

TOWN OF ESSEX, CONNECTICUT

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019**

TOWN OF ESSEX, CONNECTICUT
TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities	19
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23
Required Supplementary Information (Unaudited):	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	67
Schedule of Changes in Net Pension Liability - Employees' Retirement Plan	68
Schedule of Contributions and Investment Returns - Employees' Retirement Plan	69
Schedule of Changes in Net Pension Liability - Merit Service Plan	70
Schedule of Contributions and Investment Returns - Merit Service Plan	71
Schedule of Changes in Net Pension Liability - Police Retirement Plan	72
Schedule of Contributions and Investment Returns - Police Retirement Plan	73
Schedule of the Town's Proportionate Share of the Net Pension Liability - State of Connecticut Municipal Employees' Retirement System	74
Schedule of Contributions - State of Connecticut Municipal Employees' Retirement System	75
Schedule of the Town's Proportionate Share of the Net Pension Liability - Connecticut State Teachers' Retirement System	76
Schedules of Changes in Total OPEB Liability - Other Post-Employment Benefits	77
Schedule of the Town's Proportionate Share of the Net OPEB Liability - Connecticut State Teachers' Retirement System	78
Notes to Required Supplementary Information	79

TOWN OF ESSEX, CONNECTICUT
TABLE OF CONTENTS *(Concluded)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Page
Combining and Individual Fund Statements and Schedules:	
General Fund:	
Schedule of Revenues and Other Financing Sources - Budget and Actual - Budgetary Basis	86
Schedule of Expenditures and Other Financing Uses - Budget and Actual - Budgetary Basis	87
Schedule of Property Taxes Levied, Collected and Outstanding	89
Schedule of Debt Limitation	90
Capital and Non-Recurring Expenditures Fund:	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - by Project	91
Nonmajor Governmental Funds:	
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Fiduciary Funds:	
Pension Trust Funds and Agency Funds:	
Combining Statement of Fiduciary Net Position - Pension Trust Funds	95
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	96
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	97
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	98

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Essex, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the information on pages 67 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules on pages 86 through 98 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants
Glastonbury, Connecticut
December 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,209,661 (net position). Of this amount, \$2,842,051 represents the Town's unrestricted net position.
- The Town's total net position increased by \$786,861 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 \$7,187,276, an increase of \$729,096 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,507,542 or 14.5% of the Town's General Fund budgetary expenditure appropriation for fiscal year 2020. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.
- The Town's total capital assets decreased by \$736,174 or 2.6%.
- The Town's total long-term bonded debt decreased by \$749,625 or 6.0%.

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, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital and Nonrecurring Expenditures Fund, and the Bonded Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16 through 20 of this report.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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 66 of this report.

Other Information

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 67 through 98 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

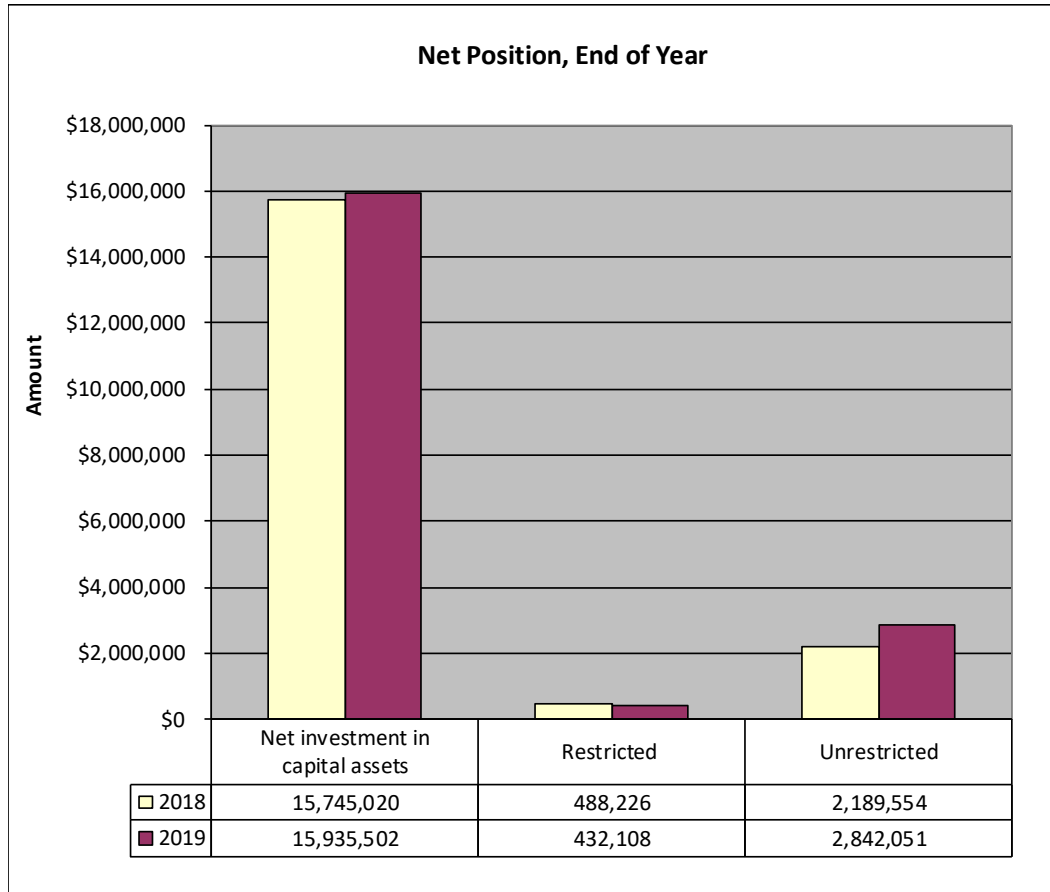
Over time, net position may serve as one measure of a government's financial position. The net position of the Town totaled \$19,209,661 as of June 30, 2019 and \$18,422,800 as of June 30, 2018 and is summarized as follows.

	2019	2018	\$ Change	% Change
Current and other assets	\$ 8,715,585	\$ 7,866,341	\$ 849,244	10.8%
Capital assets, net	27,587,270	28,323,444	(736,174)	-2.6%
Total assets	36,302,855	36,189,785	113,070	0.3%
Deferred outflows of resources	1,167,399	887,941	279,458	31.5%
Long-term liabilities	16,933,488	17,427,262	(493,774)	-2.8%
Other liabilities	1,154,737	1,126,054	28,683	2.5%
Total liabilities	18,088,225	18,553,316	(465,091)	-2.5%
Deferred inflows of resources	172,368	101,610	70,758	69.6%
Net position:				
Net investment in capital assets	15,935,502	15,745,020	190,482	1.2%
Restricted	432,108	488,226	(56,118)	-11.5%
Unrestricted	2,842,051	2,189,554	652,497	29.8%
Total net position	\$ 19,209,661	\$ 18,422,800	\$ 786,861	4.3%

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



Of the Town's net position, 83.0% 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, 2019, 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 \$786,861.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

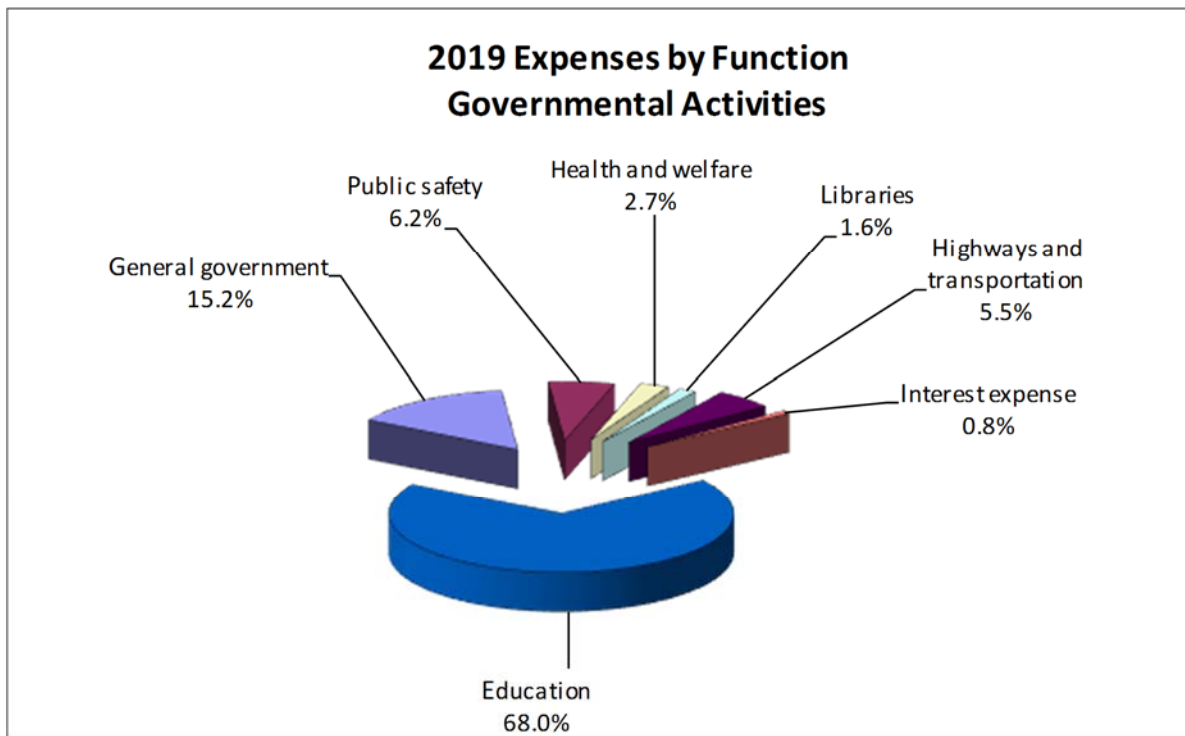
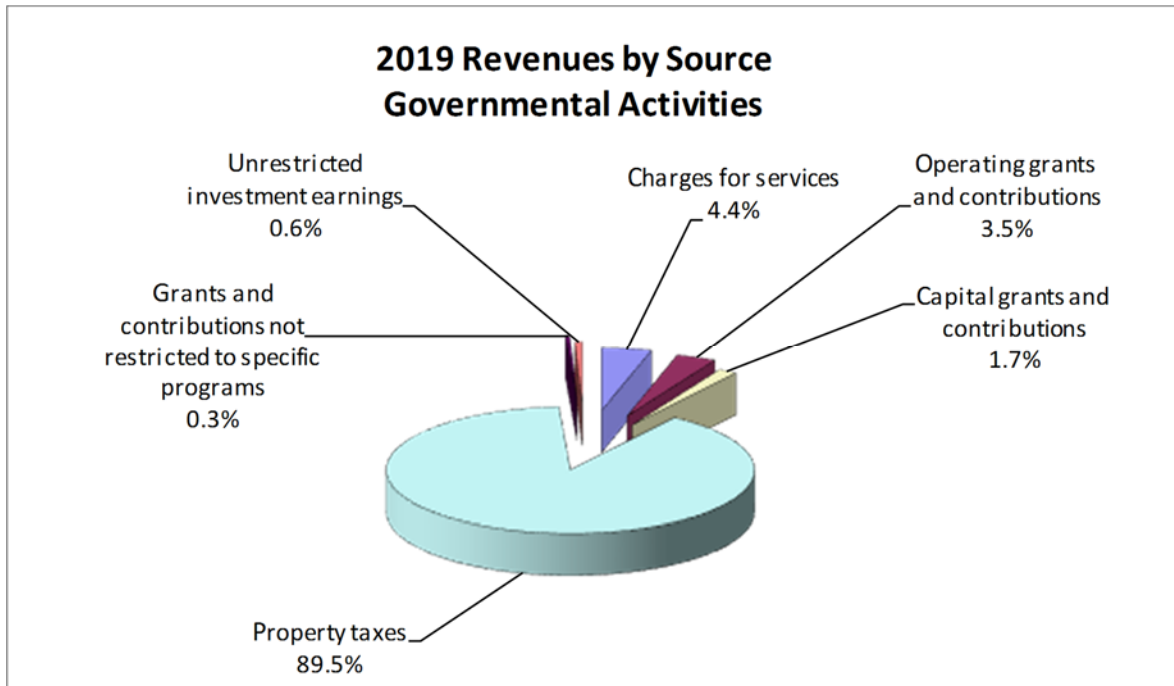
Changes in net position for the years ended June 30, 2019 and 2018 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2018 to conform with the current year presentation.

	2019	2018	\$ Change	% Change
Program revenues:				
Charges for services	\$ 1,133,447	\$ 1,422,155	\$ (288,708)	-20.3%
Operating grants and contributions	905,286	1,330,525	(425,239)	-32.0%
Capital grants and contributions	432,201	1,444,344	(1,012,143)	-70.1%
General revenues:				
Property taxes	23,137,965	23,134,568	3,397	0.0%
Grants and contributions not restricted to specific programs	89,696	92,133	(2,437)	-2.6%
Unrestricted investment earnings	167,857	90,053	77,804	86.4%
Total revenues	<u>25,866,452</u>	<u>27,513,778</u>	<u>(1,647,326)</u>	-6.0%
Program expenses:				
General government	3,804,216	3,460,203	344,013	9.9%
Public safety	1,550,569	1,142,250	408,319	35.7%
Health and welfare	681,989	709,343	(27,354)	-3.9%
Libraries	404,347	398,371	5,976	1.5%
Highways and transportation	1,380,180	1,064,597	315,583	29.6%
Interest expense	203,972	454,251	(250,279)	-55.1%
Education	17,054,318	17,728,597	(674,279)	-3.8%
Total expenses	<u>25,079,591</u>	<u>24,957,612</u>	<u>121,979</u>	0.5%
Change in net position	<u>\$ 786,861</u>	<u>\$ 2,556,166</u>	<u>\$ (1,769,305)</u>	-69.2%

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position *(Continued)*



TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Governmental Activities

Governmental activities increased the Town's net position by \$786,861. Revenues generated by the Town decreased by \$1,647,326 or 6.0% in comparison to the prior year. A key element of the current year change in revenues can be attributed to a decrease in capital grants and contributions of \$1,012,143 and a decrease in operating grants and contributions of \$425,239. The decrease in capital grants and contributions was due nonrecurring grant revenues recognized in the prior year in connection with a Federal Highway Planning and Construction grant for the Walnut Street Bridge improvement project. The decrease in operating grants and contributions was due to a reduction in the amount of pension and OPEB expense recognized by the State of Connecticut in connection with the Town's participation in the Connecticut State Teachers' Retirement System.

Expenses for the Town increased by \$121,979 or 0.5% in comparison to the prior year.

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 \$7,187,276, an increase of \$729,096 in comparison with the prior year. Of this amount, \$3,507,542 represents unassigned fund balance. The remainder of fund balance is not available for new spending because it has already been assigned, committed, or restricted to specific purposes.

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 \$3,507,542, while total fund balance was \$4,873,580. 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 14.5% of the Town's General Fund budgetary expenditure appropriation for fiscal year 2020. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.

The fund balance of the Town's General Fund increased by \$224,038 during the current fiscal year due to favorable budgetary results outlined below.

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$397,360 during the current fiscal year to \$1,869,166. This increase was due primarily to transfers in from the General Fund offset by current year capital outlay expenditures.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Bonded Capital Projects Fund

The Bonded Capital Projects Fund has a fund balance of \$232,322 as of June 30, 2019, an increase of \$118,613 from the prior year. This fund accounts for the costs associated with the Town's approved capital projects funded by general obligation bond authorizations. Current year capital outlays included costs associated with improvements to the Walnut Street bridge and to the Town Hall.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget provided for the use of fund balance in the amount of \$109,838. In addition, supplemental appropriations of \$682,500 were authorized, resulting in a planned use of fund balance in the amount of \$792,338.

The actual change in fund balance for the General Fund on a budgetary basis amounted to \$163,829. Revenues exceeded budgetary estimates by \$594,963, primarily due to favorable property tax collections and revenues from local sources. Expenditures were \$361,204 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2019 totaled \$27,587,270 (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 \$736,174 or 2.6%. This decrease can be attributed to various capital additions as outlined in further detail below, offset by current year depreciation expense.

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

- An increase of approximately \$205 thousand in construction in progress primarily for improvements made to the Walnut Street Bridge.
- An increase of approximately \$377 thousand in infrastructure due to the completion of various road and sidewalk reconstruction projects and town dock improvements.
- A decrease due to depreciation expense of approximately \$1.4 million.

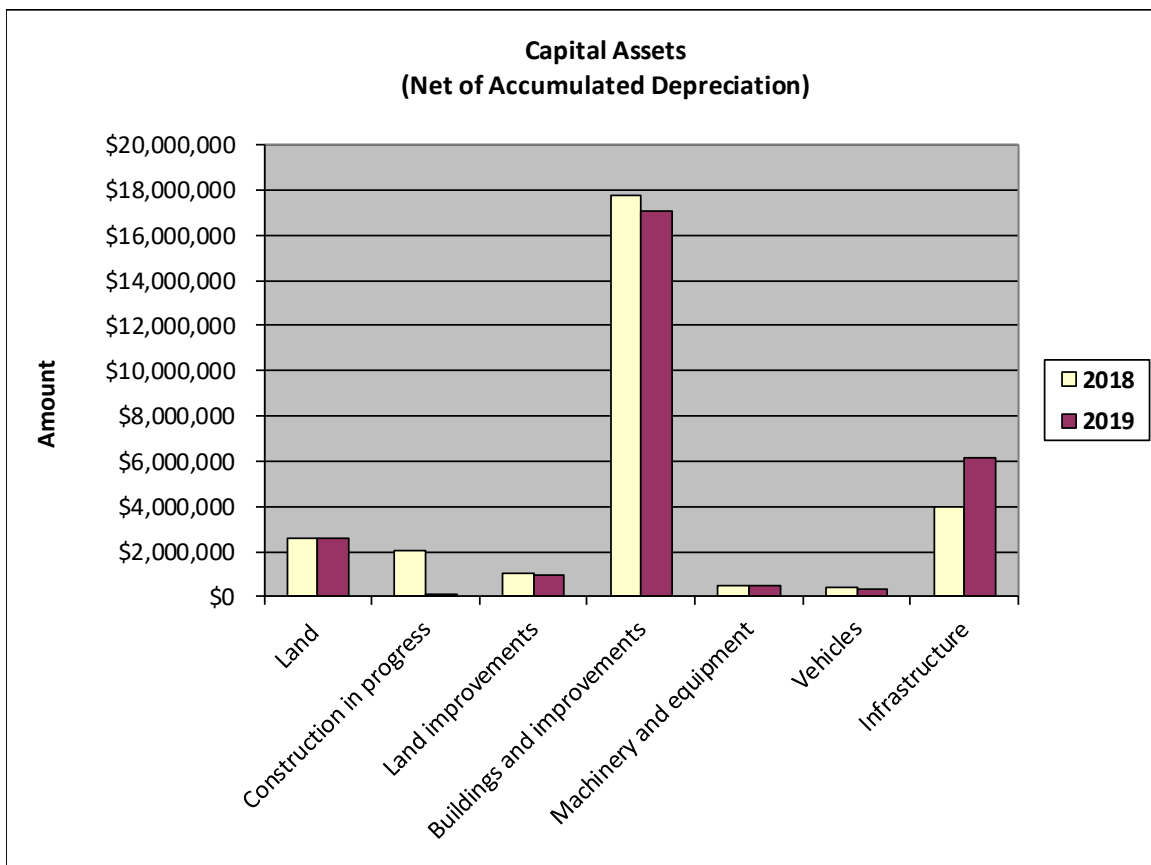
TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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:

	2019	2018	\$ Change	% Change
Land	\$ 2,563,245	\$ 2,563,245	\$ -	0.0%
Construction in progress	12,902	2,032,680	(2,019,778)	-99.4%
Land improvements	968,176	1,060,680	(92,504)	-8.7%
Buildings and improvements	17,053,627	17,786,068	(732,441)	-4.1%
Machinery and equipment	473,348	471,251	2,097	0.4%
Vehicles	374,892	443,086	(68,194)	-15.4%
Infrastructure	6,141,080	3,966,434	2,174,646	54.8%
Totals	<u>\$ 27,587,270</u>	<u>\$ 28,323,444</u>	<u>\$ (736,174)</u>	-2.6%



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, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt

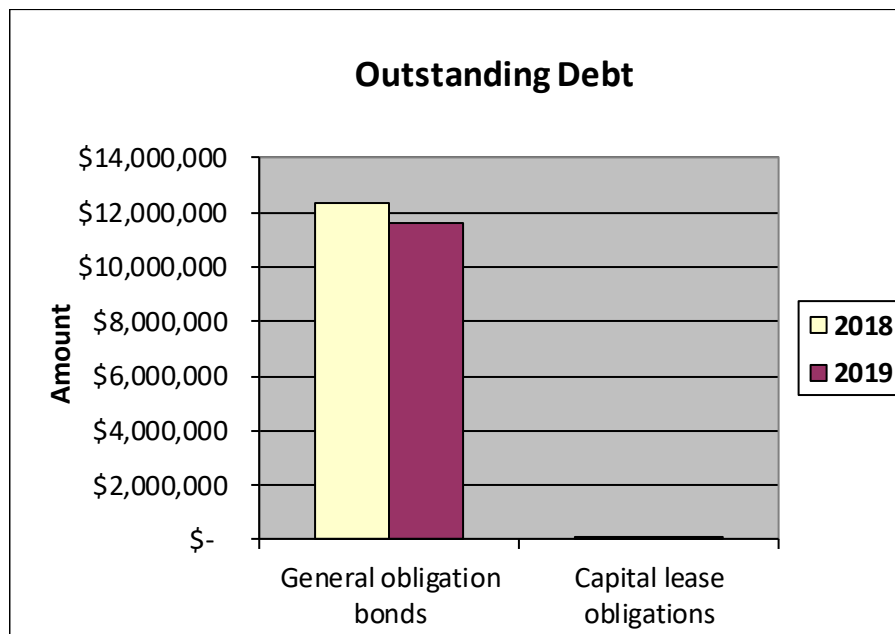
At the end of the current fiscal year, the Town had total long-term debt (consisting of bonds and capital lease obligations) outstanding of \$11,657,311, all of which is backed by the full faith and credit of the Town. The Town's total principal long-term debt decreased by \$749,625 during the current fiscal year due to scheduled debt service 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 bonded debt:

	2019	2018	\$ Change	% Change
General obligation bonds	\$ 11,615,000	\$ 12,345,000	\$ (730,000)	-5.9%
Capital lease obligations	42,311	61,936	(19,625)	-31.7%
Totals	<u>\$ 11,657,311</u>	<u>\$ 12,406,936</u>	<u>\$ (749,625)</u>	-6.0%



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, 2019

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.
- 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 the Town receives in its Education Cost Sharing grant will result in a corresponding increase or decrease in the Town's MBR.
- 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 2020, 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.

All of these factors were considered in preparing the Town's budget for fiscal year 2020. The Town's fiscal year 2020 General Fund budget was approved on May 13, 2019. The fiscal year 2020 budget contemplated expenditures of \$24,195,150, an increase of \$96,892 or 0.40% over the original fiscal year 2019 budgeted expenditures. The approved mill rate for the fiscal year 2020 budget is 21.65, a decrease of 0.9% over the prior year. Fund balance in the amount of \$99,869 has been assigned for use in the fiscal year 2020 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

JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,829,946
Investments	1,032,045
Receivables:	
Property taxes, net	486,977
Interest on property taxes, net	160,986
Grants and contracts	69,486
Other	78,917
Other	57,228
Capital assets:	
Non-depreciable	2,576,147
Depreciable, net	25,011,123
Total assets	<u>36,302,855</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	515,470
Deferred charges on OPEB expense	301,149
Deferred charges on pension expense	350,780
Total deferred outflows of resources	<u>1,167,399</u>
LIABILITIES	
Accounts payable	589,035
Accrued interest payable	143,417
Other accrued liabilities	336,808
Unearned revenue	52,378
Due to others	33,099
Noncurrent liabilities:	
Due within one year	991,768
Due in more than one year	15,941,720
Total liabilities	<u>18,088,225</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charges on OPEB expense	106,575
Deferred charges on pension expenses	65,793
Total deferred inflows of resources	<u>172,368</u>
NET POSITION	
Net investment in capital assets	15,935,502
Restricted	432,108
Unrestricted	2,842,051
Total net position	<u>\$ 19,209,661</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, 2019

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	\$ 3,804,216	\$ 947,353	\$ 6,103	\$ -	\$ (2,850,760)
Public safety	1,550,569	113,502	46,801	705	(1,389,561)
Health and welfare	681,989	-	124,458	-	(557,531)
Libraries	404,347	-	-	-	(404,347)
Highways and transportation	1,380,180	-	195,325	431,496	(753,359)
Education	17,054,318	72,592	532,599	-	(16,449,127)
Interest expense	203,972	-	-	-	(203,972)
Total governmental activities	<u>\$ 25,079,591</u>	<u>\$ 1,133,447</u>	<u>\$ 905,286</u>	<u>\$ 432,201</u>	<u>(22,608,657)</u>
General revenues:					
Property taxes, levied for general purposes					23,137,965
Grants and contributions not restricted to specific programs					89,696
Unrestricted investment earnings					<u>167,857</u>
Total general revenues					<u>23,395,518</u>
Change in net position					786,861
Net position - beginning					<u>18,422,800</u>
Net position - ending					<u>\$ 19,209,661</u>

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

TOWN OF ESSEX, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,577,051	\$ 957,048	\$ -	\$ 295,847	\$ 6,829,946
Investments	1,032,045	-	-	-	1,032,045
Receivables:					
Property taxes, net	486,977	-	-	-	486,977
Interest on property taxes, net	160,986	-	-	-	160,986
Grants and contracts	51,009	-	-	18,477	69,486
Other	32,299	-	-	46,618	78,917
Due from other funds	191,973	949,437	243,342	146,198	1,530,950
Other	54,151	-	-	3,077	57,228
Total assets	<u>\$ 7,586,491</u>	<u>\$ 1,906,485</u>	<u>\$ 243,342</u>	<u>\$ 510,217</u>	<u>\$ 10,246,535</u>
LIABILITIES					
Accounts payable	433,089	\$ -	\$ 11,020	\$ 20,559	\$ 464,668
Other accrued liabilities	271,281	-	-	-	271,281
Due to other funds	1,426,025	37,319	-	191,973	1,655,317
Unearned revenue	-	-	-	52,378	52,378
Due to others	-	-	-	33,099	33,099
Total liabilities	<u>2,130,395</u>	<u>37,319</u>	<u>11,020</u>	<u>298,009</u>	<u>2,476,743</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes and interest	<u>582,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,516</u>
FUND BALANCES					
Nonspendable	54,151	-	-	3,077	57,228
Restricted	418,538	-	232,322	13,570	664,430
Committed	473,964	1,869,166	-	195,561	2,538,691
Assigned	419,385	-	-	-	419,385
Unassigned	3,507,542	-	-	-	3,507,542
Total fund balances	<u>4,873,580</u>	<u>1,869,166</u>	<u>232,322</u>	<u>212,208</u>	<u>7,187,276</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,586,491</u>	<u>\$ 1,906,485</u>	<u>\$ 243,342</u>	<u>\$ 510,217</u>	<u>\$ 10,246,535</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
JUNE 30, 2019

Total fund balances for governmental funds	\$	7,187,276
--	----	-----------

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	\$	2,576,147	
Depreciable, net		25,011,123	
			27,587,270

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.		582,516
---	--	---------

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	(11,615,000)
Unamortized bond premium	(742,249)
Deferred charges on refunding	515,470
Obligations under capital lease	(42,311)
Accrued interest payable	(143,417)

Other long-term liabilities:

Compensated absences	(111,400)
Claims payable	(65,527)
Net pension liabilities	(2,416,507)
Total OPEB liability	(2,006,021)

Total long-term liabilities		(16,626,962)
-----------------------------	--	--------------

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are reported in the statement of net position.

		479,561
--	--	---------

Net position of governmental activities	\$	19,209,661
---	----	------------

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, 2019

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 23,168,279	\$ -	\$ -	\$ -	\$ 23,168,279
Intergovernmental	1,161,225	-	365,046	273,732	1,800,003
Local	819,359	-	-	304,088	1,123,447
Interest	140,671	27,074	-	112	167,857
Total revenues	<u>25,289,534</u>	<u>27,074</u>	<u>365,046</u>	<u>577,932</u>	<u>26,259,586</u>
EXPENDITURES					
Current:					
General government	3,287,817	-	-	140,508	3,428,325
Public safety	1,391,030	-	-	142,027	1,533,057
Health and welfare	565,016	-	-	93,939	658,955
Libraries	404,347	-	-	-	404,347
Highways and transportation	913,895	-	-	-	913,895
Education	16,439,992	-	-	190,708	16,630,700
Debt service:					
Principal payments	730,000	-	-	19,624	749,624
Interest and fiscal charges	399,431	-	-	2,883	402,314
Capital outlays	341,871	149,714	246,433	71,255	809,273
Total expenditures	<u>24,473,399</u>	<u>149,714</u>	<u>246,433</u>	<u>660,944</u>	<u>25,530,490</u>
Excess (deficiency) of revenues over expenditures	816,135	(122,640)	118,613	(83,012)	729,096
OTHER FINANCING SOURCES (USES)					
Transfers in	-	520,000	-	72,097	592,097
Transfers out	(592,097)	-	-	-	(592,097)
Total other financing sources (uses)	<u>(592,097)</u>	<u>520,000</u>	<u>-</u>	<u>72,097</u>	<u>-</u>
Net change in fund balances	224,038	397,360	118,613	(10,915)	729,096
Fund balances - beginning	<u>4,649,542</u>	<u>1,471,806</u>	<u>113,709</u>	<u>223,123</u>	<u>6,458,180</u>
Fund balances - ending	<u>\$ 4,873,580</u>	<u>\$ 1,869,166</u>	<u>\$ 232,322</u>	<u>\$ 212,208</u>	<u>\$ 7,187,276</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, 2019

Net change in fund balances for governmental funds \$ 729,096

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	\$	669,765	
Depreciation and amortization expense		<u>(1,405,939)</u>	
Net adjustment			(736,174)

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. (30,314)

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		730,000	
Capital lease financing		<u>19,625</u>	
Net adjustment			749,625

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are amortized as a component of pension expense in the statement of activities. 271,819

(Continued)

TOWN OF ESSEX, CONNECTICUT
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES *(Concluded)*
FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 152,542	
Amortization of bond premium	108,918	
Amortization of deferred charges on refunding	(63,119)	
Compensated absences	(4,727)	
Claims payable	(30,763)	
Net pension liabilities	(28,152)	
Total OPEB Liability	<u>(331,890)</u>	
		<u>\$ (197,191)</u>
Change in Net Position of Governmental Activities		<u>\$ 786,861</u> <i>(Concluded)</i>

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 46,457	\$ 45,826
Investments		
Mutual funds	6,124,881	-
Certificates of deposit	-	111,182
Receivables	-	124,367
Total assets	<u>6,171,338</u>	<u>\$ 281,375</u>
LIABILITIES		
Due to others	-	259,712
Due to student groups	-	21,663
Total liabilities	<u>-</u>	<u>\$ 281,375</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 6,171,338</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, 2019

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 665,032
Plan members	8,338
Total contributions	<u>673,370</u>
Investment earnings:	
Net change in the fair value of investments	202,176
Interest and dividends	200,224
Total investment earnings	<u>402,400</u>
Total additions	<u>1,075,770</u>
DEDUCTIONS	
Benefit payments	525,515
Administrative expenses	20,471
Total deductions	<u>545,986</u>
Change in net position	529,784
Net position - beginning	<u>5,641,554</u>
Net position - ending	<u><u>\$ 6,171,338</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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

Related Organizations

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Fund Financial Statements *(Continued)*

The Town reports the following major governmental funds:

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

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

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

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

Pension 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. The Town utilizes these funds to account for activities of the following plans: Town of Essex Employees' Retirement Plan, the Town of Essex Merit Service Plan and the Town of Essex Police Retirement Plan. These plans are discussed more fully in Note 10.

Agency Funds - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the elementary school activities fund, performance bond fund and special project escrow fund. The elementary school activities fund accounts for monies generated by student activities in the Town's school system. The performance bond fund accounts for monies received to ensure that driveways are installed to correct specifications for new construction. The special project escrow fund accounts for monies received for various events or projects, but do not constitute Town owned funds.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Agency Funds have no measurement focus. 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Measurement Focus and Basis of Accounting *(Continued)*

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

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

The pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Implementation of New Accounting Standards

Effective July 1, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability (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. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement did not have a material effect on the Town's financial statements.

Effective July 1, 2018, the Town adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the Town's financial statements.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Cash and Cash Equivalents

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

Investments

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

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes of \$10,000 as of June 30, 2019.

Inventories and Prepaid items

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

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

Capital Assets

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

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

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

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Unearned Revenue

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

Deferred Outflows and Inflows of Resources

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

Deferred outflows of resources consists of deferred charges on refunding and deferred pension and OPEB expenses reported in the government-wide statement of net position. Deferred charges on refunding 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 consist of revenue that is considered unavailable under the modified accrual basis of accounting and deferred charges on pension and OPEB expenses. Unavailable revenue is reported within the governmental funds balance sheet and is recognized as inflows of resources in the period that the amounts become available. Deferred charges on pension and OPEB expenses reported in the government-wide statement of net position and are amortized as a component of pension and OPEB expenses on a systematic and rational basis.

Compensated Absences

It is the Town's policy to permit employees to accumulate unused vacation pay benefits. The Board of Education allows employees to accumulate only unused sick pay.

All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Long-term Obligations

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

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Net Position and Fund Balances

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

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

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

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

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

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

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

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

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

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

Net Position Flow Assumption

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Net Position and Fund Balances *(Continued)*

Net Position Flow Assumption (Continued)

The Town considers restricted net position to have been depleted before unrestricted net position is applied. The Town's adopted policy states that the Town shall endeavor to maintain an unassigned fund balance in the General Fund between 10% and 14% of budgeted expenditures. If the unassigned fund balance exceeds the 14% 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 10% 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, 2019, unassigned fund balance in the General Fund represented 15.8% of the Town's approved budgeted operating revenues for the fiscal year 2018-2019 General Fund budget.

Fund Balance Flow Assumption

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

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

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed, or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Interfund Services Provided and Used

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Interfund Transfers

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

Interfund Reimbursements

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

Use of Estimates

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

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash deposits, as of June 30, 2019 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 6,829,946
Statement of fiduciary net position	
Cash and cash equivalents	92,283
	<u>6,922,229</u>
Add: certificates of deposit considered cash deposits	
for disclosure purposes	1,143,227
	<u><u>\$ 8,065,456</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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Cash Deposits *(Continued)*

Custodial Credit Risk *(Continued)*

As of June 30, 2019, \$7,362,407 of the Town's bank balance of \$8,126,988 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	<u>7,362,407</u>
	<u><u>\$ 7,362,407</u></u>

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, 2019 is as follows:

Government-wide statement of net position:	
Investments	\$ 1,032,045
Statement of fiduciary net position	
Investments	<u>6,236,063</u>
	7,268,108
Less: certificates of deposit considered cash deposits for disclosure purposes	<u>(1,143,227)</u>
	<u><u>\$ 6,124,881</u></u>

As of June 30, 2019, all of the Town's investments consisted of equity mutual funds reported at fair value within its Pension Trust Funds.

Interest Rate Risk

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Investments *(Continued)*

Credit Risk

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

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

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2019, more than 10% of the Town's fiduciary investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Fiduciary Investments</u>
PIMCO Investments LLC	PIMCO Income Fund Class I-2	\$ 990,786	16.2%
Vanguard Index Funds	Vanguard 500 Index Fund Admiral Shares	860,358	14.0%
Dodge & Cox Funds	Dodge & Cox Income Fund	618,736	10.1%

Custodial Credit Risk

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

NOTE 3 - FAIR VALUE MEASUREMENTS

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS *(Continued)*

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2019, 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)
Mutual Funds	\$ 6,124,881	\$ -	\$ -

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 consisted of the following:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 2,563,245	\$ -	\$ -	\$ -	\$ 2,563,245
Construction in progress	2,032,680	290,275	-	(2,310,053)	12,902
Total capital assets, not being depreciated	4,595,925	290,275	-	(2,310,053)	2,576,147
Capital assets, being depreciated:					
Land improvements	1,510,581	-	-	-	1,510,581
Buildings and improvements	27,294,775	21,332	-	75,695	27,391,802
Machinery and equipment	2,267,041	5,990	-	79,786	2,352,817
Vehicles	1,246,814	-	(24,009)	-	1,222,805
Infrastructure	10,182,413	376,717	(193,264)	2,154,572	12,520,438
Total capital assets, being depreciated	42,501,624	404,039	(217,273)	2,310,053	44,998,443
Less accumulated depreciation and amortization for:					
Land improvements	449,901	92,504	-	-	542,405
Buildings and improvements	9,508,707	829,468	-	-	10,338,175
Machinery and equipment	1,795,790	83,679	-	-	1,879,469
Vehicles	803,728	68,194	(24,009)	-	847,913
Infrastructure	6,215,979	332,094	(168,715)	-	6,379,358
Total accumulated depreciation and amortization	18,774,105	1,405,939	(192,724)	-	19,987,320
Total capital assets, being depreciated, net	23,727,519	(1,001,900)	(24,549)	2,310,053	25,011,123
Governmental activities capital assets, net	\$ 28,323,444	\$ (711,625)	\$ (24,549)	\$ -	\$ 27,587,270

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities:	
General government	\$ 306,000
Public safety	58,715
Highways and transportation	418,270
Education	622,954
Total depreciation expense - governmental activities	<u>\$ 1,405,939</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2019 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Nonmajor Governmental Funds	<u>\$ 191,973</u>
Capital and Nonrecurring Expenditures Fund	General Fund	<u>949,437</u>
Bonded Capital Projects Fund	General Fund	<u>243,342</u>
Nonmajor Governmental Funds	Capital and Nonrecurring Expenditures Fund	37,319
	General Fund	<u>108,879</u>
		<u>146,198</u>
Fiduciary Funds		
Agency Funds	General Fund	<u>124,367</u>
Total interfund receivables/payables		<u>\$ 1,655,317</u>

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

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	<u>\$ 520,000</u>
Nonmajor Governmental Funds	General Fund	<u>72,097</u>
Total transfers		<u>\$ 592,097</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 - INTERFUND TRANSFERS *(Continued)*

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

NOTE 7 - LONG-TERM DEBT

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

Changes in long-term debt for the year ended June 30, 2019, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 12,345,000	\$ -	\$ (730,000)	\$ 11,615,000	\$ 960,000
Unamortized bond premium	851,167	-	(108,918)	742,249	-
Total bonds payable	13,196,167	-	(838,918)	12,357,249	960,000
Capital leases from direct borrowings	61,936	-	(19,625)	42,311	20,628
	<u>\$ 13,258,103</u>	<u>\$ -</u>	<u>\$ (858,543)</u>	<u>\$ 12,399,560</u>	<u>\$ 980,628</u>

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

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2019 is as follows:

Purpose of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
Governmental Activities			
<i>Bonds Payable</i>			
General obligation refunding bonds issued April 2013, original amount of \$7,170,000	8/1/2028	2.125% - 4.000%	\$ 5,615,000
General obligation bonds issued September 2017, original amount of \$6,000,000	9/15/2037	2.0% - 5.0%	6,000,000
			<u>\$ 11,615,000</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

General Obligation Bonds *(Continued)*

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2019:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2020	\$ 960,000	\$ 369,281	\$ 1,329,281
2021	1,060,000	330,931	1,390,931
2022	1,055,000	292,706	1,347,706
2023	1,010,000	255,231	1,265,231
2024	930,000	219,632	1,149,632
2025-2029	3,720,000	673,634	4,393,634
2030-2034	1,600,000	312,000	1,912,000
2035-2039	1,280,000	76,800	1,356,800
	<u>\$ 11,615,000</u>	<u>\$ 2,530,215</u>	<u>\$ 14,145,215</u>

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2019.

Authorized, Unissued Bonds

As of June 30, 2019 the Town had authorized but unissued bonds totaling \$1,414,555.

Refundings

The Town has advanced refunded general obligation bonds in prior years. The difference between the reacquisition prices (the amounts placed in escrow) and the net carrying amounts of the refunded bonds have resulted in deferred charges on refundings in the amount of \$904,704. This amount, net of accumulated amortization of \$389,234 has been presented as deferred outflows of resources in the government-wide financial statements and is being amortized to interest expense using the effective-interest method over the life of the new bonds. Amortization of deferred charges on refundings totaled \$63,119 for the year ended June 30, 2019.

Overlapping Debt

The Town of Essex is a member of Regional School District No. 4, which also provides education for the Towns of Chester and Deep River. As of June 30, 2019, the outstanding indebtedness of the District was \$5,635,000. The Town of Essex's share will be approximately 43.68% of the total, or \$2,461,368. Such outstanding indebtedness represents general obligations of the Regional School District No. 4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net position.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Capital Leases from Direct Borrowings

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

A summary of assets acquired through capital leases is as follows as of June 30, 2019:

	Governmental Activities
Vehicles	\$ 98,365
Less: accumulated amortization	43,195
	<u>\$ 55,170</u>

Amortization expense relative to leased property under capital leases totaled \$9,837 for the year ended June 30, 2019 and is included in depreciation and amortization expense disclosed in Note 4.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

Year ending June 30:	Governmental Activities
2020	\$ 22,507
2021	22,507
Total minimum lease payments	45,014
Less: amount representing interest	(2,703)
Present value of minimum lease payments	<u>\$ 42,311</u>

NOTE 8 - OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for the year ended June 30, 2019 are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 106,673	\$ 132,033	\$ (127,306)	\$ 111,400	\$ 11,140
Net pension liabilities <i>(see Note 10)</i>	2,388,355	205,246	(177,094)	2,416,507	-
Total OPEB liability <i>(see Note 11)</i>	1,674,131	331,890	-	2,006,021	-
	<u>\$ 4,169,159</u>	<u>\$ 669,169</u>	<u>\$ (304,400)</u>	<u>\$ 4,533,928</u>	<u>\$ 11,140</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - FUND BALANCE

The various components of fund balance at June 30, 2019 are as follows:

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 54,151	\$ -	\$ -	\$ 93	\$ 54,244
Inventories	-	-	-	2,984	2,984
Restricted for:					
Grant programs	-	-	-	5,627	5,627
Debt service - premium received	418,538	-	-	-	418,538
Cafeteria operations	-	-	-	7,943	7,943
Capital purposes	-	-	232,322	-	232,322
Committed for:					
Municipal property improvements	23,964	-	-	-	23,964
Employee retirement benefits	300,000	-	-	-	300,000
Capital purposes	150,000	1,869,166	-	-	2,019,166
Harbor commission operations	-	-	-	59,825	59,825
Recreation programs	-	-	-	46,919	46,919
General government programs	-	-	-	56,347	56,347
Public safety programs	-	-	-	32,470	32,470
Assigned to:					
Revaluation	93,187	-	-	-	93,187
Subsequent year's budget	99,869	-	-	-	99,869
Encumbrances - capital outlay	152,500	-	-	-	152,500
Encumbrances - health and welfare	2,500	-	-	-	2,500
Encumbrances - public safety	4,320	-	-	-	4,320
Encumbrances - general government	67,009	-	-	-	67,009
Unassigned	3,507,542	-	-	-	3,507,542
	<u>\$ 4,873,580</u>	<u>\$ 1,869,166</u>	<u>\$ 232,322</u>	<u>\$ 212,208</u>	<u>\$ 7,187,276</u>

Capital Projects Authorizations

The following is a summary of capital projects as of June 30, 2019:

Capital Project:	Original Authorization	Revised Authorization	Current Year Expenditures	Cumulative Expenditures	Balance June 30, 2019*
Bridge replacement	\$ 2,845,000	\$ 2,800,000	\$ 204,991	\$ 2,611,391	\$ 188,609
Essex Elementary School repairs	2,815,000	2,815,000	-	2,751,561	63,439
Town Hall improvements	1,300,000	1,570,000	41,442	1,524,048	45,952
Town Garage improvements	525,000	325,000	-	316,158	8,842
Fire Fighting vehicle	600,000	575,000	-	563,585	11,415
	<u>\$ 8,085,000</u>	<u>\$ 8,085,000</u>	<u>\$ 246,433</u>	<u>\$ 7,766,743</u>	<u>\$ 318,257</u>

* Based on revised authorization

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Defined Benefit Plans

Plan Descriptions

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

Plan membership - At July 1, 2018, the date of the most recent actuarial valuations, pension plan membership consisted of the following:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Retirees and beneficiaries receiving benefits	31	25	5
Terminated employees entitled to benefits but not yet receiving them	10	7	-
Active plan members	33	44	3
	<u>74</u>	<u>76</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 and teachers eligible for the State of Connecticut Teachers' 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 65 and have completed 15 years of service. Early retirement benefits consist of regular benefits reduced by 0.5% for each month by which the early retirement precedes normal retirement.

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Plan Descriptions *(Continued)*

Police Retirement Plan - All regular full-time sworn employees of the Essex Police Department are eligible to participate. However, supernumeraries, school guards, dog wardens/animal control officers, 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% 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 - Participants must contribute 3.0% of straight-time and overtime as a Town pick-up contribution under Code Section 414(h).

Summary of Significant Accounting Policies

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

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Summary of Significant Accounting Policies *(Continued)*

Concentrations - The Plans' investments consist solely of investments in various equity mutual funds. As of June 30, 2019, more than 10% of each Plans' investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>% of Employees' Retirement Plan Investment</u>	<u>% of Merit Service Plan Investment</u>	<u>% of Police Retirement Plan Investment</u>
PIMCO Investments LLC	PIMCO Income Fund Class I-2	16.2%	16.2%	16.2%
Vanguard Index Funds	Vanguard 500 Index Fund Admiral Shares	14.0%	14.1%	14.0%
Dodge & Cox Funds	Dodge & Cox Income Fund	10.1%	10.1%	10.1%

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, 2019, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were as follows:

Employees' Retirement Plan	6.79%
Merit Service Plan	6.77%
Police Retirement Plan	6.81%

Net Pension Liability

The components of the net pension liability for the plans at June 30, 2019 were as follows:

	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>
Total pension liability	\$ 4,950,962	\$ 1,551,086	\$ 1,974,811
Plan fiduciary net position	3,787,098	1,129,670	1,254,570
Town's net pension liability	<u>\$ 1,163,864</u>	<u>\$ 421,416</u>	<u>\$ 720,241</u>
Plan fiduciary net position as a percentage of the total pension liability	76.49%	72.83%	63.53%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability *(Continued)*

The components of the changes in the net pension liability for each of the Town's Plans for the year ended June 30, 2019, 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, 2018	\$ 4,661,289	\$ 3,591,685	\$ 1,069,604
Changes for the year:			
Service cost	137,763	-	137,763
Interest	337,570	-	337,570
Differences between expected and actual experience	95,581	-	95,581
Changes of assumptions	9,662	-	9,662
Contributions - employer	-	244,807	(244,807)
Net investment income	-	246,776	(246,776)
Benefit payments, including refunds	(290,903)	(290,903)	-
Administrative expense	-	(5,267)	5,267
Net changes	289,673	195,413	94,260
Balance as of June 30, 2019	\$ 4,950,962	\$ 3,787,098	\$ 1,163,864
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Merit Service Plan			
Balance as of June 30, 2018	\$ 1,489,983	\$ 1,043,322	\$ 446,661
Changes for the year:			
Service cost	15,904	-	15,904
Interest	105,594	-	105,594
Differences between expected and actual experience	30,657	-	30,657
Changes of assumptions	9,544	-	9,544
Contributions - employer	-	119,366	(119,366)
Net investment income	-	72,844	(72,844)
Benefit payments, including refunds	(100,596)	(100,596)	-
Administrative expense	-	(5,266)	5,266
Net changes	61,103	86,348	(25,245)
Balance as of June 30, 2019	\$ 1,551,086	\$ 1,129,670	\$ 421,416

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability *(Continued)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Police Retirement Plan			
Balance as of June 30, 2018	\$ 1,878,637	\$ 1,006,547	\$ 872,090
Changes for the year:			
Service cost	55,627	-	55,627
Interest	135,461	-	135,461
Differences between expected and actual experience	23,076	-	23,076
Changes of assumptions	16,026	-	16,026
Contributions - employer	-	300,859	(300,859)
Contributions - employee	-	8,338	(8,338)
Net investment income	-	78,109	(78,109)
Benefit payments, including refunds	(134,016)	(134,016)	-
Administrative expense	-	(5,267)	5,267
Net changes	96,174	248,023	(151,849)
Balance as of June 30, 2019	<u>\$ 1,974,811</u>	<u>\$ 1,254,570</u>	<u>\$ 720,241</u>

Actuarial assumptions - The total pension liability for each of the plans were determined by an actuarial valuation as of July 1, 2018, 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	7.125%	7.125%	7.125%
Salary increases	2.60%	N/A	2.60%
Inflation	2.60%	2.60%	2.60%

Mortality rates were based on the following:

Employees' Retirement Plan	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.
Merit Service Plan	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.
Police Retirement Plan	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2017.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability *(Continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in each pension plan's target asset allocation as of June 30, 2019, which are summarized in the following table:

	Target	Long-term Expected Real	
	Allocation	Rate of Return	Weighting
US Large Cap	32.00%	4.50%	1.44%
US Mid/Small Cap	12.00%	5.00%	0.60%
Developed International Equities	13.00%	5.25%	0.68%
Emerging Market Equities	4.00%	6.25%	0.25%
Intermed Corporate	35.00%	2.50%	0.88%
Money Market, Short Term Bonds	2.00%	0.25%	0.01%
Real Estate (Core)	2.00%	4.50%	0.09%
	<u>100.00%</u>		

Discount rate - The discount rate used to measure the total pension liability for each plan was 7.125%. 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.

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 7.125%, 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 or 1-percentage-point higher than the current rate as of June 30, 2019:

	1% Decrease 6.125%	Current Discount 7.125%	1% Increase 8.125%
Employees' Retirement Plan's net pension liability	\$ 1,684,498	\$ 1,163,864	\$ 718,953
Merit Fire Plan's net pension liability	589,815	421,416	278,269
Police Retirement Plan's net pension liability	942,874	720,241	534,973

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town recognized pension expense related to the Employee's Retirement Plan of \$311,371. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to the Employee's Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (35,806)	\$ (35,806)
Differences between expected and actual experience	132,780	-	132,780
Changes of assumptions	18,599	(18,583)	16
Total	<u>\$ 151,379</u>	<u>\$ (54,389)</u>	<u>\$ 96,990</u>

For the year ended June 30, 2019, the Town recognized pension expense related to the Merit Service Plan of \$69,057. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to the Merit Service Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (5,681)	\$ (5,681)
Differences between expected and actual experience	66,133	(3,294)	62,839
Changes of assumptions	14,548	-	14,548
Total	<u>\$ 80,681</u>	<u>\$ (8,975)</u>	<u>\$ 71,706</u>

For the year ended June 30, 2019, the Town recognized pension expense related to the Police Retirement Plan of \$187,818. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to the Police Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (1,870)	\$ (1,870)
Differences between expected and actual experience	38,812	-	38,812
Changes of assumptions	15,984	-	15,984
Total	<u>\$ 54,796</u>	<u>\$ (1,870)</u>	<u>\$ 52,926</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

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

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:

	Amortization of Pension Expense		
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Year ended June 30,			
2020	\$ 82,032	\$ 16,175	\$ 46,539
2021	(23,554)	850	6,039
2022	18,614	11,332	163
2023	19,898	11,731	185
2024	-	11,074	-
Thereafter	-	20,544	-
Total	<u>\$ 96,990</u>	<u>\$ 71,706</u>	<u>\$ 52,926</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, 2019:

	Statement of Fiduciary Net Position		
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
ASSETS			
Cash and cash equivalents	\$ 27,695	\$ 9,588	\$ 9,174
Investments	3,759,403	1,120,082	1,245,396
Total assets	<u>3,787,098</u>	<u>1,129,670</u>	<u>1,254,570</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 3,787,098</u>	<u>\$ 1,129,670</u>	<u>\$ 1,254,570</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Plan Financial Statements *(Continued)*

The following presents the statement of changes in fiduciary net position for each of the Town's defined benefit pension plans for the year ended June 30, 2019:

	Statement of Changes in Fiduciary Net Position		
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
ADDITIONS			
Contributions:			
Employers	\$ 244,807	\$ 119,366	\$ 300,859
Plan members	-	-	8,338
Total contributions	<u>244,807</u>	<u>119,366</u>	<u>309,197</u>
Investment earnings:			
Interest and dividends	122,802	36,741	40,681
Net change in the fair value of investments	<u>123,974</u>	<u>40,774</u>	<u>37,428</u>
Total investment earnings, net	<u>246,776</u>	<u>77,515</u>	<u>78,109</u>
Total additions	<u>491,583</u>	<u>196,881</u>	<u>387,306</u>
DEDUCTIONS			
Benefit payments	290,903	100,596	134,016
Administrative expenses	<u>5,267</u>	<u>9,937</u>	<u>5,267</u>
Total deductions	<u>296,170</u>	<u>110,533</u>	<u>139,283</u>
Changes in net position	195,413	86,348	248,023
Net position - beginning	<u>3,591,685</u>	<u>1,043,322</u>	<u>1,006,547</u>
Net position - ending	<u>\$ 3,787,098</u>	<u>\$ 1,129,670</u>	<u>\$ 1,254,570</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, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

The plan has 4 sub plans as follows:

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

Plan Description

Plan administration - CMERS is a multiemployer 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 - 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 not covered by social security, the benefit is 2% of average final compensation times years of service. 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% 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, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Plan Description *(Continued)*

Contributions - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. There is also an administrative fee per active and retired member. The current rate is 11.74% of the annual Town employees' covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the CMERS for the year ended June 30, 2019 was \$5,297 and was equal to the required contributions for each year.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

Summary of Significant Accounting Policies

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

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

Net Pension Liability

The total estimated net pension liability of the CMERS as of June 30, 2018 was \$956.443 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled \$110,986 or approximately 0.029% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The portion of the net pension liability associated with the Town was based on the 2018 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability *(Continued)*

Actuarial assumptions - The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability *(Continued)*

Discount rate - The discount rate used to measure the CMERS' total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability 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 (7.00%)</u>	<u>Current Discount (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the net pension liability as of June 30, 2019	\$ 149,722	\$ 110,986	\$ 66,101

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, 2019, the Town recognized pension expense related to the CMERS of \$5,392. At June 30, 2019, the Town reported its proportionate share of deferred outflows and inflows of resources related to the CMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources, net</u>
Differences between expected and actual experience	\$ 15,811	\$ -	\$ 15,811
Net difference between projected and actual earnings on pension plan investments	6,682	-	6,682
Change of assumptions	37,812	-	37,812
Other	3,619	(559)	3,060
Total	<u>\$ 63,924</u>	<u>\$ (559)</u>	<u>\$ 63,365</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

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

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

Year ended June 30,	
2020	\$ 19,021
2021	16,469
2022	12,996
2023	14,879
	<u>\$ 63,365</u>

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

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 3.0% 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Disability Retirement: There is no service requirement if incurred in the performance of duty. Employees are eligible for five years of credited service if not incurred in the performance of duty. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. 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% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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

Contributions

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board 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.

In accordance with CGS Section 10-183z, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January, 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

Administrative Expenses

Administrative costs of the plan are funded by the State.

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2019.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 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. For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$673,415 or 0.053% 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 of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the Town totaled \$782,004.

The total collective net pension liability of participating employers for the TRS was approximately \$13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$6,967,728 or approximately 0.053% of the total collective net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	8.00%, 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 RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

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% and a maximum of 5% 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% 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% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Core Fixed Income	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bonds	5.0%	3.7%
Inflation Linked Bond Fund	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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 State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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, 2019

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Proportionate Share of the Collective Net Pension Liability

The following presents the proportionate share of the net pension liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability attributed to the Town	\$ 8,805,941	\$ 6,967,728	\$ 5,413,206

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Town Other Post-Employment Benefits Plans

Plan Descriptions

Employees' OPEB Plan - The Town offers post-retirement medical benefits to certain employees under a single-employer defined benefit healthcare plan. Benefits provided by the plan include supplemental healthcare insurance benefits for eligible retirees who have reached the age of 65 with 25 years of service. Benefits are provided through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established and can be amended by the Town. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

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 Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

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 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 finances the plan on a pay-as-you-go-basis.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Employees Covered by Benefit Terms

As of June 30, 2019, the measurement date, the following employees were covered by the benefit terms:

Retirees, beneficiaries, and dependents currently receiving benefits	11
Active participants	74
	<u>85</u>

Total OPEB Liability

The Town's OPEB liability reported as of June 30, 2019 totaled \$2,006,021. The total OPEB liability was measured as of June 30, 2019 using an actuarial valuation dated July 1, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	July 1, 2018
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar Amount
Remaining amortization period:	26 years, closed
Asset valuation method:	Not applicable
Actuarial assumptions:	
Discount rate	3.51%
Inflation	2.60%
Healthcare cost trend rate	7.00% initial
	4.60% final

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

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

- 80% 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

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	<u>\$ 1,674,131</u>
Changes for the year:	
Service cost	47,184
Interest	66,689
Changes in benefit terms	-
Differences between expected and actual experience	(57,382)
Changes in assumptions or other inputs	271,540
Benefit payments	<u>3,859</u>
Net changes	<u>331,890</u>
Balance as of June 30, 2019	<u><u>\$ 2,006,021</u></u>

Changes of assumptions primarily reflects a change in the discount rate from 3.87% to 3.51%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate:

	1% Decrease (2.51%)	Current Discount (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ 2,301,133	\$ 2,006,021	\$ 1,764,613

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	\$ 1,726,389	\$ 2,006,021	\$ 2,360,645

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town recognized OPEB expense of \$117,909. As of June 30, 2019, 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>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 54,521	\$ (52,118)	\$ 2,403
Changes of assumptions	192,171	-	192,171
	<u>\$ 246,692</u>	<u>\$ (52,118)</u>	<u>\$ 194,574</u>

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

Year ended June 30,	<u>Amortization of OPEB Expense</u>
2020	\$ 19,656
2021	19,656
2022	19,656
2023	19,656
2024	19,656
Thereafter	96,294
	<u>\$ 194,574</u>

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund. These reports can be obtained from the Connecticut Office of the State Comptroller.

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

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

Per CGS 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 and annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

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.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

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, 2019

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

Connecticut State Teachers' Retirement System *(Continued)*

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2019.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018.

For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$18,684 or 0.053% 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 of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective negative OPEB expense allocated to the Town totaled \$(462,725).

The total collective net OPEB liability of participating employers for the TRS was approximately \$2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$1,392,913 or approximately 0.053% of the total collective net OPEB liability.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Connecticut State Teachers' Retirement System *(Continued)*

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary increases	3.25% - 6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.27%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. 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, 2018.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Connecticut State Teachers' Retirement System *(Continued)*

Discount Rate *(Continued)*

In addition to the actuarial methods and assumptions of the June 30, 2018 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 3.25%.
- 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.
- No future employer contributions were assumed to be made.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 3.87%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1.00% Decrease (2.87%)	Current Rate (3.87%)	1.00% Increase (4.87%)
Proportionate share of the net OPEB liability attributed to the Town	\$ 1,653,981	\$ 1,392,913	\$ 1,184,558

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2018 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Proportionate share of the net OPEB liability attributed to the Town	\$ 1,167,304	\$ 1,392,913	\$ 1,692,392

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFERRED COMPENSATION PLAN

The Town's Board of Education offers all members of the Municipal Employee Union, SEIU Local 506 (paraprofessionals) who are eligible for benefits, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. 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 Town's Board of Education contribution totaled \$14,216 for the year ended June 30, 2019. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for exclusive benefit of the plan participants and their beneficiaries. In addition, it is the opinion of the Town's legal counsel that the Town has no liability for the losses under the plans. Therefore, the accounts of the deferred compensation plan are not reported in the basic financial statements of the Town.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

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

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

As of June 30, 2019, the Town has recorded \$226,329 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2019.

NOTE 14 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except workers' compensation and liability-automobile-property insurance for which it participates in risk sharing pools. During the year ended June 30, 2019, 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14 - RISK MANAGEMENT *(Continued)*

Workers' Compensation Pool

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

Liability-Automobile-Property Pool

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

Medical Health Insurance Fund

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

A liability is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, the claims liability is reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimated. The claims liability included in the accompanying statement of net position totaled \$65,527 as of June 30, 2019.

NOTE 15 - SUBSEQUENT EVENT

In August 2019, the Town voted at a Special Town Meeting to establish an ordinance creating an OPEB Trust in accordance with Connecticut General Statutes Section 7-450(a). Specifically, the ordinance establishes a trust to provide for other post-employment benefits of the Town's retired employees and their qualified dependents (other than pension benefits) which may include medical, dental, vision, life insurance, and disability insurance, and such other benefits as the Town may provide in the future. The Trustees of the OPEB Trust shall consist of members of the Essex Retirement Board and the Plan Administrator for the Trust shall be the Town of Essex Finance Director.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 16 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town does not expect this statement to have a material effect on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 22,909,318	\$ 22,909,318	\$ 23,168,279	\$ 258,961
Intergovernmental	459,402	459,402	449,654	(9,748)
Local	564,700	564,700	824,779	260,079
Interest	55,000	55,000	140,671	85,671
Total revenues	<u>23,988,420</u>	<u>23,988,420</u>	<u>24,583,383</u>	<u>594,963</u>
EXPENDITURES				
Board of Selectmen	8,076,003	8,308,503	8,118,616	(189,887)
Education	<u>16,022,255</u>	<u>16,022,255</u>	<u>15,850,938</u>	<u>(171,317)</u>
Total expenditures	<u>24,098,258</u>	<u>24,330,758</u>	<u>23,969,554</u>	<u>(361,204)</u>
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	109,838	792,338	-	(792,338)
Appropriations carried forward	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
	<u>109,838</u>	<u>342,338</u>	<u>(450,000)</u>	<u>(792,338)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,829</u>	<u>\$ 163,829</u>

See accompanying notes to required supplementary information .

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 137,763	\$ 135,777	\$ 141,113	\$ 136,340	\$ 131,096	\$ 90,333
Interest	337,570	319,207	320,641	303,380	264,574	249,910
Differences between expected and actual experience	95,581	-	47,123	-	244,339	-
Changes of assumptions	9,662	-	(53,428)	-	65,695	-
Benefit payments, including refunds	(290,903)	(261,724)	(238,722)	(190,820)	(196,259)	(175,009)
Net change in total pension liability	289,673	193,260	216,727	248,900	509,445	165,234
Total pension liability - beginning	4,661,289	4,468,029	4,251,302	4,002,402	3,492,957	3,327,723
Total pension liability - ending	4,950,962	4,661,289	4,468,029	4,251,302	4,002,402	3,492,957
Plan fiduciary net position						
Contributions - employer	244,807	239,716	246,332	231,680	219,040	229,403
Net investment income	246,776	273,450	425,897	(50,972)	170,109	374,159
Benefit payments, including refunds	(290,903)	(261,724)	(238,722)	(190,820)	(196,259)	(175,009)
Administrative expense	(5,267)	(9,163)	(5,167)	-	(10,984)	(11,823)
Net change in plan fiduciary net position	195,413	242,279	428,340	(10,112)	181,906	416,730
Plan fiduciary net position - beginning	3,591,685	3,349,406	2,921,066	2,931,178	2,749,272	2,332,542
Plan fiduciary net position - ending	3,787,098	3,591,685	3,349,406	2,921,066	2,931,178	2,749,272
Town's net pension liability	<u>\$ 1,163,864</u>	<u>\$ 1,069,604</u>	<u>\$ 1,118,623</u>	<u>\$ 1,330,236</u>	<u>\$ 1,071,224</u>	<u>\$ 743,685</u>
Plan fiduciary net position as a percentage of total pension liability	76.49%	77.05%	74.96%	68.71%	73.20%	78.71%
Covered payroll	\$ 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	61.10%	55.99%	60.75%	73.37%	61.45%	63.09%

See accompanying notes to required supplementary information.

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

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 244,807	\$ 239,716	\$ 235,969	\$ 230,516	\$ 179,006	\$ 174,839
Contributions in relation to the actuarially determined contribution	<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>\$ -</u>	<u>\$ -</u>	<u>\$ (10,363)</u>	<u>\$ (1,164)</u>	<u>\$ (40,034)</u>	<u>\$ (54,564)</u>
Covered payroll	\$ 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	12.85%	12.55%	13.38%	12.78%	12.56%	19.46%
Annual money-weighted rate of return, net of investment expense	6.79%	8.17%	14.63%	-1.71%	6.06%	15.72%

See accompanying notes to required supplementary information.

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 15,904	\$ 15,904	\$ 15,499	\$ 15,499	\$ 15,499	\$ 32,446
Interest	105,594	99,568	104,572	101,719	93,835	92,015
Differences between expected and actual experience	30,657	-	(4,767)	-	73,132	-
Changes of assumptions	9,544	-	2,880	-	7,574	-
Benefit payments, including refunds	(100,596)	(82,164)	(79,183)	(79,183)	(90,423)	(76,336)
Net change in total pension liability	61,103	33,308	39,001	38,035	99,617	48,125
Total pension liability - beginning	1,489,983	1,456,675	1,417,674	1,379,639	1,280,022	1,231,897
Total pension liability - ending	1,551,086	1,489,983	1,456,675	1,417,674	1,379,639	1,280,022
Plan fiduciary net position						
Contributions - employer	119,366	118,916	118,378	67,899	84,999	75,741
Net investment income	72,844	78,013	113,036	(15,570)	47,264	108,825
Benefit payments, including refunds	(100,596)	(82,164)	(79,183)	(79,183)	(90,423)	(76,335)
Administrative expense	(5,266)	(9,401)	(6,384)	(1,258)	(7,555)	(5,714)
Net change in plan fiduciary net position	86,348	105,364	145,847	(28,112)	34,285	102,517
Plan fiduciary net position - beginning	1,043,322	937,958	792,111	820,223	785,938	683,421
Plan fiduciary net position - ending	1,129,670	1,043,322	937,958	792,111	820,223	785,938
Town's net pension liability	<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	72.83%	70.02%	64.39%	55.87%	59.45%	61.40%
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Town's net pension liability as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

See accompanying notes to required supplementary information.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 69,366	\$ 68,916	\$ 68,378	\$ 67,899	\$ 60,756	\$ 59,726
Contributions in relation to the actuarially determined contribution	<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>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ (24,243)</u>	<u>\$ (16,015)</u>
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Contributions as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Annual money-weighted rate of return, net of investment expense	6.77%	8.00%	14.24%	-1.88%	5.90%	15.79%

See accompanying notes to required supplementary information.

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

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

See accompanying notes to required supplementary information.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 150,859	\$ 149,087	\$ 124,744	\$ 123,060	\$ 58,426	\$ 57,942
Contributions in relation to the actuarially determined contribution	<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>\$ (150,000)</u>	<u>\$ (100,000)</u>	<u>\$ (100,791)</u>	<u>\$ -</u>	<u>\$ (13,551)</u>	<u>\$ (12,930)</u>
Covered payroll	\$ 261,790	\$ 235,591	\$ 227,076	\$ 261,743	\$ 251,676	\$ 265,484
Contributions as a percentage of covered payroll	114.92%	105.73%	99.32%	47.02%	28.60%	26.70%
Annual money-weighted rate of return, net of investment expense	6.81%	7.95%	13.49%	-1.57%	5.80%	15.64%

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 FISCAL YEAR

	<u>2019</u>
Town's proportion of the net pension liability	0.029%
Town's proportionate share of the net pension liability	<u><u>\$ 110,986</u></u>
Town's covered payroll	\$ 45,122
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	246.0%
Plan fiduciary net position as a percentage of the total pension liability	73.60%

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
LAST FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 5,297
Contributions in relation to the contractually required contribution	<u>5,297</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered payroll	\$ 45,122
Contributions as a percentage of covered employee payroll	11.74%

See accompanying notes to required supplementary information.

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

	2019	2018	2017	2016	2015
Proportion of the net pension liability attributed to the Town	0.053%	0.056%	0.056%	0.065%	0.065%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	6,968,000	7,611,000	7,977,000	7,112,000	6,574,000
Total	<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	\$ 2,180,000	\$ 2,050,000	\$ 2,251,000	\$ 2,042,000	\$ 2,381,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	61.50%	59.50%

See accompanying notes to required supplementary information.

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

	2019	2018
Total OPEB Liability		
Service Cost	\$ 47,184	\$ 47,848
Interest	66,689	60,010
Changes in benefit terms	-	-
Differences between expected and actual experience	(57,382)	67,055
Changes of assumptions	271,540	(66,975)
Benefit payments, including refunds	3,859	(123,345)
Net change in total pension liability	331,890	(15,407)
Total OPEB liability - beginning	1,674,131	1,689,538
Total OPEB liability - ending	<u>\$ 2,006,021</u>	<u>\$ 1,674,131</u>

See accompanying notes to required supplementary information.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST TWO FISCAL YEARS
(Rounded to the Nearest Thousand)

	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability attributed to the Town	0.053%	0.056%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability attributed to the Town	<u>1,393,000</u>	<u>1,959,000</u>
Total	<u><u>\$ 1,393,000</u></u>	<u><u>\$ 1,959,000</u></u>
Town's covered employee payroll	\$ 2,180,000	\$ 2,050,000
Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

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, 2019

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

BUDGETARY INFORMATION

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, in accordance with provision of its Town Charter.

- 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. During the year, the Board of Finance and Town meetings approved additional appropriations from fund balance of \$682,500.
- 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, 2019

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

BUDGETARY INFORMATION *(Continued)*

A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2019:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses)	Net Change In Fund Balance
Budgetary basis	\$ 24,583,383	\$ 23,969,554	\$ (450,000)	\$ 163,829
On-behalf payments - State Teachers' Retirement System	692,099	692,099	-	-
Change in encumbrances	-	174,047	-	(174,047)
Reserve for capital improvements	-	95,525	-	(95,525)
Reserve for revaluation	-	63,439	12,500	(50,939)
Use of restricted fund balance for debt service	-	69,280	-	(69,280)
Appropriations carried forward	-	-	450,000	450,000
Reimbursement for certain revenues recorded as a reduction to expenditures for budgetary purposes	14,052	14,052	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(604,597)	(604,597)	-
GAAP basis	<u>\$ 25,289,534</u>	<u>\$ 24,473,399</u>	<u>\$ (592,097)</u>	<u>\$ 224,038</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, 2018. The July 1, 2018 Actuarial Valuation directly calculated the July 1, 2018 Total Pension Liability (TPL). The July 1, 2018 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the calculation of the Town Employee Retirement Plan total pension liability calculated as of June 30, 2019:

- The investment rate of return, net of investment-related and administrative expenses was decreased from 7.25% to 7.125%;
- The inflation assumption was decreased from 2.75% to 2.60%;
- The mortality projection scale was updated from MP-2016 to MP-2017; and
- Cost of living increases and payroll growth assumptions were decreased from 3.75% to 3.60%.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2019 are as follows:

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

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

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

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 Actuarial Valuation directly calculated the July 1, 2018 Total Pension Liability (TPL). The July 1, 2018 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the calculation of the Merit Service Plan total pension liability calculated as of June 30, 2019:

- The investment rate of return, net of investment-related and administrative expenses was decreased from 7.25% to 7.125%;
- The inflation assumption was decreased from 2.75% to 2.60%; and
- The mortality projection scale was updated from MP-2016 to MP-2017.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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.

Actuarial determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2019 are as follows:

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

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

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

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 Actuarial Valuation directly calculated the July 1, 2018 Total Pension Liability (TPL). The July 1, 2018 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the calculation of the Police Retirement Plan total pension liability calculated as of June 30, 2019:

- The investment rate of return, net of investment-related and administrative expenses was decreased from 7.25% to 7.125%;
- The inflation assumption was decreased from 2.75% to 2.60%;
- The mortality projection scale was updated from MP-2016 to MP-2017.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2019 are as follows:

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

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

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

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- Investment return assumed rate changed from 8.00% to 7.00%;
- Wage inflation assumed rate changed from 3.50% to 3.00%; and
- Assumed rates of Withdrawal, Disability, Retirement, and Mortality have been adjusted to more closely reflect experience.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2017, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Utilized

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Level dollar, closed;
- Remaining amortization period: 21 years;
- Asset valuation method: Smoothed market with 20% recognition of investment gains and losses;
- Inflation: 2.50%;
- Investment rate of return: 7.00%, net of investment related expenses;
- Salary increases: Varies 3.50% to 10.00%;
- Cost of living adjustments: 2.50% for those retiring on or after January 1, 2002, for retirements prior to January 1, 2002 2.50% up to age 65, 3.25% afterwards;
- Social Security Wage Base: 3.00%; and
- Mortality: The RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB is used by General Employees for the period after retirement and for dependent beneficiaries. 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 is used by Police and Fire for the period after retirement and for dependent beneficiaries. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table projected to 2020 by Scale BB is used.

NOTE 10 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE 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, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- the inflation assumption was reduced from 2.75% to 2.50%;
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%; and
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.

TOWN OF ESSEX, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

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 July 1, 2018. The July 1, 2018 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2019. This information is utilized by the Town for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total OPEB liability reported as of June 30, 2019:

- The discount rate was decreased from 3.87% as of July 1, 2016 to 3.51% as of July 1, 2018; and
- The mortality projection scale was updated from MP-2016 to MP-2017.

NOTE 12 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE 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, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

Benefit Changes - Effective July 1, 2018, the Plan changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2018:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future was updated to better reflect anticipated plan experience.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Property taxes	\$ 22,859,318	\$ 22,859,318	\$ 23,019,978	\$ 160,660
Interest and lien fees	50,000	50,000	148,301	98,301
Total property taxes	<u>22,909,318</u>	<u>22,909,318</u>	<u>23,168,279</u>	<u>258,961</u>
INTERGOVERNMENTAL				
Totally disabled tax relief	-	-	202	202
Veterans tax relief	3,962	3,962	2,884	(1,078)
State education grants	105,065	105,065	99,852	(5,213)
Town Aid Road Fund grant	214,693	214,693	214,517	(176)
LOCIP	47,242	47,242	47,259	17
Grants in lieu of taxes	10,393	10,393	10,393	-
Municipal Grant-In-Aid	74,547	74,547	74,547	-
Other State and Federal grants	3,500	3,500	-	(3,500)
Total intergovernmental	<u>459,402</u>	<u>459,402</u>	<u>449,654</u>	<u>(9,748)</u>
LOCAL REVENUES				
Miscellaneous permits	3,500	3,500	6,003	2,503
Access line tax share	25,000	25,000	20,083	(4,917)
Landfill fees	80,000	80,000	83,210	3,210
Building permits	125,000	125,000	205,400	80,400
Circuit court fines	4,000	4,000	1,670	(2,330)
Zoning permits	7,100	7,100	10,071	2,971
Zoning Board of Appeals	2,160	2,160	1,940	(220)
Planning Commission	2,500	2,500	-	(2,500)
Conveyance tax	110,000	110,000	227,389	117,389
Park and Recreation Fees	4,500	4,500	920	(3,580)
Miscellaneous receipts	15,000	15,000	93,922	78,922
Town clerk fees	115,000	115,000	111,178	(3,822)
Inland wetlands permits	1,440	1,440	1,760	320
Regional recycling fees	62,000	62,000	51,708	(10,292)
Health department fees	7,500	7,500	9,525	2,025
Total local revenues	<u>564,700</u>	<u>564,700</u>	<u>824,779</u>	<u>260,079</u>
INTEREST INCOME	<u>55,000</u>	<u>55,000</u>	<u>140,671</u>	<u>85,671</u>
Total revenues	<u>23,988,420</u>	<u>23,988,420</u>	<u>24,583,383</u>	<u>594,963</u>
OTHER FINANCING SOURCES				
Appropriation of fund balance	109,838	342,338	-	(342,338)
Total revenues and other financing sources	<u>\$ 24,098,258</u>	<u>\$ 24,330,758</u>	<u>\$ 24,583,383</u>	<u>\$ 252,625</u>

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 215,144	\$ 207,297	\$ 149,296	\$ (58,001)
Assessor	119,585	119,585	117,876	(1,709)
Central services	219,178	219,178	214,108	(5,070)
Elections	45,471	49,426	49,425	(1)
Probate court	3,460	3,460	3,460	-
Tax collector	115,444	115,444	112,130	(3,314)
Town clerk	169,863	182,020	182,021	1
Finance department	183,618	183,618	182,390	(1,228)
Zoning enforcement agent	70,901	70,901	70,605	(296)
Fringe benefits	1,046,273	1,046,273	1,042,304	(3,969)
General insurance	191,914	191,914	165,733	(26,181)
Legal services	74,000	74,000	72,274	(1,726)
Public restroom facilities	18,750	18,750	16,068	(2,682)
Technology	212,224	223,997	223,997	-
Board of assessment appeals	1,430	1,430	715	(715)
Board of finance	110,500	35,500	33,880	(1,620)
Conservation commission	12,900	12,922	12,922	-
Economic development commission	14,100	21,600	20,228	(1,372)
IWWC commission	6,340	6,340	5,992	(348)
Land Use - admin	102,127	102,127	100,903	(1,224)
Parks and recreation	184,619	187,808	187,808	-
Parks and recreation commission	1,100	1,100	380	(720)
Planning commission	63,590	63,590	61,692	(1,898)
Tree committee	6,000	6,000	6,000	-
Zoning board of appeals	5,450	5,450	4,211	(1,239)
Zoning commission	7,110	10,914	10,913	(1)
Total general government	<u>3,201,091</u>	<u>3,160,644</u>	<u>3,047,331</u>	<u>(113,313)</u>
PUBLIC SAFETY				
Ambulance/EMT services	21,624	21,624	17,540	(4,084)
Animal control	10,000	10,000	10,000	-
Building department	77,108	77,600	77,601	1
Emergency management	21,400	21,400	15,380	(6,020)
Emergency 911	118,919	118,919	118,919	-
Fire department	357,473	357,473	355,994	(1,479)
Fire marshal	48,667	48,667	48,143	(524)
Harbor patrol	25,486	25,486	24,943	(543)
Police services	382,144	382,144	377,275	(4,869)
Resident state trooper	189,857	189,857	181,678	(8,179)
Water	174,299	174,299	173,287	(1,012)
Total public safety	<u>1,426,977</u>	<u>1,427,469</u>	<u>1,400,760</u>	<u>(26,709)</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
BOARD OF SELECTMEN (Continued)				
HEALTH AND WELFARE				
Estuary transit	\$ 19,620	\$ 19,620	\$ 19,620	\$ -
Sanitarian	114,691	114,691	112,306	(2,385)
Transfer station	274,339	274,339	263,017	(11,322)
Social services	107,305	107,305	96,469	(10,836)
Visiting nurses	66,874	66,874	66,850	(24)
Water pollution control	2,600	2,600	1,354	(1,246)
Total health and welfare	585,429	585,429	559,616	(25,813)
LIBRARIES				
	404,347	404,347	404,347	-
HIGHWAYS AND TRANSPORTATION				
Highway Department	891,008	923,463	923,464	1
Town garage	29,500	29,500	15,612	(13,888)
Total highways and transportation	920,508	952,963	939,076	(13,887)
DEBT SERVICE				
Principal payments	730,000	730,000	730,000	-
Interest and fiscal charges	330,151	330,151	330,151	-
Total debt service	1,060,151	1,060,151	1,060,151	-
CAPITAL OUTLAYS				
Capital and sinking funds	477,500	717,500	707,335	(10,165)
Total capital outlays	477,500	717,500	707,335	(10,165)
Total Board of Selectmen	8,076,003	8,308,503	8,118,616	(189,887)
EDUCATION	16,022,255	16,022,255	15,850,938	(171,317)
Total expenditures	24,098,258	24,330,758	23,969,554	(361,204)
OTHER FINANCING USES				
Appropriations carried forward	-	450,000	450,000	-
Total expenditures and other financing uses	\$ 24,098,258	\$ 24,780,758	\$ 24,419,554	\$ (361,204)
				(Concluded)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
YEAR END JUNE 30, 2019

Grand List Year	Balance Uncollected June 30, 2018	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2019
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2017	\$ -	\$ 23,052,675	\$ 44,895	\$ 64,980	\$ -	\$ 23,032,590	\$ 22,791,092	\$ 52,024	\$ -	\$ 22,843,116	\$ 241,498
2016	219,179		2,576	3,103	-	218,652	96,219	22,366	480	119,065	122,433
2015	136,524	-	2,101	-	45,191	93,434	41,748	15,874	288	57,910	51,686
2014	52,020		-	-	-	52,020	19,837	12,219	240	32,296	32,183
2013	29,405	-	-	-	-	29,405	14,344	9,478	144	23,966	15,061
2012	24,664	-	-	-	-	24,664	12,410	11,641	120	24,171	12,254
2011	15,701	-	-	-	-	15,701	8,570	6,908	120	15,598	7,131
2010	7,895	-	-	-	-	7,895	4,538	3,712	48	8,298	3,357
2009	4,444	-	-	-	-	4,444	1,197	1,688	24	2,909	3,247
2008	6,141	-	-	-	-	6,141	1,151	1,830	24	3,005	4,990
2007	3,989	-	-	-	-	3,989	852	1,508	24	2,384	3,137
2006	744	-	-	-	-	744	744	1,450	24	2,218	-
2005	713	-	-	-	-	713	713	1,518	24	2,255	-
2004	682	-	-	-	-	682	682	1,575	24	2,281	-
2003	164	-	-	-	-	164	164	39	24	227	-
	<u>\$ 502,265</u>	<u>\$ 23,052,675</u>	<u>\$ 49,572</u>	<u>\$ 68,083</u>	<u>\$ 45,191</u>	<u>\$ 23,491,238</u>	<u>\$ 22,994,261</u>	<u>\$ 143,830</u>	<u>\$ 1,608</u>	<u>\$ 23,139,699</u>	<u>\$ 496,977</u>

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
JUNE 30, 2019

Total cash collections for the year ended
June 30, 2019:

Taxes	\$ 22,994,261
Interest and lien fees	145,438
	<u>23,139,699</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	3,363
--------------------------	-------

Base \$ 23,143,062

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 52,071,890	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	104,143,779	-	-	-
3-3/4 times base	-	-	86,786,483	-	-
3-1/4 times base	-	-	-	75,214,952	-
3 times base	-	-	-	-	69,429,186
	<u>52,071,890</u>	<u>104,143,779</u>	<u>86,786,483</u>	<u>75,214,952</u>	<u>69,429,186</u>
Total debt limitation					
	<u>52,071,890</u>	<u>104,143,779</u>	<u>86,786,483</u>	<u>75,214,952</u>	<u>69,429,186</u>
Indebtedness:					
Bonds payable	4,174,365	7,440,635	-	-	-
Shared debt - Regional School District No. 4	-	2,641,368 *	-	-	-
Authorized, unissued bonds	1,414,555	-	-	-	-
Total indebtedness	<u>5,588,920</u>	<u>10,082,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 46,482,970</u>	<u>\$ 94,061,776</u>	<u>\$ 86,786,483</u>	<u>\$ 75,214,952</u>	<u>\$ 69,429,186</u>
Total capacity of borrowing (7 times base)	162,001,434				
Total present indebtedness	<u>15,670,923</u>				
Margin for additional borrowing	<u>\$ 146,330,511</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, 2019.

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, 2019

	Capital and Nonrecurring Expenditures Fund						
	Fire Truck	Truck and Equipment	Constable Cars	Harbor Patrol	Wastewater Study	Parks and Recreation	Veterans Memorial
REVENUES							
Interest	\$ 10,476	\$ 47	\$ 1,092	\$ 806	\$ 2,099	\$ 2,420	\$ -
EXPENDITURES							
Capital outlays	106,576	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	(96,100)	47	1,092	806	2,099	2,420	-
OTHER FINANCING SOURCES (USES)							
Transfers in	210,000	-	35,000	2,500	-	30,000	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	210,000	-	35,000	2,500	-	30,000	-
Net change in fund balances	113,900	47	36,092	3,306	2,099	32,420	-
Fund balances - beginning	606,993	2,838	51,219	46,364	127,327	116,787	20
Fund balances - ending	<u>\$ 720,893</u>	<u>\$ 2,885</u>	<u>\$ 87,311</u>	<u>\$ 49,670</u>	<u>\$ 129,426</u>	<u>\$ 149,207</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, 2019

	Capital and Nonrecurring Expenditures Fund						
	Open Space	Essex Elementary	Local Bridge Replacement	Essex Ambulance	Other	Eliminations	Total
REVENUES							
Interest	\$ 2,090	\$ 3,946	\$ 907	\$ 453	\$ 2,738	\$ -	\$ 27,074
EXPENDITURES							
Capital outlays	-	43,138	-	-	-	-	149,714
Excess (deficiency) of revenues over expenditures	2,090	(39,192)	907	453	2,738	-	(122,640)
OTHER FINANCING SOURCES (USES)							
Transfers in	20,000	105,000	105,000	37,500	-	(25,000)	520,000
Transfers out	-	-	-	-	(25,000)	25,000	-
Total other financing sources (uses)	20,000	105,000	105,000	37,500	(25,000)	-	520,000
Net change in fund balances	22,090	65,808	105,907	37,953	(22,262)	-	397,360
Fund balances - beginning	106,758	222,448	-	-	191,052	-	1,471,806
Fund balances - ending	<u>\$ 128,848</u>	<u>\$ 288,256</u>	<u>\$ 105,907</u>	<u>\$ 37,953</u>	<u>\$ 168,790</u>	<u>\$ -</u>	<u>\$ 1,869,166</u>
							<i>(Concluded)</i>

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Nonmajor Special Revenue Funds										
	Dog Fund	School Cafeteria Fund	Harbor Commission Fund	Constable Private Duty Fund	Historic Documents Fund	Recreational Programs Fund	Education Grants Fund	CVA Pump Out Boat Fund	Tree Committee Fund	Total
ASSETS										
Cash and cash equivalents	\$ 53,578	\$ 26,501	\$ 33,625	\$ 166,730	\$ 3,682	\$ 11,731	\$ -	\$ -	\$ -	\$ 295,847
Receivables:										
Grants and contracts	-	6,004	-	-	-	-	12,473	-	-	18,477
Other	-	22	-	46,596	-	-	-	-	-	46,618
Due from other funds	2,459	-	37,317	-	1,537	94,189	1,951	4,765	3,980	146,198
Other	-	2,984	-	-	-	-	-	93	-	3,077
Total assets	<u>\$ 56,037</u>	<u>\$ 35,511</u>	<u>\$ 70,942</u>	<u>\$ 213,326</u>	<u>\$ 5,219</u>	<u>\$ 105,920</u>	<u>\$ 14,424</u>	<u>\$ 4,858</u>	<u>\$ 3,980</u>	<u>\$ 510,217</u>
LIABILITIES										
Accounts payable	\$ 3,670	\$ 1,442	\$ -	\$ -	\$ -	\$ 10,097	\$ 4,059	\$ 1,291	\$ -	\$ 20,559
Due to other funds	-	-	11,117	180,856	-	-	-	-	-	191,973
Unearned revenue	-	-	-	-	-	48,904	-	3,474	-	52,378
Due to others	-	23,142	-	-	-	-	9,957	-	-	33,099
Total liabilities	<u>3,670</u>	<u>24,584</u>	<u>11,117</u>	<u>180,856</u>	<u>-</u>	<u>59,001</u>	<u>14,016</u>	<u>4,765</u>	<u>-</u>	<u>298,009</u>
FUND BALANCES										
Nonspendable	-	2,984	-	-	-	-	-	93	-	3,077
Restricted	-	7,943	-	-	5,219	-	408	-	-	13,570
Committed	52,367	-	59,825	32,470	-	46,919	-	-	3,980	195,561
Total fund balances	<u>52,367</u>	<u>10,927</u>	<u>59,825</u>	<u>32,470</u>	<u>5,219</u>	<u>46,919</u>	<u>408</u>	<u>93</u>	<u>3,980</u>	<u>212,208</u>
Total liabilities and fund balances	<u>\$ 56,037</u>	<u>\$ 35,511</u>	<u>\$ 70,942</u>	<u>\$ 213,326</u>	<u>\$ 5,219</u>	<u>\$ 105,920</u>	<u>\$ 14,424</u>	<u>\$ 4,858</u>	<u>\$ 3,980</u>	<u>\$ 510,217</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Nonmajor Special Revenue Funds									
	Dog Fund	School Cafeteria Fund	Harbor Commission Fund	Constable Private Duty Fund	Historic Documents Fund	Recreational Programs Fund	Education Grants Fund	CVA Pump Out Boat Fund	Tree Committee Fund	Total
REVENUES										
Intergovernmental	\$ -	\$ 46,937	\$ -	\$ -	\$ -	\$ -	\$ 123,516	\$ 103,279	\$ -	\$ 273,732
Local	15,552	72,592	18,000	113,502	4,035	79,982	-	-	425	304,088
Interest	-	-	112	-	-	-	-	-	-	112
Total revenues	15,552	119,529	18,112	113,502	4,035	79,982	123,516	103,279	425	577,932
EXPENDITURES										
Current:										
General government	29,420	-	12,172	-	1,278	91,169	6,103	-	366	140,508
Public safety	-	-	5,346	93,630	-	-	43,051	-	-	142,027
Health and welfare	-	-	-	-	-	-	21,179	72,760	-	93,939
Education	-	138,230	-	-	-	-	52,478	-	-	190,708
Debt Service:										
Principal payments	-	-	-	-	-	-	-	19,624	-	19,624
Interest and fiscal charges	-	-	-	-	-	-	-	2,883	-	2,883
Capital outlays	-	-	70,550	-	-	-	705	-	-	71,255
Total expenditures	29,420	138,230	88,068	93,630	1,278	91,169	123,516	95,267	366	660,944
Excess (deficiency) of revenues over expenditures	(13,868)	(18,701)	(69,956)	19,872	2,757	(11,187)	-	8,012	59	(83,012)
OTHER FINANCING SOURCES										
Transfers in	10,000	57,097	5,000	-	-	-	-	-	-	72,097
Net change in fund balances	(3,868)	38,396	(64,956)	19,872	2,757	(11,187)	-	8,012	59	(10,915)
Fund balances - beginning	56,235	(27,469)	124,781	12,598	2,462	58,106	408	(7,919)	3,921	223,123
Fund balances - ending	\$ 52,367	\$ 10,927	\$ 59,825	\$ 32,470	\$ 5,219	\$ 46,919	\$ 408	\$ 93	\$ 3,980	\$ 212,208

FIDUCIARY FUNDS

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2019

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ASSETS				
Cash and cash equivalents	\$ 27,695	\$ 9,588	\$ 9,174	\$ 46,457
Investments				
Mutual funds	3,759,403	1,120,082	1,245,396	6,124,881
Total assets	<u>3,787,098</u>	<u>1,129,670</u>	<u>1,254,570</u>	<u>6,171,338</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 3,787,098</u>	<u>\$ 1,129,670</u>	<u>\$ 1,254,570</u>	<u>\$ 6,171,338</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ADDITIONS				
Contributions:				
Employer	\$ 244,807	\$ 119,366	\$ 300,859	\$ 665,032
Plan members	-	-	8,338	8,338
Total contributions	<u>244,807</u>	<u>119,366</u>	<u>309,197</u>	<u>673,370</u>
Investment earnings:				
Net change in the fair value of investments	123,974	40,774	37,428	202,176
Interest and dividends	<u>122,802</u>	<u>36,741</u>	<u>40,681</u>	<u>200,224</u>
Total investment earnings	<u>246,776</u>	<u>77,515</u>	<u>78,109</u>	<u>402,400</u>
Total additions	<u>491,583</u>	<u>196,881</u>	<u>387,306</u>	<u>1,075,770</u>
DEDUCTIONS				
Benefit payments	290,903	100,596	134,016	525,515
Administrative expenses	<u>5,267</u>	<u>9,937</u>	<u>5,267</u>	<u>20,471</u>
Total deductions	<u>296,170</u>	<u>110,533</u>	<u>139,283</u>	<u>545,986</u>
Change in net position	195,413	86,348	248,023	529,784
Net position - beginning	<u>3,591,685</u>	<u>1,043,322</u>	<u>1,006,547</u>	<u>5,641,554</u>
Net position - ending	<u>\$ 3,787,098</u>	<u>\$ 1,129,670</u>	<u>\$ 1,254,570</u>	<u>\$ 6,171,338</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

	Elementary School Activity Fund	Performance Bond Fund	Special Project Escrow Fund	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 21,663	\$ 20,900	\$ 3,263	\$ 45,826
Investments	-	111,182	-	111,182
Receivable	-	75,499	48,868	124,367
Total assets	<u>\$ 21,663</u>	<u>\$ 207,581</u>	<u>\$ 52,131</u>	<u>\$ 281,375</u>
LIABILITIES				
Due to others	\$ -	\$ 207,581	\$ 52,131	\$ 259,712
Due to student groups	21,663	-	-	21,663
Total liabilities	<u>\$ 21,663</u>	<u>\$ 207,581</u>	<u>\$ 52,131</u>	<u>\$ 281,375</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
Elementary School Activity Fund				
Assets				
Cash and cash equivalents	\$ 19,543	\$ 10,620	\$ 8,500	\$ 21,663
Total assets	<u>\$ 19,543</u>	<u>\$ 10,620</u>	<u>\$ 8,500</u>	<u>\$ 21,663</u>
Liabilities				
Due to student groups	\$ 19,543	\$ 10,620	\$ 8,500	\$ 21,663
Total liabilities	<u>\$ 19,543</u>	<u>\$ 10,620</u>	<u>\$ 8,500</u>	<u>\$ 21,663</u>
Performance Bond Fund				
Assets				
Cash and cash equivalents	\$ 20,886	\$ 14	\$ -	\$ 20,900
Investments	111,626	111,182	111,626	111,182
Receivable	83,449	11,800	19,750	75,499
Total assets	<u>\$ 215,961</u>	<u>\$ 122,996</u>	<u>\$ 131,376</u>	<u>\$ 207,581</u>
Liabilities				
Due to others	\$ 215,961	\$ 122,996	\$ 131,376	\$ 207,581
Total liabilities	<u>\$ 215,961</u>	<u>\$ 122,996</u>	<u>\$ 131,376</u>	<u>\$ 207,581</u>
Special Project Escrow Fund				
Assets				
Cash and cash equivalents	\$ 3,263	\$ -	\$ -	\$ 3,263
Receivable	49,756	9,163	10,051	48,868
Total assets	<u>\$ 53,019</u>	<u>\$ 9,163</u>	<u>\$ 10,051</u>	<u>\$ 52,131</u>
Liabilities				
Due to others	\$ 53,019	\$ 9,163	\$ 10,051	\$ 52,131
Total liabilities	<u>\$ 53,019</u>	<u>\$ 9,163</u>	<u>\$ 10,051</u>	<u>\$ 52,131</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 43,692	\$ 10,634	\$ 8,500	\$ 45,826
Investments	111,626	111,182	111,626	111,182
Receivable	133,205	20,963	29,801	124,367
Total assets	<u>\$ 288,523</u>	<u>\$ 142,779</u>	<u>\$ 149,927</u>	<u>\$ 281,375</u>
Liabilities				
Due to others	\$ 268,980	\$ 132,159	\$ 141,427	\$ 259,712
Due to student groups	19,543	10,620	8,500	21,663
Total liabilities	<u>\$ 288,523</u>	<u>\$ 142,779</u>	<u>\$ 149,927</u>	<u>\$ 281,375</u>