fiscal year ended June 30, 2020, the Town's total net position increased by \$886,677, compared to a decrease of \$977,936 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 819,903	\$ 726,913	\$ 1,903,711	\$ 1,819,788	\$ 2,723,614	\$ 2,546,701
Operating Grants and Contributions	275,978	194,430	269,221	312,681	545,199	507,111
Capital Grants and Contributions	116,597	453,473	-	-	116,597	453,473
General Revenues:						
Real Estate and Personal Property Taxes	14,223,671	13,275,263	-	-	14,223,671	13,275,263
Motor Vehicle and Other Excise Taxes	1,043,133	1,009,782	-	-	1,043,133	1,009,782
Hotel/Motel Taxes	20,338	18,875	-	-	20,338	18,875
Lease Revenue	494,472	478,804	-	-	494,472	478,804
Penalties and Interest on Taxes	47,222	30,163	-	-	47,222	30,163
Community Preservation Surcharges	178,522	163,428	-	-	178,522	163,428
Grants and Contributions not Restricted to Specific Programs	326,721	316,736	-	-	326,721	316,736
Unrestricted Investment Income	165,215	267,155	-	-	165,215	267,155
Gain (Loss) on Sale of Capital Assets	-	2,696	-	-	-	2,696
<b>Total Revenues</b>	<b>17,711,772</b>	<b>16,937,718</b>	<b>2,172,932</b>	<b>2,132,469</b>	<b>19,884,704</b>	<b>19,070,187</b>
<b>Expenses</b>						
General Government	1,744,648	1,969,562	-	-	1,744,648	1,969,562
Public Safety	2,768,329	3,291,332	-	-	2,768,329	3,291,332
Education	9,837,434	8,692,708	-	-	9,837,434	8,692,708
Public Works	1,254,890	1,472,198	-	-	1,254,890	1,472,198
Health and Human Services	433,841	511,767	-	-	433,841	511,767
Culture and Recreation	425,984	338,058	-	-	425,984	338,058
Debt Service - Interest	5,155	8,855	-	-	5,155	8,855
Sewer	-	-	1,622,493	3,301,263	1,622,493	3,301,263
Water	-	-	930,590	475,716	930,590	475,716
<b>Total Expenses</b>	<b>16,470,281</b>	<b>16,284,480</b>	<b>2,553,083</b>	<b>3,776,979</b>	<b>19,023,364</b>	<b>20,061,459</b>
Change in Net Position Before Special Item and Transfers	1,241,491	653,238	(380,151)	(1,644,510)	861,340	(991,272)
Special Item - Gain on Sale of Lots	25,337	13,336	-	-	25,337	13,336
Transfers, Net	(328,911)	(378,911)	328,911	378,911	-	-
<b>Change in Net Position</b>	<b>937,917</b>	<b>287,663</b>	<b>(51,240)</b>	<b>(1,265,599)</b>	<b>886,677</b>	<b>(977,936)</b>
Net Position - Beginning of Year	14,490,766	14,203,103	20,511,873	21,777,472	35,002,639	35,980,575
<b>Net Position - End of Year</b>	<b>\$ 15,428,683</b>	<b>\$ 14,490,766</b>	<b>\$ 20,460,633</b>	<b>\$ 20,511,873</b>	<b>\$ 35,889,316</b>	<b>\$ 35,002,639</b>

Governmental activities increased the Town's net position \$937,917. In the prior year, governmental activities increased the Town's net position \$287,663. The key element of this change relates to the increase in the budgetary surplus recognized in the general fund.

Business-type activities decreased the Town's net position by \$51,240. In the prior year, business-type activities decreased the Town's net position by \$1,265,599. The key elements of this change relate to the settlement of a claim from the City of Gloucester (see Note 17) which occurred in the prior year.

**TOWN OF ESSEX, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**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 \$22,087,979, an increase of \$8,725,413 in comparison with the prior year. \$3,701,996 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$237,879
- Restricted - \$17,440,920
- Committed - \$678,528
- Assigned - \$28,656

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 \$3,747,429, while total fund balance was \$5,425,135. 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 32.4% of that same amount.

The balance of the Town's general fund increased by \$388,842 during fiscal year 2020. The Town anticipated utilizing approximately \$1,863,000 of reserves to fund the budget; however, the Town ultimately recognized an approximate \$2,075,000 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 \$2,511,963 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 \$5,892,984 and (\$540,423), respectively. The sewer enterprise fund had an increase in net position of \$97,236 for the year, and the water enterprise fund had a decrease in net position of \$148,476 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  
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**General Fund Budgetary Highlights**

The original general fund budget of \$15,644,052 was increased by \$1,368,323 (8.1%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Municipal Safety Building	\$ 1,000,000	Unassigned fund balance
OPEB Trust contribution	100,000	Unassigned fund balance
Municipal storm system compliance	50,000	Unassigned fund balance
Transfer to stabilization fund	50,000	Unassigned fund balance
Reserve fund	38,617	Unassigned fund balance
Advertise Town resources	23,500	Unassigned fund balance
Vehicles and major equipment	31,600	Unassigned fund balance
Transfer to Cemetery fund	17,832	Unassigned fund balance
Buildings capital	10,000	Unassigned fund balance
Recreation capital	10,000	Unassigned fund balance
Town Hall/Library repair	10,000	Unassigned fund balance
Conomo Point repair	10,000	Unassigned fund balance
Fire Department radios	7,200	Unassigned fund balance
Town events incidental expenses	5,000	Unassigned fund balance
Municipal street lighting repair	3,000	Unassigned fund balance
Unpaid bills	1,574	Unassigned fund balance
	<u>\$ 1,368,323</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 \$1,785,000.

**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 \$38,221,064 (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 \$4,431,368, or 13.1% (a \$5,044,494 increase for governmental activities and a \$613,126 decrease for business-type activities).

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

- Public safety building construction (\$5,400,000)
- Paving projects (\$85,000)
- Sewer infrastructure (\$64,000)

**TOWN OF ESSEX, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 918,095	\$ 918,095	\$ 2	\$ 2	\$ 918,097	\$ 918,097
Land Improvements	705,374	780,481	-	-	705,374	780,481
Buildings and Improvements	6,601,311	6,800,257	299,284	376,682	6,900,595	7,176,939
Machinery, Vehicles and Equipment	631,587	806,856	193,899	194,040	825,486	1,000,896
Infrastructure	1,052,288	1,002,493	21,832,528	22,368,115	22,884,816	23,370,608
Construction in Progress	5,986,696	542,675	-	-	5,986,696	542,675
Total Capital Assets	<u>\$ 15,895,351</u>	<u>\$ 10,850,857</u>	<u>\$ 22,325,713</u>	<u>\$ 22,938,839</u>	<u>\$ 38,221,064</u>	<u>\$ 33,789,696</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 40-41 of this report.

### Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$20,365,199 which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 12,815,301	\$ 564,252	\$ 430,000	\$ 540,000	\$ 13,245,301	\$ 1,104,252
MCWT Notes	385,257	163,349	6,734,641	8,039,691	7,119,898	8,203,040
Total Bonds and Notes	<u>\$ 13,200,558</u>	<u>\$ 727,601</u>	<u>\$ 7,164,641</u>	<u>\$ 8,579,691</u>	<u>\$ 20,365,199</u>	<u>\$ 9,307,292</u>

The Town's total bonded debt increased by \$11,057,907 during the current fiscal year. The Town issued \$12,562,396 of new debt during the 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 \$47,232,130. Additional information on the Town's long-term debt can be found in Note 9 on pages 44-46 of this report.

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

The development of the fiscal year 2021 general fund operating budget was influenced by six major factors: the property tax levy governed by Proposition 2½, new revenue sources, School District budget apportionments, employee wage increases, increased state aid, and a pandemic (Covid-19).

Proposition 2½ 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 FY2020 the Town of Essex had an excess levy of \$316,648, generated in part by conservative budgeting and new revenue sources, e.g. local adoption of the state meals tax and interest from the sale of property at Conomo Point. Excess levy has increased to \$326,349 for FY21. Essex has not had an operational override since May of 2005.

Another component of Proposition 2½ is a factor added for "new growth". \$128,155 has been certified for "new growth" in FY 2021, up \$8,749 from \$119,406 in FY 2020.

**TOWN OF ESSEX, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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 the District. For fiscal year 2021 the Essex apportionment increased by 3.0% (\$291,830) and totaled \$8,365,271, up from \$8,073,441 in fiscal year 2020. Also, in fiscal year 2021, a debt assessment from the District relative to the Manchester Essex Regional High School building construction and the Memorial Elementary School of \$1,451,933 comes due and is covered by a debt exclusion outside of the Proposition 2½ limit. This assessment represents a \$22,305 decrease from the fiscal year 2020 assessment of \$1,474,238 and will continue to decrease each year for the life of the loan.

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 2020 assessment of \$282,795. In FY 2021 the assessment is \$237,681, a decrease of \$45,114 from Fiscal 2020, 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 nonunion employees between fiscal year 2019 and fiscal year 2020.

In fiscal year 2020, the Commonwealth of Massachusetts provided the Town with \$299,830 in State Cherry Sheet aid. \$298,556 in State Cherry Sheet aid is expected for fiscal year 2021, representing a 0.5% decrease of \$1,274.

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. 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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,660,984	\$ 2,591,526	\$ 7,252,510
Restricted Cash and Cash Equivalents	17,419,128	-	17,419,128
Restricted Investments	940,602	-	940,602
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	356,619	-	356,619
Tax and Utility Liens	61,165	2,183	63,348
Motor Vehicle and Other Excise Taxes	80,733	-	80,733
Community Preservation Surcharges	3,865	-	3,865
Water	-	312,755	312,755
Sewer	-	337,975	337,975
Special Assessments	-	828,248	828,248
Departmental and Other	50,132	-	50,132
Intergovernmental	18,460	202,519	220,979
Due from Agency Funds	22,320	-	22,320
Total Current Assets	23,614,008	4,275,206	27,889,214
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	-	3,996,324	3,996,324
Intergovernmental	-	681,258	681,258
Loans	287,881	-	287,881
Installment Sales	380,000	-	380,000
Tax Foreclosures	446,634	-	446,634
Capital Assets not being Depreciated	6,904,791	2	6,904,793
Capital Assets, Net of Accumulated Depreciation	8,990,560	22,325,711	31,316,271
Total Noncurrent Assets	17,009,866	27,003,295	44,013,161
Total Assets	40,623,874	31,278,501	71,902,375
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to OPEB	146,197	22,108	168,305
Related to Pensions	766,027	116,133	882,160
Total Deferred Outflows of Resources	912,224	138,241	1,050,465
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	1,168,512	109,215	1,277,727
Accrued Payroll	123,976	18,645	142,621
Other Liabilities	28,894	-	28,894
Unearned Revenue	37,300	-	37,300
Accrued Interest	-	185,117	185,117
Settlement Payable	-	66,565	66,565
Compensated Absences	23,876	4,854	28,730
Short-Term Notes Payable	-	53,000	53,000
Total OPEB Liability	146,197	22,108	168,305
Long-Term Bonds and Notes Payable	460,849	1,435,049	1,895,898
Total Current Liabilities	1,989,604	1,894,553	3,884,157
Noncurrent Liabilities:			
Compensated Absences	214,871	43,689	258,560
Settlement Payable	-	1,597,570	1,597,570
Total OPEB Liability	4,286,930	648,279	4,935,209
Net Pension Liability	6,363,835	964,787	7,328,622
Long-Term Bonds and Notes Payable	12,739,709	5,729,592	18,469,301
Total Noncurrent Liabilities	23,605,345	8,983,917	32,589,262
Total Liabilities	25,594,949	10,878,470	36,473,419
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	142,603	21,565	164,168
Related to Pensions	369,863	56,074	425,937
Total Deferred Outflows of Resources	512,466	77,639	590,105
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,072,384	15,108,072	29,180,456
Restricted for:			
Capital Purposes	3,389,066	-	3,389,066
OPEB	945,039	-	945,039
Community Preservation	663,447	-	663,447
Loans	287,881	-	287,881
Ambulance	474,150	-	474,150
Permanent Funds:			
Expendable	68,256	-	68,256
Nonexpendable	237,879	-	237,879
Other Specific Purposes	1,096,809	-	1,096,809
Unrestricted	(5,806,228)	5,352,561	(453,667)
Total Net Position	\$ 15,428,683	\$ 20,460,633	\$ 35,889,316

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 1,744,648	\$ 329,197	\$ 47,623	\$ 72,720	\$ (1,295,108)
Public Safety	2,768,329	228,174	132,479	40,995	(2,366,681)
Education	9,837,434	-	-	-	(9,837,434)
Public Works	1,254,890	243,542	41,000	2,882	(967,466)
Health and Human Services	433,841	16,210	29,811	-	(387,820)
Culture and Recreation	425,984	2,780	25,065	-	(398,139)
Debt Service-Interest	5,155	-	-	-	(5,155)
Total Governmental Activities	16,470,281	819,903	275,978	116,597	(15,257,803)
Business-Type Activities:					
Sewer	1,622,493	1,121,903	268,915	-	(231,675)
Water	930,590	781,808	306	-	(148,476)
Total Business-Type Activities	2,553,083	1,903,711	269,221	-	(380,151)
Total Primary Government	\$ 19,023,364	\$ 2,723,614	\$ 545,199	\$ 116,597	\$ (15,637,954)

See accompanying Notes to Financial Statements.



**TOWN OF ESSEX, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page)	\$ (15,257,803)	\$ (380,151)	\$ (15,637,954)
General Revenues:			
Real Estate and Personal Property Taxes	14,223,671	-	14,223,671
Motor Vehicle and Other Excise Taxes	1,043,133	-	1,043,133
Lease Revenue	494,472	-	494,472
Hotel/Motel Taxes	20,338	-	20,338
Penalties and Interest on Taxes	47,222	-	47,222
Community Preservation Surcharges	178,522	-	178,522
Grants and Contributions not Restricted to Specific Programs	326,721	-	326,721
Unrestricted Investment Income	165,215	-	165,215
Special Item - Gain on Sale of Lots	25,337	-	25,337
Transfers, Net	(328,911)	328,911	-
Total General Revenues, Special Item and Transfers, Net	16,195,720	328,911	16,524,631
<b>CHANGE IN NET POSITION</b>	937,917	(51,240)	886,677
Net Position - Beginning of Year	14,490,766	20,511,873	35,002,639
<b>NET POSITION - END OF YEAR</b>	\$ 15,428,683	\$ 20,460,633	\$ 35,889,316

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2020**

<b>ASSETS</b>	<u>General</u>	<u>Municipal Safety Building</u>	<u>Conomo Point</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 4,660,984	\$ -	\$ -	\$ -	\$ 4,660,984
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	356,619	-	-	-	356,619
Tax Liens	61,165	-	-	-	61,165
Motor Vehicle and Other Excise Taxes	80,733	-	-	-	80,733
Community Preservation Surcharges	-	-	-	3,865	3,865
Departmental and Other	17,959	-	-	32,173	50,132
Intergovernmental	-	-	-	18,460	18,460
Loans	-	-	-	287,881	287,881
Installment Sales	-	-	380,000	-	380,000
Due from Agency Funds	22,320	-	-	-	22,320
Due from Other Funds	30,493	-	-	-	30,493
Tax Foreclosures	446,634	-	-	-	446,634
Restricted Assets:					
Cash and Cash Equivalents	29,920	11,846,732	3,009,066	2,533,410	17,419,128
Investments	940,602	-	-	-	940,602
Total Assets	<u>\$ 6,647,429</u>	<u>\$ 11,846,732</u>	<u>\$ 3,389,066</u>	<u>\$ 2,875,789</u>	<u>\$ 24,759,016</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Warrants Payable	\$ 203,600	\$ 914,422	\$ -	\$ 50,490	\$ 1,168,512
Accrued Payroll	123,976	-	-	-	123,976
Other Liabilities	28,894	-	-	-	28,894
Unearned Revenue	-	-	-	37,300	37,300
Due to Other Funds	-	-	-	30,493	30,493
Total Liabilities	<u>356,470</u>	<u>914,422</u>	<u>-</u>	<u>118,283</u>	<u>1,389,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	<u>865,824</u>	<u>-</u>	<u>380,000</u>	<u>36,038</u>	<u>1,281,862</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	237,879	237,879
Restricted	970,522	10,932,310	3,009,066	2,529,022	17,440,920
Committed	678,528	-	-	-	678,528
Assigned	28,656	-	-	-	28,656
Unassigned	<u>3,747,429</u>	<u>-</u>	<u>-</u>	<u>(45,433)</u>	<u>3,701,996</u>
Total Fund Balances	<u>5,425,135</u>	<u>10,932,310</u>	<u>3,009,066</u>	<u>2,721,468</u>	<u>22,087,979</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,647,429</u>	<u>\$ 11,846,732</u>	<u>\$ 3,389,066</u>	<u>\$ 2,875,789</u>	<u>\$ 24,759,016</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, 2020**

	General	Municipal Safety Building	Conomo Point	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real Estate and Personal Property Taxes	\$ 14,392,448	\$ -	\$ -	\$ -	\$ 14,392,448
Motor Vehicle and Other Excise Taxes	1,022,231	-	-	-	1,022,231
Hotel/Motel Tax	20,338	-	-	-	20,338
Community Preservation Surcharges	-	-	-	179,358	179,358
Charges for Services	174,895	-	-	103,369	278,264
Intergovernmental	310,118	-	-	322,942	633,060
Special Assessments	-	-	-	241,497	241,497
Penalties and Interest on Taxes	47,222	-	-	-	47,222
Licenses and Permits	225,997	-	-	-	225,997
Fines and Forfeitures	30,415	-	-	-	30,415
Lease Revenue	494,472	-	-	-	494,472
Departmental and Other	56,586	-	-	40,716	97,302
Contributions	-	-	-	45,167	45,167
Investment Income	163,803	-	-	6,446	170,249
Total Revenues	16,938,525	-	-	939,495	17,878,020
<b>EXPENDITURES</b>					
Current:					
General Government	1,082,433	-	-	114,580	1,197,013
Public Safety	1,691,343	5,368,511	-	339,908	7,399,762
Education	9,829,682	-	-	-	9,829,682
Public Works	936,511	-	-	30,572	967,083
Health and Human Services	296,092	-	-	13,707	309,799
Culture and Recreation	154,433	-	-	175,581	330,014
Pension Benefits	531,026	-	-	-	531,026
Employee Benefits	630,027	-	-	-	630,027
Property and Liability Insurance	87,978	-	-	-	87,978
State and County Charges	34,451	-	-	-	34,451
Debt Service:					
Principal	86,194	-	-	-	86,194
Interest	8,400	-	-	-	8,400
Total Expenditures	15,368,570	5,368,511	-	674,348	21,411,429
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,569,955	(5,368,511)	-	265,147	(3,533,409)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Bonds and Notes	-	11,700,000	-	60,077	11,760,077
Premium from Issuance of Bonds and Notes	2,319	800,000	-	-	802,319
Transfers In	181,394	3,000,000	-	573,215	3,754,609
Transfer Out	(1,364,826)	-	(2,537,300)	(181,394)	(4,083,520)
Total Other Financing Sources (Uses)	(1,181,113)	15,500,000	(2,537,300)	451,898	12,233,485
<b>SPECIAL ITEM - SALE OF LOTS</b>	-	-	25,337	-	25,337
<b>NET CHANGE IN FUND BALANCES</b>	388,842	10,131,489	(2,511,963)	717,045	8,725,413
Fund Balances - Beginning of Year	5,036,293	800,821	5,521,029	2,004,423	13,362,566
<b>FUND BALANCES - END OF YEAR</b>	\$ 5,425,135	\$ 10,932,310	\$ 3,009,066	\$ 2,721,468	\$ 22,087,979

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, 2020**

Total Governmental Fund Balances	\$ 22,087,979
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	15,895,351
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,281,862
In the statement of net position, deferred outflows of resources are reported for amounts related to OPEB	146,197
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions	766,027
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	(13,200,558)
Compensated Absences	(238,747)
Net Pension Liability	(6,363,835)
Total OPEB Liability	(4,433,127)
In the statement of net position, deferred inflows of resources are reported for amounts related to OPEB	(142,603)
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions	(369,863)
Net Position of Governmental Activities	\$ <u>15,428,683</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, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 8,725,413
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.	
Capital Outlays	5,529,138
Depreciation	(484,644)
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.	(166,246)
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.	
Proceeds of Bonds	(11,760,077)
Premium from Issuance of Bonds and Notes	(802,319)
Bond Maturities	86,194
Amortization of Bond Premiums	3,245
Capital Lease Maturities	31,706
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:	
Total OPEB Liability	(73,267)
Net Pension Liability	28,469
Compensated Absences	(47,093)
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.	22,259
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.	(25,195)
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.	50,101
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.	(179,767)
Changes in Net Position of Governmental Activities	\$ <u>937,917</u>

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,325,381	\$ 266,145	\$ 2,591,526
Receivables, Net of Allowance for Uncollectible Amounts:			
Utility Liens	1,181	1,002	2,183
User Charges	337,975	312,755	650,730
Special Assessments	828,248	-	828,248
Intergovernmental	202,519	-	202,519
Total Current Assets	3,695,304	579,902	4,275,206
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	3,996,324	-	3,996,324
Intergovernmental	681,258	-	681,258
Capital Assets not being Depreciated	-	2	2
Capital Assets, Net of Accumulated Depreciation	21,943,185	382,526	22,325,711
Total Noncurrent Assets	26,620,767	382,528	27,003,295
Total Assets	30,316,071	962,430	31,278,501
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to OPEB	7,149	14,959	22,108
Related to Pensions	37,753	78,380	116,133
Total Deferred Outflows of Resources	44,902	93,339	138,241
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	90,220	18,995	109,215
Accrued Payroll	4,770	13,875	18,645
Accrued Interest	185,117	-	185,117
Compensated Absences	2,493	2,361	4,854
Settlement Payable	66,565	-	66,565
Short-Term Notes Payable	-	53,000	53,000
Total OPEB Liability	7,149	14,959	22,108
Long-Term Bonds and Notes Payable	1,405,049	30,000	1,435,049
Total Current Liabilities	1,761,363	133,190	1,894,553
Noncurrent Liabilities:			
Compensated Absences	22,440	21,249	43,689
Settlement Payable	1,597,570	-	1,597,570
Total OPEB Liability	209,639	438,640	648,279
Net Pension Liability	313,638	651,149	964,787
Long-Term Bonds and Notes Payable	5,690,592	39,000	5,729,592
Total Noncurrent Liabilities	7,833,879	1,150,038	8,983,917
Total Liabilities	9,595,242	1,283,228	10,878,470
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	6,974	14,591	21,565
Related to Pensions	18,229	37,845	56,074
Total Deferred Outflows of Resources	25,203	52,436	77,639
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,847,544	260,528	15,108,072
Unrestricted	5,892,984	(540,423)	5,352,561
Total Net Position	\$ 20,740,528	\$ (279,895)	\$ 20,460,633

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, 2020**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 997,752	\$ 772,961	\$ 1,770,713
Penalties and Interest	124,151	8,847	132,998
Total Operating Revenues	1,121,903	781,808	1,903,711
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	661,924	698,278	1,360,202
Pension and OPEB Adjustments	58,144	127,640	185,784
Depreciation	618,456	100,984	719,440
Total Operating Expenses	1,338,524	926,902	2,265,426
<b>OPERATING INCOME (LOSS)</b>	(216,621)	(145,094)	(361,715)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	267,549	-	267,549
Investment Income	1,366	306	1,672
Interest Expense	(283,969)	(3,688)	(287,657)
Total Nonoperating Revenues (Expenses), Net	(15,054)	(3,382)	(18,436)
<b>(LOSS) BEFORE TRANSFERS</b>	(231,675)	(148,476)	(380,151)
<b>TRANSFERS</b>			
Transfers In	328,911	-	328,911
<b>CHANGE IN NET POSITION</b>	97,236	(148,476)	(51,240)
Net Position - Beginning of Year	20,643,292	(131,419)	20,511,873
<b>NET POSITION - END OF YEAR</b>	<u>\$ 20,740,528</u>	<u>\$ (279,895)</u>	<u>\$ 20,460,633</u>

See accompanying Notes to Financial Statements.

**TOWN OF ESSEX, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 2,047,681	\$ 774,767	\$ 2,822,448
Payments to Vendors	(545,093)	(399,175)	(944,268)
Payments to Employees	(141,575)	(291,524)	(433,099)
Net Cash Provided (Used) by Operating Activities	1,361,013	84,068	1,445,081
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	328,911	-	328,911
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	-	53,000	53,000
Acquisition and Construction of Capital Assets	(106,315)	-	(106,315)
Principal Payments on Bonds and Notes	(1,192,812)	(95,000)	(1,287,812)
Interest Paid	(51,232)	(3,688)	(54,920)
Net Cash Used by Capital and Related Financing Activities	(1,350,359)	(45,688)	(1,396,047)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	1,366	306	1,672
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	340,931	38,686	379,617
Cash and Cash Equivalents - Beginning of Year	1,984,450	227,459	2,211,909
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,325,381</u>	<u>\$ 266,145</u>	<u>\$ 2,591,526</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating (Loss)	\$ (216,621)	\$ (145,094)	\$ (361,715)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	618,456	100,984	719,440
Net Pension Liability	30,555	65,569	96,124
Total OPEB Liability	23,712	54,205	77,917
Deferred Inflows of Resources Related to Pensions	9,811	20,431	30,242
Deferred Outflows of Resources Related to Pensions	(2,714)	(5,898)	(8,612)
Deferred Inflows of Resources Related to OPEB	(1,560)	(3,062)	(4,622)
Deferred Outflows of Resources Related to OPEB	(1,660)	(3,605)	(5,265)
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(764)	1,323	559
User Charges	14,621	(8,364)	6,257
Special Assessments	911,921	-	911,921
Warrants Payable	(27,049)	391	(26,658)
Accrued Payroll	1,188	6,564	7,752
Compensated Absences	1,117	624	1,741
Total Adjustments	1,577,634	229,162	1,806,796
Net Cash Provided by Operating Activities	<u>\$ 1,361,013</u>	<u>\$ 84,068</u>	<u>\$ 1,445,081</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Intergovernmental Debt Subsidies (MWPAT) - Interest	\$ 267,549	\$ -	\$ 267,549
Intergovernmental Debt Subsidies (MWPAT) - Principal	192,238	-	192,238

See accompanying Notes to Financial Statements.



**TOWN OF ESSEX, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2020**

<b>ASSETS</b>	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 206,476	\$ 9,488
Receivables, Net of Allowance for Uncollectible Amounts:		
Departmental and Other	-	25,092
Total Assets	<u>206,476</u>	<u>34,580</u>
 <b>LIABILITIES</b>		
Warrants Payable	-	2,200
Accrued Payroll	-	1,598
Liabilities Due Depositors	-	8,462
Due to General Fund	-	22,320
Total Liabilities	<u>-</u>	<u>\$ 34,580</u>
 <b>NET POSITION</b>		
Held in Trust for Other Purposes	<u>\$ 206,476</u>	

*See accompanying Notes to Financial Statements.*

**TOWN OF ESSEX, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2020**

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Net Investment Income:	
Interest	\$ 1,012
<b>DEDUCTIONS</b>	
Library	2,047
<b>CHANGE IN NET POSITION</b>	(1,035)
Net Position - Beginning of Year	207,511
<b>NET POSITION - END OF YEAR</b>	\$ 206,476

*See accompanying Notes to Financial Statements.*

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 2020 Assessment
Manchester Essex Regional School District	To provide educational services	36 Lincoln Street Manchester-by-the Sea, MA	\$ 9,547,679
North Shore Technical High School	To provide educational services	36 Log Bridge Road Middleton, MA	282,003
Essex County Regional Emergency Communications Center	To provide emergency services	18 Manning Avenue Middleton, MA	460

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 16-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 ended June 30, 2020, the Town implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; which postponed the implementation dates of certain GASB Statements.

**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.

Fiduciary funds are reported by fund type.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2020**

**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 *Municipal Safety Building fund* is a capital projects fund used to account for the construction of a new public safety building.

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.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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:

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 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed 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.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. 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.



**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 2020.

**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, 2020, 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.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Restricted Assets**

**Government-Wide and Fund Financial Statements**

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

**K. Capital Assets**

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

Capital assets, which consist of land, 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, 2020**

**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 and 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, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred inflows of resources related to pensions and 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. Unearned Revenue**

Unearned revenue is presented in the government-wide statement of net position and governmental funds balance sheet. Unearned revenue represents intergovernmental revenues received in advance of meeting eligibility requirements for revenue recognition.

**Q. 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.

“OPEB” 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.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Funds Financial Statements (Fund Balances)**

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

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

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

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

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

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

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

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

**R. Long-Term Debt**

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

Long-term debt is reported as liabilities in the government-wide and proprietary 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.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Investment Income**

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

**T. Compensated Absences**

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

**Government-Wide and Proprietary 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.

**U. 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.

**V. Post-Retirement Benefits**

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

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

**W. Use of Estimates**

**Government-Wide and Fund Financial Statements**

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

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 2020 approved budget for the general fund authorized \$16,874,446 in appropriations. During fiscal year 2020, supplemental appropriations totaling \$1,368,323 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, 2020, the following governmental fund deficits exist:

Fund	Amount	Funding Source
Nonmajor Governmental Funds		
COVID-19	\$ 30,493	Federal Grant
MAPC LED Streetlight Rapid Retrofit Grant	6,870	State Grant
Fire Safety Grant	4,519	State Grant
MAPC- Bicycle Rack Grant	3,551	State Grant
Total Governmental Funds	<u>\$ 45,433</u>	

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds 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, 2020, \$2,789,473 of the Town's bank balance of \$20,286,741 was uninsured, uncollateralized and exposed to custodial credit risk. The carrying value of the Town's deposits totaled \$20,252,215.

**B. Investments Summary**

The Town's investments at June 30, 2020 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Total Amount</u>	<u>Investment Maturities (Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds	\$ 4,507,641	\$ 4,507,641
Mutual bond funds	419,932	419,932
External investment pools	<u>127,747</u>	<u>127,747</u>
Total debt securities	<u>5,055,320</u>	<u>\$ 5,055,320</u>
<u>Other Investments:</u>		
Equity mutual funds	<u>520,670</u>	
Total investments	<u>\$ 5,575,990</u>	

**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, 2020 the Town's investments were not exposed to custodial credit risk.



**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020, the Town's debt securities were not rated by a nationally recognized statistical 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, 2020, 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, 2020, 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 Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Investments by Fair Value Level:</u>		
Money Market Mutual Funds	\$ 4,507,641	\$ 4,507,641
Mutual Bond Funds	419,932	419,932
Equity Mutual Funds	520,670	520,670
Total Investments at Fair Value	5,448,243	\$ 5,448,243
<u>Investments Measured at Amortized Cost</u>		
External Investment Pools (MMDT)	127,747	
Total Investments	\$ 5,575,990	

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, 2020**

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2020, 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	\$ 560,640	\$ (204,021)	\$ 356,619
Tax liens	461,469	(400,304)	61,165
Motor vehicle and other excise taxes	80,733	-	80,733
Community preservation surcharges	3,865	-	3,865
Departmental and other	89,408	(14,184)	75,224
Intergovernmental	18,460	-	18,460
Loans	287,881	-	287,881
Installment sales	380,000	-	380,000
	<u>\$ 1,882,456</u>	<u>\$ (618,509)</u>	<u>\$ 1,263,947</u>

At June 30, 2020, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water	\$ 312,755	\$ -	\$ 312,755
Sewer	337,975	-	337,975
Utility Liens	17,134	(14,951)	2,183
Special assessments	4,824,572	-	4,824,572
Intergovernmental	883,777	-	883,777
	<u>\$ 6,376,213</u>	<u>\$ (14,951)</u>	<u>\$ 6,361,262</u>

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 918,095	\$ -	\$ -	\$ 918,095
Construction in progress	542,675	5,444,021	-	5,986,696
Total capital assets not being depreciated	1,460,770	5,444,021	-	6,904,791
<u>Capital assets being depreciated:</u>				
Land improvements	1,306,634	-	-	1,306,634
Buildings and improvements	9,601,256	-	-	9,601,256
Machinery, vehicles and equipment	2,753,533	-	-	2,753,533
Infrastructure	1,196,649	85,117	-	1,281,766
Total capital assets being depreciated	14,858,072	85,117	-	14,943,189
<u>Less accumulated depreciation for:</u>				
Land improvements	(526,153)	(75,107)	-	(601,260)
Buildings and improvements	(2,800,999)	(198,946)	-	(2,999,945)
Machinery, vehicles and equipment	(1,946,677)	(175,269)	-	(2,121,946)
Infrastructure	(194,156)	(35,322)	-	(229,478)
Total accumulated depreciation	(5,467,985)	(484,644)	-	(5,952,629)
Total capital assets being depreciated, net	9,390,087	(399,527)	-	8,990,560
Total governmental activities capital assets, net	\$ 10,850,857	\$ 5,044,494	\$ -	\$ 15,895,351

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<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	3,029,245	-	-	3,029,245
Machinery, vehicles and equipment	419,451	42,055	-	461,506
Infrastructure	29,834,500	64,260	-	29,898,760
Total capital assets being depreciated	<u>33,283,196</u>	<u>106,315</u>	<u>-</u>	<u>33,389,511</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(2,652,563)	(77,399)	-	(2,729,961)
Machinery, vehicles and equipment	(225,411)	(42,194)	-	(267,607)
Infrastructure	(7,466,385)	(599,847)	-	(8,066,232)
Total accumulated depreciation	<u>(10,344,359)</u>	<u>(719,440)</u>	<u>-</u>	<u>(11,063,800)</u>
Total capital assets being depreciated, net	<u>22,938,837</u>	<u>(613,125)</u>	<u>-</u>	<u>22,325,711</u>
Total business-type activities capital assets, net	<u>\$ 22,938,839</u>	<u>\$ (613,125)</u>	<u>\$ -</u>	<u>\$ 22,325,713</u>

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

**Governmental Activities:**

General government	\$ 186,376
Public safety	97,914
Education	7,752
Public works	141,250
Health and human services	1,670
Culture and recreation	49,682

Total depreciation expense - governmental activities \$ 484,644

**Business-Type Activities:**

Sewer	\$ 618,456
Water	100,984

Total depreciation expense - business-type activities \$ 719,440

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2020 are summarized as follows:

	Transfers In:					
	General Fund	Municipal Safety Building	Nonmajor Governmental Funds	Sewer Enterprise Fund	Total	
Transfers Out:						
General Fund	\$ -	\$ 1,000,000	\$ 35,915	\$ 328,911	\$ 1,364,826	(1)
Conomo Point	-	2,000,000	537,300	-	2,537,300	(2)
Nonmajor Governmental Funds	181,394	-	-	-	181,394	(3)
	\$ 181,394	\$ 3,000,000	\$ 573,215	\$ 328,911	\$ 4,083,520	

- (1) Represents budgeted transfers to Municipal Safety Building fund (\$1,000,000) for capital purposes, Nonmajor Governmental Funds (\$35,915) for operating purposes, and sewer enterprise fund (\$328,911) for operating subsidy.
- (2) Represents budgeted transfers to Municipal Safety Building fund (\$2,000,000) and to Seawall Repair fund (\$537,300) for capital purposes.
- (3) Represents budgeted transfers for the General Fund to fund FY 20 Operations (\$125,488) and the return of unspent Bicentennial funds to the General fund (\$55,906).

**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, 2020 is as follows:

Type	Purpose	Origination Date	Maturity Date	Rate %	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
BAN	Permanent Water Loan	7/27/18	7/26/19	2.65	\$ 65,000	\$ -	\$ (65,000)	\$ -
BAN	Permanent Water Loan	7/26/19	7/24/20	2.25	-	53,000	-	53,000
Total					<u>\$ 65,000</u>	<u>\$ 53,000</u>	<u>\$ (65,000)</u>	<u>\$ 53,000</u>

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7    SHORT-TERM FINANCING (CONTINUED)**

Subsequent Event

On July 24, 2020 the Town repaid \$12,000 of the Permanent Water Loan BAN with available funds and renewed the BAN in the amount of \$41,000 at an interest rate of 0.89% and a maturity date of July 23, 2021.

**NOTE 8    LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable	\$ 711,374	\$ 11,760,077	\$ (86,194)	\$ 12,385,257	\$ 430,859
Unamortized bond premium	16,227	802,319	(3,245)	815,301	29,990
Total bonds and notes payable	<u>727,601</u>	<u>12,562,396</u>	<u>(89,439)</u>	<u>13,200,558</u>	<u>460,849</u>
Capital lease obligations	31,706	-	(31,706)	-	-
Compensated absences	191,654	47,093	-	238,747	23,876
Total	<u>\$ 950,961</u>	<u>\$ 12,609,489</u>	<u>\$ (121,145)</u>	<u>\$ 13,439,305</u>	<u>\$ 484,725</u>
	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
<b>Business-type Activities:</b>					
Bonds and notes payable	\$ 8,579,691	\$ -	\$ (1,415,050)	\$ 7,164,641	\$ 1,435,049
Compensated absences	46,802	1,741	-	48,543	4,854
Settlement Payable	1,664,135	-	-	1,664,135	66,565
Total	<u>\$ 10,290,628</u>	<u>\$ 1,741</u>	<u>\$ (1,415,050)</u>	<u>\$ 8,877,319</u>	<u>\$ 1,506,468</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, 2020**

**NOTE 9 LONG-TERM DEBT**

**Bonds and Notes Payable – Governmental Funds**

Details related to the outstanding indebtedness at June 30, 2020 and the debt service requirements are as follows:

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
MCWT - Title V Loan	8/1/19	5.33	\$ 5,334	\$ -	\$ (5,334)	\$ -
MCWT - Title V Loan	8/1/22	4.90	7,940	-	(1,962)	5,978
MCWT - Title V Loan	7/15/25	0.00	70,000	-	(10,000)	60,000
MCWT - Title V Loan	7/15/27	0.00	80,075	-	(8,898)	71,177
MCWT - Title V Interim Loan	7/15/33	2.00	188,025	60,077	-	248,102
Building Remodeling - Town Hall	8/15/24	2.07	360,000	-	(60,000)	300,000
Public Safety Building	3/1/50	2.75-5.00	-	11,700,000	-	11,700,000
Total Governmental Funds			\$ 711,374	\$ 11,760,077	\$ (86,194)	\$ 12,385,257

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

Fiscal Year	Principal	Interest	Total
2021	\$ 430,860	\$ 266,044	\$ 696,904
2022	447,085	373,388	820,473
2023	447,437	353,961	801,398
2024	445,788	334,277	780,065
2025	486,156	321,635	807,791
2026	426,531	300,886	727,417
2027	416,914	281,030	697,944
2028	417,305	261,166	678,471
2029	408,808	241,294	650,102
2030	409,217	221,413	630,630
2031	419,635	201,525	621,160
2032	420,062	185,128	605,190
2033	420,498	172,722	593,220
2034	420,943	164,308	585,251
2035	408,018	152,900	560,918
2036	400,000	144,900	544,900
2037	400,000	136,900	536,900
2038	400,000	128,400	528,400
2039	400,000	119,900	519,900
2040	400,000	111,400	511,400
2041	400,000	102,400	502,400
2042	400,000	93,400	493,400
2043	400,000	83,900	483,900
2044	400,000	74,400	474,400
2045	400,000	64,900	464,900
2046	400,000	53,900	453,900
2047	390,000	42,900	432,900
2048	390,000	32,175	422,175
2049	390,000	21,450	411,450
2050	390,000	10,725	400,725
Total	\$ 12,385,257	\$ 5,053,327	\$ 17,438,584

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds Payable – Water Enterprise Fund**

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
Refunding Water Treatment Facility	8/15/20	2.00	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000
Refunding Water	8/15/24	2.00 - 3.00	59,000	-	(10,000)	49,000
Total			<u>\$ 99,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 69,000</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
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>\$ 69,000</u>	<u>\$ 3,615</u>	<u>\$ 72,615</u>

**Bonds and Notes Payable – Sewer Enterprise Fund**

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
MCWT	8/1/23	4.43	\$ 1,390,000	\$ -	\$ (260,000)	\$ 1,130,000
MCWT	8/1/23	4.43	1,720,000	-	(325,000)	1,395,000
MCWT	8/1/23	4.43	775,000	-	(145,000)	630,000
MCWT	7/15/25	0.00	3,377,409	-	(482,487)	2,894,922
MCWT	7/20/26	0.00	446,161	-	(55,771)	390,390
MCWT	7/15/27	0.00	331,121	-	(36,792)	294,329
Refunding Sewer	8/15/24	2.00 - 3.00	441,000	-	(80,000)	361,000
Total			<u>\$ 8,480,691</u>	<u>\$ -</u>	<u>\$ (1,385,050)</u>	<u>\$ 7,095,641</u>



**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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>
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>7,095,641</u>	\$	<u>779,466</u>	\$	<u>7,875,107</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 2020, the Town's subsidy totaled approximately \$460,000. Future subsidies total approximately \$1,527,000. The amount of MCWT bonds outstanding at June 30, 2020, totaled \$7,119,898.

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, 2020, the Town had \$751,898 authorized and unissued long-term debt for Title V septic repairs.

**NOTE 10 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, 2020**

**NOTE 10 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 \$5,103,514 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018; which was rolled forward to the measurement date of July 1, 2019.

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, 2020**

**NOTE 10 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, 2018	\$ 4,952,330
Changes for the year:	
Service cost	171,493
Interest	151,162
Benefits payments	<u>(171,471)</u>
Net Changes	<u>151,184</u>
Balances at June 30, 2019	<u><u>\$ 5,103,514</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	\$ 5,828,609	\$ 5,103,514	\$ 4,505,957

*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	\$ 4,424,943	\$ 5,103,514	\$ 5,956,216

***OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources*** – For the year ended June 30, 2020, the Town recognized OPEB expense of \$267,934. At June 30, 2020, 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, 2020**

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 160,436
Changes of assumptions	-	3,732
Contributions subsequent to the measurement date	<u>168,305</u>	<u>-</u>
Total	<u>\$ 168,305</u>	<u>\$ 164,168</u>

The \$168,305 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 inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Amount
2021	\$ (54,723)
2022	(54,723)
2023	<u>(54,722)</u>
Total	<u>\$ (164,168)</u>

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Municipal Safety Building</u>	<u>Conomo Point</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>					
Permanent fund principal	\$ -	\$ -	\$ -	\$ 237,879	\$ 237,879
<b>Restricted for:</b>					
Municipal insurance	25,483	-	-	-	25,483
Loans	-	-	-	287,881	287,881
General government	-	-	-	157,021	157,021
Public safety	-	10,932,310	-	489,425	11,421,735
Public works	-	-	-	847,177	847,177
Health and human services	-	-	-	40,059	40,059
Culture and recreation	-	-	-	47,877	47,877
Community preservation	-	-	-	659,582	659,582
Capital purposes	-	-	3,009,066	-	3,009,066
Other postemployment benefits	945,039	-	-	-	945,039
Sub-total - Restricted	<u>970,522</u>	<u>10,932,310</u>	<u>3,009,066</u>	<u>2,529,022</u>	<u>17,440,920</u>
<b>Committed to:</b>					
Subsequent year's expenditures	57,000	-	-	-	57,000
Continuing appropriations	261,522	-	-	-	261,522
Capital stabilization	360,006	-	-	-	360,006
Sub-total - Committed	<u>678,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,528</u>
<b>Assigned to:</b>					
General government	15,306	-	-	-	15,306
Public works	12,000	-	-	-	12,000
Health and human services	1,350	-	-	-	1,350
Sub-total - Assigned	<u>28,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,656</u>
<b>Unassigned</b>	<u>3,747,429</u>	<u>-</u>	<u>-</u>	<u>(45,433)</u>	<u>3,701,996</u>
	<u>\$ 5,425,135</u>	<u>\$ 10,932,310</u>	<u>\$ 3,009,066</u>	<u>\$ 2,721,468</u>	<u>\$ 22,087,979</u>

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 12 STABILIZATION FUNDS**

The Town maintains a general stabilization, town buildings capital, town hall capital, Conomo Point capital, recreational capital, vehicle and major equipment capital, and street light 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 Town's stabilization funds at June 30, 2020 are reported as follows:

Fund	Amount
Stabilization Funds	
<i>Committed for Capital Purposes:</i>	
Conomo Point	\$ 111,061
Recreation	87,172
Town Buildings	80,137
Town Hall	50,526
Vehicles and Major Equipment	25,036
Street Lighting	6,074
Subtotal	<u>360,006</u>
<i>Unassigned:</i>	
General Stabilization	936,074
Total Stabilization Funds	<u>\$ 1,296,080</u>

**NOTE 13 RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care 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, 2020, this fund had a balance of \$25,483, which is reported in the general fund as restricted fund balance.

**NOTE 14 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 5<sup>th</sup> year annual bridge lease term, long-term (20-year) leases commenced on January 1, 2017. For the year ended June 30, 2020, the Town received \$494,472 in rental income, which is reported in the general fund as lease revenue.

Future rental revenues are expected to total \$8,265,939; which represents the total calendar year 2020 annual rents of \$500,966 multiplied by the remaining lives of the 20-year lease agreements (16.5 years) as of June 30, 2020. 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, 2020**

**NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* Employees of the Town deemed eligible by the Essex Regional Retirement Board are provided with pensions through the 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, 2020**

**NOTE 15 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 \$624,736 for the year ended June 30, 2020.

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

At June 30, 2020, the Town reported a liability of \$7,328,622 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020; which was rolled back to the measurement date of December 31, 2019. 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, 2020, the Town's proportion was 1.739 percent, which compared to a proportion of 1.719 percent at June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$918,982. At June 30, 2020, the Town reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

<u>Deferral Category:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 1,006	\$ 34,829
Differences between projected and actual earnings on investments	-	273,246
Changes of assumptions	732,477	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	148,677	117,862
	<u>\$ 882,160</u>	<u>\$ 425,937</u>

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>	<u>Amount</u>
2021	\$ 187,023
2022	129,029
2023	131,193
2024	8,978
Total	<u>\$ 456,223</u>



**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 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 zero years of service decreasing to 3.75% after five years of service.
Mortality Rates:	Pre-Retirement - The RP-2014 Employee Mortality Table projected generationally with scale MP-2019.  Healthy Retiree – The RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2019.  Disabled Retiree - The RP-2014 Healthy Annuitant Mortality Table, set forward two years, projected generationally with scale MP-2019.
Investment rate of return:	7.30% (previously 7.50%).
Cost of living adjustments:	3.0% of the first \$14,000 for fiscal year 2021, and 3% of the first \$14,000 thereafter.
Rates of retirement:	Varies based upon age for general employees, police and fire employees.

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%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge fund, GTAA, Risk parity	11.00%	3.19%
Private Equity	13.00%	9.99%
Totals	100.00%	

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 PENSION PLAN – ESSEX REGIONAL RETIREMENT SYSTEM (CONTINUED)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.3 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 7.3 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 (6.3 percent) or 1-percentage-point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
Town's Proportionate Share of the Net Pension Liability	\$ 9,216,193	\$ 7,328,622	\$ 5,742,001

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

**NOTE 16 SETTLEMENT AGREEMENT**

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, 2020**

**NOTE 17 COMMITMENTS AND CONTINGENCIES**

The Town has entered into, or is planning to enter into, contracts totaling approximately \$21,700,000 for the municipal safety building, 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 \$226,028 at June 30, 2020.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2020.

**NOTE 18 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 2021. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future 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 2022. Management is currently evaluating the Statement's future 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 2021. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.

**TOWN OF ESSEX, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 18 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)**

- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.

These statements will be implemented by their respective implementation dates.

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**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, 2020**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 14,436,930	\$ -	\$ 14,436,930
Motor Vehicle and Other Excise Taxes	-	884,100	-	884,100
Hotel/Motel Tax	-	15,375	-	15,375
Charges for Services	-	166,633	-	166,633
Intergovernmental	-	295,802	-	295,802
Penalties and Interest on Taxes	-	22,550	-	22,550
Licenses and Permits	-	197,860	-	197,860
Fines and Forfeitures	-	7,665	-	7,665
Lease Revenue	-	430,000	-	430,000
Departmental and Other	-	70	-	70
Investment Income	-	56,500	-	56,500
Miscellaneous	-	-	-	-
Total Revenues	-	16,513,485	-	16,513,485
<b>EXPENDITURES</b>				
Current:				
General Government	208,916	1,566,578	68,691	1,844,185
Public Safety	18,263	1,925,716	-	1,943,979
Education	-	9,830,474	-	9,830,474
Public Works	56,258	1,031,071	50,000	1,137,329
Health and Human Services	-	423,730	-	423,730
Culture and Recreation	-	169,964	-	169,964
Pension Benefits	-	540,714	-	540,714
Employee Benefits	-	795,966	-	795,966
Property and Liability Insurance	-	117,500	-	117,500
State and County Charges	-	32,455	-	32,455
Debt Service:		-		
Principal	-	86,194	-	86,194
Interest	-	35,890	-	35,890
Total Expenditures	283,437	16,556,252	118,691	16,958,380
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(283,437)	(42,767)	(118,691)	(444,895)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	115,978	34,110	150,088
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(318,194)	(1,249,632)	(1,567,826)
Total Other Financing Sources (Uses)	-	(202,216)	(1,215,522)	(1,417,738)
<b>NET CHANGE IN FUND BALANCE</b>	(283,437)	(244,983)	(1,334,213)	(1,862,633)
Fund Balance - Beginning of Year	2,848,770	2,848,770	2,848,770	2,848,770
<b>FUND BALANCE - END OF YEAR</b>	\$ 2,565,333	\$ 2,603,787	\$ 1,514,557	\$ 986,137

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, 2020**

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 14,434,273	\$ -	\$ 14,434,273	\$ (2,657)
1,022,231	-	1,022,231	138,131
20,338	-	20,338	4,963
174,895	-	174,895	8,262
310,118	-	310,118	14,316
47,222	-	47,222	24,672
225,997	-	225,997	28,137
30,415	-	30,415	22,750
494,472	-	494,472	64,472
48,919	-	48,919	48,849
124,040	-	124,040	67,540
7,667	-	7,667	7,667
<u>16,940,587</u>	<u>-</u>	<u>16,940,587</u>	<u>427,102</u>
1,082,433	175,780	1,258,213	585,972
1,691,343	13,898	1,705,241	238,738
9,829,682	-	9,829,682	792
936,511	64,150	1,000,661	136,668
296,092	36,350	332,442	91,288
154,433	-	154,433	15,531
531,026	-	531,026	9,688
630,027	-	630,027	165,939
87,978	-	87,978	29,522
34,451	-	34,451	(1,996)
86,194	-	86,194	-
8,400	-	8,400	27,490
<u>15,368,570</u>	<u>290,178</u>	<u>15,658,748</u>	<u>1,299,632</u>
<u>1,572,017</u>	<u>(290,178)</u>	<u>1,281,839</u>	<u>1,726,734</u>
205,994	-	205,994	55,906
2,319	-	2,319	2,319
<u>(1,567,826)</u>	<u>-</u>	<u>(1,567,826)</u>	<u>-</u>
<u>(1,359,513)</u>	<u>-</u>	<u>(1,359,513)</u>	<u>58,225</u>
212,504	(290,178)	(77,674)	1,784,959
<u>2,848,770</u>	<u>-</u>	<u>2,848,770</u>	<u>-</u>
<u>\$ 3,061,274</u>	<u>\$ (290,178)</u>	<u>\$ 2,771,096</u>	<u>\$ 1,784,959</u>

See accompanying Independent Auditors' Report.

**TOWN OF ESSEX, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
JUNE 30, 2020**

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

	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	1.739%	1.719%	1.766%	1.724%	1.692%	1.672%
Town's proportionate share of the net pension liability	7,328,622	7,260,967	6,647,132	6,643,169	6,147,565	5,672,204
Town's covered payroll	2,261,786	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 payroll	324.02%	331.46%	314.99%	293.33%	275.47%	264.21%
Plan fiduciary net position as a percentage of the total pension liability	55.46%	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)**

	2020	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 624,736	\$ 574,361	\$ 550,026	\$ 499,581	\$ 464,836	\$ 428,738
Contributions in Relation to the Actuarially Required Contribution	(624,736)	(574,361)	(550,026)	(499,581)	(464,836)	(428,738)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	2,904,765	2,908,457	2,628,198	2,643,271	2,576,699	2,442,528
Contributions as a Percentage of Covered Payroll	21.51%	19.75%	20.93%	18.90%	18.04%	17.55%

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



**TOWN OF ESSEX, MASSACHUSETTS  
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE  
JUNE 30, 2020**

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

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 171,493	\$ 166,500	\$ 166,433
Interest on unfunded liability	151,162	154,619	161,606
Change in assumptions	-	(6,220)	-
Differences between actual and expected experience	-	(267,394)	-
Benefits payments	<u>(171,471)</u>	<u>(164,087)</u>	<u>(129,345)</u>
Net change in Total OPEB liability	151,184	(116,582)	198,694
Total OPEB liability - beginning	<u>4,952,330</u>	<u>5,068,912</u>	<u>4,870,218</u>
<b>Total OPEB liability - ending</b>	<b><u>\$ 5,103,514</u></b>	<b><u>\$ 4,952,330</u></b>	<b><u>\$ 5,068,912</u></b>
 Covered employee payroll	 \$ 2,124,064	 \$ 2,062,198	 \$ 2,779,588
 Total OPEB liability as a percentage of covered employee payroll	 240.27%	 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 30<sup>th</sup> of the prior fiscal year

**TOWN OF ESSEX, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**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, 2020 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	\$ 16,940,587	\$ 15,658,748	\$ (1,359,513)	\$ 2,771,096
<u>Adjustments and reclassifications:</u>				
Net Change in Recording 60-Day Receipts	(41,823)	-	-	97,259
To record Encumbrances and Continuing Appropriations	-	(290,178)	-	290,178
To Reclassify the Activity of the Stabilization Funds to the General Fund	13,754	-	78,400	1,296,080
To Reclassify the Activity of the Municipal Building Trust Fund to the General Fund	124	-	-	25,483
To Reclassify the Activity of the OPEB Trust Fund to the General Fund	<u>25,883</u>	<u>-</u>	<u>100,000</u>	<u>945,039</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 16,938,525</u>	<u>\$ 15,368,570</u>	<u>\$ (1,181,113)</u>	<u>\$ 5,425,135</u>

See accompanying Independent Auditors' Report.

