

TOWN OF ESSEX, CONNECTICUT

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2021**

TOWN OF ESSEX, CONNECTICUT
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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Essex, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut, as of June 30, 2021, and the respective changes in financial position 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 on pages 3 through 13 and the information on pages 68 through 87 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules on pages 88 through 100 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the Town's 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 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's internal control over financial reporting and compliance.



Certified Public Accountants
Glastonbury, Connecticut
December 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

As management of the Town of Essex, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

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 \$21,799,338 (net position). Of this amount, \$4,812,031 represents the Town's unrestricted net position.
- The Town's total net position increased by \$1,500,686 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,228,091, an increase of \$606,124 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,915,447 or 15.3% of the Town's General Fund budgetary expenditure appropriation for fiscal year 2022. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.8 months of General Fund budgetary expenditures.
- The Town's total capital assets decreased by \$767,119 or 2.8%.
- The Town's total long-term bonded debt decreased by \$1,060,000 or 9.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 assets, deferred outflows and inflows of resources, and liabilities, with net position as the residual of these elements. 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.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

The statement of activities presents information showing how the Town'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.

The government-wide financial statements display information about the Town's governmental activities that include general government, public safety, health and welfare, libraries, highways and transportation, and education. The Town does not have any business-type activities.

The government-wide financial statements include only the Town itself because there are no legally separate organizations for which the Town is financially accountable.

The government-wide financial statements can be found on pages 14 and 15 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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 impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital and Nonrecurring Expenditures Fund, the Bonded Capital Projects Fund, and the Special Grants Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the Financial Statements

The notes to the financial statements 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 22 through 67 of this report.

Other Information

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 68 through 100 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

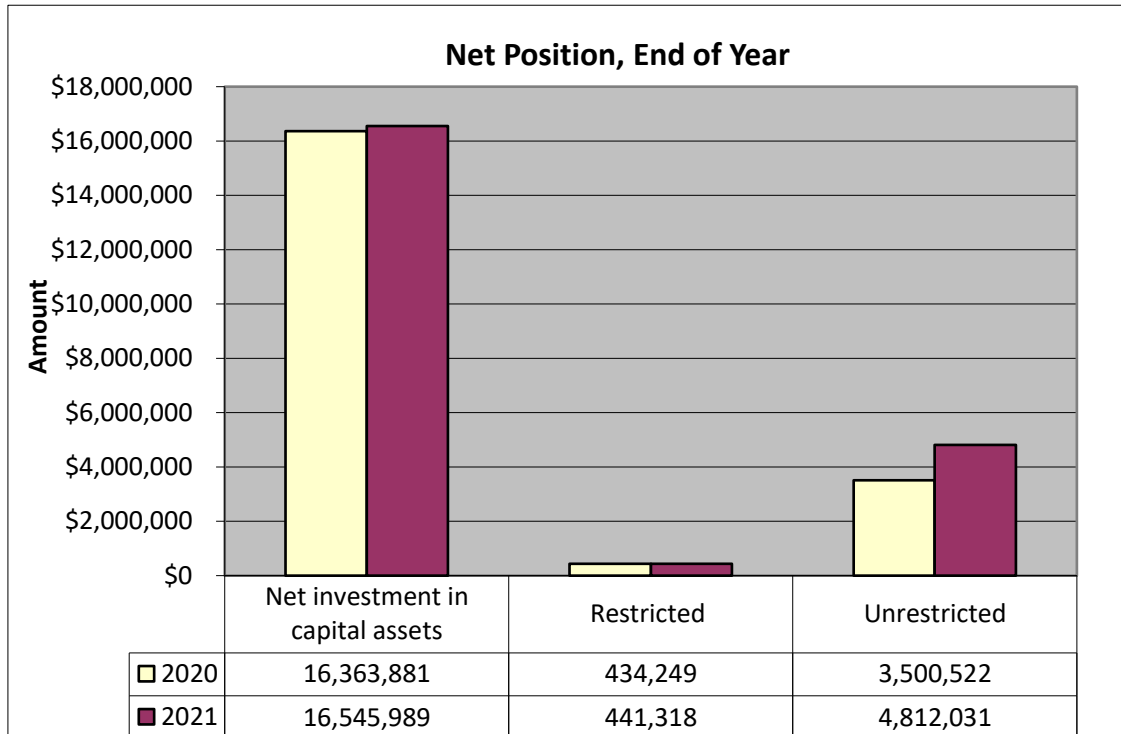
Over time, net position may serve as one measure of a government's financial position. The Town's net position as of June 30, 2020 has been restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. The effect of implementing GASB Statement No. 84 resulted in an increase to the Town's net position of \$71,874. Net position of the Town totaled \$21,799,338 and \$20,298,652, as restated, as of June 30, 2021 and 2020, respectively, and are summarized as follows:

	2021	2020 (As Restated)	\$ Change	% Change
Current and other assets	\$ 10,722,446	\$ 9,160,003	\$ 1,562,443	17.1%
Capital assets, net	26,255,635	27,022,754	(767,119)	-2.8%
Total assets	36,978,081	36,182,757	795,324	2.2%
Deferred outflows of resources	1,282,281	1,365,189	(82,908)	-6.1%
Long-term liabilities	11,918,981	15,988,356	(4,069,375)	-25.5%
Other liabilities	1,961,589	1,097,719	863,870	78.7%
Total liabilities	13,880,570	17,086,075	(3,205,505)	-18.8%
Deferred inflows of resources	2,580,454	163,219	2,417,235	1481.0%
Net position:				
Net investment in capital assets	16,545,989	16,363,881	182,108	1.1%
Restricted	441,318	434,249	7,069	1.6%
Unrestricted	4,812,031	3,500,522	1,311,509	37.5%
Total net position	\$ 21,799,338	\$ 20,298,652	\$ 1,500,686	7.4%

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



Of the Town's net position, 75.9% reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's 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.

As of June 30, 2021, 2.0% of the Town's net position is subject to external restrictions on how it may be used and is therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net position increased by \$1,500,686.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

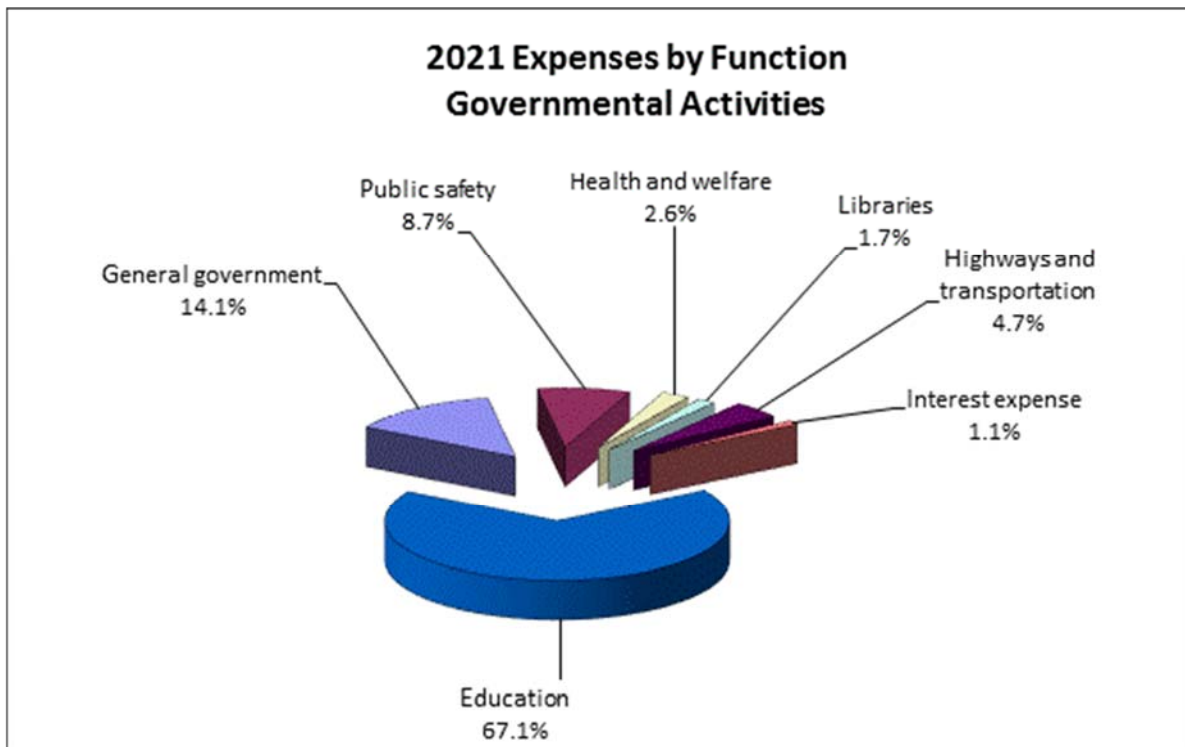
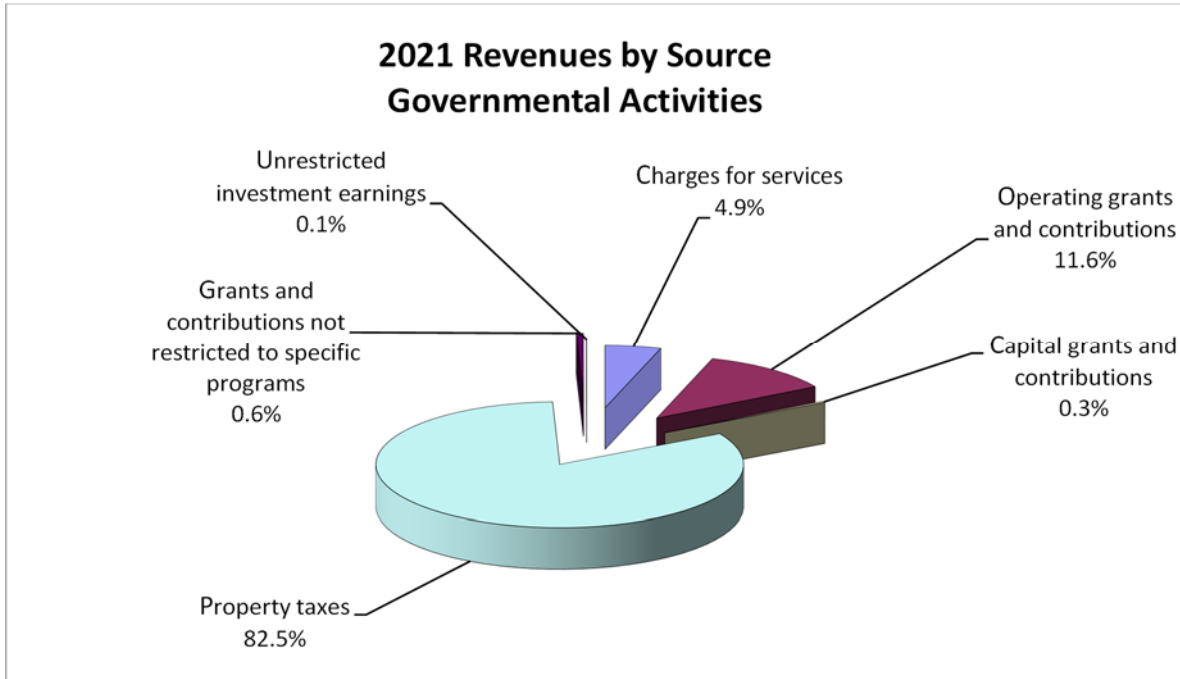
The change in net position for the year ended June 30, 2020 has been restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. The effect of implementing GASB Statement No. 84 resulted in a decrease to the Town's change in net position of \$1,920 for the year ended June 30, 2020. Changes in net position for the years ended June 30, 2021 and 2020, as restated, are as follows:

	2021	2020 (As Restated)	\$ Change	% Change
Program revenues:				
Charges for services	\$ 1,406,517	\$ 1,116,105	\$ 290,412	26.0%
Operating grants and contributions	3,331,337	1,614,862	1,716,475	106.3%
Capital grants and contributions	81,092	606,857	(525,765)	-86.6%
General revenues:				
Property taxes	23,622,685	23,232,130	390,555	1.7%
Grants and contributions not restricted to specific programs	174,134	92,585	81,549	88.1%
Unrestricted investment earnings	4,893	104,843	(99,950)	-95.3%
Total revenues	<u>28,620,658</u>	<u>26,767,382</u>	<u>1,853,276</u>	6.9%
Program expenses:				
General government	3,820,766	4,022,768	(202,002)	-5.0%
Public safety	2,361,077	1,512,740	848,337	56.1%
Health and welfare	710,128	750,613	(40,485)	-5.4%
Libraries	452,356	412,434	39,922	9.7%
Highways and transportation	1,273,814	1,489,066	(215,252)	-14.5%
Interest expense	304,752	292,084	12,668	4.3%
Education	18,197,079	17,272,480	924,599	5.4%
Total expenses	<u>27,119,972</u>	<u>25,752,185</u>	<u>1,367,787</u>	5.3%
Change in net position	<u>\$ 1,500,686</u>	<u>\$ 1,015,197</u>	<u>\$ 485,489</u>	47.8%

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position *(Continued)*



TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Governmental Activities

Governmental activities increased the Town's net position by \$1,500,686. Revenues generated by the Town increased by \$1,853,276 or 6.9% in comparison to the prior year. Significant changes in revenues were as follows:

- an increase in charges of services of \$290,412 or 26.0% driven by favorable collections on conveyance taxes and Town Clerk fees;
- an increase in operating grants of \$1,716,475 or 106.3% driven by nonrecurring grants received to fund COVID-19 pandemic related costs and upgrades to the regional emergency communications and radio dispatch system. Operating grants also increased due to an increase in the on-behalf contributions related to the Town's participation in the Connecticut Teachers' Retirement System;
- a decrease in capital grants of \$525,765 or 86.6%. Capital grants are nonrecurring in nature. The Town received capital grants in the prior year for the Centerbrook Village Main Street improvement project and for a sidewalk connectivity project; and
- a decrease in investment income of \$99,950 or 95.3% due to the historic low interest rates on short-term investments.

Expenses for the Town increased by \$1,367,787 or 5.3% in comparison to the prior year. Significant changes in expenses were as follows:

- an increase in public safety expenses of \$848,337 or 51.6%. This increase is primarily due to costs associated with upgrades to the regional emergency communications and radio dispatch system. These upgrades were funded by a grant from the State of Connecticut and allows interconnectivity through Valley Shore Emergency Communications, Inc. and amongst 11 member towns;
- an increase in education expenses of \$924,599 or 5.4%. This increase is primarily driven by increases in on-behalf pension and other post-employment expenses related to the Town's participation in the Connecticut Teachers' Retirement System.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,228,091, an increase of \$606,124 in comparison with the prior year. Of this amount, \$3,898,279 represents unassigned fund balance. The remainder of fund balance is not available for new spending because it has already been assigned, committed, or restricted to specific purposes.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS *(Continued)*

General Fund

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 was \$3,915,447, while total fund balance was \$5,307,548. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. At the end of the current fiscal year, unassigned fund balance for the General Fund represented 15.3% of the Town's General Fund budgetary expenditure appropriation for fiscal year 2022. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.8 months of General Fund budgetary expenditures. The fund balance of the Town's General Fund increased by \$220,716 during the current fiscal year due to favorable budgetary results outlined below.

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$406,847 during the current fiscal year to \$2,419,210. This increase was due primarily to transfers in from the General Fund offset by current year outlays on authorized projects.

Bonded Capital Projects Fund

The Bonded Capital Projects Fund has a fund balance of \$125,401 as of June 30, 2021, a decrease of \$75,000 from the prior year. This fund accounts for the costs associated with the Town's approved capital projects funded by general obligation bond authorizations. Unspent bond funds are being utilized to offset the related debt service.

Special Grants Fund

The Special Grants Fund is used to account for cost reimbursement grants. Significant revenues and expenditures consisted of upgrades to the regional emergency communications and radio dispatch system funded by a grant from the State of Connecticut.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget provided for the use of fund balance in the amount of \$168,933 to balance revenues and expenditures. During the year, supplemental appropriations of \$724,619 were authorized, resulting in a planned use of fund balance in the amount of \$893,552. The actual change in fund balance for the General Fund on a budgetary basis was \$387,222. Revenues exceeded budgetary estimates by \$884,107, primarily due to favorable collections on property taxes, conveyance taxes, Town Clerk fees and COVID-19 pandemic grant reimbursements. Expenditures were \$396,667 less than budgeted, with surpluses recognized within both the Board of Selectmen and Education budgets. As a result of the favorable budgetary savings, appropriations of \$325,000 were carried forward for spending on authorized purposes in the Town's fiscal year 2022 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2021 totaled \$26,255,635 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The Town's investment in capital assets decreased by \$767,119.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

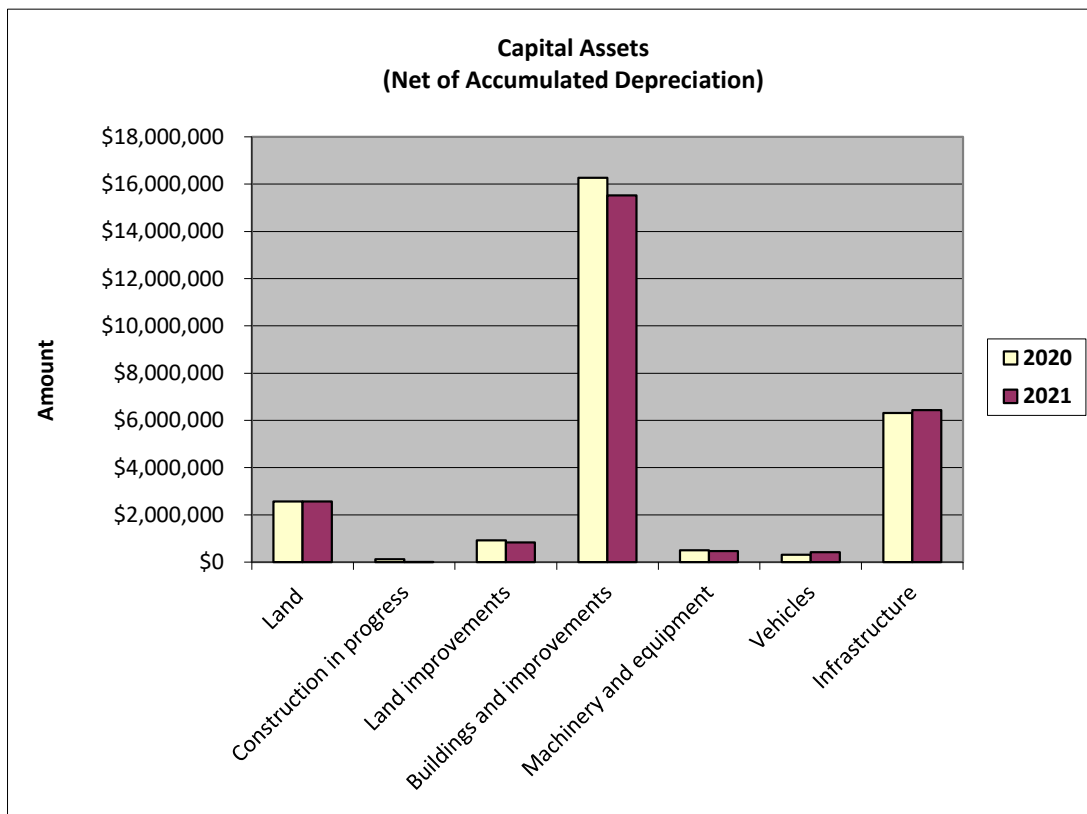
CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

Capital asset additions totaled \$709,311 and included the purchase of a police vehicle, a pumpout boat and road and sidewalk improvements. Depreciation expense totaled \$1,476,430.

The following table is a two year comparison of the investment in capital assets, net of accumulated depreciation:

	2021	2020	\$ Change	% Change
Land	\$ 2,563,245	\$ 2,563,245	\$ -	0.0%
Construction in progress	12,196	126,704	(114,508)	-90.4%
Land improvements	832,579	925,530	(92,951)	-10.0%
Buildings and improvements	15,529,523	16,275,408	(745,885)	-4.6%
Machinery and equipment	466,109	507,928	(41,819)	-8.2%
Vehicles	420,250	309,661	110,589	35.7%
Infrastructure	6,431,733	6,314,278	117,455	1.9%
Totals	<u>\$ 26,255,635</u>	<u>\$ 27,022,754</u>	<u>\$ (767,119)</u>	-2.8%



Additional information on the Town's capital assets can be found in Note 4 of this report.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt

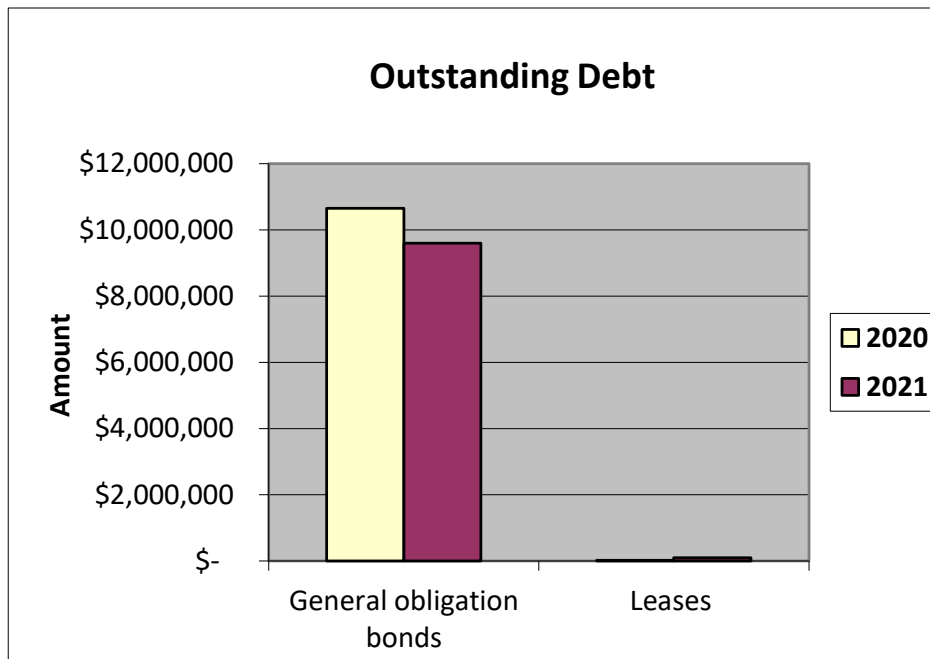
At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of \$9,595,000, which is backed by the full faith and credit of the Town. The Town's total long-term bonded debt decreased by \$1,060,000 during the current fiscal year due to scheduled debt service repayments. Leases payable increased by \$74,345 due to the financing of \$105,425 for the purchase of a pumpout boat, offset by current year scheduled lease payments.

The Town maintains an "Aa2" rating from Moody's Investor Service for general obligation debt and an "AA+" from S&P Global Ratings.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town's outstanding general obligation debt.

The following is a two year comparison of long-term debt:

	2021	2020	\$ Change	% Change
General obligation bonds	\$ 9,595,000	\$ 10,655,000	\$ (1,060,000)	-9.9%
Leases	96,028	21,683	74,345	342.9%
Totals	<u>\$ 9,691,028</u>	<u>\$ 10,676,683</u>	<u>\$ (985,655)</u>	-9.2%



Additional information on the Town's long-term debt can be found in Note 7 of this report.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2022, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - Intergovernmental grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.
- In 2020, there was a global outbreak of COVID-19 that was declared a Public Health Emergency of International Concern by the World Health Organization and was subsequently declared a state of emergency by the Governor of Connecticut and a national emergency by the President of the United States. The extent to which COVID-19 will impact the Town's tax base, operations and its financial condition will ultimately depend on future developments that are uncertain and cannot be fully predicted with confidence at this time.

All of these factors were considered in preparing the Town's budget for fiscal year 2022. The Town's fiscal year 2022 budget was approved at a Town Meeting on May 10, 2021. The fiscal year 2022 budget contemplated expenditures of \$25,653,515. Fund balance in the amount of \$290,794 has been assigned for use in the fiscal year 2022 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Town of Essex, 29 West Avenue, Essex, Connecticut 06426.

BASIC FINANCIAL STATEMENTS

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,481,033
Investments	113,186
Receivables:	
Property taxes, net	517,791
Interest on property taxes, net	205,046
Grants and contracts	53,859
Other	197,783
Other	153,748
Capital assets:	
Non-depreciable	2,575,441
Depreciable, net	23,680,194
Total assets	<u>36,978,081</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	389,232
OPEB related	552,212
Pension related	340,837
Total deferred outflows of resources	<u>1,282,281</u>
LIABILITIES	
Accounts payable	346,997
Accrued interest payable	105,365
Accrued liabilities	314,381
Performance deposits payable	169,776
Unearned revenue	1,000,747
Due to others	24,323
Noncurrent liabilities:	
Due within one year	1,088,859
Due in more than one year	10,830,122
Total liabilities	<u>13,880,570</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related	1,392,082
Pension related	1,188,372
Total deferred inflows of resources	<u>2,580,454</u>
NET POSITION	
Net investment in capital assets	16,545,989
Restricted	441,318
Unrestricted	4,812,031
Total net position	<u>\$ 21,799,338</u>

The accompanying notes are an integral part of these financial statement .

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,820,766	\$ 1,266,378	\$ 49,767	\$ -	\$ (2,504,621)
Public safety	2,361,077	96,932	1,008,763	-	(1,255,382)
Health and welfare	710,128	-	205,549	-	(504,579)
Libraries	452,356	-	-	-	(452,356)
Highways and transportation	1,273,814	-	220,734	81,092	(971,988)
Education	18,197,079	43,207	1,846,524	-	(16,307,348)
Interest expense	304,752	-	-	-	(304,752)
Total governmental activities	<u>\$ 27,119,972</u>	<u>\$ 1,406,517</u>	<u>\$ 3,331,337</u>	<u>\$ 81,092</u>	<u>(22,301,026)</u>
General revenues:					
Property taxes, levied for general purposes					23,622,685
Grants and contributions not restricted to specific programs					174,134
Unrestricted investment earnings					4,893
Total general revenues					<u>23,801,712</u>
					Change in net position 1,500,686
					Net position - beginning, as originally reported 20,226,778
					Cumulative effect of implementing
					new accounting standard (See Note 1) 71,874
					Net position - beginning, as adjusted <u>20,298,652</u>
					Net position - ending <u>\$ 21,799,338</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ESSEX, CONNECTICUT

BALANCE SHEET -
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Special Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,635,589	\$ 2,589,062	\$ -	\$ 986,704	\$ 269,678	\$ 9,481,033
Investments	113,186	-	-	-	-	113,186
Receivables:						
Property taxes, net	517,791	-	-	-	-	517,791
Interest on property taxes, net	205,046	-	-	-	-	205,046
Grants and contracts	8,745	-	10,158	-	34,956	53,859
Other	161,755	-	-	-	36,028	197,783
Due from other funds	244,531	-	115,243	16,016	196,038	571,828
Other	142,532	-	-	-	11,216	153,748
Total assets	<u>\$ 7,029,175</u>	<u>\$ 2,589,062</u>	<u>\$ 125,401</u>	<u>\$ 1,002,720</u>	<u>\$ 547,916</u>	<u>\$ 11,294,274</u>
LIABILITIES						
Accounts payable	\$ 324,359	\$ -	\$ -	\$ 6,058	\$ 16,580	\$ 346,997
Accrued liabilities	314,381	-	-	-	-	314,381
Due to other funds	274,980	169,852	-	-	126,996	571,828
Performance deposits payable	169,776	-	-	-	-	169,776
Unearned revenue	-	-	-	986,699	14,048	1,000,747
Due to others	-	-	-	9,957	14,366	24,323
Total liabilities	<u>1,083,496</u>	<u>169,852</u>	<u>-</u>	<u>1,002,714</u>	<u>171,990</u>	<u>2,428,052</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes and interest	<u>638,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,131</u>
FUND BALANCES						
Nonspendable	142,532	-	-	-	11,216	153,748
Restricted	289,365	-	125,401	6	151,947	566,719
Committed	337,338	2,419,210	-	-	229,931	2,986,479
Assigned	622,866	-	-	-	-	622,866
Unassigned	3,915,447	-	-	-	(17,168)	3,898,279
Total fund balances	<u>5,307,548</u>	<u>2,419,210</u>	<u>125,401</u>	<u>6</u>	<u>375,926</u>	<u>8,228,091</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,029,175</u>	<u>\$ 2,589,062</u>	<u>\$ 125,401</u>	<u>\$ 1,002,720</u>	<u>\$ 547,916</u>	<u>\$ 11,294,274</u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ESSEX, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

Total fund balances for governmental funds	\$ 8,228,091
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:	
Non-depreciable	\$ 2,575,441
Depreciable, net	<u>23,680,194</u>
	26,255,635
Some of the Town's taxes and interest will be collected after year end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	638,131
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.	
Long-term debt:	
Bonds and notes payable	(9,595,000)
Unamortized bond premium	(533,251)
Deferred charges on refunding	389,232
Leases	(96,028)
Accrued interest payable	(105,365)
Other long-term liabilities:	
Compensated absences	(143,451)
Net pension liabilities - Single-employer	(435,888)
Net pension liability - Multi-employer	(82,903)
Net OPEB liability	<u>(1,032,460)</u>
Total long-term liabilities	(11,635,114)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension and net OPEB liabilities are reported in the statement of net position.	<u>(1,687,405)</u>
Net position of governmental activities	<u><u>\$ 21,799,338</u></u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Special Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 23,567,070	\$ -	\$ -	\$ -	\$ -	\$ 23,567,070
Intergovernmental	1,247,870	-	-	1,089,956	424,307	2,762,133
Local	1,246,818	-	-	-	181,139	1,427,957
Interest	4,005	771	-	6	111	4,893
Other	-	-	-	-	40,214	40,214
Total revenues	<u>26,065,763</u>	<u>771</u>	<u>-</u>	<u>1,089,962</u>	<u>645,771</u>	<u>27,802,267</u>
EXPENDITURES						
Current:						
General government	3,604,406	-	-	5,500	76,913	3,686,819
Public safety	1,471,618	-	-	1,044,285	90,475	2,606,378
Health and welfare	626,492	-	-	-	117,557	744,049
Libraries	423,776	-	-	-	-	423,776
Highways and transportation	861,465	-	-	-	-	861,465
Education	16,405,633	-	-	-	403,785	16,809,418
Debt service:						
Principal payments	1,060,000	-	-	-	31,080	1,091,080
Interest and fiscal charges	255,932	-	75,000	-	15,556	346,488
Capital outlays	427,575	158,924	-	40,171	105,425	732,095
Total expenditures	<u>25,136,897</u>	<u>158,924</u>	<u>75,000</u>	<u>1,089,956</u>	<u>840,791</u>	<u>27,301,568</u>
Excess (deficiency) of revenues over expenditures	928,866	(158,153)	(75,000)	6	(195,020)	500,699
OTHER FINANCING SOURCES (USES)						
Lease (as lessee)	-	-	-	-	105,425	105,425
Transfers in	-	565,000	-	-	143,150	708,150
Transfers out	(708,150)	-	-	-	-	(708,150)
Total other financing sources (uses)	<u>(708,150)</u>	<u>565,000</u>	<u>-</u>	<u>-</u>	<u>248,575</u>	<u>105,425</u>
Net change in fund balances	220,716	406,847	(75,000)	6	53,555	606,124
Fund balances - beginning, as originally reported	5,086,832	2,012,363	200,401	-	250,497	7,550,093
Adjustments (See Note 1)	-	-	-	-	71,874	71,874
Fund balances - beginning, as adjusted	<u>5,086,832</u>	<u>2,012,363</u>	<u>200,401</u>	<u>-</u>	<u>322,371</u>	<u>7,621,967</u>
Fund balances - ending	<u>\$ 5,307,548</u>	<u>\$ 2,419,210</u>	<u>\$ 125,401</u>	<u>\$ 6</u>	<u>\$ 375,926</u>	<u>\$ 8,228,091</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ESSEX, CONNECTICUT
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances for governmental funds	\$	606,124
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Total change in net position reported for governmental activities in the statement of activities is different because:

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 and amortization expense. The amount by which capital outlays were offset by depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$	709,311	
Depreciation and amortization expense		(1,476,430)	
Net adjustment			(767,119)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are deferred in the governmental funds. This amount represents the change in unavailable revenues.		55,615
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Debt issued or incurred:			
Leases		(105,425)	
Principal repayments:			
Bonds payable		1,060,000	
Leases		31,080	
Net adjustment			985,655

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and net OPEB liabilities are amortized as a component of pension and OPEB expense in the statement of activities.		(2,437,024)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect on such items is as follows:

Accrued interest	\$	3,164	
Amortization of bond premium		101,691	
Amortization of deferred charges on refunding		(63,119)	
Compensated absences		(25,972)	
Claims payable		33,670	
Net pension liabilities - Single-employer		1,702,641	
Net pension liability - Multi-employer		(10,294)	
Net OPEB liability		1,315,654	
			3,057,435

Change in net position of governmental activities	\$	1,500,686
		(Concluded)

The accompanying notes are an integral part of these financial statements .

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2021

	Pension and OPEB Trust Funds
ASSETS	
Cash and cash equivalents	\$ 133,486
Investments:	
Mutual funds	<u>8,613,384</u>
Total assets	<u><u>8,746,870</u></u>
NET POSITION	
Restricted for:	
Pension benefits	8,643,942
OPEB benefits	<u>102,928</u>
Total net position	<u><u>\$ 8,746,870</u></u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Pension and OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 780,216
Plan members	8,951
Total contributions	<u>789,167</u>
Investment earnings:	
Net change in the fair value of investments	1,607,240
Interest and dividends	185,956
Total investment earnings	<u>1,793,196</u>
Total additions	<u>2,582,363</u>
DEDUCTIONS	
Benefit payments	527,412
Administrative expenses	12,300
Total deductions	<u>539,712</u>
Change in net position	2,042,651
Net position - beginning	<u>6,704,219</u>
Net position - ending	<u><u>\$ 8,746,870</u></u>

The accompanying notes are an integral part of these financial statements .

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Essex, Connecticut (the "Town"), conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

Financial Reporting Entity

The Town of Essex, Connecticut was incorporated as Old Saybrook on September 13, 1852, under the provisions of the Connecticut General Statutes. The Town's name was changed to Essex on July 8, 1854. The Town operates under the Board of Selectmen, Town Meeting and Board of Finance form of government and provides the following services: public safety, highways and transportation, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

The legislative power of the Town is invested with the Board of Selectmen and Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

The basic financial statements of the Town include only the funds of the Town, as no component units exist based on operational or financial relationships with the Town.

Related Organizations

The Town is a member of Regional School District No. 4 (the "District"). The District provides educational services for grades pre-kindergarten and seven through twelve to its member towns. The activities of the District are primarily supported by assessments made to member towns. Assessments for the Town totaled \$7,700,916, which represented approximately 39.75% of total member assessments. In addition to annual member assessments, the Town is contingently liable for its pro-rata share of the District's outstanding bonds (*see Note 7*). The District is governed by an elected Board of Education and issues publicly available financial reports.

The Town is a member of the Lower Connecticut River Valley Council of Governments, which provides its member towns with access to transportation and land use planning services. The First Selectman of the Town serves on the Board of Directors of this organization.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-wide and Fund Financial Statements *(Continued)*

Government-wide Financial Statements *(Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

General Fund - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those not accounted for and reported in another fund.

Capital and Nonrecurring Expenditures Fund - This capital projects fund is used to account for the revenues and expenditures associated with the Town's various long-term projects.

Bonded Capital Projects Fund - This capital projects fund is used to account for the revenues and expenditures related to major capital asset construction and/or purchases, which are primarily funded through the issuance of general obligation bonds.

Special Grants Fund - This special revenue fund is used to account for revenues and expenditures related to nonrecurring Federal and State grants.

In addition, the Town reports the following fiduciary fund types:

Pension and Other Post-Employment Benefits Trust Funds - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plans and other post-employment benefit plans.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus and Basis of Accounting *(Continued)*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected 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 principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received or available to be received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the cash is received.

The pension and other post-employment benefits trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Implementation of New Accounting Standards

Effective July 1, 2020, the Town implemented the provisions of GASB Statement No. 84, *Fiduciary Activities* (Statement No. 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Based on the application of Statement No. 84, the Town has recharacterized certain activities previously reported as fiduciary activities. The Town has reported the cumulative effect of applying Statement No. 84 as a restatement of its beginning net position and fund balances as follows:

	Governmental Activities	Governmental Funds
Net Position/Fund balance - beginning, as originally reported	\$ 20,226,778	\$ 7,550,093
Recharacterization of certain activities previously reported as fiduciary activities	<u>71,874</u>	<u>71,874</u>
Net Position/Fund balance - beginning, as adjusted	<u><u>\$ 20,298,652</u></u>	<u><u>\$ 7,621,967</u></u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the Town are reported at fair value (generally based on quoted market prices).

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes of \$10,000 as of June 30, 2021.

Inventories and Prepaid items

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and the fund financial statements.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	30-50
Machinery and equipment	3-12
Vehicles	3-7
Infrastructure	25-50

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows and inflows of resources consists of deferred charges on refundings and deferred pension and OPEB expenses reported in the government-wide statement of net position. Deferred charges on refundings resulted from the difference in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred pension and OPEB expenses resulted from changes in the components of the Town's net pension and OPEB liabilities and are being amortized as a component of pension and OPEB expenses on a systematic and rational basis.

Deferred inflows of resources also include consist of revenue that is considered unavailable under the modified accrual basis of accounting and is reported in the governmental funds balance sheet. Unavailable revenue and is recognized as inflows of resources in the period that the amounts become available.

Compensated Absences

It is the Town's policy to permit employees to accumulate unused vacation pay benefits. The Board of Education allows employees to accumulate only unused sick pay. All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Net Position and Fund Balance

The statement of net position presents the Town's assets, deferred outflows and inflows of resources, and liabilities, with net position as the residual of these elements. Net position is reported in three categories:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net position - This component of net position consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position is the net amount of assets, liabilities, and deferred outflows/inflows of resources which do not meet the definition of the preceding two categories.

The Town's governmental funds report the following fund balance categories:

Nonspendable - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments, or imposed by law through enabling legislation.

Committed - Amounts can be only used for specific purposes pursuant to constraints imposed by formal action of the Board of Finance (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

Assigned - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Connecticut General Statutes and include the First Selectman and the Treasurer.

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Net Position and Fund Balance *(Continued)*

Net Position Flow Assumption (Continued)

The Town considers restricted net position to have been depleted before unrestricted net position is applied. The Town's adopted policy states that the Town shall endeavor to maintain an unassigned fund balance in the General Fund between 12% and 16% of budgeted expenditures. If the unassigned fund balance exceeds the 16% target, the use of such excess funds could be for capital projects and other onetime uses, to avoid creating a gap in the subsequent fiscal year budget. If the fund balance goes below the 12% minimum, then the Board of Finance will endeavor to replenish reserves during the budget process to minimum levels within 3 years. As of June 30, 2021, unassigned fund balance in the General Fund represented 15.15% of the Town's approved budgeted operating revenues for the fiscal year 2020-2021 General Fund budget.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

When committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed, or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interfund Activities *(Continued)*

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash deposits, as of June 30, 2021 is as follows:

Government-Wide Statement of Net Position:	
Cash and cash equivalents	\$ 9,481,033
Statement of Fiduciary Net Position	
Cash and cash equivalents	133,486
	<u>9,614,519</u>
Add: certificates of deposit considered cash deposits	
for disclosure purposes	113,186
Less: cash equivalents considered investments	
for disclosure purposes	<u>(86,843)</u>
	<u><u>\$ 9,640,862</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut general statutes, as described below. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2021, \$8,979,302 of the Town's bank balance of \$9,790,999 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateralized with securities held by the pledging	
bank's trust department or agent but not in the Town's name	8,979,302
	<u><u>\$ 8,979,302</u></u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits *(Continued)*

Custodial Credit Risk *(Continued)*

All of the Town's deposits were in qualified public institutions as defined by Connecticut general statutes. Under these statutes, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

A reconciliation of the Town's investments as of June 30, 2021 is as follows:

Government-wide statement of net position:	
Investments	\$ 113,186
Statement of fiduciary net position	
Investments	8,613,384
	<u>8,726,570</u>
Add: cash equivalents considered investments	
for disclosure purposes	86,843
Less: certificates of deposit considered cash deposits	
for disclosure purposes	<u>(113,186)</u>
	<u><u>\$ 8,700,227</u></u>

As of June 30, 2021, the Town's investments consist of the following:

<u>Investment Type</u>	<u>Valuation Basis</u>	<u>Value</u>	<u>Investment Maturities (In Years) Less Than 1</u>
Debt Securities:			
<i>Fiduciary Funds:</i>			
Money Market Mutual Funds	Amortized Cost	\$ 85,830	\$ 85,830
Other	Amortized Cost	1,013	1,013
		<u>86,843</u>	<u>\$ 86,843</u>
Other Investments:			
<i>Fiduciary Funds:</i>			
Mutual Funds	Fair Value	8,613,384	
Total		<u><u>\$ 8,700,227</u></u>	

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy provides for the Town to maintain significant balances in cash equivalents or other short-term maturity investments, as changing interest rates have limited impact on these types of investments. In addition, the Town has established an asset allocation policy that is responsive to the expected cash flows of the Town.

Credit Risk

Connecticut general statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The pension trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

The Town's investment policy regarding credit risk is to limit investments to those specified in the Connecticut general statutes, to pre-qualify the financial institutions used by the Town and to diversify the Town's portfolio so that the failure of one issuer will not place undue financial burden on the Town.

Concentrations 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. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures. As of June 30, 2021, none of the Town's investments, in any one issuer that is subject to concentration of credit risk disclosures, exceeded 5.0% or more of the total investments reported for the Town's governmental activities or fiduciary funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a 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's investments consist primarily of investments in various mutual funds and are therefore not exposed to custodial credit risk, because they are not evidenced by securities that exist in physical or book entry form. The Town's investment policy does not address custodial credit risk with respect to investments.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly), and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2021, by level within the fair value hierarchy are presented in the table below:

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Fiduciary Funds:</i>			
Mutual Funds	\$ 8,613,384	-	-

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 consisted of the following:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 2,563,245	\$ -	\$ -	\$ -	\$ 2,563,245
Construction in progress	126,704	-	-	(114,508)	12,196
Total capital assets, not being depreciated	2,689,949	-	-	(114,508)	2,575,441
Capital assets, being depreciated:					
Land improvements	1,561,990	-	-	-	1,561,990
Buildings and improvements	27,447,806	97,736	-	-	27,545,542
Machinery and equipment	2,474,746	36,072	-	-	2,510,818
Vehicles	1,222,805	167,613	(77,000)	9,478	1,322,896
Infrastructure	13,052,785	407,890	-	105,030	13,565,705
Total capital assets, being depreciated	45,760,132	709,311	(77,000)	114,508	46,506,951
Less accumulated depreciation and amortization for:					
Land improvements	636,460	92,951	-	-	729,411
Buildings and improvements	11,172,398	843,621	-	-	12,016,019
Machinery and equipment	1,966,818	77,891	-	-	2,044,709
Vehicles	913,144	66,502	(77,000)	-	902,646
Infrastructure	6,738,507	395,465	-	-	7,133,972
Total accumulated depreciation and amortization	21,427,327	1,476,430	(77,000)	-	22,826,757
Total capital assets, being depreciated, net	24,332,805	(767,119)	-	114,508	23,680,194
Governmental activities capital assets, net	\$ 27,022,754	\$ (767,119)	\$ -	\$ -	\$ 26,255,635

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS *(Continued)*

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:		
General government	\$	290,752
Public safety		71,145
Health and welfare		748
Highways and transportation		474,218
Education		639,567
Total depreciation expense - governmental activities	\$	<u>1,476,430</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Nonmajor Governmental Funds	\$ 126,996
	Capital and Nonrecurring Expenditures Fund	117,535
		<u>244,531</u>
Bonded Capital Projects Fund	General Fund	<u>115,243</u>
Special Grants Fund	General Fund	<u>16,016</u>
Nonmajor Governmental Funds	Capital and Nonrecurring Expenditures Fund	52,317
	General Fund	143,721
		<u>196,038</u>
Total interfund receivables/payables		<u>\$ 571,828</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 565,000
Nonmajor Governmental Funds	General Fund	143,150
Total transfers		<u>\$ 708,150</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expand them, and (2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LONG-TERM DEBT

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying asset. Changes in long-term debt for the year ended June 30, 2021, are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Placements:					
General obligation bonds	\$ 10,655,000	\$ -	\$ (1,060,000)	\$ 9,595,000	\$ 1,055,000
Unamortized bond premium	634,942	-	(101,691)	533,251	-
Total bonds payable	11,289,942	-	(1,161,691)	10,128,251	1,055,000
Leases	21,683	105,425	(31,080)	96,028	19,514
	<u>\$ 11,311,625</u>	<u>\$ 105,425</u>	<u>\$ (1,192,771)</u>	<u>\$ 10,224,279</u>	<u>\$ 1,074,514</u>

The above liabilities have typically been liquidated by the General Fund.

Direct Placements - General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2021 is as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities			
<i>Bonds Payable</i>			
General obligation refunding bonds issued April 2013, original amount of \$7,170,000	8/1/2027	2.125% - 4.000%	\$ 4,140,000
General obligation bonds issued September 2017, original amount of \$6,000,000	9/15/2037	2.0% - 5.0%	5,455,000
			<u>\$ 9,595,000</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT *(Continued)*

Direct Placements - General Obligation Bonds *(Continued)*

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2021:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 1,055,000	\$ 292,706	\$ 1,347,706
2023	1,010,000	255,231	1,265,231
2024	930,000	219,631	1,149,631
2025	865,000	188,300	1,053,300
2026	855,000	160,484	1,015,484
2027-2031	2,640,000	478,450	3,118,450
2032-2036	1,600,000	216,000	1,816,000
2037-2038	640,000	19,200	659,200
	<u>\$ 9,595,000</u>	<u>\$ 1,830,002</u>	<u>\$ 11,425,002</u>

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2021.

Authorized, Unissued Bonds

As of June 30, 2021, the Town had authorized but unissued bonds totaling \$1,414,555.

Refundings

The Town has advanced refunded general obligation bonds in prior years. The difference between the reacquisition prices (the amounts placed in escrow) and the net carrying amounts of the refunded bonds have resulted in deferred charges on refundings in the amount of \$904,704. This amount, net of accumulated amortization has been presented as deferred outflows of resources in the government-wide financial statements and is being amortized to interest expense using the effective-interest method over the life of the new bonds. Amortization of deferred charges on refundings totaled \$63,119 for the year ended June 30, 2021.

Overlapping Debt

The Town of Essex is a member of Regional School District No. 4, which also provides education for the Towns of Chester and Deep River. As of June 30, 2021, the outstanding indebtedness of the District was \$2,850,000. The Town of Essex's share will be approximately 39.75% or \$1,132,875 of the total outstanding indebtedness. Such outstanding indebtedness represents general obligations of the Regional School District No. 4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net position.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT *(Continued)*

Capital Leases

Capital leases from direct borrowings include non-appropriation clauses and provide the obligor with a security interest in the underlying equipment in the event of a default.

A summary of assets acquired through capital leases is as follows as of June 30, 2021:

	Governmental Activities
Vehicles	\$ 105,425
Less: accumulated amortization	(10,543)
	<u>\$ 94,882</u>

Amortization expense relative to leased property under capital leases totaled \$10,543 for the year ended June 30, 2021 and is included in depreciation and amortization expense disclosed in Note 4.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

Year ending June 30:	Governmental Activities
2022	\$ 24,129
2023	24,129
2024	24,129
2025	24,129
2026	12,064
Total minimum lease payments	108,580
Less: amount representing interest	(12,552)
Present value of minimum lease payments	<u>\$ 96,028</u>

NOTE 8 - OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for the year ended June 30, 2021 are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 117,479	\$ 139,944	\$ (113,972)	\$ 143,451	\$ 14,345
Net pension liabilities <i>(see Note 10)</i>	2,211,138	10,294	(1,702,641)	518,791	-
Net OPEB liability <i>(see Note 11)</i>	2,348,114	-	(1,315,654)	1,032,460	-
	<u>\$ 4,676,731</u>	<u>\$ 150,238</u>	<u>\$ (3,132,267)</u>	<u>\$ 1,694,702</u>	<u>\$ 14,345</u>

The above liabilities have typically been liquidated by the General Fund.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 - FUND BALANCE

The various components of fund balance at June 30, 2021 are as follows:

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Special Grants Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid items	\$ 142,532	\$ -	\$ -	\$ -	\$ -	\$ 142,532
Inventories	-	-	-	-	11,216	11,216
Restricted for:						
Grant programs	-	-	-	6	11,693	11,699
Debt service - premium received	288,816	-	-	-	-	288,816
Cafeteria operations	-	-	-	-	45,491	45,491
Recycling program	549	-	-	-	-	549
Student activities	-	-	-	-	26,548	26,548
Special projects	-	-	-	-	68,215	68,215
Capital purposes	-	-	125,401	-	-	125,401
Committed for:						
Municipal property improvements	12,338	-	-	-	-	12,338
Employee retirement benefits	50,000	-	-	-	-	50,000
Capital purposes	275,000	2,419,210	-	-	-	2,694,210
Harbor commission operations	-	-	-	-	86,661	86,661
Recreation programs	-	-	-	-	44,999	44,999
General government programs	-	-	-	-	61,367	61,367
Pump out boat operations	-	-	-	-	-	-
Public safety programs	-	-	-	-	36,904	36,904
Assigned to:						
Revaluation	123,187	-	-	-	-	123,187
Subsequent year's budget	290,794	-	-	-	-	290,794
Encumbrances - capital outlay	155,350	-	-	-	-	155,350
Encumbrances - health and welfare	2,355	-	-	-	-	2,355
Encumbrances - highways and transportation	45,180	-	-	-	-	45,180
Encumbrances - general government	6,000	-	-	-	-	6,000
Unassigned	3,915,447	-	-	-	(17,168)	3,898,279
	<u>\$ 5,307,548</u>	<u>\$ 2,419,210</u>	<u>\$ 125,401</u>	<u>\$ 6</u>	<u>\$ 375,926</u>	<u>\$ 8,228,091</u>

Capital Projects Authorizations

The following is a summary of capital projects as of June 30, 2021:

Capital Project:	Original Authorization	Revised Authorization	Current Year Expenditures	Cumulative Expenditures	Balance June 30, 2021*
Bridge replacement	\$ 2,845,000	\$ 2,800,000	\$ -	\$ 2,611,532	\$ 188,468
Essex Elementary School repairs	2,815,000	2,815,000	-	2,751,561	63,439
Town Hall improvements	1,300,000	1,570,000	-	1,524,048	45,952
Town Garage improvements	525,000	325,000	-	316,158	8,842
Fire Fighting vehicle	600,000	575,000	-	563,585	11,415
	<u>\$ 8,085,000</u>	<u>\$ 8,085,000</u>	<u>\$ -</u>	<u>\$ 7,766,884</u>	<u>\$ 318,116</u>

* Based on revised authorization

Fund Balance Deficits

As of June 30, 2021, the CVA Pump Out Boat Fund, a nonmajor special revenue fund, has a deficit fund balance of \$17,168. This deficit is expected to be eliminated from future revenue sources.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Defined Benefit Plans

Plan Descriptions

Plan administration - The Town maintains three single-employer, defined benefit pension plans: the Town of Essex, Connecticut Amended and Restated Retirement Plan (the "Employees' Retirement Plan"), the Town of Essex Merit Service Plan (the "Merit Service Plan") and the Town of Essex Employees' Pension Plan (the "Police Retirement Plan"). The plans cover substantially all full time employees except professional personnel at the Board of Education, who are covered by the State of Connecticut Teachers' Retirement System. The plans are administered by a Retirement Board, pursuant to Connecticut General Statutes Section 7-450, composed of three to five members appointed by the First Selectman.

Plan membership - At July 1, 2020, the date of the most recent actuarial valuations, pension plan membership consisted of the following:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Inactive plan members or beneficiaries			
currently receiving benefits	34	26	5
Inactive plan members entitled to			
but not yet receiving benefits	8	11	-
Active plan members	31	38	3
	<u>73</u>	<u>75</u>	<u>8</u>

Benefits provided - The plans provide retirement, death and disability benefits to all eligible members. Benefit provisions are established and may be amended by the Town through Town Meeting. The following is a summary of the provisions for each type of class covered:

Employees' Retirement Plan - All regularly employed employees (elected, appointed or hired) of the Town, excluding part-time employees, temporary employees, paraprofessionals, teachers eligible for the State of Connecticut Teachers' Retirement System, and employees who participate in the Connecticut Municipal Employees' Retirement System, are eligible to participate in the plan. Employees are eligible to participate provided they have attained age 21. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants who have reached age 65 and have completed 5 years of service are 1.4% of an employees' final average compensation multiplied by the number of years of credited service, to a maximum of 40 years. Early retirement benefits are available for participants who have reached age 55 and have completed 15 years of service. Early retirement benefits consist of regular benefits reduced by 0.5% for each month by which the early retirement precedes normal retirement.

Merit Service Plan - All volunteers of the Town of Essex Fire Engine Company No. 1 become participants in the plan as of July 1st following the date at which they have completed one year of eligible service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants who have reached age 65 and have completed 10 years of service is \$16.65 per month for each year of credited service up to a maximum of 30 years.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Plan Descriptions *(Continued)*

Police Retirement Plan - All regular full-time sworn employees of the Essex Police Department are eligible to participate. However, supernumeraries, school guards, dog wardens, auxiliary police, fire police and police boat drivers are not considered "regular members" and are not eligible to participate in this plan. An employee whose regular work week is less than 30 hours or whose regular period of employment is less than 12 months in the year shall not be considered a full-time employee. The normal retirement date will be the first day of the month following the earlier of the date on which the vested employee attains his or her 55th birthday or completes 20 years of credited service. Retirement is mandatory for all employees at age 60. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. The amount of pension for normal retirement is 2.5% of the compensation base of the employee. For credited service beyond the original 20 years, 2.0% of compensation base of the employee is multiplied by the number of additional full years of the credit service of the employee per year and will be added to the full retirement percentage. Maximum benefits cannot exceed 60% of average annual earnings. Participants are eligible for early retirement after completion of at least 5 years of credited service. Early retirement benefits consist of regular benefits reduced by 0.5% for each month by which the early retirement precedes normal retirement.

Contributions - The Town establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year, with an additional amount to finance any unfunded accrued liability.

Participant contributions are determined by respective plan documents and may be amended by the Town through Town Meeting. The following is a summary of the contribution requirements for each type of class covered:

Employees' Retirement Plan - No participant contribution is required.

Merit Service Plan - No participant contribution is required.

Police Retirement Plan - For employees hired before July 1, 2019, the contribution requirement is 3.0% of straight-time and overtime pay as a Town pick-up contribution under Code Section 414(h). For employees hired after July 1, 2019 the contribution requirement is 5.0%.

Summary of Significant Accounting Policies

Basis of Accounting - The Plans are accounted for using the accrual basis of accounting. Revenues (contributions investment income) are recognized when they are earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the Plans. Administrative costs of the Plans are funded by the Plans.

Investments - Investments are recorded at fair value. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Summary of Significant Accounting Policies *(Continued)*

Concentrations - Concentration of credit risk is the risk of loss attributed to the magnitude of a Plan investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures. As of June 30, 2021, none of the Plans' investments, in any one issuer that is subject to concentration of credit risk disclosures, exceeded 5.0% or more of each respective Plan's total investments.

Rate of return - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2021, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were as follows:

Employees' Retirement Plan	25.89%
Merit Service Plan	26.03%
Police Retirement Plan	26.18%

Net Pension Liability

The components of the net pension liability for each of the plans at June 30, 2021 were as follows:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
Total pension liability	\$ 5,323,539	\$ 1,537,710	\$ 2,218,581	\$ 9,079,830
Plan fiduciary net position	5,005,164	1,510,574	2,128,204	8,643,942
Town's net pension liability	<u>\$ 318,375</u>	<u>\$ 27,136</u>	<u>\$ 90,377</u>	<u>\$ 435,888</u>
Plan fiduciary net position as a percentage of the total pension liability	94.02%	98.24%	95.93%	95.20%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability *(Continued)*

The components of the changes in the net pension liability for each of the Town's Plans for the year ended June 30, 2021, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Employees Retirement Plan			
Balance as of June 30, 2020	\$ 5,157,989	\$ 3,903,370	\$ 1,254,619
Changes for the year:			
Service cost	150,274	-	150,274
Interest	385,270	-	385,270
Differences between expected and actual experience	(254,189)	-	(254,189)
Changes of assumptions	174,139	-	174,139
Contributions - employer	-	350,676	(350,676)
Net investment income	-	1,045,095	(1,045,095)
Benefit payments, including refunds	(289,944)	(289,944)	-
Administrative expense	-	(4,033)	4,033
Net changes	165,550	1,101,794	(936,244)
Balance as of June 30, 2021	\$ 5,323,539	\$ 5,005,164	\$ 318,375
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Merit Service Plan			
Balance as of June 30, 2020	\$ 1,577,531	\$ 1,186,706	\$ 390,825
Changes for the year:			
Service cost	17,695	-	17,695
Interest	110,038	-	110,038
Differences between expected and actual experience	(44,488)	-	(44,488)
Changes of assumptions	(19,614)	-	(19,614)
Contributions - employer	-	117,372	(117,372)
Net investment income	-	313,982	(313,982)
Benefit payments, including refunds	(103,452)	(103,452)	-
Administrative expense	-	(4,034)	4,034
Net changes	(39,821)	323,868	(363,689)
Balance as of June 30, 2021	\$ 1,537,710	\$ 1,510,574	\$ 27,136

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability *(Continued)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Police Retirement Plan			
Balance as of June 30, 2020	\$ 2,037,228	\$ 1,544,143	\$ 493,085
Changes for the year:			
Service cost	63,703	-	63,703
Interest	127,790	-	127,790
Differences between expected and actual experience	36,265	-	36,265
Changes of assumptions	87,611	-	87,611
Contributions - employer	-	296,598	(296,598)
Contributions - employee	-	8,951	(8,951)
Net investment income	-	416,561	(416,561)
Benefit payments, including refunds	(134,016)	(134,016)	-
Administrative expense	-	(4,033)	4,033
Net changes	181,353	584,061	(402,708)
Balance as of June 30, 2021	<u>\$ 2,218,581</u>	<u>\$ 2,128,204</u>	<u>\$ 90,377</u>

Actuarial assumptions - The total pension liability for each of the plans were determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Investment rate of return	7.00%	7.00%	7.00%
Salary increases	2.40%	Not applicable	2.40%
Inflation	2.40%	2.40%	2.40%

Mortality rates were based on the following:

Employees' Retirement Plan	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (General Employees), projected to the valuation date with Scale MP-2019.
Merit Service Plan	Pub-2010(B) Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2019.
Police Retirement Plan	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2019.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability *(Continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in each pension plan's target asset allocation as of June 30, 2021, which are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return	Weighting
US Large Cap	32.00%	5.25%	1.68%
US Mid/Small Cap	12.00%	5.75%	0.69%
Developed International Equities	14.00%	5.75%	0.81%
Emerging Market Equities	4.00%	7.75%	0.31%
Intermediate Corporate	12.00%	1.75%	0.21%
Intermediate Government	12.00%	0.75%	0.09%
High Yield Bonds	6.00%	4.00%	0.24%
International Bonds	4.00%	0.75%	0.03%
Emerging Market Debt	0.00%	0.75%	0.00%
Money Market/Short Term	2.00%	-0.25%	-0.01%
Real Estate	2.00%	5.75%	0.12%
Commodities	0.00%	3.75%	0.00%
	<u>100.00%</u>		4.17%
Long-Term Inflation Expectation			<u>2.40%</u>
Long-Term Expected Nominal Return			<u>6.57%</u>

Discount rate - The discount rate used to measure the total pension liability for each plan was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, each Plans' fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on each Plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans (Continued)

Net Pension Liability *(Continued)*

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability for each plan, calculated using a discount rate of 7.00%, as well as what the Town's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower, 6.00%, or 1-percentage-point higher, 8.00%, than the current rate as of June 30, 2021:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Employees' Retirement Plan's net pension liability	\$ 884,072	\$ 318,375	\$ (164,097)
Merit Fire Plan's net pension liability	185,185	27,136	(107,750)
Police Retirement Plan's net pension liability	343,588	90,377	(120,884)
	<u>\$ 1,412,845</u>	<u>\$ 435,888</u>	<u>\$ (392,731)</u>

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the Town recognized pension expense related to the Employee's Retirement Plan of \$76,921. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to the Employee's Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (523,688)	\$ (523,688)
Differences between expected and actual experience	35,842	(198,931)	(163,089)
Changes of assumptions	139,906	-	139,906
Total	<u>\$ 175,748</u>	<u>\$ (722,619)</u>	<u>\$ (546,871)</u>

For the year ended June 30, 2021, the Town recognized pension expense related to the Merit Service Plan of \$2,237. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to the Merit Service Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (159,209)	\$ (159,209)
Differences between expected and actual experience	46,013	(41,566)	4,447
Changes of assumptions	10,556	(17,306)	(6,750)
Total	<u>\$ 56,569</u>	<u>\$ (218,081)</u>	<u>\$ (161,512)</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Pension Expense and Deferred Outflows and Inflows of Resources *(Continued)*

For the year ended June 30, 2021, the Town recognized pension expense related to the Police Retirement Plan of \$95,478. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to the Police Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (227,528)	\$ (227,528)
Differences between expected and actual experience	19,781	-	19,781
Changes of assumptions	47,788	-	47,788
Total	<u>\$ 67,569</u>	<u>\$ (227,528)</u>	<u>\$ (159,959)</u>

Amounts reported as deferred outflows and inflows of resources related to the plans will be recognized as a component of pension expense in future years as follows:

	<u>Amortization of Deferrals</u>		
	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>
Year ended June 30,			
2022	\$ (123,180)	\$ (34,149)	\$ 1,703
2023	(121,896)	(33,259)	(43,320)
2024	(141,794)	(33,917)	(54,765)
2025	(160,001)	(44,840)	(63,577)
2026	-	(3,538)	-
Thereafter	-	(11,809)	-
Total	<u>\$ (546,871)</u>	<u>\$ (161,512)</u>	<u>\$ (159,959)</u>

Plan Financial Statements

The following presents the statement of fiduciary net position for each of the Town's defined benefit pension plans as June 30, 2021:

	<u>Statement of Fiduciary Net Position</u>		
	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>
ASSETS			
Cash and cash equivalents	\$ 75,837	\$ 24,390	\$ 32,246
Investments	4,929,327	1,486,184	2,095,958
Total assets	<u>5,005,164</u>	<u>1,510,574</u>	<u>2,128,204</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 5,005,164</u>	<u>\$ 1,510,574</u>	<u>\$ 2,128,204</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Plan Financial Statements *(Continued)*

The following presents the statement of changes in fiduciary net position for each of the Town's defined benefit pension plans for the year ended June 30, 2021:

Statement of Changes in Fiduciary Net Position			
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
ADDITIONS			
Contributions:			
Employers	\$ 350,676	\$ 117,372	\$ 296,598
Plan members	-	-	8,951
Total contributions	<u>350,676</u>	<u>117,372</u>	<u>305,549</u>
Investment earnings:			
Interest and dividends	108,016	32,680	43,774
Net change in the fair value of investments	<u>937,079</u>	<u>281,302</u>	<u>372,787</u>
Total investment earnings, net	<u>1,045,095</u>	<u>313,982</u>	<u>416,561</u>
Total additions	<u>1,395,771</u>	<u>431,354</u>	<u>722,110</u>
DEDUCTIONS			
Benefit payments	289,944	103,452	134,016
Administrative expenses	<u>4,033</u>	<u>4,034</u>	<u>4,033</u>
Total deductions	<u>293,977</u>	<u>107,486</u>	<u>138,049</u>
Changes in net position	1,101,794	323,868	584,061
Net position - beginning	<u>3,903,370</u>	<u>1,186,706</u>	<u>1,544,143</u>
Net position - ending	<u>\$ 5,005,164</u>	<u>\$ 1,510,574</u>	<u>\$ 2,128,204</u>

Connecticut Municipal Employees' Retirement System

The Town participates in the Connecticut's Municipal Employees' Retirement System (CMERS). CMERS is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

Municipalities may designate which departments are to be covered under the CMERS. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

Certain employees of the Town's school district are eligible to participate in CMERS and are classified within the general employees with social security sub plan. The following disclosures have been provided for this sub plan.

Plan Description

Plan administration - CMERS is a cost-sharing pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Plan membership - All full-time employees of the Town, except for certified Board of Education personnel who are eligible for the State Teachers' Retirement System, who are age 55 or younger at the date of hire, participate in the CMERS plan for general employees with social security.

Benefits provided - The Plan provides retirement, disability and death benefits as defined in the Statutes. General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active non-continuous service. Employees under the age of 55 are eligible to retire with 25 years of service. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

For members covered by social security, the benefit is 1.5% of the average final compensation not in excess of the year's breakpoint plus 2.0% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Employees are eligible for early retirement after 5 years of active continuous or 15 years of active non-continuous service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability. The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Plan Description *(Continued)*

Contributions - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. There is also an administrative fee per active and retired member.

For employees covered by social security, each person is required to contribute 3.25% of compensation up to the social security taxable wage base plus 6.0% of compensation, if any, in excess of such base.

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment policy - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Collective Net Pension Liability

The total estimated collective net pension liability of the CMERS as of June 30, 2020 was \$1.1 billion, the most recent available reporting provided by the Board. The collective net pension liability of the CMERS sub plan for general employees with social security was \$392.7 million as of June 30, 2020. The portion that was associated with the Town totaled \$82,903 or approximately 0.021%. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The portion of the net pension liability associated with the Town was based on the 2020 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability *(Continued)*

Actuarial assumptions - The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% - 10.00%, including inflation
Long-term investment rate of return	7.00%, net of pension plan investment expense, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used.

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

Asset Class	Target Allocation	Long-term Target Expected Real Rate of Return
Domestic Equity	20.0%	5.3%
Developed Market International	11.0%	5.1%
Emerging Market International	9.0%	7.4%
Core Fixed Income	16.0%	1.6%
Inflation Linked Bond	5.0%	1.3%
Emerging Market Debt	5.0%	2.9%
High Yield Bond	6.0%	3.4%
Real Estate	10.0%	4.7%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	3.2%
Liquidity Fund	1.0%	0.9%
	<u>100.0%</u>	

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability *(Continued)*

Discount rate - The discount rate used to measure the CMERS' total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. 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 net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the collective net pension liability for the general employees with social security sub plan calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Proportionate share of the collective net pension liability	\$ 116,001	\$ 82,903	\$ 54,994

Pension plan fiduciary net position - Detailed information about the CMERS plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the Town recognized pension expense related to the CMERS of \$18,294. At June 30, 2021, the Town reported its proportionate share of deferred outflows and inflows of resources related to the CMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources, net</u>
Differences between expected and actual experience	\$ 5,493	\$ (10,599)	\$ (5,106)
Net difference between projected and actual earnings on pension plan investments	8,700	-	8,700
Change of assumptions	13,650	-	13,650
Contributions paid to the CMERS subsequent to the measurement date	9,117	-	9,117
Other	3,991	(9,545)	(5,554)
Total	<u>\$ 40,951</u>	<u>\$ (20,144)</u>	<u>\$ 20,807</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Pension Expense and Deferred Outflows and Inflows of Resources *(Continued)*

Amounts reported as deferred outflows and inflows of resources related to the CMERS will be recognized as a component of pension expense in future years as follows:

Year ended June 30,	
2022	\$ 8,201
2023	9,567
2024	(501)
2025	3,540
	<u>\$ 20,807</u>

Connecticut Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System ("TRS" or the "Plan") is the public pension plan offered by the State of Connecticut (the "State") to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Teachers, principals, superintendents or supervisors engaged in the service of public schools are provided with pensions through the Connecticut Teachers' Retirement System - a cost sharing multi-employer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The Plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2.0% per year of service times the average of the highest three years of pensionable salary, but not less than 15.0%, nor more than 50.0%. In addition, disability benefits under this Plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75.0% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100.0% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

State of Connecticut - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are amended and certified by the TRB and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

Employers - School District employers are not required to make contributions to the Plan, as contributions are required only from employees and the State.

Employees - Effective July 1, 1992, each teacher was required to contribute 6.0% of pensionable salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7.0% of pensionable salary.

Administrative Expenses

Administrative costs of the plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Basis of Presentation

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2020. The net pension liability at June 30, 2020 has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Comprehensive Annual Financial Report can be obtained at www.ct.gov.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Basis of Presentation *(Continued)*

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the 2020 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.048% as of the most recent measurement date.

Collective Net Pension Liability

The following summarizes the collective net pension liability of the State for the TRS as of June 30, 2020, the measurement date, in addition to the Town's and State's proportionate shares of the collective net pension liability that is attributed to the Town:

Collective Net Pension Liability of the State for the TRS		<u>\$ 18,846,090,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net Pension Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net Pension Liability attributed to the Town	0.048%	<u>\$ 9,033,000</u>

Collective Pension Expense

The Town's expected contribution effort for allocation purposes totaled \$579,372 or 0.048% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2021.

The collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective pension expense attributed to the Town totaled \$1,293,898 or 0.048% of the total collective pension expense and has been recognized as an operating contribution and related education expense in the statement of activities for the year ended June 30, 2021.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

Mortality rates were based on the PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3.0% and a maximum of 5.0% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6.0% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5.0% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3.0%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Long-Term Rate of Return *(Continued)*

The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.6%
Developed Market Intl. Stock Fund	11.0%	6.0%
Emerging Market Intl. Stock Fund	9.0%	7.9%
Core Fixed Income Fund	16.0%	2.1%
Inflation Linked Bond Fund	5.0%	1.1%
Emerging Market Debt Fund	5.0%	2.7%
High Yield Bond Fund	6.0%	4.0%
Real Estate Fund	10.0%	4.5%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	2.9%
Liquidity Fund	1.0%	0.4%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State contributions will be made at the actuarially determined rates in future years. 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.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Town Other Post-Employment Benefits Plans

Plan Descriptions

Employees' OPEB Plan - The Town offers post-retirement medical benefits to certain employees under a single-employer defined benefit healthcare plan. Benefits provided by the plan include supplemental healthcare insurance benefits for eligible retirees who have reached the age of 65 with 25 years of service. Benefits are provided through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established and can be amended by the Town.

Teachers' OPEB Plan - The Town offers post-retirement medical and dental benefits to eligible retirees and their spouses through the Board of Education's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the union representing Town employees. The OPEB Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial statements as an Other Post-Employment Benefits Trust Fund. The Plan does not issue stand-alone financial reports.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town Other Post-Employment Benefits Plans *(Continued)*

Funding Policy

Employees' OPEB Plan - Contribution requirements of the Town are established in the plan provisions and may be amended by the Town. Currently, the Town contributes 100% percent of the cost of current-year premiums for eligible retired plan members. Plan members are not required to contribute. The Town currently finances the cost of these benefits on a pay-as-you-go basis.

Teachers' OPEB Plan - Contributions requirements of the plan members are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. Currently, plan members are required to contribute 100% of their healthcare premiums to the Town, less any reimbursements received by the Town from the State Retirement Board. The Town currently finances the plan on a pay-as-you-go-basis.

For the year ended June 30, 2021, the Town contributed \$15,570 directly into the OPEB Trust.

Plan Membership - As of July 1, 2020, the date of the most recent actuarial valuation, membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	8
Active participants	<u>62</u>
	<u><u>70</u></u>

Summary of Significant Accounting Policies

The OPEB Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Town contributions are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when they are due and payable in accordance with terms of the OPEB Plan.

Investments - Investments are generally measured at fair value. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

Investment policy - The OPEB Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the members of the Essex Retirement Board. The Essex Retirement Board pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes, discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Concentrations - The OPEB Plan's investments consist solely of investments in various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

Rate of return - For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of investment expense, was 24.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town Other Post-Employment Benefits Plans *(Continued)*

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020. The components of the Town's net OPEB liability for the OPEB Plan at June 30, 2021 were as follows:

Total OPEB liability	\$ 1,135,388
Plan fiduciary net position	102,928
Net OPEB liability	<u>\$ 1,032,460</u>

Plan fiduciary net position as a percentage of the total OPEB liability	9.07%
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The components of the change in the Town's net OPEB liability for the OPEB Plan for the year ended June 30, 2021 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2020	\$ 2,418,114	\$ 70,000	\$ 2,348,114
Changes for the year:			
Service cost	68,458	-	68,458
Interest	54,624	-	54,624
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(782,273)	-	(782,273)
Changes in assumptions or other inputs	(593,582)	-	(593,582)
Contributions - employer	-	15,570	(15,570)
Contributions - retirees' subsidies	-	11,660	(11,660)
Net investment income	-	35,751	(35,751)
Benefit payments	(29,953)	(29,953)	-
Administrative expenses	-	(100)	100
Net changes	<u>(1,282,726)</u>	<u>32,928</u>	<u>(1,315,654)</u>
Balance as of June 30, 2021	<u>\$ 1,135,388</u>	<u>\$ 102,928</u>	<u>\$ 1,032,460</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town Other Post-Employment Benefits Plans *(Continued)*

Net OPEB Liability *(Continued)*

Actuarial Assumptions and Other Inputs - The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	6.75%
Inflation	2.40%
Rate of compensation increase:	
Town	7.40% initial 2.90% ultimate
Board of Education	3.40%
Healthcare cost trend rate	6.50% initial 4.40% ultimate

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates were based on the Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), projected to the valuation date with Scale MP-2020.

Assumptions regarding participation and coverage election relating to benefits provided to Teachers and Board of Education Administrators are as follows:

- 60% of active Teachers and Board of Education Administrators are assumed to elect retiree coverage
- Of those who elect coverage, if hired before April 1, 1986, 80% of actives and pre-65 retirees are assumed to be on a non-Medicare eligible plan, 20% are assumed to elect coverage through the State of Connecticut State Teachers' Retirement System at age 65
- 100% of current active Town members will elect medical coverage at retirement

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighting</u>
US Large Cap	42.00%	5.25%	2.21%
US Mid/Small Cap	8.00%	5.75%	0.46%
Developed International Equities	10.00%	5.75%	0.58%
Intermediate Corporate	16.00%	1.75%	0.28%
Intermediate Government	24.00%	0.75%	0.18%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town Other Post-Employment Benefits Plans *(Continued)*

Net OPEB Liability *(Continued)*

Discount rate - The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB 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 rates of return on the OPEB Plan's investments were applied to all periods of projected benefit payments to determine the OPEB Plan's total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 5.75%, or 1-percentage-point higher, 7.75%, than the current discount rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 1,142,800	\$ 1,032,460	\$ 937,001

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$ 939,956	\$ 1,032,460	\$ 1,138,458

OPEB Plan Financial Statements

The following presents the statements of fiduciary net position and the statement of changes in fiduciary net position for the Town's OPEB Plan as of and for the year ended June 30, 2021.

	Other Post-Employment Benefit Plan
ASSETS	
Cash and cash equivalents	\$ 1,013
Investments	101,915
Total assets	<u>102,928</u>
NET POSITION	
Restricted for OPEB benefits	<u>\$ 102,928</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town Other Post-Employment Benefits Plans *(Continued)*

OPEB Plan Financial Statements *(Continued)*

	Other Post-Employment Benefit Plan
ADDITIONS	
Contributions:	
Employer	\$ 15,570
Total contributions	<u>15,570</u>
Investment earnings:	
Net change in the fair value of investments	16,072
Interest and dividends	<u>1,486</u>
Total investment earnings	<u>17,558</u>
Total additions	<u>33,128</u>
 DEDUCTIONS	
Benefit payments	-
Administrative expenses	<u>200</u>
Total deductions	<u>200</u>
 Change in net position	32,928
 Net position - beginning	<u>70,000</u>
 Net position - ending	<u>\$ 102,928</u>

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the Town recognized OPEB expense of \$42,970. As of June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 41,987	\$ (793,433)	\$ (751,446)
Changes of assumptions	510,225	(586,056)	(75,831)
Difference between projected and actual earnings on OPEB plan investments	-	(12,593)	(12,593)
	<u>\$ 552,212</u>	<u>\$ (1,392,082)</u>	<u>\$ (839,870)</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town Other Post-Employment Benefits Plans *(Continued)*

OPEB Expense and Deferred Outflows and Inflows of Resources *(Continued)*

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a component of OPEB expense as follows:

Year ended June 30,	<u>Amortization of OPEB Expense</u>
2022	\$ (66,835)
2023	(66,835)
2024	(66,835)
2025	(66,836)
2026	(63,687)
Thereafter	(508,842)
	<u>\$ (839,870)</u>

Connecticut Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System ("TRS" or the "Plan") is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System - a cost sharing multi employer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Contributions

State of Connecticut - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

Employers - School District employers are not required to make contributions to the Plan.

Employees/Retirees - The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Basis of Presentation

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2020. The net pension liability at June 30, 2020 has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Comprehensive Annual Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Allocation Methodology

The allocations for participating employers are based on the 2020 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to the Town totaled 0.048% as of the most recent measurement date.

Collective Net OPEB Liability

The following summarizes the collective net OPEB liability of the State for the TRS as of June 30, 2020, the measurement date, in addition to the Town's and State's proportionate shares of the collective net OPEB liability that is attributed to the Town:

Collective Net OPEB Liability of the State for the TRS		<u>\$ 2,810,895,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net OPEB Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net OPEB Liability attributed to the Town	0.048%	<u>\$ 1,347,000</u>

Collective OPEB Expense

The Town's expected contribution effort for allocation purposes totaled \$13,982 or 0.048% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2021.

The collective OPEB expense includes certain current period changes in the collective net OPEB liability, projected earnings on OPEB plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective OPEB expense attributed to the Town totaled \$62,232 or 0.048% of the total collective OPEB expense and has been recognized as an operating contribution and related education expense in the statement of activities for the year ended June 30, 2021.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00% - 6.50%, including inflation

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Actuarial Assumptions *(Continued)*

Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates:	
Medicare	5.125% for 2020 decreasing to an ultimate rate of 4.50% by 2023

Mortality rates were based on the PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement.

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	-0.42%	1.78%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Discount Rate *(Continued)*

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

NOTE 12 - OTHER RETIREMENT PLANS

403(b) Plan

The Town's Board of Education offers those who are eligible for benefits, a retirement savings plan created in accordance with Internal Revenue Code Section 403(b). Employees eligible include members of the Municipal Employee Union, SEIU Local 506 (paraprofessionals) and administrators. The Town's Board of Education is required to match employees' contributions up to a maximum of 5.0% of their base pay only, on a before-tax basis. The District's contribution totaled \$14,079 for the year ended June 30, 2021.

Deferred Compensation Plan

All regularly employed employees (elected, appointed or hired) of the Town are offered a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Town does not provide matching benefits. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond issues. The Town expects such amounts, if any, to be immaterial.

As of June 30, 2021, the Town has recorded \$208,885 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2021.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14 - RISK MANAGEMENT AND UNCERTAINTIES

Risk Management

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except workers' compensation and liability-automobile-property insurance for which it participates in risk sharing pools. During the year ended June 30, 2021, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims that exceeded the Town's insurance coverage during the past three years. In addition, there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program.

Workers' Compensation Pool

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

Liability-Automobile-Property Pool

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

Medical Health Insurance Fund

The Town's school district participates in a medical health insurance fund, which is maintained by Regional School District No. 4. The fund accounts for and finances the retained risk of loss for member Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$150,000 for each insured occurrence. In addition to Regional School District No. 4, the participating members are the Town of Chester Board of Education, the Town of Deep River Board of Education and the Regional Supervision District Board of Education. Members may be subject to additional assessments in the event of a deficiency.

NOTE 14 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and the requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement that relate to the accounting and reporting of Section 457 plans are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 23,338,508	\$ 23,338,508	\$ 23,567,070	\$ 228,562
Intergovernmental	455,436	455,436	569,162	113,726
Local	605,700	605,700	1,228,514	622,814
Interest	85,000	85,000	4,005	(80,995)
Total revenues	24,484,644	24,484,644	25,368,751	884,107
EXPENDITURES				
Board of Selectmen	8,632,452	9,032,071	8,761,709	(270,362)
Education	16,021,125	16,021,125	15,894,820	(126,305)
Total expenditures	24,653,577	25,053,196	24,656,529	(396,667)
Excess (deficiency) of revenues over expenditures	(168,933)	(568,552)	712,222	1,280,774
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	168,933	893,552	-	(893,552)
Appropriations carried forward	-	(325,000)	(325,000)	-
Total other financing sources (uses)	168,933	568,552	(325,000)	(893,552)
Net change in fund balance	\$ -	\$ -	\$ 387,222	\$ 387,222

See accompanying notes to required supplementary information .

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EMPLOYEES' RETIREMENT PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 150,274	\$ 147,038	\$ 137,763	\$ 135,777	\$ 141,113	\$ 136,340	\$ 131,096	\$ 90,333
Interest	385,270	359,112	337,570	319,207	320,641	303,380	264,574	249,910
Differences between expected and actual experience	(254,189)	-	95,581	-	47,123	-	244,339	-
Changes of assumptions	174,139	-	9,662	-	(53,428)	-	65,695	-
Benefit payments, including refunds	(289,944)	(299,123)	(290,903)	(261,724)	(238,722)	(190,820)	(196,259)	(175,009)
Net change in total pension liability	165,550	207,027	289,673	193,260	216,727	248,900	509,445	165,234
Total pension liability - beginning	5,157,989	4,950,962	4,661,289	4,468,029	4,251,302	4,002,402	3,492,957	3,327,723
Total pension liability - ending	5,323,539	5,157,989	4,950,962	4,661,289	4,468,029	4,251,302	4,002,402	3,492,957
Plan fiduciary net position								
Contributions - employer	350,676	268,122	244,807	239,716	246,332	231,680	219,040	229,403
Net investment income	1,045,095	149,206	246,776	273,450	425,897	(50,972)	170,109	374,159
Benefit payments, including refunds	(289,944)	(299,123)	(290,903)	(261,724)	(238,722)	(190,820)	(196,259)	(175,009)
Administrative expense	(4,033)	(1,933)	(5,267)	(9,163)	(5,167)	-	(10,984)	(11,823)
Net change in plan fiduciary net position	1,101,794	116,272	195,413	242,279	428,340	(10,112)	181,906	416,730
Plan fiduciary net position - beginning	3,903,370	3,787,098	3,591,685	3,349,406	2,921,066	2,931,178	2,749,272	2,332,542
Plan fiduciary net position - ending	5,005,164	3,903,370	3,787,098	3,591,685	3,349,406	2,921,066	2,931,178	2,749,272
Town's net pension liability	\$ 318,375	\$ 1,254,619	\$ 1,163,864	\$ 1,069,604	\$ 1,118,623	\$ 1,330,236	\$ 1,071,224	\$ 743,685
Plan fiduciary net position as a percentage of total pension liability	94.02%	75.68%	76.49%	77.05%	74.96%	68.71%	73.24%	78.71%
Covered payroll	\$ 1,877,434	\$ 1,954,292	\$ 1,904,768	\$ 1,910,347	\$ 1,841,298	\$ 1,813,057	\$ 1,743,324	\$ 1,178,755
Town's net pension liability as a percentage of covered payroll	16.96%	64.20%	61.10%	55.99%	60.75%	73.37%	61.45%	63.09%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -
EMPLOYEES' RETIREMENT PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 273,467	\$ 268,122	\$ 244,807	\$ 239,716	\$ 235,969	\$ 230,516	\$ 179,006	\$ 174,839
Contributions in relation to the actuarially determined contribution	350,676	268,122	244,807	239,716	246,332	231,680	219,040	229,403
Contribution deficiency (excess)	<u>\$ (77,209)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,363)</u>	<u>\$ (1,164)</u>	<u>\$ (40,034)</u>	<u>\$ (54,564)</u>
Covered payroll	\$ 1,877,434	\$ 1,954,292	\$ 1,904,768	\$ 1,910,347	\$ 1,841,298	\$ 1,813,057	\$ 1,743,324	\$ 1,178,755
Contributions as a percentage of covered payroll	18.68%	13.72%	12.85%	12.55%	13.38%	12.78%	12.56%	19.46%
Annual money-weighted rate of return, net of investment expense	25.89%	3.68%	6.79%	8.17%	14.63%	-1.71%	6.06%	15.72%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY -
MERIT SERVICE PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 17,695	\$ 17,695	\$ 15,904	\$ 15,904	\$ 15,499	\$ 15,499	\$ 15,499	\$ 32,446
Interest	110,038	108,291	105,594	99,568	104,572	101,719	93,835	92,015
Differences between expected and actual experience	(44,488)	-	30,657	-	(4,767)	-	73,132	-
Changes of assumptions	(19,614)	-	9,544	-	2,880	-	7,574	-
Benefit payments, including refunds	(103,452)	(99,541)	(100,596)	(82,164)	(79,183)	(79,183)	(90,423)	(76,336)
Net change in total pension liability	(39,821)	26,445	61,103	33,308	39,001	38,035	99,617	48,125
Total pension liability - beginning	1,577,531	1,551,086	1,489,983	1,456,675	1,417,674	1,379,639	1,280,022	1,231,897
Total pension liability - ending	1,537,710	1,577,531	1,551,086	1,489,983	1,456,675	1,417,674	1,379,639	1,280,022
Plan fiduciary net position								
Contributions - employer	117,372	116,872	119,366	118,916	118,378	67,899	84,999	75,741
Net investment income	313,982	41,639	72,844	78,013	113,036	(15,570)	47,264	108,825
Benefit payments, including refunds	(103,452)	(99,541)	(100,596)	(82,164)	(79,183)	(79,183)	(90,423)	(76,335)
Administrative expense	(4,034)	(1,934)	(5,266)	(9,401)	(6,384)	(1,258)	(7,555)	(5,714)
Net change in plan fiduciary net position	323,868	57,036	86,348	105,364	145,847	(28,112)	34,285	102,517
Plan fiduciary net position - beginning	1,186,706	1,129,670	1,043,322	937,958	792,111	820,223	785,938	683,421
Plan fiduciary net position - ending	1,510,574	1,186,706	1,129,670	1,043,322	937,958	792,111	820,223	785,938
Town's net pension liability	\$ 27,136	\$ 390,825	\$ 421,416	\$ 446,661	\$ 518,717	\$ 625,563	\$ 559,416	\$ 494,084
Plan fiduciary net position as a percentage of total pension liability	98.24%	75.23%	72.83%	70.02%	64.39%	55.87%	59.45%	61.40%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -
MERIT SERVICE PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 67,372	\$ 66,872	\$ 69,366	\$ 68,916	\$ 68,378	\$ 67,899	\$ 60,756	\$ 59,726
Contributions in relation to the actuarially determined contribution	117,372	116,872	119,366	118,916	118,378	67,899	84,999	75,741
Contribution deficiency (excess)	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ (24,243)</u>	<u>\$ (16,015)</u>
Annual money-weighted rate of return, net of investment expense	26.03%	3.56%	6.77%	8.00%	14.24%	-1.88%	5.90%	15.79%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY -
POLICE RETIREMENT PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 63,703	\$ 62,332	\$ 55,627	\$ 54,825	\$ 51,698	\$ 49,949	\$ 48,028	\$ 35,294
Interest	127,790	134,101	135,461	137,032	121,047	117,813	95,417	91,312
Differences between expected and actual experience	36,265	-	23,076	-	123,832	-	278,987	-
Changes of assumptions	87,611	-	16,026	-	28,016	-	(19,695)	-
Benefit payments, including refunds	(134,016)	(134,016)	(134,016)	(135,755)	(126,384)	(126,384)	(86,433)	(82,829)
Net change in total pension liability	181,353	62,417	96,174	56,102	198,209	41,378	316,304	43,777
Total pension liability - beginning	2,037,228	1,974,811	1,878,637	1,822,535	1,624,326	1,582,948	1,266,644	1,222,867
Total pension liability - ending	2,218,581	2,037,228	1,974,811	1,878,637	1,822,535	1,624,326	1,582,948	1,266,644
Plan fiduciary net position								
Contributions - employer	296,598	369,642	300,859	249,087	225,535	123,060	71,977	70,872
Contributions - members	8,951	8,420	8,338	8,015	3,279	5,102	6,542	6,985
Net investment income	416,561	47,460	78,109	76,678	86,911	(10,525)	36,624	85,628
Benefit payments, including refunds	(134,016)	(134,016)	(134,016)	(135,755)	(126,384)	(126,384)	(86,433)	(82,829)
Administrative expense	(4,033)	(1,933)	(5,267)	(8,353)	(7,167)	(402)	(5,426)	(4,481)
Net change in plan fiduciary net position	584,061	289,573	248,023	189,672	182,174	(9,149)	23,284	76,175
Plan fiduciary net position - beginning	1,544,143	1,254,570	1,006,547	816,875	634,701	643,850	620,566	544,391
Plan fiduciary net position - ending	2,128,204	1,544,143	1,254,570	1,006,547	816,875	634,701	643,850	620,566
Town's net pension liability	\$ 90,377	\$ 493,085	\$ 720,241	\$ 872,090	\$ 1,005,660	\$ 989,625	\$ 939,098	\$ 646,078
Plan fiduciary net position as a percentage of total pension liability	95.93%	75.80%	63.53%	53.58%	44.82%	39.07%	40.67%	48.99%
Covered payroll	\$ 304,522	\$ 268,597	\$ 261,790	\$ 235,591	\$ 227,076	\$ 261,743	\$ 251,676	\$ 264,484
Town's net pension liability as a percentage of covered payroll	29.68%	183.58%	275.12%	370.17%	442.87%	378.09%	373.14%	243.36%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -
POLICE RETIREMENT PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 146,598	\$ 144,642	\$ 150,859	\$ 149,087	\$ 124,744	\$ 123,060	\$ 58,426	\$ 57,942
Contributions in relation to the actuarially determined contribution	296,598	369,642	300,859	249,087	225,535	123,060	71,977	70,872
Contribution deficiency (excess)	<u>\$ (150,000)</u>	<u>\$ (225,000)</u>	<u>\$ (150,000)</u>	<u>\$ (100,000)</u>	<u>\$ (100,791)</u>	<u>\$ -</u>	<u>\$ (13,551)</u>	<u>\$ (12,930)</u>
Covered payroll	\$ 304,522	\$ 268,597	\$ 261,790	\$ 235,591	\$ 227,076	\$ 261,743	\$ 251,676	\$ 265,484
Contributions as a percentage of covered payroll	97.40%	137.62%	114.92%	105.73%	99.32%	47.02%	28.60%	26.70%
Annual money-weighted rate of return, net of investment expense	26.18%	3.72%	6.81%	7.95%	13.49%	-1.57%	5.80%	15.64%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
LAST THREE FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Town's proportion of the net pension liability	0.021%	0.020%	0.029%
Town's proportionate share of the net pension liability	<u>\$ 82,903</u>	<u>\$ 72,609</u>	<u>\$ 110,986</u>
Town's covered payroll	\$ 54,064	\$ 50,575	\$ 81,683
Town's proportionate share of the net pension liability as a percentage of its covered payroll	153.3%	143.6%	135.9%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	72.69%	73.60%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS -
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
LAST THREE FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 7,423	\$ 6,156	\$ 8,718
Contributions in relation to the contractually required contribution	<u>7,423</u>	<u>6,156</u>	<u>8,718</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 54,064	\$ 50,575	\$ 81,683
Contributions as a percentage of covered payroll	13.73%	12.17%	10.67%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST SEVEN FISCAL YEARS*
(Rounded to nearest thousand)

	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability attributed to the Town	9,033,000	9,037,000	6,968,000	7,611,000	7,977,000	7,112,000	6,574,000
Total	<u>\$ 9,033,000</u>	<u>\$ 9,037,000</u>	<u>\$ 6,968,000</u>	<u>\$ 7,611,000</u>	<u>\$ 7,977,000</u>	<u>\$ 7,112,000</u>	<u>\$ 6,574,000</u>
Town's covered payroll	\$ 2,086,000	\$ 2,324,000	\$ 2,287,000	\$ 2,397,000	\$ 2,310,000	\$ 2,651,000	\$ 2,555,000
Town's proportionate share of the collective net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective pension liability	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULES OF CHANGES IN NET OPEB LIABILITY -
OTHER POST-EMPLOYMENT BENEFIT PLAN (UNAUDITED)
LAST FOUR FISCAL YEARS*

	2021	2020**	2019	2018
Total OPEB Liability				
Service Cost	\$ 68,458	\$ 45,957	\$ 47,184	\$ 47,848
Interest	54,624	71,217	66,689	60,010
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(782,273)	(42,569)	(57,382)	67,055
Changes of assumptions	(593,582)	383,853	271,540	(66,975)
Benefit payments, including refunds	(29,953)	(46,365)	3,859	(123,345)
Net change in total OPEB liability	(1,282,726)	412,093	331,890	(15,407)
Total OPEB liability - beginning	2,418,114	2,006,021	1,674,131	1,689,538
Total OPEB liability - ending	<u>\$ 1,135,388</u>	<u>\$ 2,418,114</u>	<u>\$ 2,006,021</u>	<u>\$ 1,674,131</u>
Plan fiduciary net position				
Contributions - employer	15,570	70,000	-	-
Contributions - retirees' subsidies	11,660	-	-	-
Net investment income	35,751	-	-	-
Benefit payments, including refunds	(29,953)	-	-	-
Administrative expense	(100)	-	-	-
Net change in plan fiduciary net position	32,928	70,000	-	-
Plan fiduciary net position - beginning	70,000	-	-	-
Plan fiduciary net position - ending	<u>102,928</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Town's net OPEB liability	<u>\$ 1,032,460</u>	<u>\$ 2,348,114</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of total OPEB liability	9.07%	2.89%	-	-
Covered payroll	\$ 3,390,775	\$ 5,230,662	\$ 5,098,111	\$ 4,968,919
Town's net OPEB liability as a percentage of covered payroll	30.45%	44.89%	-	-

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

**OPEB Trust established during fiscal year 2020.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -
OTHER POST-EMPLOYMENT BENEFIT PLAN (UNAUDITED)
LAST TWO FISCAL YEARS*

	<u>2021</u>	<u>2020 **</u>
Actuarially determined contribution	\$ 133,055	\$ 129,683
Contributions in relation to the actuarially determined contribution	<u>33,863</u>	<u>70,000</u>
Excess (deficiency) of contribution	<u><u>\$ (99,192)</u></u>	<u><u>\$ (59,683)</u></u>
Covered payroll	\$ 3,390,775	\$ 5,230,662
Contributions as a percentage of covered payroll	1.00%	1.34%
Annual money-weighted rate of return, net of investment expense	24.6%	0.0%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

**OPEB Trust established during fiscal year 2020.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST FOUR FISCAL YEARS*
(Rounded to Nearest Thousand)

	2021	2020	2019	2018
Town's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability attributed to the Town	1,347,000	1,409,000	1,393,000	1,959,000
Total	<u>\$ 1,347,000</u>	<u>\$ 1,409,000</u>	<u>\$ 1,393,000</u>	<u>\$ 1,959,000</u>
Town's covered payroll	\$ 2,127,000	\$ 2,324,000	\$ 2,287,000	\$ 2,397,000
Town's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective OPEB liability	2.50%	2.08%	1.49%	1.79%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

BUDGETARY INFORMATION

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, in accordance with State Statutes.

- The Board of Selectmen and the Board of Finance prepare an operating budget for the fiscal year commencing July 1, which is presented at the annual Town meeting for approval or submitted to referendum. The operating budget includes proposed expenditures and the means of financing them.
- Expenditures are budgeted by function, department and object. The legal level of budget control is the department level. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects for amounts not exceeding \$20,000 or representing a second transfer to a department. Additional appropriations in excess of \$20,000 must be approved at a Town meeting.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis").

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Continued)*

BUDGETARY INFORMATION *(Continued)*

A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2021:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 25,368,751	\$ 24,656,529	\$ (325,000)	\$ 387,222
On-behalf payments - State Teachers' Retirement System	593,354	593,354	-	-
Change in encumbrances	-	(82,912)	-	82,912
Reserve for capital improvements	-	2,911	-	(2,911)
Reserve for revaluation	-	-	15,000	15,000
Reserve for recycling program	549	-	-	549
Use of restricted fund balance for debt service	-	62,056	-	(62,056)
Appropriations carried forward	-	525,000	325,000	(200,000)
Reimbursement for certain revenues recorded as a reduction to expenditures for budgetary purposes	103,109	103,109	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(723,150)	(723,150)	-
GAAP basis	<u>\$ 26,065,763</u>	<u>\$ 25,136,897</u>	<u>\$ (708,150)</u>	<u>\$ 220,716</u>

NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY - TOWN EMPLOYEE RETIREMENT PLAN

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2020.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the total pension liability.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN EMPLOYEE RETIREMENT PLAN

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial determined contribution rates are calculated as of July 1. The actuarial determined contribution rates for fiscal year 2021 were based on the July 1, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for 2021 are as follows:

Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level percent of salary
Remaining amortization period:	16 years, closed
Asset valuation method:	Market value
Investment rate of return:	7.125%
Salary increases:	2.60% plus merit increases
Retirement age:	Age 65 and 5 years of service

Mortality RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

NOTE 4 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY - MERIT SERVICE PLAN

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2020.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the total pension liability.

NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - MERIT SERVICE PLAN

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - MERIT SERVICE PLAN *(Continued)*

Actuarial determined contribution rates are calculated as of July 1. The actuarial determined contribution rates for fiscal year 2021 were based on the July 1, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for 2021 are as follows:

Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level percent of payroll
Remaining amortization period:	16 years, closed
Asset valuation method:	Market value
Investment rate of return:	7.125%
Inflation:	2.60%
Retirement age:	Age 65 and 10 years of service

RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

NOTE 6 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY - POLICE RETIREMENT PLAN

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2020.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the total pension liability.

NOTE 7 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE RETIREMENT PLAN

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial determined contribution rates are calculated as of July 1. The actuarial determined contribution rates for fiscal year 2021 were based on the July 1, 2018 actuarial valuation.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE RETIREMENT PLAN
(Continued)

Methods and assumptions used to determine contribution rates for 2021 are as follows:

Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level percent of payroll
Remaining amortization period:	16 years, closed
Asset valuation method:	Market value
Investment rate of return:	7.125%
Salary increases:	Inflation of 2.60% plus merit increases
Retirement age:	Age 60 and 5 years of service

For Retirees, Mortality RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2017. For Survivors, RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

NOTE 8 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The Town began to report this schedule in fiscal year 2019. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. This information is utilized by the Town for reporting as of June 30, 2021.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the collective total pension liability.

NOTE 9 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The Town began to report the schedule of contributions and investment returns in fiscal year 2019. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of June 30, 2020, two years prior to the end of the fiscal year in which contributions are reported.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

Methods and Assumptions Utilized

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Level dollar, closed;
- Remaining amortization period: 21 years;
- Asset valuation method: 5-year smoothed market with 20% recognition of investment gains and losses;
- Inflation: 3.25%;
- Investment rate of return: 8.00%, net of investment related expenses;
- Salary increases: Varies 4.25% to 11.00%;
- Cost of living adjustments: 2.50% for those retiring on or after January 1, 2002, for retirements prior to January 1, 2002 2.50% up to age 65, 3.25% afterwards;
- Social Security Wage Base: 3.50%;
- Mortality rates - For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement; and
- Future Cost-of-Living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

NOTE 10 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. The liabilities were estimated based on a measurement date of June 30, 2020. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2021.

Benefit Changes - There were no benefit term changes that had a significant effect on the measurement of the Town's collective net pension liability reported as of June 30, 2021.

Assumption Changes - The following assumption changes had a significant effect on the measurement of the Town's collective net pension liability reported as of June 30, 2021.

- a decrease in the annual rate of real wage increase assumption from 0.75% to 0.50%;
- a decrease in the payroll growth assumption from 3.25% to 3.00%; and
- rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when established an OPEB Trust in fiscal year 2020 and subsequently implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available. Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2020.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the Town's total OPEB liability.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the total pension liability.

- The discount rate was increased from 3.87% as of July 1, 2018 to 6.75% as of July 1, 2020;
- The rate of compensation increase, including inflation, for the Board of Education was decreased from 3.60% as of July 1, 2018 to 3.40% as of July 1, 2020;
- The rate of compensation increase, including inflation, for the Town was decreased from 7.60% initial, 3.10% ultimate as of July 1, 2018 to 7.40% initial, 2.90% ultimate as of July 1, 2020;
- The inflation assumption was decreased from 2.60% as of July 1, 2018 to 2.40% as of July 1, 2020. This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2021 OASDI Trustees Report. The assumption was changed to better reflect expected experience; and
- The mortality and mortality improvement projection scales were updated to Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), projected to the valuation date with Scale MP-2020 from the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

NOTE 12 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. This information is utilized by the Town for reporting as of June 30, 2021.

Benefit Changes - There were no benefit term changes that had a significant effect on the measurement of the Town's collective net OPEB liability reported as of June 30, 2021.

Assumption Changes - The following assumption changes had a significant effect on the measurement of the Town's collective net OPEB liability reported as of June 30, 2021.

- a decrease in the annual rate of real wage increase assumption from 0.75% to 0.50%;
- a decrease in the payroll growth assumption from 3.25% to 3.00%; and
- rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Property taxes	\$ 23,288,508	\$ 23,288,508	\$ 23,469,405	\$ 180,897
Interest and lien fees	50,000	50,000	97,665	47,665
Total property taxes	23,338,508	23,338,508	23,567,070	228,562
INTERGOVERNMENTAL				
Veterans tax relief	3,962	3,962	3,370	(592)
State education grants	103,926	103,926	105,087	1,161
Town Aid Road Fund grant	214,767	214,767	215,735	968
Local Capital Improvement program	40,493	40,493	40,921	428
Court fines	4,000	4,000	790	(3,210)
Grants in lieu of taxes	10,393	10,393	10,393	-
Municipal Grant-In-Aid	74,547	74,547	74,547	-
Other State and Federal grants	3,348	3,348	118,319	114,971
Total intergovernmental	455,436	455,436	569,162	113,726
LOCAL REVENUES				
Miscellaneous permits	3,500	3,500	6,757	3,257
Access line tax share	25,000	25,000	20,650	(4,350)
Landfill fees	80,000	80,000	77,507	(2,493)
Building permits	125,000	125,000	201,676	76,676
Zoning permits	7,100	7,100	12,192	5,092
Zoning Board of Appeals	2,160	2,160	4,300	2,140
Planning Commission	2,500	2,500	1,310	(1,190)
Conveyance tax	110,000	110,000	333,607	223,607
Park and Recreation Fees	4,500	4,500	-	(4,500)
Miscellaneous receipts	25,000	25,000	264,144	239,144
Town clerk fees	115,000	115,000	218,933	103,933
Inland wetlands permits	1,440	1,440	3,000	1,560
Regional recycling fees	62,000	62,000	49,722	(12,278)
Health department fees	7,500	7,500	13,645	6,145
Local PILOT	35,000	35,000	21,071	(13,929)
Total local revenues	605,700	605,700	1,228,514	622,814
INTEREST INCOME	85,000	85,000	4,005	(80,995)
Total revenues	24,484,644	24,484,644	25,368,751	884,107
OTHER FINANCING SOURCES				
Appropriation of fund balance	168,933	893,552	-	(893,552)
Total revenues and other financing sources	\$ 24,653,577	\$ 25,378,196	\$ 25,368,751	\$ (9,445)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 232,388	\$ 232,388	\$ 175,309	\$ (57,079)
Assessor	125,439	125,439	125,124	(315)
Central Services	220,189	220,189	207,846	(12,343)
Elections	48,048	52,640	52,640	-
Probate court	3,460	3,460	3,166	(294)
Tax Collector	124,997	124,997	123,817	(1,180)
Town Clerk	178,683	253,440	253,440	-
Finance	218,315	218,315	205,626	(12,689)
Zoning Enforcement Agent	74,821	80,552	80,552	-
Fringe Benefits	1,066,014	1,089,360	1,089,360	-
General Insurance	185,144	185,144	165,746	(19,398)
Legal Services	73,500	77,943	77,943	-
Public Restroom Facilities	18,750	18,750	13,050	(5,700)
Technology	231,333	239,333	239,451	118
Board of Assessment Appeals	1,330	1,330	586	(744)
Board of Finance	111,000	36,142	31,027	(5,115)
Conservation Commission	13,250	13,250	11,207	(2,043)
Economic Development Commission	13,100	13,100	7,266	(5,834)
IWWC Commission	7,840	21,309	21,309	-
Land Use - Administrative	110,110	147,865	147,865	-
Parks and Recreation	189,505	195,504	195,504	-
Parks and Recreation Commission	1,100	1,100	450	(650)
Planning Commission	64,163	72,163	66,952	(5,211)
Tree Committee	7,000	7,278	7,278	-
Zoning Board of Appeals	5,450	6,993	6,993	-
Zoning Commission	7,000	13,139	13,139	-
Total general government	<u>3,331,929</u>	<u>3,451,123</u>	<u>3,322,646</u>	<u>(128,477)</u>
PUBLIC SAFETY				
Ambulance/EMT Services	23,700	23,700	14,269	(9,431)
Animal Control	10,000	10,000	10,000	-
Building Department	80,981	80,981	79,334	(1,647)
Emergency Management	21,400	21,400	10,673	(10,727)
Emergency 911	122,824	123,567	123,567	-
Fire Department	377,076	377,076	371,518	(5,558)
Fire Marshal	49,985	50,988	50,988	-
Harbor Patrol	26,900	36,982	36,982	-
Police Services	407,789	449,029	449,029	-
Resident State Trooper	179,020	179,020	171,960	(7,060)
Water	198,770	198,770	180,950	(17,820)
Total public safety	<u>1,498,445</u>	<u>1,551,513</u>	<u>1,499,270</u>	<u>(52,243)</u>
				<i>(Continued)</i>

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
BOARD OF SELECTMEN (Continued)				
HEALTH AND WELFARE				
Estuary Transit	\$ 20,415	\$ 20,415	\$ 20,415	\$ -
Health Department	152,140	179,661	179,661	-
Transfer Station & Recycling Center	283,656	283,656	254,276	(29,380)
Social Services	111,596	114,760	114,760	-
Visiting Nurses	68,546	70,218	70,218	-
Total health and welfare	636,353	668,710	639,330	(29,380)
 LIBRARIES	 423,776	 423,776	 423,776	 -
 HIGHWAYS AND TRANSPORTATION	 930,570	 930,570	 871,064	 (59,506)
 DEBT SERVICE				
Principal Payments	1,060,000	1,060,000	1,060,000	-
Interest and Fiscal Charges	193,879	193,879	193,879	-
Total debt service	1,253,879	1,253,879	1,253,879	-
 CAPITAL OUTLAYS	 557,500	 752,500	 751,744	 (756)
Total Board of Selectmen	8,632,452	9,032,071	8,761,709	(270,362)
 EDUCATION	 16,021,125	 16,021,125	 15,894,820	 (126,305)
Total expenditures	24,653,577	25,053,196	24,656,529	(396,667)
 OTHER FINANCING USES				
Appropriations carried forward	-	325,000	325,000	-
Total expenditures and other financing uses	\$ 24,653,577	\$ 25,378,196	\$ 24,981,529	\$ (396,667)
				(Concluded)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2021

Grand List Year	Balance Uncollected June 30, 2020	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2021
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2019	\$ -	\$ 23,479,034	\$ 39,798	\$ 28,771	\$ -	\$ 23,490,061	\$ 23,268,238	\$ 34,577	\$ 72	\$ 23,302,887	\$ 221,823
2018	233,530	-	15,849	4,009	-	245,370	122,373	25,393	432	148,198	122,997
2017	119,153	-	10,003	73	48,639	80,444	26,575	9,343	144	36,062	53,869
2016	48,186	-	-	-	-	48,186	5,066	870	96	6,032	43,120
2015	33,376	-	-	-	-	33,376	24	8,871	24	8,919	33,352
2014	19,489	-	-	-	-	19,489	4,354	652	48	5,054	15,135
2013	13,259	-	-	-	-	13,259	-	6,510	-	6,510	13,259
2012	9,428	-	-	-	-	9,428	5,209	1,917	24	7,150	4,219
2011	5,286	-	-	-	-	5,286	-	-	-	-	5,286
2010	3,357	-	-	-	-	3,357	-	-	-	-	3,357
2009	3,247	-	-	-	-	3,247	-	-	-	-	3,247
2008	4,990	-	-	-	-	4,990	-	-	-	-	4,990
2007	3,137	-	-	-	-	3,137	-	-	-	-	3,137
	<u>\$ 496,438</u>	<u>\$ 23,479,034</u>	<u>\$ 65,650</u>	<u>\$ 32,853</u>	<u>\$ 48,639</u>	<u>\$ 23,959,630</u>	<u>\$ 23,431,839</u>	<u>\$ 88,133</u>	<u>\$ 840</u>	<u>\$ 23,520,812</u>	<u>\$ 527,791</u>

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF DEBT LIMITATION -
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
AS OF JUNE 30, 2021

Total cash collections for the year ended
June 30, 2021:

Taxes	\$ 23,431,839
Interest and lien fees	88,973
	<u>23,520,812</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	-
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Base \$ 23,520,812

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 52,921,827	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	105,843,654	-	-	-
3-3/4 times base	-	-	88,203,045	-	-
3-1/4 times base	-	-	-	76,442,639	-
3 times base	-	-	-	-	70,562,436
	<u>52,921,827</u>	<u>105,843,654</u>	<u>88,203,045</u>	<u>76,442,639</u>	<u>70,562,436</u>
Total debt limitation					
	<u>52,921,827</u>	<u>105,843,654</u>	<u>88,203,045</u>	<u>76,442,639</u>	<u>70,562,436</u>
Indebtedness:					
Bonds payable	3,745,980	5,849,020	-	-	-
Shared debt - Regional School District No. 4	-	1,132,875 *	-	-	-
Authorized, unissued bonds	1,414,555	-	-	-	-
Total indebtedness	<u>5,160,535</u>	<u>6,981,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 47,761,292</u>	<u>\$ 98,861,759</u>	<u>\$ 88,203,045</u>	<u>\$ 76,442,639</u>	<u>\$ 70,562,436</u>
Total capacity of borrowing (7 times base)	164,645,684				
Total present indebtedness	<u>12,142,430</u>				
Margin for additional borrowing	<u>\$ 152,503,254</u>				

* The Town of Essex is a member of Regional School District No. 4. This amount represents the Town's proportional share of the District's outstanding bonds payable as of June 30, 2021.

CAPITAL AND NON-RECURRING EXPENDITURES FUND

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BY PROJECT -
CAPITAL AND NONRECURRING EXPENDITURES FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Capital and Nonrecurring Expenditures Fund						
	Fire Truck	Truck and Equipment	Constable Cars	Harbor Patrol	Wastewater Study	Parks and Recreation	Veterans Memorial
REVENUES							
Interest	\$ 329	\$ 1	\$ 28	\$ 19	\$ 42	\$ 64	\$ -
EXPENDITURES							
Capital outlays	-	-	56,522	-	-	-	-
Excess (deficiency) of revenues over expenditures	329	1	(56,494)	19	42	64	-
OTHER FINANCING SOURCES							
Transfers in	295,000	-	50,000	5,000	-	25,000	-
Net change in fund balances	295,329	1	(6,494)	5,019	42	25,064	-
Fund balances - beginning	735,864	2,910	93,631	55,140	130,539	175,705	20
Fund balances - ending	<u>\$ 1,031,193</u>	<u>\$ 2,911</u>	<u>\$ 87,137</u>	<u>\$ 60,159</u>	<u>\$ 130,581</u>	<u>\$ 200,769</u>	<u>\$ 20</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BY PROJECT -
CAPITAL AND NONRECURRING EXPENDITURES FUND *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2021

	Capital and Nonrecurring Expenditures Fund					
	Open Space	Essex Elementary	Local Bridge Replacement	Essex Ambulance	Other Purposes	Total
REVENUES						
Interest	\$ 53	\$ 81	\$ 23	\$ 68	\$ 63	\$ 771
EXPENDITURES						
Capital outlays	-	102,402	-	-	-	158,924
Excess (deficiency) of revenues over expenditures	53	(102,321)	23	68	63	(158,153)
OTHER FINANCING SOURCES						
Transfers in	15,000	60,000	70,000	25,000	20,000	565,000
Net change in fund balances	15,053	(42,321)	70,023	25,068	20,063	406,847
Fund balances - beginning	150,127	297,616	126,989	48,366	195,456	2,012,363
Fund balances - ending	<u>\$ 165,180</u>	<u>\$ 255,295</u>	<u>\$ 197,012</u>	<u>\$ 73,434</u>	<u>\$ 215,519</u>	<u>\$ 2,419,210</u>
						<i>(Concluded)</i>

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	Nonmajor Special Revenue Funds						
	Dog Fund	Harbor Commission Fund	Constable Private Duty Fund	Historic Documents Fund	Recreational Programs Fund	Special Project Fund	Student Activity Fund
ASSETS							
Cash and cash equivalents	\$ 50,431	\$ 45,012	\$ 89,054	\$ 10,156	\$ -	\$ 3,733	\$ 26,548
Receivables:							
Grants and contracts	-	-	-	-	-	-	-
Other	-	-	32,923	-	-	-	-
Due from other funds	2,287	52,317	-	1,537	63,297	64,982	-
Other	-	-	-	-	-	-	-
Total assets	<u>\$ 52,718</u>	<u>\$ 97,329</u>	<u>\$ 121,977</u>	<u>\$ 11,693</u>	<u>\$ 63,297</u>	<u>\$ 68,715</u>	<u>\$ 26,548</u>
LIABILITIES							
Accounts payable	\$ 2,969	\$ -	\$ -	\$ -	\$ 4,431	\$ 500	\$ -
Due to other funds	-	10,668	85,073	-	-	-	-
Unearned revenue	-	-	-	-	13,867	-	-
Due to others	-	-	-	-	-	-	-
Total liabilities	<u>2,969</u>	<u>10,668</u>	<u>85,073</u>	<u>-</u>	<u>18,298</u>	<u>500</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	11,693	-	68,215	26,548
Committed	49,749	86,661	36,904	-	44,999	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>49,749</u>	<u>86,661</u>	<u>36,904</u>	<u>11,693</u>	<u>44,999</u>	<u>68,215</u>	<u>26,548</u>
Total liabilities and fund balances	<u>\$ 52,718</u>	<u>\$ 97,329</u>	<u>\$ 121,977</u>	<u>\$ 11,693</u>	<u>\$ 63,297</u>	<u>\$ 68,715</u>	<u>\$ 26,548</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	Nonmajor Special Revenue Funds				
	School Cafeteria Fund	Education Grants Fund	CVA Pump Out Boat Fund	Tree Committee Fund	Total
ASSETS					
Cash and cash equivalents	\$ 44,744	\$ -	\$ -	\$ -	\$ 269,678
Receivables:					
Grants and contracts	20,409	14,547	-	-	34,956
Other	3,105	-	-	-	36,028
Due from other funds	-	-	-	11,618	196,038
Other	11,216	-	-	-	11,216
Total assets	<u>\$ 79,474</u>	<u>\$ 14,547</u>	<u>\$ -</u>	<u>\$ 11,618</u>	<u>\$ 547,916</u>
LIABILITIES					
Accounts payable	\$ 4,988	\$ -	\$ 3,692	\$ -	\$ 16,580
Due to other funds	17,779	-	13,476	-	126,996
Unearned revenue	-	181	-	-	14,048
Due to others	-	14,366	-	-	14,366
Total liabilities	<u>22,767</u>	<u>14,547</u>	<u>17,168</u>	<u>-</u>	<u>171,990</u>
FUND BALANCES					
Nonspendable	11,216	-	-	-	11,216
Restricted	45,491	-	-	-	151,947
Committed	-	-	-	11,618	229,931
Unassigned	-	-	(17,168)	-	(17,168)
Total fund balances	<u>56,707</u>	<u>-</u>	<u>(17,168)</u>	<u>11,618</u>	<u>375,926</u>
Total liabilities and fund balances	<u>\$ 79,474</u>	<u>\$ 14,547</u>	<u>\$ -</u>	<u>\$ 11,618</u>	<u>\$ 547,916</u>

(Concluded)

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Nonmajor Special Revenue Funds						
	Dog Fund	Harbor Commission Fund	Constable Private Duty Fund	Historic Documents Fund	Recreational Programs Fund	Special Project Fund	Student Activity Fund
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,656	\$ -
Local	14,964	18,987	96,932	5,784	24,993	-	8,383
Interest	-	111	-	-	-	-	-
Other	-	-	-	-	-	40,214	-
Total revenues	14,964	19,098	96,932	5,784	24,993	44,870	8,383
EXPENDITURES							
Current:							
General government	26,249	5,045	-	2,558	43,061	-	-
Public safety	-	4,042	86,433	-	-	-	-
Health and welfare	-	-	-	-	-	22,678	-
Education	-	-	-	-	-	-	7,686
Debt Service:							
Principal payments	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	26,249	9,087	86,433	2,558	43,061	22,678	7,686
Excess (deficiency) of revenues over expenditures	(11,285)	10,011	10,499	3,226	(18,068)	22,192	697
OTHER FINANCING SOURCES							
Lease (as lessee)	-	-	-	-	-	-	-
Transfers in	10,000	7,500	-	-	-	-	-
Total other financing sources	10,000	7,500	-	-	-	-	-
Net change in fund balances	(1,285)	17,511	10,499	3,226	(18,068)	22,192	697
Fund balances - beginning, as adjusted <i>(See Note 1)</i>	51,034	69,150	26,405	8,467	63,067	46,023	25,851
Fund balances - ending	\$ 49,749	\$ 86,661	\$ 36,904	\$ 11,693	\$ 44,999	\$ 68,215	\$ 26,548

(Continued)

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Nonmajor Special Revenue Funds				
	School Cafeteria Fund	Education Grants Fund	CVA Pump Out Boat Fund	Tree Committee Fund	Total
REVENUES					
Intergovernmental	\$ 101,308	\$ 207,389	\$ 110,954	\$ -	\$ 424,307
Local	6,096	-	-	5,000	181,139
Interest	-	-	-	-	111
Other	-	-	-	-	40,214
Total revenues	<u>107,404</u>	<u>207,389</u>	<u>110,954</u>	<u>5,000</u>	<u>645,771</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	76,913
Public safety	-	-	-	-	90,475
Health and welfare	-	-	94,879	-	117,557
Education	188,710	207,389	-	-	403,785
Debt Service:					
Principal payments	-	-	31,080	-	31,080
Interest and fiscal charges	-	-	15,556	-	15,556
Capital outlays	-	-	105,425	-	105,425
Total expenditures	<u>188,710</u>	<u>207,389</u>	<u>246,940</u>	<u>-</u>	<u>840,791</u>
Excess (deficiency) of revenues over expenditures	(81,306)	-	(135,986)	5,000	(195,020)
OTHER FINANCING SOURCES					
Lease (as lessee)	-	-	105,425	-	105,425
Transfers in	125,650	-	-	-	143,150
Total other financing sources	<u>125,650</u>	<u>-</u>	<u>105,425</u>	<u>-</u>	<u>248,575</u>
Net change in fund balances	44,344	-	(30,561)	5,000	53,555
Fund balances - beginning, as adjusted <i>(See Note 1)</i>	<u>12,363</u>	<u>-</u>	<u>13,393</u>	<u>6,618</u>	<u>322,371</u>
Fund balances - ending	<u>\$ 56,707</u>	<u>\$ -</u>	<u>\$ (17,168)</u>	<u>\$ 11,618</u>	<u>\$ 375,926</u>
					<i>(Concluded)</i>

FIDUCIARY FUNDS

TOWN OF ESSEX, CONNECTICUT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -
 PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
 AS OF JUNE 30, 2021

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Other Post-Employment Benefit Plan	Total Pension and OPEB Trust Funds
ASSETS					
Cash and cash equivalents	\$ 75,837	\$ 24,390	\$ 32,246	\$ 1,013	\$ 133,486
Investments:					
Mutual funds	4,929,327	1,486,184	2,095,958	101,915	8,613,384
Total assets	<u>5,005,164</u>	<u>1,510,574</u>	<u>2,128,204</u>	<u>102,928</u>	<u>8,746,870</u>
NET POSITION					
Restricted for pension and OPEB benefits	<u>\$ 5,005,164</u>	<u>\$ 1,510,574</u>	<u>\$ 2,128,204</u>	<u>\$ 102,928</u>	<u>\$ 8,746,870</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Other Post-Employment Benefit Plan	Total
ADDITIONS					
Contributions:					
Employer	\$ 350,676	\$ 117,372	\$ 296,598	\$ 15,570	\$ 780,216
Plan members	-	-	8,951	-	8,951
Total contributions	<u>350,676</u>	<u>117,372</u>	<u>305,549</u>	<u>15,570</u>	<u>789,167</u>
Investment earnings:					
Net change in the fair value of investments	937,079	281,302	372,787	16,072	1,607,240
Interest and dividends	108,016	32,680	43,774	1,486	185,956
Total investment earnings	<u>1,045,095</u>	<u>313,982</u>	<u>416,561</u>	<u>17,558</u>	<u>1,793,196</u>
Total additions	<u>1,395,771</u>	<u>431,354</u>	<u>722,110</u>	<u>33,128</u>	<u>2,582,363</u>
DEDUCTIONS					
Benefit payments	289,944	103,452	134,016	-	527,412
Administrative expenses	4,033	4,034	4,033	200	12,300
Total deductions	<u>293,977</u>	<u>107,486</u>	<u>138,049</u>	<u>200</u>	<u>539,712</u>
Change in net position	1,101,794	323,868	584,061	32,928	2,042,651
Net position - beginning	<u>3,903,370</u>	<u>1,186,706</u>	<u>1,544,143</u>	<u>70,000</u>	<u>6,704,219</u>
Net position - ending	<u>\$ 5,005,164</u>	<u>\$ 1,510,574</u>	<u>\$ 2,128,204</u>	<u>\$ 102,928</u>	<u>\$ 8,746,870</u>