

TOWN OF ESSEX, CONNECTICUT

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2022**

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the information on pages 68 through 87 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial 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 November 30, 2022, 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants
Glastonbury, Connecticut
November 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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, 2022.

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 \$23,204,121 (net position). Of this amount, \$5,966,703 represents the Town's unrestricted net position.
- The Town's total net position increased by \$1,404,783 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 \$9,400,442, an increase of \$1,172,351 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,609,259 or 13.9% of the Town's General Fund budgetary expenditure appropriation for fiscal year 2023. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund budgetary expenditures.
- The Town's total capital assets decreased by \$835,473 or 3.2%.
- The Town's total long-term debt decreased by \$1,074,514 or 11.1%.

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, 2022

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 15 and 16 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 17 through 20 of this report.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 21 and 22 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 23 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

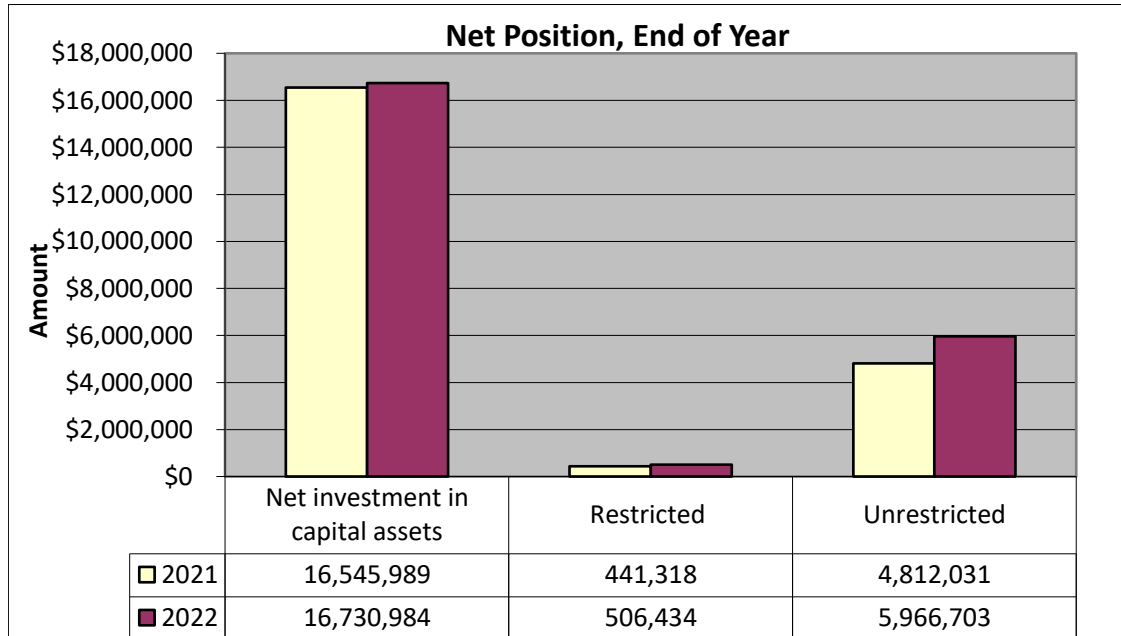
Over time, net position may serve as one measure of a government's financial position. Net position of the Town totaled \$23,204,121 and \$21,799,338, as of June 30, 2022 and 2021, respectively, and are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 11,793,638	\$ 10,722,446	\$ 1,071,192	10.0%
Capital assets, net	<u>25,420,162</u>	<u>26,255,635</u>	<u>(835,473)</u>	-3.2%
Total assets	<u>37,213,800</u>	<u>36,978,081</u>	<u>235,719</u>	0.6%
Deferred outflows of resources	<u>1,769,221</u>	<u>1,282,281</u>	<u>486,940</u>	38.0%
Long-term liabilities	12,325,591	11,918,981	406,610	3.4%
Other liabilities	<u>1,805,560</u>	<u>1,961,589</u>	<u>(156,029)</u>	-8.0%
Total liabilities	<u>14,131,151</u>	<u>13,880,570</u>	<u>250,581</u>	1.8%
Deferred inflows of resources	<u>1,647,749</u>	<u>2,580,454</u>	<u>(932,705)</u>	-36.1%
Net position:				
Net investment in capital assets	16,730,984	16,545,989	184,995	1.1%
Restricted	506,434	441,318	65,116	14.8%
Unrestricted	<u>5,966,703</u>	<u>4,812,031</u>	<u>1,154,672</u>	24.0%
Total net position	<u>\$ 23,204,121</u>	<u>\$ 21,799,338</u>	<u>\$ 1,404,783</u>	6.4%

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



Of the Town's net position, 72.1% 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, 2022, 2.2% 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 \$1,404,783.

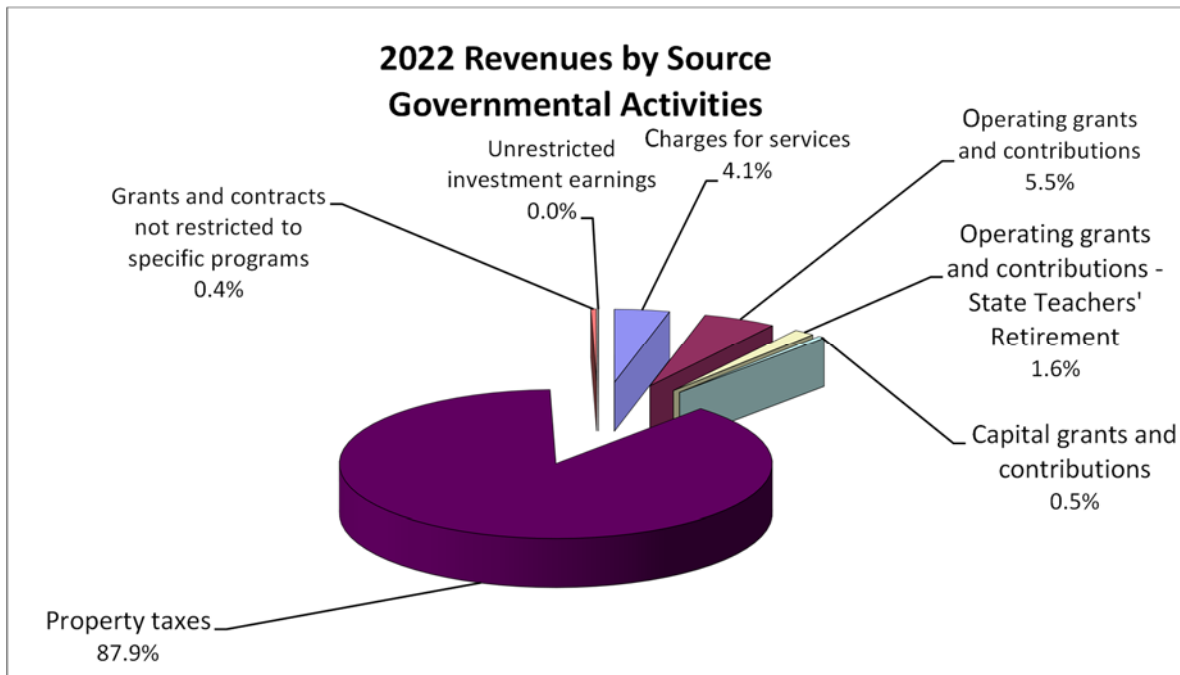
TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

Changes in net position for the years ended June 30, 2022 and 2021, are as follows:

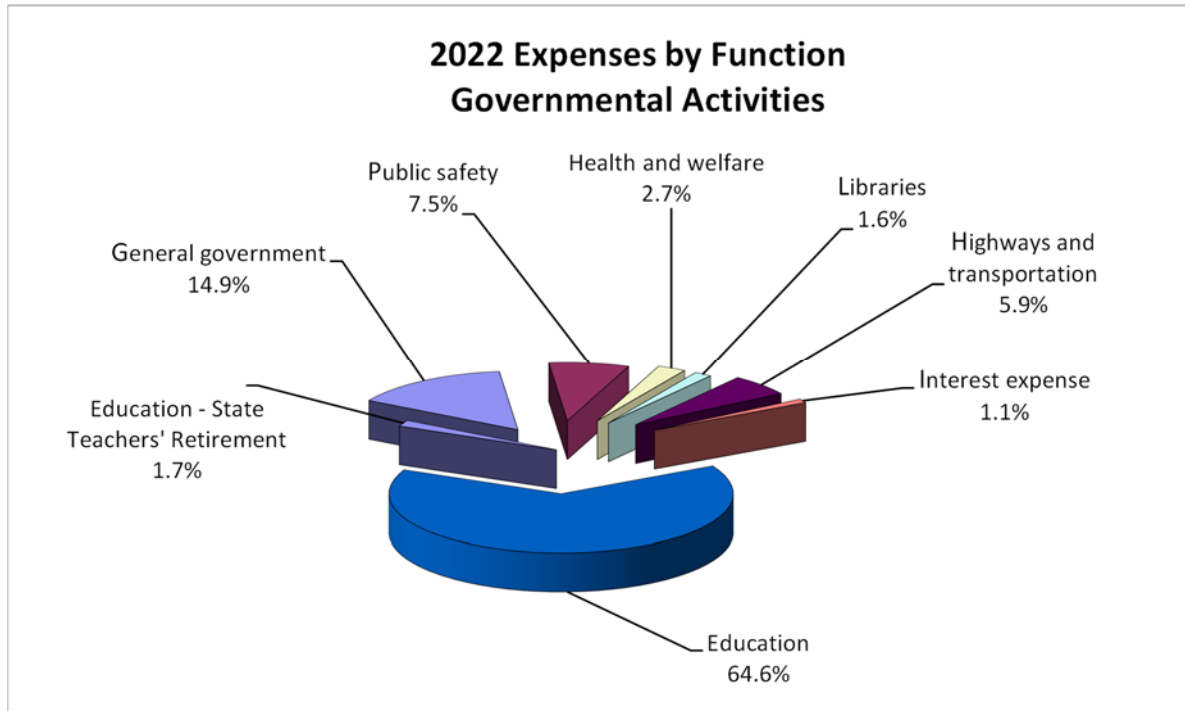
	2022	2021	\$ Change	% Change
Program revenues:				
Charges for services	\$ 1,150,864	\$ 1,188,610	\$ (37,746)	-3.2%
Operating grants and contributions	1,531,289	1,973,186	(441,897)	-22.4%
Operating grants and contributions - State Teachers' Retirement	435,049	1,358,151	(923,102)	-68.0%
Capital grants and contributions	141,443	81,092	60,351	74.4%
General revenues:				
Property taxes	24,532,107	23,622,685	909,422	3.8%
Grants and contributions not restricted to specific programs	113,419	174,134	(60,715)	-34.9%
Unrestricted investment earnings	4,863	4,893	(30)	-0.6%
Total revenues	<u>27,909,034</u>	<u>28,402,751</u>	<u>(493,717)</u>	-1.7%
Program expenses:				
General government	3,960,085	3,820,766	139,319	3.6%
Public safety	1,996,812	2,361,077	(364,265)	-15.4%
Health and welfare	707,337	710,128	(2,791)	-0.4%
Libraries	432,198	452,356	(20,158)	-4.5%
Highways and transportation	1,573,950	1,273,814	300,136	23.6%
Interest expense	287,344	304,752	(17,408)	-5.7%
Education	17,111,476	16,621,021	490,455	3.0%
Education - State Teachers' Retirement	435,049	1,358,151	(923,102)	-68.0%
Total expenses	<u>26,504,251</u>	<u>26,902,065</u>	<u>(397,814)</u>	-1.5%
Change in net position	<u>\$ 1,404,783</u>	<u>\$ 1,500,686</u>	<u>\$ (95,903)</u>	-6.4%



TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position *(Continued)*



Governmental Activities

Governmental activities increased the Town's net position by \$1,404,783.

Revenues generated by the Town decreased by \$493,717 or 1.7% in comparison to the prior year. Significant changes in revenues were as follows:

- A decrease in operating grants of \$441,897 or 22.4% driven by a reduction in nonrecurring grants recognized in the prior year for COVID-19 pandemic related costs and upgrades to the regional emergency communications and radio dispatch system.
- A decrease in Connecticut Teachers' Retirement System operating contributions of \$923,102 or 68.0%. This amount represents pension and other post-employment benefit expenses recognized by the Town for its participation in the Connecticut Teachers' Retirement System. Although the Town is not liable for pension and other post-employment benefits provided by the Connecticut Teachers' Retirement System, the Town recognizes both revenues and expenses for the full pension and other post-employment benefit expenses that have been attributed to employees of the Town's School District.
- An increase in property tax revenues of \$909,422 due to a 2.8% increase in the Town's mill rate and an overall increase in the Town's taxable grand list.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Governmental Activities *(Continued)*

Expenses for the Town decreased by \$397,814 or 1.5% in comparison to the prior year. Significant changes in expenses were as follows:

- A decrease in public safety expenses of \$364,265 or 15.4%. This decrease is primarily due to costs associated with upgrades to the regional emergency communications and radio dispatch system in the prior year. 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 highways and transportation expenses of \$300,136 or 23.6% due to increased road maintenance costs.
- An increase in education expenses of \$490,455 or 3.0%, primarily driven by contractual increases in the Town's elementary school budget and the Town's regional school district member assessment. The increase in the Town's regional school district member assessments reflects an increase in the Town's average daily membership allocation percentage from the prior year.
- A decrease in Connecticut Teachers' Retirement System expenses of \$923,102 or 68.0%. This decrease was due to a decrease in the amount of pension and other post-employment benefit expenses recognized by the Town for its participation in the Connecticut Teachers' Retirement System, as previously discussed.

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 \$9,400,442, an increase of \$1,172,351 in comparison with the prior year. Of this amount, \$3,596,166 represents unassigned fund balance. The remainder of fund balance is not available for new spending because it has already been assigned, committed, or restricted for specific purposes.

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 \$3,609,259, while total fund balance was \$6,023,742. 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 13.9% of the Town's General Fund budgetary expenditure appropriation for fiscal year 2023. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund budgetary expenditures. The fund balance of the Town's General Fund increased by \$716,194 during the current fiscal year due to favorable budgetary results outlined below.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$376,075 during the current fiscal year to \$2,795,285. This increase was due primarily to budgetary 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 \$75,243 as of June 30, 2022, a decrease of \$50,158 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 final upgrades to the regional emergency communications and radio dispatch system funded by a grant from the State of Connecticut and recognition of Coronavirus State and Local Fiscal Recovery Fund grant funding.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget provided for the use of fund balance in the amount of \$290,794 to balance revenues and expenditures. During the year, supplemental appropriations of \$862,878 were authorized, resulting in a planned use of fund balance in the amount of \$1,153,672. The actual change in fund balance for the General Fund on a budgetary basis was \$298,866. Revenues exceeded budgetary estimates by \$1,123,796, primarily due to favorable collections on property taxes, building permits, conveyance taxes, and a return of prior year surplus funds from Regional School District No. 4 and the Supervision District. Expenditures were \$328,742 less than budgeted, with favorable recognized within both the Board of Selectmen and Education budgets. As a result of the favorable budgetary savings, appropriations of \$748,168 were authorized for specific purposes by Town Meeting and carried forward for spending in the Town's fiscal year 2023 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2022 totaled \$25,420,162 (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 \$835,473.

Capital asset additions totaled \$659,678 and included the purchase of police body cameras and road and sidewalk improvements. Depreciation expense totaled \$1,495,151.

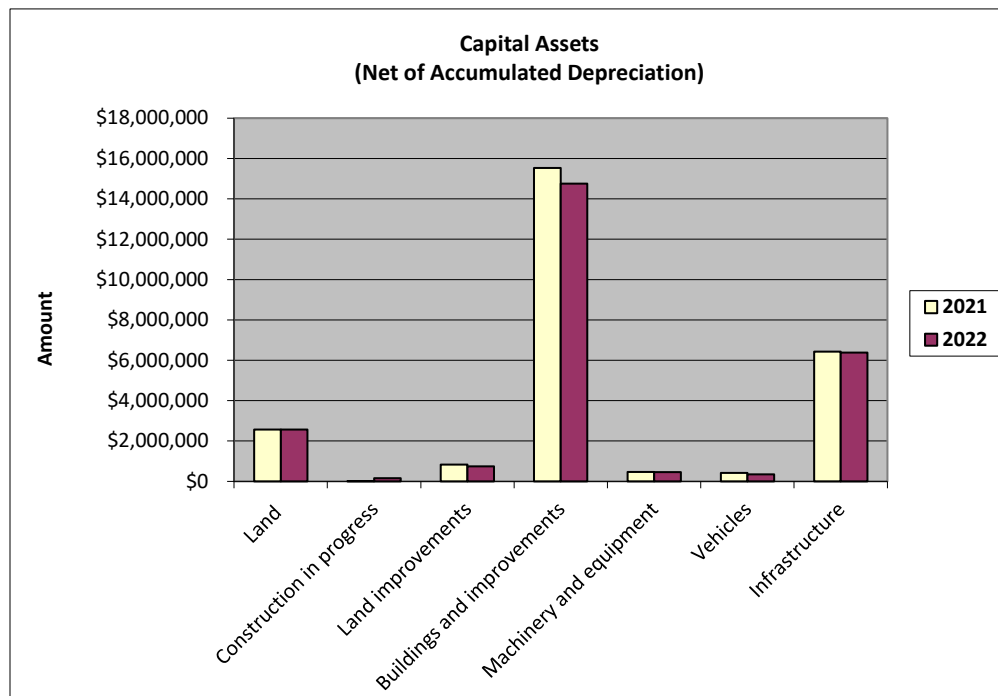
TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

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

	2022	2021	\$ Change	% Change
Land	\$ 2,563,245	\$ 2,563,245	\$ -	0.0%
Construction in progress	156,302	12,196	144,106	1181.6%
Land improvements	740,534	832,579	(92,045)	-11.1%
Buildings and improvements	14,757,330	15,529,523	(772,193)	-5.0%
Machinery and equipment	461,680	466,109	(4,429)	-1.0%
Vehicles	353,828	420,250	(66,422)	-15.8%
Infrastructure	6,387,243	6,431,733	(44,490)	-0.7%
Totals	<u>\$ 25,420,162</u>	<u>\$ 26,255,635</u>	<u>\$ (835,473)</u>	-3.2%



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, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt

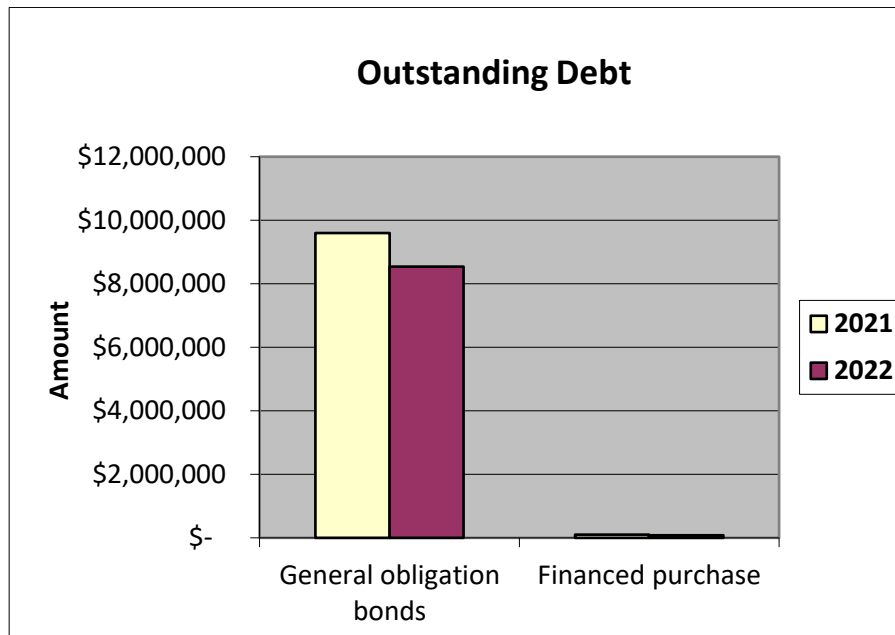
At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of \$8,540,000, which is backed by the full faith and credit of the Town. The Town's total long-term bonded debt decreased by \$1,055,000 during the current fiscal year due to scheduled debt service repayments. Financed purchases of assets decreased by \$19,514 due to current year scheduled repayments.

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:

	2022	2021	\$ Change	% Change
General obligation bonds	\$ 8,540,000	\$ 9,595,000	\$ (1,055,000)	-11.0%
Financed purchases	76,514	96,028	(19,514)	-20.3%
Totals	<u>\$ 8,616,514</u>	<u>\$ 9,691,028</u>	<u>\$ (1,074,514)</u>	-11.1%



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, 2022

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 2023, 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.
 - The State imposes a cap on municipal spending to limit the budgeted expenditures to 2.5% above the previous year, or the rate of inflation, whichever is greater. The cap includes certain exemptions relating to increases in debt service, special education costs, claims and judgements and costs incurred related to major disaster or emergency declarations. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap may receive a reduced municipal revenue sharing grant.
 - The State has established a minimum budget requirement (MBR) for budgeted education expenditures. The MBR prohibits towns from budgeting less for education than it did in the previous year unless, and within limits, the town can demonstrate a decrease in school enrollment or savings through increased efficiencies. Any increases or decreases that a town receives in its Education Cost Sharing grant will result in a corresponding increase or decrease in the Town's MBR.

All of these factors were considered in preparing the Town's budget for fiscal year 2023. The Town's fiscal year 2023 budget was approved at a Town Meeting on May 9, 2022. The fiscal year 2023 budget contemplated expenditures of \$26,042,584. Fund balance in the amount of \$230,123 has been assigned for use in the fiscal year 2023 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, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,762,382
Investments	113,224
Receivables:	
Property taxes, net	429,687
Interest on property taxes, net	198,101
Grants and contracts	234,497
Other	173,571
Prepays and other	815,537
Capital assets:	
Non-depreciable	2,719,547
Depreciable, net	22,700,615
Total assets	<u>37,147,161</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	278,806
OPEB related	498,594
Pension related	991,821
Total deferred outflows of resources	<u>1,769,221</u>
 LIABILITIES	
Accounts payable	279,650
Accrued interest payable	91,500
Accrued liabilities	410,050
Performance deposits payable	173,404
Unearned revenue	817,901
Due to others	33,055
Noncurrent liabilities:	
Due within one year	1,049,900
Due in more than one year	11,275,691
Total liabilities	<u>14,131,151</u>
 DEFERRED INFLOWS OF RESOURCES	
OPEB related	1,346,289
Pension related	234,821
Total deferred inflows of resources	<u>1,581,110</u>
 NET POSITION	
Net investment in capital assets	16,730,984
Restricted	506,434
Unrestricted	5,966,703
Total net position	<u>\$ 23,204,121</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, 2022

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	\$ 3,960,085	\$ 931,053	\$ 102,920	\$ -	\$ (2,926,112)
Public safety	1,996,812	149,474	509,294	33,443	(1,304,601)
Health and welfare	707,337	62,413	159,737	-	(485,187)
Libraries	432,198	-	-	-	(432,198)
Highways and transportation	1,573,950	-	256,668	108,000	(1,209,282)
Education	17,546,525	7,924	937,719	-	(16,600,882)
Interest expense	287,344	-	-	-	(287,344)
Total governmental activities	<u>\$ 26,504,251</u>	<u>\$ 1,150,864</u>	<u>\$ 1,966,338</u>	<u>\$ 141,443</u>	<u>(23,245,606)</u>
General revenues:					
Property taxes, levied for general purposes					24,532,107
Grants and contributions not restricted to specific programs					113,419
Unrestricted investment earnings					<u>4,863</u>
Total general revenues					<u>24,650,389</u>
Change in net position					1,404,783
Net position - beginning					<u>21,799,338</u>
Net position - ending					<u>\$ 23,204,121</u>

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

TOWN OF ESSEX, CONNECTICUT
BALANCE SHEET -
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	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	\$ 5,638,853	\$ 2,893,288	\$ -	\$ 744,361	\$ 485,880	\$ 9,762,382
Investments	113,224	-	-	-	-	113,224
Receivables:						
Property taxes, net	429,687	-	-	-	-	429,687
Interest on property taxes, net	198,101	-	-	-	-	198,101
Grants and contracts	21,621	-	-	102,361	110,515	234,497
Other	92,039	-	-	-	81,532	173,571
Due from other funds	341,946	-	75,243	-	198,815	616,004
Prepaid items and other	808,257	-	-	-	7,280	815,537
Total assets	<u>\$ 7,643,728</u>	<u>\$ 2,893,288</u>	<u>\$ 75,243</u>	<u>\$ 846,722</u>	<u>\$ 884,022</u>	<u>\$ 12,343,003</u>
LIABILITIES						
Accounts payable	\$ 209,794	\$ -	\$ -	\$ 3,407	\$ 66,449	\$ 279,650
Accrued liabilities	410,050	-	-	-	-	410,050
Due to other funds	214,241	98,003	-	25,070	278,690	616,004
Performance deposits payable	173,404	-	-	-	-	173,404
Unearned revenue	-	-	-	802,948	14,953	817,901
Due to others	-	-	-	9,957	23,098	33,055
Total liabilities	<u>1,007,489</u>	<u>98,003</u>	<u>-</u>	<u>841,382</u>	<u>383,190</u>	<u>2,330,064</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes and interest	<u>612,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>612,497</u>
FUND BALANCES						
Nonspendable	808,257	-	-	-	7,280	815,537
Restricted	234,773	-	75,243	5,340	266,321	581,677
Committed	1,101,055	2,795,285	-	-	240,324	4,136,664
Assigned	270,398	-	-	-	-	270,398
Unassigned	3,609,259	-	-	-	(13,093)	3,596,166
Total fund balances	<u>6,023,742</u>	<u>2,795,285</u>	<u>75,243</u>	<u>5,340</u>	<u>500,832</u>	<u>9,400,442</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,643,728</u>	<u>\$ 2,893,288</u>	<u>\$ 75,243</u>	<u>\$ 846,722</u>	<u>\$ 884,022</u>	<u>\$ 12,343,003</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, 2022

Total fund balances for governmental funds		\$ 9,400,442
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	\$ 2,719,547	
Depreciable, net	<u>22,700,615</u>	
		25,420,162
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.		612,497
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	(8,540,000)	
Unamortized bond premium	(426,713)	
Deferred charges on refunding	278,806	
Financed purchases	(76,514)	
Accrued interest payable	(91,500)	
Other long-term liabilities:		
Compensated absences	(193,871)	
Net pension liabilities	(2,103,635)	
Net OPEB liability	<u>(984,858)</u>	
Total long-term liabilities		(12,138,285)
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>(90,695)</u>
Net position of governmental activities		<u><u>\$ 23,204,121</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, 2022

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Special Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 24,557,741	\$ -	\$ -	\$ -	\$ -	\$ 24,557,741
Intergovernmental	1,272,562	-	-	525,567	448,101	2,246,230
Local	879,692	-	-	5,521	273,931	1,159,144
Interest	3,429	1,025	-	301	108	4,863
Other	562,598	-	-	-	24,090	586,688
Total revenues	<u>27,276,022</u>	<u>1,025</u>	<u>-</u>	<u>531,389</u>	<u>746,230</u>	<u>28,554,666</u>
EXPENDITURES						
Current:						
General government	3,371,060	-	-	173,692	131,221	3,675,973
Public safety	1,573,005	-	-	161,116	148,495	1,882,616
Health and welfare	588,180	-	-	13,698	104,879	706,757
Libraries	432,198	-	-	-	-	432,198
Highways and transportation	1,003,212	-	10,158	-	-	1,013,370
Education	17,201,522	-	-	-	361,257	17,562,779
Debt service:						
Principal payments	1,055,000	-	-	-	19,514	1,074,514
Interest and fiscal charges	252,706	-	40,000	-	4,615	297,321
Capital outlays	432,319	119,950	-	177,549	6,969	736,787
Total expenditures	<u>25,909,202</u>	<u>119,950</u>	<u>50,158</u>	<u>526,055</u>	<u>776,950</u>	<u>27,382,315</u>
Excess (deficiency) of revenues over expenditures	1,366,820	(118,925)	(50,158)	5,334	(30,720)	1,172,351
OTHER FINANCING SOURCES (USES)						
Transfers in	-	495,000	-	-	155,626	650,626
Transfers out	(650,626)	-	-	-	-	(650,626)
Total other financing sources (uses)	<u>(650,626)</u>	<u>495,000</u>	<u>-</u>	<u>-</u>	<u>155,626</u>	<u>-</u>
Net change in fund balances	716,194	376,075	(50,158)	5,334	124,906	1,172,351
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 6,023,742</u>	<u>\$ 2,795,285</u>	<u>\$ 75,243</u>	<u>\$ 5,340</u>	<u>\$ 500,832</u>	<u>\$ 9,400,442</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, 2022

Net change in fund balances for governmental funds	\$ 1,172,351
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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	\$ 659,678	
Depreciation and amortization expense	<u>(1,495,151)</u>	
Net adjustment		(835,473)

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.	(25,634)
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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:

Principal repayments:		
Bonds payable	1,055,000	
Financed purchases	<u>19,514</u>	
Net adjustment		1,074,514

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.	1,596,710
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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	13,865	
Amortization of bond premium	106,538	
Amortization of deferred charges on refunding	(110,426)	
Compensated absences	(50,420)	
Net pension liabilities	(1,584,844)	
Net OPEB liability	<u>47,602</u>	
		<u>(1,577,685)</u>

Change in net position of governmental activities	<u><u>\$ 1,404,783</u></u>
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TOWN OF ESSEX, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2022

	Pension and OPEB Trust Funds
ASSETS	
Cash and cash equivalents	\$ 122,019
Investments:	
Mutual funds	<u>7,378,922</u>
Total assets	<u>7,500,941</u>
NET POSITION	
Restricted for:	
Pension benefits	7,352,479
OPEB benefits	148,462
Total net position	<u><u>\$ 7,500,941</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, 2022

	Pension and OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 564,720
Plan members	14,036
Total contributions	<u>578,756</u>
Investment earnings:	
Net change in the fair value of investments, less investment expenses	(1,550,292)
Interest and dividends	270,071
Total investment earnings	<u>(1,280,221)</u>
Total additions	<u>(701,465)</u>
DEDUCTIONS	
Benefit payments	538,664
Administrative expenses	5,800
Total deductions	<u>544,464</u>
Change in net position	(1,245,929)
Net position - beginning	<u>8,746,870</u>
Net position - ending	<u><u>\$ 7,500,941</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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Town of Essex, Connecticut (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

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. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes. The Town 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 (the primary government) 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). Member Towns of the District include the towns of Deep River, Chester and Essex. The District provides educational services for grades pre-kindergarten and grades 7 through 12 populations within its member towns. The activities of the District are primarily supported by assessments made to member towns. Assessments for the Town totaled \$8,960,506, which represented approximately 41.38% 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 Supervision District. The Supervision District is a legally separate entity that was formed via a cooperative arrangement for the purpose of administering educational funds and services to the school boards of the towns of Deep River, Chester and Essex, and of Regional School District No. 4 (the boards). The activities of the Supervision District are primarily supported by assessments made to member boards. Assessments for the Town totaled \$2,246,991, which represented approximately 39.62% of total board assessments. The Supervision District is governed by a committee of three members from each of the boards and issues publicly available financial reports.

Jointly Governed Organizations

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 Town's First Selectman serves on the Board of Directors of this organization.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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. Eliminations have been made to minimize the double-counting of internal activities. The statements 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.

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 capital 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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 recognition in the financial statements of various kinds of transactions or events.

The government-wide and fiduciary fund financial statements are reported 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through 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 either received or available to be received during the period or within the availability period for this revenue source (within 60 days of yearend). 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 either received or available to be received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are reported at cost or amortized cost. Investments in certain external investment pools that meet specific criteria for measuring its investments at amortized cost are reported at amortized cost. All other investments in external investment pools and investments with maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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. Interest is charged on delinquent amounts at a statutory rate of 1.5% per month. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$10,000 as of June 30, 2022.

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/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather when purchased.

Capital Assets

Capital assets are tangible and intangible assets, including land, property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), which 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 for all capital assets with the exception of land purchases which are capitalized regardless of amount.

As the Town constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Capital Assets *(Continued)*

Land and construction in progress are not depreciated. Other tangible and intangible property and equipment are depreciated/amortized 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

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 an acquisition or consumption of net assets that applies to a future period(s) and so will not be recognized as an inflow or outflow 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 unavailable revenues from property taxes and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

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 assets.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Long-term Obligations *(Continued)*

Long-term Debt (Continued)

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Premiums and discounts on long-term debt are deferred and amortized over the life of the related debt using the effective interest rate method and the debt is reported net of any unamortized premium or discount. In the governmental fund financial statements, premiums and discounts are recognized in the current period.

In the governmental fund financial statements, debt premiums and discounts are recognized 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.

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. Compensated absences are recorded 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.

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of the following three components:

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 those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related are also included in this component of net position.

Restricted net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on the use of those assets either by external parties or by law through constitutional provision or enabling legislation.

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Net Position *(Continued)*

Sometimes the Town will fund outlays for a particular purpose from both restricted 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. It is the Town's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable - Amounts that are either not in spendable form or are legally or contractually required to remain intact.

Restricted - Amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for the specific purposes determined by the approval of a resolution by the Board of Finance committing fund balance for the specified purpose. Once approved, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the Board of Finance approves another resolution removing or revising the limitation.

Assigned - Amounts that are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as 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 Town officials and the Superintendent of Schools. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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.

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. In accordance with the Town's practice, the Town uses restricted resources first, then unrestricted resources as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Interfund Activity

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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 carrying value of cash deposits as of June 30, 2022 is as follows:

Government-Wide Statement of Net Position:	
Cash and cash equivalents	\$ 9,762,382
Statement of Fiduciary Net Position	
Cash and cash equivalents	122,019
	<u>9,884,401</u>
Add: certificates of deposit considered cash deposits	
for disclosure purposes	113,224
Less: cash equivalents considered investments	
for disclosure purposes	<u>(73,558)</u>
	<u><u>\$ 9,924,067</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, 2022, \$9,217,867 of the Town's bank balance of \$10,132,830 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	9,217,867
	<u><u>\$ 9,217,867</u></u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 is as follows:

Government-wide statement of net position:	
Investments	\$ 113,224
Statement of fiduciary net position	
Investments	<u>7,378,922</u>
	7,492,146
Add: cash equivalents considered investments	
for disclosure purposes	73,558
Less: certificates of deposit considered cash deposits	
for disclosure purposes	<u>(113,224)</u>
	<u><u>\$ 7,452,480</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town limits its exposure to fair value losses arising from changes in interest rates by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Investments *(Continued)*

Interest Rate Risk *(Continued)*

Information about the exposure of the Town's investments to this risk using the segmented time distribution model is as follows:

<u>Investment Type</u>	<u>Valuation Basis</u>	<u>Value</u>	<u>Investment Maturities (In Years)</u>
			<u>Less Than 1</u>
Debt Securities:			
<i>Fiduciary Funds:</i>			
Money Market Mutual Funds	Amortized Cost	\$ 72,943	\$ 72,943
Other	Amortized Cost	615	615
		<u>73,558</u>	<u>\$ 73,558</u>
Other Investments:			
<i>Fiduciary Funds:</i>			
Mutual Funds	Fair Value	<u>7,378,922</u>	
Total		<u><u>\$ 7,452,480</u></u>	

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. The Town's debt securities were unrated.

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 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, 2022

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

Investments *(Continued)*

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, 2022, 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.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: 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, 2022, 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)	Total
<i>Fiduciary Funds:</i>				
Mutual Funds	<u>\$ 7,378,922</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 7,378,922
		Investments measured at amortized cost		<u>73,558</u>
				<u><u>\$ 7,452,480</u></u>

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 2,563,245	\$ -	\$ -	\$ -	\$ 2,563,245
Construction in progress	12,196	144,106	-	-	156,302
Total capital assets, not being depreciated	2,575,441	144,106	-	-	2,719,547
Capital assets, being depreciated:					
Land improvements	1,561,990	-	-	-	1,561,990
Buildings and improvements	27,545,542	75,327	-	-	27,620,869
Machinery and equipment	2,510,818	76,929	-	-	2,587,747
Vehicles	1,322,896	-	(87,484)	-	1,235,412
Infrastructure	13,565,705	363,316	-	-	13,929,021
Total capital assets, being depreciated	46,506,951	515,572	(87,484)	-	46,935,039
Less accumulated depreciation and amortization for:					
Land improvements	729,411	92,045	-	-	821,456
Buildings and improvements	12,016,019	847,520	-	-	12,863,539
Machinery and equipment	2,044,709	81,358	-	-	2,126,067
Vehicles	902,646	66,422	(87,484)	-	881,584
Infrastructure	7,133,972	407,806	-	-	7,541,778
Total accumulated depreciation and amortization	22,826,757	1,495,151	(87,484)	-	24,234,424
Total capital assets, being depreciated, net	23,680,194	(979,579)	-	-	22,700,615
Governmental activities capital assets, net	\$ 26,255,635	\$ (835,473)	\$ -	\$ -	\$ 25,420,162

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

Governmental Activities	
General government	\$ 284,701
Public safety	83,074
Health and welfare	1,877
Highways and transportation	478,120
Education	647,379
Total depreciation expense - governmental activities	<u>\$ 1,495,151</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2022 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Nonmajor Governmental Funds	\$ 278,690
	Capital and Nonrecurring Expenditures Fund	38,186
	Special Grants Fund	25,070
		<u>341,946</u>
Bonded Capital Projects Fund	General Fund	75,243
Nonmajor Governmental Funds	Capital and Nonrecurring Expenditures Fund	59,817
	General Fund	138,998
		<u>198,815</u>
Total interfund receivables/payables		<u>\$ 616,004</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES *(Continued)*

All interfund 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.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 495,000
Nonmajor Governmental Funds	General Fund	<u>155,626</u>
Total transfers		<u><u>\$ 650,626</u></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 LIABILITIES

Changes in Long-term Liabilities

Changes in the Town's long-term liabilities for the year ended June 30, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 9,595,000	\$ -	\$ (1,055,000)	\$ 8,540,000	\$ 1,010,000
Unamortized bond premium	<u>533,251</u>	<u>-</u>	<u>(106,538)</u>	<u>426,713</u>	<u>-</u>
Total bonds payable	10,128,251	-	(1,161,538)	8,966,713	1,010,000
Financed purchases	96,028	-	(19,514)	76,514	20,513
Compensated absences	143,451	231,267	(180,847)	193,871	19,387
Net pension liabilities <i>(see Note 8)</i>	518,791	1,637,289	(52,445)	2,103,635	-
Net OPEB liability <i>(see Note 9)</i>	<u>1,032,460</u>	<u>-</u>	<u>(47,602)</u>	<u>984,858</u>	<u>-</u>
	<u><u>\$ 11,918,981</u></u>	<u><u>\$ 1,868,556</u></u>	<u><u>\$ (1,461,946)</u></u>	<u><u>\$ 12,325,591</u></u>	<u><u>\$ 1,049,900</u></u>

Long-term liabilities are typically liquidated in the General Fund.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are uncollateralized, direct obligations and are pledged by the full faith and credit of the Town. General obligation bonds outstanding at June 30, 2022, are as follows:

	<u>Issue Year</u>	<u>Original Amount</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities					
General obligation refunding bonds	4/2013	\$ 7,170,000	8/1/2027	2.125% - 4.000%	\$ 3,410,000
General obligation bonds	9/2017	6,000,000	9/15/2037	2.0% - 5.0%	5,130,000
					<u>\$ 8,540,000</u>

Financed Purchases

The Town has entered into a financed purchase arrangement for the acquisition of a pumpout boat. The contract includes a non-appropriation clause and provides the obligor with a security interest in the underlying equipment in the event of default. Ownership of the underlying equipment is transferred to the Town at the end of the contract. The Town is required to make annual payments of principal and interest in the amount of \$24,129 through July 1, 2025, the maturity date.

Advance Refundings

The Town defeased general obligation bonds in a prior year by placing the proceeds of the new bonds into irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the Town's financial statements. As of June 30, 2022, \$3,325,000 of defeased bonds remain outstanding. The Town has recognized a deferred charge on the refunding, which is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The carrying value of the deferred charges on refunding totaled \$278,806 as of June 30, 2022 and amortization recognized as interest expense totaled \$110,426 for the year ended June 30, 2022.

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 statute does exclude from the Town's aggregate debt calculation any debt issued (a) in anticipation of taxes; (b) for water, gas, or electricity supply, electric demand response, conservation and load management, distributed generation, renewable energy projects, cable, wire, and pipe subway construction, underground cable, wire, and pipe conduit construction, constructing and operating a municipal community antenna television system, or a combination of such projects; (c) in anticipation of public improvement benefit assessment revenue; (d) in anticipation of state or federal grant funding; (e) for water pollution control projects in order to meet the energy and environmental protection commissioner's abatement order requirements; and debt issued (f) for which funds have been placed in escrow (from the proceeds of refunding bonds, notes, or other obligations or other municipal funds) in an amount sufficient, together with investment earnings, to provide for the payment when due of the principal of and interest on such debt. The Town did not exceed this statutory debt limitation as of June 30, 2022.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Shared Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 4's outstanding bonds. As of June 30, 2022, the outstanding indebtedness of the District was \$1,470,000. The Town's share will be approximately 41.38% or \$608,286 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.

Authorized, Unissued Bonds

As of June 30, 2022, the Town had authorized but unissued bonds totaling \$1,414,555.

Long-term Debt Service Requirements

The debt service requirements for the Town's long-term debt are as follows:

Year ending June 30:	Governmental Activities			
	General Obligation Bonds		Financed Purchases	
	Principal	Interest	Principal	Interest
2023	\$ 1,010,000	\$ 255,231	\$ 20,513	\$ 3,616
2024	930,000	219,631	21,565	2,564
2025	865,000	188,300	22,670	1,459
2026	855,000	160,484	11,766	298
2027	845,000	130,925	-	-
2028-2032	2,115,000	409,925	-	-
2033-2037	1,600,000	168,000	-	-
2038	320,000	4,800	-	-
	<u>\$ 8,540,000</u>	<u>\$ 1,537,296</u>	<u>\$ 76,514</u>	<u>\$ 7,937</u>

NOTE 8 - PENSION PLANS

The Town accounts for activity relating to five defined benefit pension plans, (1) the Town of Essex Amended and Restated Retirement Plan (the Employees' Retirement Plan), (2) the Town of Essex Merit Service Plan (the Merit Service Plan), 3) the Town of Essex Employees' Pension Plan (the Police Retirement Plan), 4) the Connecticut's Municipal Employees' Retirement System, and 5) the Connecticut Teachers' Retirement System.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

As of and for the year ended June 30, 2022, the plans had the following balances reported in the Town's government-wide financial statements:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	Pension Expense
Town of Essex Employees' Retirement Plan	\$ 1,277,053	\$ 582,957	\$ 143,673	\$ -	\$ 273,754
Town of Essex Merit Service Plan	306,727	178,363	50,839	-	50,675
Town of Essex Employees' Police Retirement Plan	489,397	212,739	-	-	164,859
Connecticut Municipal Employees' Retirement System (proportionate share)	30,458	17,762	40,309	-	6,583
Connecticut Teachers' Retirement System (proportionate share)	-	-	-	461,808	461,808
	<u>\$ 2,103,635</u>	<u>\$ 991,821</u>	<u>\$ 234,821</u>	<u>\$ 461,808</u>	<u>\$ 957,679</u>

Detailed disclosures for each plan follow.

Town of Essex Defined Benefit Pension Plans

Plan Descriptions

Plan administration - The Town maintains three single-employer, defined benefit pension plans: the Employees' Retirement Plan, the Merit Service Plan and 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	<u>31</u>	<u>38</u>	<u>3</u>
	<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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension Plans *(Continued)*

Plan Descriptions *(Continued)*

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.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension Plans *(Continued)*

Summary of Significant Accounting Policies *(Continued)*

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.

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, 2022, 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, 2022, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were as follows:

Employees' Retirement Plan	-14.26%
Merit Service Plan	-14.25%
Police Retirement Plan	-14.25%

Net Pension Liability

The components of the net pension liability for each of the plans at June 30, 2022 were as follows:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Total pension liability	\$ 5,550,391	\$ 1,554,784	\$ 2,320,481
Plan fiduciary net position	4,273,338	1,248,057	1,831,084
Town's net pension liability	<u>\$ 1,277,053</u>	<u>\$ 306,727</u>	<u>\$ 489,397</u>
Plan fiduciary net position as a percentage of the total pension liability	76.99%	80.27%	78.91%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension 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, 2022, 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, 2021	\$ 5,323,539	\$ 5,005,164	\$ 318,375
Changes for the year:			
Service cost	156,262	-	156,262
Interest	368,555	-	368,555
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	301,231	(301,231)
Net investment income	-	(733,092)	733,092
Benefit payments, including refunds	(297,965)	(297,965)	-
Administrative expense	-	(2,000)	2,000
Net changes	226,852	(731,826)	958,678
Balance as of June 30, 2022	\$ 5,550,391	\$ 4,273,338	\$ 1,277,053
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Merit Service Plan			
Balance as of June 30, 2021	\$ 1,537,710	\$ 1,510,574	\$ 27,136
Changes for the year:			
Service cost	18,333	-	18,333
Interest	105,258	-	105,258
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	60,120	(60,120)
Net investment income	-	(214,520)	214,520
Benefit payments, including refunds	(106,517)	(106,517)	-
Administrative expense	-	(1,600)	1,600
Net changes	17,074	(262,517)	279,591
Balance as of June 30, 2022	\$ 1,554,784	\$ 1,248,057	\$ 306,727

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension 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, 2021	\$ 2,218,581	\$ 2,128,204	\$ 90,377
Changes for the year:			
Service cost	75,183	-	75,183
Interest	160,733	-	160,733
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	138,537	(138,537)
Contributions - employee	-	14,036	(14,036)
Net investment income	-	(313,677)	313,677
Benefit payments, including refunds	(134,016)	(134,016)	-
Administrative expense	-	(2,000)	2,000
Net changes	101,900	(297,120)	399,020
Balance as of June 30, 2022	<u>\$ 2,320,481</u>	<u>\$ 1,831,084</u>	<u>\$ 489,397</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, including inflation	0.5% - 5.0%	Not applicable	0.5% - 5.0%
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, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension 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, 2022, 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>		<u>4.17%</u>
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, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension 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, 2022:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Net Pension Liability			
Employees' Retirement Plan	\$ 1,859,046	\$ 1,277,053	\$ 780,341
Merit Fire Plan	464,157	306,727	172,252
Police Retirement Plan	748,473	489,397	272,642
	<u>\$ 3,071,676</u>	<u>\$ 2,073,177</u>	<u>\$ 1,225,235</u>

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2022, the Town recognized pension expense related to the Employee's Retirement Plan of \$273,754. At June 30, 2022, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 466,991	\$ -
Differences between expected and actual experience	15,929	(143,673)
Changes of assumptions	100,037	-
Total	<u>\$ 582,957</u>	<u>\$ (143,673)</u>

For the year ended June 30, 2022, the Town recognized pension expense related to the Merit Service Plan of \$50,675. At June 30, 2022, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 133,850	\$ -
Differences between expected and actual experience	35,953	(35,841)
Changes of assumptions	8,560	(14,998)
Total	<u>\$ 178,363</u>	<u>\$ (50,839)</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension Plans (Continued)

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

For the year ended June 30, 2022, the Town recognized pension expense related to the Police Retirement Plan of \$164,859. At June 30, 2022, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 201,477	\$ -
Differences between expected and actual experience	3,297	-
Changes of assumptions	7,965	-
Total	<u>\$ 212,739</u>	<u>\$ -</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</u>		
	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>
Year ended June 30,			
2023	\$ 93,848	\$ 30,463	\$ 50,280
2024	73,950	29,805	38,835
2025	55,743	18,882	30,023
2026	215,743	60,183	93,601
2027	-	(3,397)	-
Thereafter	-	(8,412)	-
Total	<u>\$ 439,284</u>	<u>\$ 127,524</u>	<u>\$ 212,739</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, 2022:

	<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	\$ 69,481	\$ 22,290	\$ 29,633
Investments	4,203,857	1,225,767	1,801,451
Total assets	<u>4,273,338</u>	<u>1,248,057</u>	<u>1,831,084</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 4,273,338</u>	<u>\$ 1,248,057</u>	<u>\$ 1,831,084</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Town of Essex Defined Benefit Pension 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, 2022:

Statement of Changes in Fiduciary Net Position			
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
ADDITIONS			
Contributions:			
Employers	\$ 301,231	\$ 60,120	\$ 138,537
Plan members	-	-	14,036
Total contributions	<u>301,231</u>	<u>60,120</u>	<u>152,573</u>
Investment earnings:			
Interest and dividends	155,087	45,535	66,282
Net change in the fair value of investments	<u>(888,015)</u>	<u>(260,055)</u>	<u>(379,959)</u>
Total investment earnings, net	<u>(732,928)</u>	<u>(214,520)</u>	<u>(313,677)</u>
Total additions	<u>(431,697)</u>	<u>(154,400)</u>	<u>(161,104)</u>
DEDUCTIONS			
Benefit payments	298,129	106,517	134,016
Administrative expenses	2,000	1,600	2,000
Total deductions	<u>300,129</u>	<u>108,117</u>	<u>136,016</u>
Changes in net position	(731,826)	(262,517)	(297,120)
Net position - beginning	<u>5,005,164</u>	<u>1,510,574</u>	<u>2,128,204</u>
Net position - ending	<u><u>\$ 4,273,338</u></u>	<u><u>\$ 1,248,057</u></u>	<u><u>\$ 1,831,084</u></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, 2022

NOTE 8 - PENSION 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 defined benefit 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, 2022

NOTE 8 - PENSION 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 3.75% 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. 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.

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, 2021 was \$710.0 million, 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 \$236.7 million as of June 30, 2021. The portion that was associated with the Town totaled \$30,458 or approximately 0.013%. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The portion of the net pension liability associated with the Town was based on the 2021 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.

Actuarial assumptions - The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2021, 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

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TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Collective Net Pension Liability *(Continued)*

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>	

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Collective Net Pension Liability *(Continued)*

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	\$ 50,836	\$ 30,458	\$ 12,912

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, 2022, the Town recognized pension expense related to the CMERS of \$6,583. At June 30, 2022, 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>
Differences between expected and actual experience	\$ 2,651	\$ (4,452)
Net difference between projected and actual earnings on pension plan investments	-	(13,049)
Change of assumptions	4,097	-
Contributions paid to the CMERS subsequent to the measurement date	8,522	-
Other	2,492	(22,808)
Total	<u>\$ 17,762</u>	<u>\$ (40,309)</u>

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,	
2023	\$ (2,962)
2024	(9,193)
2025	(5,723)
2026	(4,669)
	<u>\$ (22,547)</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

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.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System

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 January 1, 2018, each teacher is required to contribute 7.0% of pensionable salary for the pension benefit.

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 Annual Comprehensive Financial Report as of and for the year ended June 30, 2021. The net pension liability at June 30, 2021 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 Annual Comprehensive 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.

Allocation Methodology

The allocations for participating employers are based on the 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Collective Net Pension Liability

The following summarizes the collective net pension liability of the State for the TRS as of June 30, 2021, 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>\$ 14,926,263,000</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>\$ 7,154,000</u>

Collective Pension Expense

The Town's expected contribution effort for allocation purposes totaled \$599,031 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, 2022.

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 \$1,461,808 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, 2022.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Actuarial Assumptions *(Continued)*

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. 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%	

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town accounts for activity relating to two other post-employment benefits plans, (1) the Town of Essex Other Post-Employment Benefit Plan and (2) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2022, the two plans had the following balances reported in the Town's government-wide financial statements:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	OPEB Expense
Town of Essex Other Post-employment Benefits Plan	\$ 984,858	\$ 498,594	\$ 1,346,289	\$ -	\$ (3,660)
Connecticut Teachers' Retirement System (proportionate share)	-	-	-	(28,781)	(28,781)
	<u>\$ 984,858</u>	<u>\$ 498,594</u>	<u>\$ 1,346,289</u>	<u>\$ (28,781)</u>	<u>\$ (32,441)</u>

Detailed disclosures for each plan follow.

Town of Essex Other Post-Employment Benefits Plan

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.

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, 2022, the Town contributed \$64,832 directly into the OPEB Trust.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town of Essex Other Post-Employment Benefits Plan *(Continued)*

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>70</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, 2022, the annual money-weighted rate of return on OPEB plan investments, net of investment expense, was -12.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2022 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, 2022 were as follows:

Total OPEB liability	\$ 1,133,320
Plan fiduciary net position	<u>148,462</u>
Net OPEB liability	<u>\$ 984,858</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.10%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town of Essex Other Post-Employment Benefits Plan *(Continued)*

Net OPEB Liability *(Continued)*

The components of the change in the Town's net OPEB liability for the OPEB Plan for the year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2021	<u>\$ 1,135,388</u>	<u>\$ 102,928</u>	<u>\$ 1,032,460</u>
Changes for the year:			
Service cost	7,386	-	7,386
Interest	77,751	-	77,751
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(105,690)	-	(105,690)
Changes in assumptions or other inputs	-	-	-
Contributions - employer	-	64,832	(64,832)
Net investment income	-	(18,698)	18,698
Benefit payments	18,485	-	18,485
Administrative expenses	-	(600)	600
Net changes	<u>(2,068)</u>	<u>45,534</u>	<u>(47,602)</u>
Balance as of June 30, 2022	<u><u>\$ 1,133,320</u></u>	<u><u>\$ 148,462</u></u>	<u><u>\$ 984,858</u></u>

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town of Essex Other Post-Employment Benefits Plan *(Continued)*

Net OPEB Liability *(Continued)*

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, 2022 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%

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:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,092,496	\$ 984,858	\$ 891,440

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town of Essex Other Post-Employment Benefits Plan *(Continued)*

Net OPEB Liability *(Continued)*

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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Net OPEB Liability	\$ 886,042	\$ 984,858	\$ 1,098,274

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, 2022.

	<u>Other Post-Employment Benefit Plan</u>
ASSETS	
Cash and cash equivalents	\$ 615
Investments	147,847
Total assets	<u>148,462</u>
NET POSITION	
Restricted for OPEB benefits	<u>\$ 45,534</u>
ADDITIONS	
Contributions - Employer	\$ 64,832
Investment earnings:	
Net change in the fair value of investments	(22,265)
Interest and dividends	3,167
Total investment earnings	<u>(19,098)</u>
Total additions	<u>45,734</u>
DEDUCTIONS	
Benefit payments	-
Administrative expenses	200
Total deductions	<u>200</u>
Change in net position	45,534
Net position - beginning	<u>-</u>
Net position - ending	<u>\$ 45,534</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Town of Essex Other Post-Employment Benefits Plan *(Continued)*

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2022, the Town recognized a negative OPEB expense of \$(3,660). As of June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,720	\$ (815,957)
Changes of assumptions	450,097	(530,332)
Difference between projected and actual earnings on OPEB plan investments	12,777	-
	<u>\$ 498,594</u>	<u>\$ (1,346,289)</u>

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

	<u>Amortization</u>
Year ended June 30,	
2023	\$ (70,087)
2024	(70,087)
2025	(70,088)
2026	(66,941)
2027	(72,495)
Thereafter	(497,997)
	<u>\$ (847,695)</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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

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.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

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 Annual Comprehensive Financial Report as of and for the year ended June 30, 2021. The net pension liability at June 30, 2021 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 Annual Comprehensive 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.

Allocation Methodology

The allocations for participating employers are based on the 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, 2021, 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>\$ 1,626,189,000</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>\$ 776,000</u>

Collective OPEB Expense

The Town's expected contribution effort for allocation purposes totaled \$14,096 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, 2022.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Collective OPEB Expense *(Continued)*

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 negative collective OPEB expense attributed to the Town totaled \$(28,781) 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, 2022.

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
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%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Discount Rate

The discount rate used to measure the total OPEB liability was 2.17%. 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.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2023 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

NOTE 10 - 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 Employer contributions totaled \$12,938 for the year ended June 30, 2022.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - FUND BALANCE

Fund Balance Policy

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, 2022, unassigned fund balance in the General Fund represented 13.9% of the Town's approved budgeted operating revenues for the fiscal year 2022-2023 General Fund budget.

As of June 30, 2022, fund balance was classified for the following purposes:

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Special Grants Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid items	\$ 808,257	\$ -	\$ -	\$ -	\$ -	\$ 808,257
Inventories	-	-	-	-	7,280	7,280
Restricted for:						
Grant programs	-	-	-	5,340	7,699	13,039
Debt service - premium received	234,773	-	-	-	-	234,773
Cafeteria operations	-	-	-	-	161,448	161,448
Student activities	-	-	-	-	27,493	27,493
Special projects	-	-	-	-	69,681	69,681
Capital purposes	-	-	75,243	-	-	75,243
Committed for:						
Municipal property improvements	114,700	-	-	-	-	114,700
Employee retirement benefits	25,000	-	-	-	-	25,000
Capital purposes	780,000	2,795,285	-	-	-	3,575,285
Harbor commission operations	-	-	-	-	96,169	96,169
Recreation programs	-	-	-	-	45,724	45,724
Public works	43,168	-	-	-	-	43,168
General government programs	-	-	-	-	58,499	58,499
Public safety programs	-	-	-	-	39,932	39,932
Revaluation	138,187	-	-	-	-	138,187
Assigned to:						
Subsequent year's budget	230,123	-	-	-	-	230,123
Encumbrances - capital outlay	35,175	-	-	-	-	35,175
Encumbrances - education	5,100	-	-	-	-	5,100
Unassigned	3,609,259	-	-	-	(13,093)	3,596,166
	<u>\$ 6,023,742</u>	<u>\$ 2,795,285</u>	<u>\$ 75,243</u>	<u>\$ 5,340</u>	<u>\$ 500,832</u>	<u>\$ 9,400,442</u>

Encumbrances are commitments as of June 30, 2022 related to unperformed (executory) contracts for goods or services. Such amounts have been included in assigned fund balance within the balance sheet of the General Fund.

Fund Balance Deficits

As of June 30, 2022, the CVA Pump Out Boat Fund, a nonmajor special revenue fund, has a deficit fund balance of \$13,093. 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, 2022

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Federal Awards and State Financial Assistance

The Town has received state and federal funding 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.

Legal Contingencies

The Town, in the normal course of operations, is named as defendants in lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. The outcome and eventual liability to the Town, if any, for such matters are 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 matters would not materially affect the financial position of the Town.

NOTE 13 - RISK MANAGEMENT

Risk Management - Insurance

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, 2022, 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 - RISK MANAGEMENT *(Continued)*

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 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 24,251,775	\$ 24,251,775	\$ 24,557,741	\$ 305,966
Intergovernmental	507,746	507,746	623,216	115,470
Local	578,200	578,200	1,302,131	723,931
Interest	25,000	25,000	3,429	(21,571)
Total revenues	25,362,721	25,362,721	26,486,517	1,123,796
EXPENDITURES				
Board of Selectmen	8,831,602	8,946,312	8,704,040	(242,272)
Education	16,821,913	16,821,913	16,735,443	(86,470)
Total expenditures	25,653,515	25,768,225	25,439,483	(328,742)
Excess (deficiency) of revenues over expenditures	(290,794)	(405,504)	1,047,034	1,452,538
OTHER FINANCING SOURCES (USES)				
Appropriations of fund balance	290,794	1,153,672	-	(1,153,672)
Appropriations carried forward	-	(748,168)	(748,168)	-
Total other financing sources (uses)	290,794	405,504	(748,168)	(1,153,672)
Net change in fund balance	\$ -	\$ -	\$ 298,866	\$ 298,866

See accompanying notes to required supplementary information .

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 156,431	\$ 150,274	\$ 147,038	\$ 137,763	\$ 135,777	\$ 141,113	\$ 136,340	\$ 131,096	\$ 90,333
Interest	368,555	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	(298,134)	(289,944)	(299,123)	(290,903)	(261,724)	(238,722)	(190,820)	(196,259)	(175,009)
Net change in total pension liability	226,852	165,550	207,027	289,673	193,260	216,727	248,900	509,445	165,234
Total pension liability - beginning	5,323,539	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	5,550,391	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	301,231	350,676	268,122	244,807	239,716	246,332	231,680	219,040	229,403
Net investment income	(732,923)	1,045,095	149,206	246,776	273,450	425,897	(50,972)	170,109	374,159
Benefit payments, including refunds	(298,134)	(289,944)	(299,123)	(290,903)	(261,724)	(238,722)	(190,820)	(196,259)	(175,009)
Administrative expense	(2,000)	(4,033)	(1,933)	(5,267)	(9,163)	(5,167)	-	(10,984)	(11,823)
Net change in plan fiduciary net position	(731,826)	1,101,794	116,272	195,413	242,279	428,340	(10,112)	181,906	416,730
Plan fiduciary net position - beginning	5,005,164	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	4,273,338	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	\$ 1,277,053	\$ 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	76.99%	94.02%	75.68%	76.49%	77.05%	74.96%	68.71%	73.24%	78.71%
Covered payroll	\$ 1,922,492	\$ 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	66.43%	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 NINE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 281,402	\$ 273,467	\$ 268,122	\$ 244,807	\$ 239,716	\$ 235,969	\$ 230,516	\$ 179,006	\$ 174,839
Contributions in relation to the actuarially determined contribution	<u>301,231</u>	<u>350,676</u>	<u>268,122</u>	<u>244,807</u>	<u>239,716</u>	<u>246,332</u>	<u>231,680</u>	<u>219,040</u>	<u>229,403</u>
Contribution deficiency (excess)	<u>\$ (19,829)</u>	<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	\$ 1,922,492	\$ 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	15.67%	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	-14.26%	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 NINE FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 18,333	\$ 17,695	\$ 17,695	\$ 15,904	\$ 15,904	\$ 15,499	\$ 15,499	\$ 15,499	\$ 32,446
Interest	105,258	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	(106,517)	(103,452)	(99,541)	(100,596)	(82,164)	(79,183)	(79,183)	(90,423)	(76,336)
Net change in total pension liability	17,074	(39,821)	26,445	61,103	33,308	39,001	38,035	99,617	48,125
Total pension liability - beginning	1,537,710	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	1,554,784	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	60,120	117,372	116,872	119,366	118,916	118,378	67,899	84,999	75,741
Net investment income	(214,520)	313,982	41,639	72,844	78,013	113,036	(15,570)	47,264	108,825
Benefit payments, including refunds	(106,517)	(103,452)	(99,541)	(100,596)	(82,164)	(79,183)	(79,183)	(90,423)	(76,335)
Administrative expense	(1,600)	(4,034)	(1,934)	(5,266)	(9,401)	(6,384)	(1,258)	(7,555)	(5,714)
Net change in plan fiduciary net position	(262,517)	323,868	57,036	86,348	105,364	145,847	(28,112)	34,285	102,517
Plan fiduciary net position - beginning	1,510,574	1,186,706	1,129,670	1,043,322	937,958	792,111	820,223	785,938	683,421
Plan fiduciary net position - ending	1,248,057	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	<u>\$ 306,727</u>	<u>\$ 27,136</u>	<u>\$ 390,825</u>	<u>\$ 421,416</u>	<u>\$ 446,661</u>	<u>\$ 518,717</u>	<u>\$ 625,563</u>	<u>\$ 559,416</u>	<u>\$ 494,084</u>
Plan fiduciary net position as a percentage of total pension liability	80.27%	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 NINE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 55,534	\$ 67,372	\$ 66,872	\$ 69,366	\$ 68,916	\$ 68,378	\$ 67,899	\$ 60,756	\$ 59,726
Contributions in relation to the actuarially determined contribution	<u>60,120</u>	<u>117,372</u>	<u>116,872</u>	<u>119,366</u>	<u>118,916</u>	<u>118,378</u>	<u>67,899</u>	<u>84,999</u>	<u>75,741</u>
Contribution deficiency (excess)	<u>\$ (4,586)</u>	<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	-14.16%	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 NINE FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 75,186	\$ 63,703	\$ 62,332	\$ 55,627	\$ 54,825	\$ 51,698	\$ 49,949	\$ 48,028	\$ 35,294
Interest	160,733	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	(134,019)	(134,016)	(134,016)	(134,016)	(135,755)	(126,384)	(126,384)	(86,433)	(82,829)
Net change in total pension liability	101,900	181,353	62,417	96,174	56,102	198,209	41,378	316,304	43,777
Total pension liability - beginning	2,218,581	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	2,320,481	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	138,537	296,598	369,642	300,859	249,087	225,535	123,060	71,977	70,872
Contributions - members	14,036	8,951	8,420	8,338	8,015	3,279	5,102	6,542	6,985
Net investment income	(313,680)	416,561	47,460	78,109	76,678	86,911	(10,525)	36,624	85,628
Benefit payments, including refunds	(134,013)	(134,016)	(134,016)	(134,016)	(135,755)	(126,384)	(126,384)	(86,433)	(82,829)
Administrative expense	(2,000)	(4,033)	(1,933)	(5,267)	(8,353)	(7,167)	(402)	(5,426)	(4,481)
Net change in plan fiduciary net position	(297,120)	584,061	289,573	248,023	189,672	182,174	(9,149)	23,284	76,175
Plan fiduciary net position - beginning	2,128,204	1,544,143	1,254,570	1,006,547	816,875	634,701	643,850	620,566	544,391
Plan fiduciary net position - ending	1,831,084	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	\$ 489,397	\$ 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	78.91%	95.93%	75.80%	63.53%	53.58%	44.82%	39.07%	40.67%	48.99%
Covered payroll	\$ 311,831	\$ 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	156.94%	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 NINE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 130,319	\$ 146,598	\$ 144,642	\$ 150,859	\$ 149,087	\$ 124,744	\$ 123,060	\$ 58,426	\$ 57,942
Contributions in relation to the actuarially determined contribution	<u>138,537</u>	<u>296,598</u>	<u>369,642</u>	<u>300,859</u>	<u>249,087</u>	<u>225,535</u>	<u>123,060</u>	<u>71,977</u>	<u>70,872</u>
Contribution deficiency (excess)	<u>\$ (8,218)</u>	<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	\$ 311,831	\$ 304,522	\$ 268,597	\$ 261,790	\$ 235,591	\$ 227,076	\$ 261,743	\$ 251,676	\$ 265,484
Contributions as a percentage of covered payroll	44.43%	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	-14.25%	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 FOUR FISCAL YEARS*

	2022	2021	2020	2019
Town's proportion of the net pension liability	0.013%	0.021%	0.020%	0.029%
Town's proportionate share of the net pension liability	<u>\$ 30,458</u>	<u>\$ 82,903</u>	<u>\$ 72,609</u>	<u>\$ 110,986</u>
Town's covered payroll	\$ 51,837	\$ 54,064	\$ 50,575	\$ 81,683
Town's proportionate share of the net pension liability as a percentage of its covered payroll	58.8%	153.3%	143.6%	135.9%
Plan fiduciary net position as a percentage of the total pension liability	82.59%	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.

See accompanying notes to required supplementary information.

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

	2022	2021	2020	2019
Contractually required contribution	\$ 8,522	\$ 7,423	\$ 6,156	\$ 8,718
Contributions in relation to the contractually required contribution	<u>8,522</u>	<u>7,423</u>	<u>6,156</u>	<u>8,718</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 51,837	\$ 54,064	\$ 50,575	\$ 81,683
Contributions as a percentage of covered payroll	16.44%	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.

See accompanying notes to required supplementary information.

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

	2022	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%	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	7,154,000	9,033,000	9,037,000	6,968,000	7,611,000	7,977,000	7,112,000	6,574,000
Total	<u>\$ 7,154,000</u>	<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	\$ 2,157,000	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total collective pension liability	60.77%	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 FIVE FISCAL YEARS*

	2022	2021	2020**	2019	2018
Total OPEB Liability					
Service Cost	\$ 7,386	\$ 68,458	\$ 45,957	\$ 47,184	\$ 47,848
Interest	77,751	54,624	71,217	66,689	60,010
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(105,690)	(782,273)	(42,569)	(57,382)	67,055
Changes of assumptions	-	(593,582)	383,853	271,540	(66,975)
Benefit payments, including refunds	18,485	(29,953)	(46,365)	3,859	(123,345)
Net change in total OPEB liability	(2,068)	(1,282,726)	412,093	331,890	(15,407)
Total OPEB liability - beginning	1,135,388	2,418,114	2,006,021	1,674,131	1,689,538
Total OPEB liability - ending	<u>\$ 1,133,320</u>	<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	64,832	15,570	70,000	-	-
Net investment income	(18,698)	17,558	-	-	-
Benefit payments, including refunds	-	-	-	-	-
Administrative expense	(600)	(200)	-	-	-
Net change in plan fiduciary net position	45,534	32,928	70,000	-	-
Plan fiduciary net position - beginning	102,928	70,000	-	-	-
Plan fiduciary net position - ending	<u>148,462</u>	<u>102,928</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Town's net OPEB liability	<u>\$ 984,858</u>	<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	13.10%	9.07%	2.89%	-	-
Covered payroll	\$ 3,472,154	\$ 3,390,775	\$ 5,230,662	\$ 5,098,111	\$ 4,968,919
Town's net OPEB liability as a percentage of covered payroll	28.36%	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.

See accompanying notes to required supplementary information.

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

	2022	2021	2020 **
Actuarially determined contribution	\$ 93,828	\$ 133,055	\$ 129,683
Contributions in relation to the actuarially determined contribution	<u>36,117</u>	<u>33,863</u>	<u>70,000</u>
Excess (deficiency) of contribution	<u><u>\$ (57,711)</u></u>	<u><u>\$ (99,192)</u></u>	<u><u>\$ (59,683)</u></u>
Covered payroll	\$ 3,472,154	\$ 3,390,775	\$ 5,230,662
Contributions as a percentage of covered payroll	1.04%	1.00%	1.34%
Annual money-weighted rate of return, net of investment expense	-12.7%	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.

See accompanying notes to required supplementary information.

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

	2022	2021	2020	2019	2018
Town's proportion of the collective net OPEB liability	0.00%	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	776,000	1,347,000	1,409,000	1,393,000	1,959,000
Total	<u>\$ 776,000</u>	<u>\$ 1,347,000</u>	<u>\$ 1,409,000</u>	<u>\$ 1,393,000</u>	<u>\$ 1,959,000</u>
Town's covered payroll	\$ 2,118,000	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total collective OPEB liability	6.11%	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.

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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, 2022

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(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, 2022:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 26,486,517	\$ 25,439,483	\$ (748,168)	\$ 298,866
On-behalf payments - State Teachers' Retirement System	613,127	613,127	-	-
Change in encumbrances	-	168,610	-	(168,610)
Reserve for capital improvements	122,700	20,338	-	102,362
Reserve for revaluation	-	-	15,000	15,000
Reserve for recycling program	-	549	-	(549)
Use of restricted fund balance for debt service	-	54,043	-	(54,043)
Appropriations carried forward	-	225,000	748,168	523,168
Reimbursement for certain revenues recorded as a reduction to expenditures for budgetary purposes	53,678	53,678	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(665,626)	(665,626)	-
GAAP basis	<u>\$ 27,276,022</u>	<u>\$ 25,909,202</u>	<u>\$ (650,626)</u>	<u>\$ 716,194</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 were no changes in benefit terms that had a significant effect on the measurement of the total pension liability as of June 30, 2022.

Assumption Changes - There were no assumption changes that had a significant effect on the measurement of the total pension liability as of June 30, 2022.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 2022 were based on the July 1, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for 2022 are as follows:

Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level percent of salary
Remaining amortization period:	14 years, closed
Asset valuation method:	Market value
Investment rate of return:	7.00%
Salary increases:	2.40% plus merit increases
Retirement age:	Age 65 and 5 years of credited service

Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (General Employees), projected to the valuation date with Scale MP-2019.

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 were no changes in benefit terms that had a significant effect on the measurement of the total pension liability as of June 30, 2022.

Assumption Changes - There were no assumption changes that had a significant effect on the measurement of the total pension liability as of June 30, 2022.

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, 2022

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 2022 were based on the July 1, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for 2022 are as follows:

Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level percent of payroll
Remaining amortization period:	14 years, closed
Asset valuation method:	Market value
Investment rate of return:	7.00%
Inflation:	2.40%
Retirement age:	Age 65 and 10 years of vesting service

Pub-2010(B) Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2019.

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 were no changes in benefit terms that had a significant effect on the measurement of the total pension liability as of June 30, 2022.

Assumption Changes - There were no assumption changes that had a significant effect on the measurement of the total pension liability as of June 30, 2022.

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 2022 were based on the July 1, 2020 actuarial valuation.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Methods and assumptions used to determine contribution rates for 2022 are as follows:

Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level percent of payroll
Remaining amortization period:	14 years, closed
Asset valuation method:	Market value
Investment rate of return:	7.00%
Salary increases:	Inflation of 2.40% plus merit increases
Retirement age:	The earlier of the attainment of age 55 and 20 years of credited service

Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2019.

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, 2021. This information is utilized by the Town for reporting as of June 30, 2022.

Benefit Changes - There were no changes in benefit terms that had a significant effect on the measurement of the collective total pension liability reported as of June 30, 2022.

Assumption Changes - There were no changes in assumptions that had a significant effect on the measurement of the collective total pension liability reported as of June 30, 2022.

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 for the fiscal year ending two years after the valuation date.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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: 20 years;
- Asset valuation method: 5-year smoothed market
- Inflation: 2.50%;
- Salary increases: 3.50% to 10.00%, including inflation
- Investment rate of return: 7.00%, net of investment related expenses; and
- 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.

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, 2021. The liabilities were estimated based on a measurement date of June 30, 2021. 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, 2022.

Benefit Changes - There were no benefit term changes that had a significant effect on the measurement of the collective total pension liability reported as of June 30, 2022.

Assumption Changes - There were no changes in assumptions that had a significant effect on the measurement of the collective total pension liability reported as of June 30, 2022.

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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. The liabilities were estimated based on a measurement date of June 30, 2021. This information is utilized by the Town for reporting as of June 30, 2022.

Benefit Changes - There were no benefit term changes that had a significant effect on the measurement of the collective total OPEB liability reported as of June 30, 2022.

Assumption Changes - The following assumption changes had a significant effect on the measurement of the collective total OPEB liability reported as of June 30, 2022.

- The discount rate used to measure plan obligations for financial accounting purposes was updated to equal the Single Equivalent Interest Rate (SEIR) of 2.17% as of June 30, 2021; and
- Expected annual per capita claims costs were updated to reflect anticipated medical and prescription drug claim experience based on scheduled premium increases through calendar year 2024.

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, 2022

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Property taxes	\$ 24,201,775	\$ 24,201,775	\$ 24,428,114	\$ 226,339
Interest and Lien Fees	50,000	50,000	129,627	79,627
Total property taxes	24,251,775	24,251,775	24,557,741	305,966
INTERGOVERNMENTAL				
Veterans Tax Relief	3,962	3,962	2,426	(1,536)
Access Line Tax Share	20,000	20,000	17,459	(2,541)
State Education Grants	103,926	103,926	120,341	16,415
Town Aid Road Fund Grant	215,735	215,735	215,815	80
Local Capital Improvement program	40,765	40,765	40,852	87
Circuit Court Fines	4,000	4,000	1,165	(2,835)
Grants in Lieu of Taxes	10,393	10,393	13,150	2,757
Municipal revenue sharing	-	-	4,673	4,673
Municipal Grant In Aid	74,547	74,547	74,547	-
Federal ESSER II	31,070	31,070	-	(31,070)
Other State and Federal grants	3,348	3,348	132,788	129,440
Total intergovernmental	507,746	507,746	623,216	115,470
LOCAL REVENUES				
Miscellaneous Permits	3,500	3,500	3,254	(246)
Landfill Fees	80,000	80,000	81,635	1,635
Building Permits	125,000	125,000	192,101	67,101
Zoning Permits	7,100	7,100	5,164	(1,936)
Zoning Board of Appeals	2,160	2,160	898	(1,262)
Planning Commission	2,500	2,500	-	(2,500)
Conveyance Tax	110,000	110,000	313,866	203,866
Park and Recreation Fees	2,000	2,000	-	(2,000)
Miscellaneous Receipts	25,000	25,000	454,372	429,372
Town Clerk Fees	115,000	115,000	170,239	55,239
Inland Wetlands Permits	1,440	1,440	2,332	892
Regional Recycling Fees	62,000	62,000	49,258	(12,742)
Health Department Fees	7,500	7,500	13,155	5,655
Local PILOT	35,000	35,000	15,857	(19,143)
Total local revenues	578,200	578,200	1,302,131	723,931
INTEREST INCOME	25,000	25,000	3,429	(21,571)
Total revenues	25,362,721	25,362,721	26,486,517	1,123,796
OTHER FINANCING SOURCES				
Appropriation of fund balance	290,794	1,153,672	-	(1,153,672)
Total revenues and other financing sources	\$ 25,653,515	\$ 26,516,393	\$ 26,486,517	\$ (29,876)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 249,862	\$ 259,862	\$ 207,814	\$ (52,048)
Assessor	127,155	127,155	125,687	(1,468)
Central Services	229,223	229,223	204,779	(24,444)
Elections	48,065	48,065	37,393	(10,672)
Probate court	3,460	3,460	3,166	(294)
Tax Collector	129,450	131,857	131,857	-
Town Clerk	182,212	228,152	228,152	-
Finance	229,323	229,323	227,716	(1,607)
Fringe Benefits	1,164,176	1,166,415	1,129,038	(37,377)
General Insurance	196,650	196,650	178,196	(18,454)
Legal Services	69,500	69,500	52,191	(17,309)
Public Restroom Facilities	14,250	14,250	13,565	(685)
Technology	244,841	253,073	253,073	-
Board of Assessment Appeals	1,330	1,330	597	(733)
Board of Finance	108,300	36,047	31,916	(4,131)
Conservation Commission	12,125	13,830	13,830	-
Economic Development Commission	1,850	1,850	576	(1,274)
IWWC Commission	1,590	2,018	2,018	-
Land Use - Administrative	287,234	287,234	280,312	(6,922)
Parks and Recreation	189,430	189,430	181,598	(7,832)
Parks and Recreation Commission	1,100	1,100	619	(481)
Planning Commission	1,350	1,350	-	(1,350)
Tree Committee	7,000	7,000	7,000	-
Zoning Board of Appeals	5,450	5,450	3,967	(1,483)
Total general government	3,504,926	3,503,624	3,315,060	(188,564)
PUBLIC SAFETY				
Ambulance/EMT Services	31,700	31,700	31,668	(32)
Animal Control	12,500	12,500	12,500	-
Building Department	81,598	83,874	83,874	-
Emergency Management	19,700	19,700	11,647	(8,053)
Emergency 911	123,649	123,706	123,706	-
Fire Department	384,938	384,938	379,989	(4,949)
Fire Marshal	51,413	52,402	52,402	-
Harbor Patrol	29,800	36,335	36,335	-
Police Services	441,454	509,397	509,397	-
Resident State Trooper	175,500	176,553	176,553	-
Water	190,000	190,000	186,646	(3,354)
Total public safety	1,542,252	1,621,105	1,604,717	(16,388)
(Continued)				

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
BOARD OF SELECTMEN (Continued)				
HEALTH AND WELFARE				
Estuary Transit	\$ 20,825	\$ 20,825	\$ 20,825	\$ -
Health Department	160,057	160,057	146,771	(13,286)
Transfer Station & Recycling Center	255,180	257,568	257,568	-
Social Services	101,949	101,949	93,238	(8,711)
Visiting Nurses	68,546	68,546	66,874	(1,672)
Total health and welfare	606,557	608,945	585,276	(23,669)
LIBRARIES	432,252	432,252	432,198	(54)
HIGHWAYS AND TRANSPORTATION	934,452	958,823	958,823	-
DEBT SERVICE				
Principal Payments	1,055,000	1,055,000	1,055,000	-
Interest and Fiscal Charges	198,663	198,663	198,663	-
Total debt service	1,253,663	1,253,663	1,253,663	-
CAPITAL AND SINKING FUNDS	557,500	567,900	554,303	(13,597)
Total Board of Selectmen	8,831,602	8,946,312	8,704,040	(242,272)
EDUCATION	16,821,913	16,821,913	16,735,443	(86,470)
Total expenditures	25,653,515	25,768,225	25,439,483	(328,742)
OTHER FINANCING USES				
Appropriations carried forward	-	748,168	748,168	-
Total expenditures and other financing uses	\$ 25,653,515	\$ 26,516,393	\$ 26,187,651	\$ (328,742)
				(Concluded)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2022

Grand List Year	Balance Uncollected June 30, 2021	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2022
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2020	\$ -	\$ 24,439,429	\$ 10,440	\$ 38,571	\$ -	\$ 24,411,298	\$ 24,241,125	\$ 54,457	\$ 96	\$ 24,295,678	\$ 170,173
2019	221,823	-	4,695	1,399	-	225,119	125,285	25,566	432	151,283	99,834
2018	122,997	-	-	927	28,604	93,466	55,105	18,427	264	73,796	38,361
2017	53,869	-	-	-	-	53,869	16,229	8,820	120	25,169	37,640
2016	43,120	-	-	-	-	43,120	7,745	7,048	120	14,913	35,375
2015	33,352	-	-	-	-	33,352	13,048	9,503	120	22,671	20,304
2014	15,135	-	-	-	-	15,135	4,969	8,080	48	13,097	10,166
2013	13,259	-	-	-	-	13,259	9,661	4,660	72	14,393	3,598
2012	4,219	-	-	-	-	4,219	-	-	-	-	4,219
2011	5,286	-	-	-	-	5,286	-	-	-	-	5,286
2010	3,357	-	-	-	-	3,357	-	-	-	-	3,357
2009	3,247	-	456	-	-	3,703	456	-	-	456	3,247
2008	8,127	-	443	-	-	8,570	443	-	-	443	8,127
	<u>\$ 527,791</u>	<u>\$ 24,439,429</u>	<u>\$ 16,034</u>	<u>\$ 40,897</u>	<u>\$ 28,604</u>	<u>\$ 24,913,753</u>	<u>\$ 24,474,066</u>	<u>\$ 136,561</u>	<u>\$ 1,272</u>	<u>\$ 24,611,899</u>	<u>\$ 439,687</u>

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF DEBT LIMITATION -
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
AS OF JUNE 30, 2022

Total cash collections for the year ended
June 30, 2022:

Taxes	\$ 24,474,066
Interest and lien fees	137,833
	<u>24,611,899</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	-
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Base \$ 24,611,899

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 55,376,773	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	110,753,546	-	-	-
3-3/4 times base	-	-	92,294,621	-	-
3-1/4 times base	-	-	-	79,988,672	-
3 times base	-	-	-	-	73,835,697
	<u>55,376,773</u>	<u>110,753,546</u>	<u>92,294,621</u>	<u>79,988,672</u>	<u>73,835,697</u>
Total debt limitation					
	<u>55,376,773</u>	<u>110,753,546</u>	<u>92,294,621</u>	<u>79,988,672</u>	<u>73,835,697</u>
Indebtedness:					
Bonds payable	3,498,150	5,041,850	-	-	-
Shared debt - Regional School District No. 4	-	608,286 *	-	-	-
Authorized, unissued bonds	1,414,555	-	-	-	-
Total indebtedness	<u>4,912,705</u>	<u>5,650,136</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 50,464,068</u>	<u>\$ 105,103,410</u>	<u>\$ 92,294,621</u>	<u>\$ 79,988,672</u>	<u>\$ 73,835,697</u>
Total capacity of borrowing (7 times base)	172,283,293				
Total present indebtedness	<u>10,562,841</u>				
Margin for additional borrowing	<u>\$ 161,720,452</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, 2022.

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, 2022

	Capital and Nonrecurring Expenditures Fund						
	Fire Truck	Truck and Equipment	Constable Cars	Harbor Patrol	Wastewater Study	Parks and Recreation	Veterans Memorial
REVENUES							
Interest	\$ 454	\$ 1	\$ 38	\$ 25	\$ 50	\$ 70	\$ -
EXPENDITURES							
Capital outlays	3,225	-	-	-	-	46,480	-
Excess (deficiency) of revenues over expenditures	(2,771)	1	38	25	50	(46,410)	-
OTHER FINANCING SOURCES							
Transfers in	195,000	100,000	15,000	5,000	-	15,000	-
Net change in fund balances	192,229	100,001	15,038	5,025	50	(31,410)	-
Fund balances - beginning	1,031,193	2,911	87,137	60,159	130,581	200,769	20
Fund balances - ending	<u>\$ 1,223,422</u>	<u>\$ 102,912</u>	<u>\$ 102,175</u>	<u>\$ 65,184</u>	<u>\$ 130,631</u>	<u>\$ 169,359</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, 2022

	Capital and Nonrecurring Expenditures Fund						
	Open Space	Essex Elementary	Local Bridge Replacement	Essex Ambulance	Municipal Improvements	Technology	Total
REVENUES							
Interest	\$ 68	\$ 104	\$ 122	\$ (12)	\$ 95	\$ 10	\$ 1,025
EXPENDITURES							
Capital outlays	-	70,245	-	-	-	-	119,950
Excess (deficiency) of revenues over expenditures	68	(70,141)	122	(12)	95	10	(118,925)
OTHER FINANCING SOURCES							
Transfers in	15,000	60,000	20,000	15,000	20,000	35,000	495,000
Net change in fund balances	15,068	(10,141)	20,122	14,988	20,095	35,010	376,075
Fund balances - beginning	165,180	255,295	197,012	73,434	215,519	-	2,419,210
Fund balances - ending	<u>\$ 180,248</u>	<u>\$ 245,154</u>	<u>\$ 217,134</u>	<u>\$ 88,422</u>	<u>\$ 235,614</u>	<u>\$ 35,010</u>	<u>\$ 2,795,285</u>
							<i>(Concluded)</i>

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

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	\$ 61,445	\$ 46,330	\$ 193,024	\$ 6,162	\$ -	\$ 3,758	\$ 28,177
Receivables:							
Grants and contracts	-	-	-	-	-	-	-
Other	-	-	78,427	-	-	-	-
Due from other funds	-	59,817	-	1,537	62,605	65,923	-
Other	-	-	-	-	-	-	-
Total assets	<u>\$ 61,445</u>	<u>\$ 106,147</u>	<u>\$ 271,451</u>	<u>\$ 7,699</u>	<u>\$ 62,605</u>	<u>\$ 69,681</u>	<u>\$ 28,177</u>
LIABILITIES							
Accounts payable	\$ 3,482	\$ -	\$ -	\$ -	\$ 1,928	\$ -	\$ 684
Due to other funds	8,297	9,978	231,519	-	-	-	-
Unearned revenue	-	-	-	-	14,953	-	-
Due to others	-	-	-	-	-	-	-
Total liabilities	<u>11,779</u>	<u>9,978</u>	<u>231,519</u>	<u>-</u>	<u>16,881</u>	<u>-</u>	<u>684</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	7,699	-	69,681	27,493
Committed	49,666	96,169	39,932	-	45,724	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>49,666</u>	<u>96,169</u>	<u>39,932</u>	<u>7,699</u>	<u>45,724</u>	<u>69,681</u>	<u>27,493</u>
Total liabilities and fund balances	<u>\$ 61,445</u>	<u>\$ 106,147</u>	<u>\$ 271,451</u>	<u>\$ 7,699</u>	<u>\$ 62,605</u>	<u>\$ 69,681</u>	<u>\$ 28,177</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
AS OF JUNE 30, 2022

	Nonmajor Special Revenue Funds				
	School Cafeteria Fund	Education Grants Fund	CVA Pump Out Boat Fund	Tree Committee Fund	Total
ASSETS					
Cash and cash equivalents	\$ 146,984	\$ -	\$ -	\$ -	\$ 485,880
Receivables:					
Grants and contracts	32,776	77,739	-	-	110,515
Other	3,105	-	-	-	81,532
Due from other funds	-	-	-	8,933	198,815
Other	7,280	-	-	-	7,280
Total assets	<u>\$ 190,145</u>	<u>\$ 77,739</u>	<u>\$ -</u>	<u>\$ 8,933</u>	<u>\$ 884,022</u>
LIABILITIES					
Accounts payable	\$ 2,426	\$ 54,641	\$ 3,188	\$ 100	\$ 66,449
Due to other funds	18,991	-	9,905	-	278,690
Unearned revenue	-	-	-	-	14,953
Due to others	-	23,098	-	-	23,098
Total liabilities	<u>21,417</u>	<u>77,739</u>	<u>13,093</u>	<u>100</u>	<u>383,190</u>
FUND BALANCES					
Nonspendable	7,280	-	-	-	7,280
Restricted	161,448	-	-	-	266,321
Committed	-	-	-	8,833	240,324
Unassigned	-	-	(13,093)	-	(13,093)
Total fund balances	<u>168,728</u>	<u>-</u>	<u>(13,093)</u>	<u>8,833</u>	<u>500,832</u>
Total liabilities and fund balances	<u>\$ 190,145</u>	<u>\$ 77,739</u>	<u>\$ -</u>	<u>\$ 8,933</u>	<u>\$ 884,022</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, 2022

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local	15,698	18,514	149,474	5,714	70,257	-	4,832
Interest	-	108	-	-	-	-	-
Other	-	-	-	-	-	24,090	-
Total revenues	<u>15,698</u>	<u>18,622</u>	<u>149,474</u>	<u>5,714</u>	<u>70,257</u>	<u>24,090</u>	<u>4,832</u>
EXPENDITURES							
Current:							
General government	28,281	14,565	-	9,708	69,532	-	-
Public safety	-	2,049	146,446	-	-	-	-
Health and welfare	-	-	-	-	-	15,655	-
Education	-	-	-	-	-	-	3,887
Debt Service:							
Principal payments	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	6,969	-
Total expenditures	<u>28,281</u>	<u>16,614</u>	<u>146,446</u>	<u>9,708</u>	<u>69,532</u>	<u>22,624</u>	<u>3,887</u>
Excess (deficiency) of revenues over expenditures	(12,583)	2,008	3,028	(3,994)	725	1,466	945
OTHER FINANCING SOURCES							
Transfers in	<u>12,500</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(83)	9,508	3,028	(3,994)	725	1,466	945
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 49,666</u>	<u>\$ 96,169</u>	<u>\$ 39,932</u>	<u>\$ 7,699</u>	<u>\$ 45,724</u>	<u>\$ 69,681</u>	<u>\$ 27,493</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2022

	Nonmajor Special Revenue Funds				
	School Cafeteria Fund	Education Grants Fund	CVA Pump Out Boat Fund	Tree Committee Fund	Total
REVENUES					
Intergovernmental	\$ 209,157	\$ 121,516	\$ 117,428	\$ -	\$ 448,101
Local	3,092	-	-	6,350	273,931
Interest	-	-	-	-	108
Other	-	-	-	-	24,090
Total revenues	<u>212,249</u>	<u>121,516</u>	<u>117,428</u>	<u>6,350</u>	<u>746,230</u>
EXPENDITURES					
Current:					
General government	-	-	-	9,135	131,221
Public safety	-	-	-	-	148,495
Health and welfare	-	-	89,224	-	104,879
Education	235,854	121,516	-	-	361,257
Debt Service:					
Principal payments	-	-	19,514	-	19,514
Interest and fiscal charges	-	-	4,615	-	4,615
Capital outlays	-	-	-	-	6,969
Total expenditures	<u>235,854</u>	<u>121,516</u>	<u>113,353</u>	<u>9,135</u>	<u>776,950</u>
Excess (deficiency) of revenues over expenditures	(23,605)	-	4,075	(2,785)	(30,720)
OTHER FINANCING SOURCES					
Transfers in	<u>135,626</u>	-	-	-	155,626
Net change in fund balances	112,021	-	4,075	(2,785)	124,906
Fund balances - beginning	<u>56,707</u>	-	(17,168)	11,618	375,926
Fund balances - ending	<u>\$ 168,728</u>	<u>\$ -</u>	<u>\$ (13,093)</u>	<u>\$ 8,833</u>	<u>\$ 500,832</u>

(Concluded)

FIDUCIARY FUNDS

TOWN OF ESSEX, CONNECTICUT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -
 PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
 AS OF JUNE 30, 2022

	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	\$ 69,481	\$ 22,290	\$ 29,633	\$ 615	\$ 122,019
Investments:					
Mutual funds	4,203,857	1,225,767	1,801,451	147,847	7,378,922
Total assets	<u>4,273,338</u>	<u>1,248,057</u>	<u>1,831,084</u>	<u>148,462</u>	<u>7,500,941</u>
NET POSITION					
Restricted for pension and OPEB benefits	<u>\$ 4,273,338</u>	<u>\$ 1,248,057</u>	<u>\$ 1,831,084</u>	<u>\$ 148,462</u>	<u>\$ 7,500,941</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, 2022

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Other Post-Employment Benefit Plan	Total
ADDITIONS					
Contributions:					
Employer	\$ 301,231	\$ 60,120	\$ 138,537	\$ 64,832	\$ 564,720
Plan members	-	-	14,036	-	14,036
Total contributions	<u>301,231</u>	<u>60,120</u>	<u>152,573</u>	<u>64,832</u>	<u>578,756</u>
Investment earnings:					
Net change in the fair value of investments, less investment expenses	(888,010)	(260,055)	(379,962)	(22,265)	(1,550,292)
Interest and dividends	155,087	45,535	66,282	3,167	270,071
Total investment earnings	<u>(732,923)</u>	<u>(214,520)</u>	<u>(313,680)</u>	<u>(19,098)</u>	<u>(1,280,221)</u>
Total additions	<u>(431,692)</u>	<u>(154,400)</u>	<u>(161,107)</u>	<u>45,734</u>	<u>(701,465)</u>
DEDUCTIONS					
Benefit payments	298,134	106,517	134,013	-	538,664
Administrative expenses	2,000	1,600	2,000	200	5,800
Total deductions	<u>300,134</u>	<u>108,117</u>	<u>136,013</u>	<u>200</u>	<u>544,464</u>
Change in net position	(731,826)	(262,517)	(297,120)	45,534	(1,245,929)
Net position - beginning	<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 - ending	<u>\$ 4,273,338</u>	<u>\$ 1,248,057</u>	<u>\$ 1,831,084</u>	<u>\$ 148,462</u>	<u>\$ 7,500,941</u>