

# **Town of Manchester-by-the-Sea**

**MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**For the Fiscal Year Ended June 30, 2017**

Gregory Federspiel, Town Administrator  
Andrea Mainville, Town Accountant

On the cover: Watercolor of Tuck's Point Rotunda by Olga Hayes, local artist and 2017 Town volunteer of the year.

This page: Marsh Mist by Olga Hayes



# **The Town of Manchester-by-the-Sea, Massachusetts**



## **Comprehensive Annual Financial Report**

**For the Fiscal Year  
July 1, 2016 through June 30, 2017**

**Prepared by:  
Andrea Mainville, Town Accountant**

TOWN OF MANCHESTER-BY-THE-SEA, MASSACHUSETTS  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

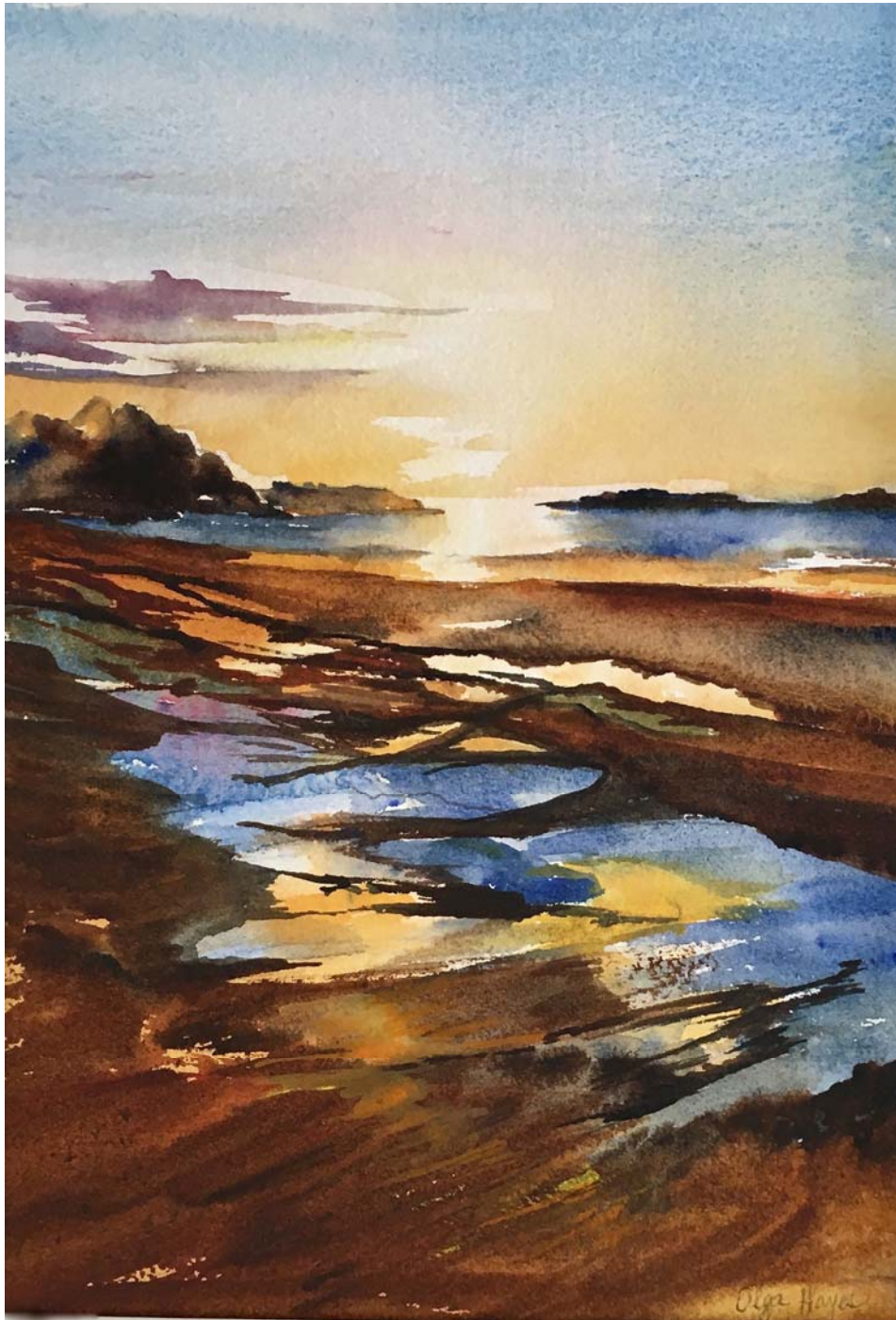
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## ***Introductory Section***



*Sunrise over Singing Beach by Olga Hayes*

# ***Introductory Section***

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## MANCHESTER-BY-THE-SEA

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### Letter of Transmittal

December 21, 2017

To the Honorable Board of Selectmen and Citizens of the Town of Manchester-by-the-Sea:

State law requires the Town of Manchester-by-the-Sea to publish at the close of each year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, I hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Manchester-by-the-Sea, Massachusetts, for the year ending June 30, 2017 for your review.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and credit raters as well as residents and taxpayers of Manchester-by-the-Sea.

This report consists of management's representations concerning the finances of the Town of Manchester-by-the-Sea. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Town Accountant is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Because the cost of internal controls should not outweigh their benefits, the Town of Manchester-by-the-Sea's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Town of Manchester-by-the-Sea's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Manchester-by-the-Sea for the year ended June 30, 2017, are free of

material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Manchester-by-the-Sea's financial statements for the year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A where the financial analysis is presented. The Town's MD&A can be found immediately following the independent auditor's report from Powers & Sullivan, LLC.

### ***Profile of the Town***

Manchester-by-the-Sea was incorporated as a Town in 1645. Most recently, by means of petition to the Legislature, approval was granted to officially change its name to Manchester-by-the-Sea. Thus, the name the Town was commonly known as for many decades became legal some 344 years after its incorporation. With a population of approximately 5,692, Manchester-by-the-Sea is located in what is traditionally known as the "North Shore", approximately 30 miles from the City of Boston, within the county of Essex. Manchester-by-the-Sea is a residential seashore community situated on the Atlantic Ocean encompassing approximately 9 square miles with approximately 12.8 miles of tidal shore line providing beaches, a perfect yachting haven, and commercial fishing. The Town is serviced by two state highways: a primary highway route 128 and a scenic highway route 127. The Town is also serviced by a commuter rail branch connecting directly to the City of Boston.

Manchester-by-the-Sea is probably best known for its exceptionally beautiful beaches and harbor, its pleasant residential character, its numerous buildings of historical significance and its handsome estates as well as excellent education system. Manchester-by-the-Sea students consistently score in the top percentiles on national tests, and the overwhelming majority of students graduating from the High School go on to higher education. Manchester-by-the-Sea High School was ranked number nine on the Boston Magazine's best districts list.

The Town offers a full range of services including full time police and fire departments, kindergarten through grade 12 school system, maintenance of streets and infrastructure, solid waste collection and disposal, health and human services, cultural and recreational, administrative and financial services.

The Town operates under a Board of Selectmen/Open Town Meeting/Town Administrator form of government. The elected, five-member Board of Selectmen makes policy decisions. The Town Administrator is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the day-to-day operations of the Town.

Manchester is part of the Manchester-Essex Regional School District (MERSD) which serves the Towns of Manchester and Essex. The District was formed in 2001 under Chapter 71 of the Massachusetts General Laws. An elected, seven-member School Committee governs the District, which consists of members from each Town. The School Committee appoints a School Superintendent who administers the public school system of the District. School Committee members, like the Board of Selectmen, are elected to three-year staggered terms, with four members from the Town of Manchester-by-the-Sea and three from the Town of Essex. The Town also participates in the Essex North Shore Regional Vocational-Technical School District which provides vocational-technical education in grades nine through twelve.

The Town Administrator is charged with preparing and presenting the General Fund, Enterprise Fund and Capital plan budgets to the Board of Selectmen. The Selectmen review all requests and Town wide issues and present a budget to Town Meeting for approval. A nine member Finance Committee reviews the budget and makes recommendations to Town Meeting.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Finance Committee, upon request by the Board of Selectmen, may approve during the year a transfer from a reserve fund established at Town Meeting or transfer unexpended funds within a summary category (for example, General Government). These controls ensure compliance with the budget approved by Town Meeting.

### ***Information Useful in Assessing the Town's Economic Condition***

The Town of Manchester-by-the-Sea real estate continues to experience strong growth in terms of value and new construction in residential home construction and renovations. Residential properties comprise 93% of the tax levy. In fiscal year 2017, single family dwellings had an average assessment of \$1.1 million and an average tax bill of \$12,208 based on a single tax rate of \$11.00. The per capita income of \$69,930 continues to rise compared to the state average of \$33,966 according to the 2010 federal census. Manchester-by-the-Sea also has a low comparable unemployment rate (as of April 2017) of 2.9% compared with the state rate of 3.8%.

Manchester-by-the-Sea is a very desirable community and this is reflected in the strong residential sales market, which has risen above the pre-fiscal crisis levels. The Town offers a unique mix of proximity to Boston and major highways and transportation, while maintaining a desirable residential community. The Town offers a broad range of high quality services, outstanding public education and an attractive quality of life.

The growth of the Town's main source of revenues, property taxes, is capped by Proposition 2 ½ and can only be overridden by a majority vote at a Town election. While tax revenue increases have been limited in recent years, other revenue sources, such as State aid and local receipts have stabilized. In addition, the Town has made significant efforts with fixed costs budgets, resulting in much improved budgets in health insurance and benefit accounts. On the Town's operating side, the 2017 budgets and service level were maintained through a modest 2-3.5% increase in the budget. This allowed the Town to continue to provide high quality services while minimizing the impact on the property tax burden. The Town continues to work on the health insurance costs resulting in continued savings. The changes included plan restructuring and continuation of working with unions related to the Town and employee percentage shares.

The Town continues to manage its financial affairs in a prudent manner, primarily through considerable long-term planning and financial policies. The Town continues to enjoy a bond rating of AAA by Standard & Poor's. It has been able to do so by incorporating long range planning tools such as a five-year Capital Improvement Program, adding to reserve balances and addressing long term liabilities despite tight budgets. The Town's long-term policies will preserve its strong financial position for the foreseeable future.

In 2017, the Town continued to demonstrate its commitment to the Financial Policy of maintaining and building its reserve accounts. Despite a tight budget process the Town continues its commitment to build the Stabilization account to the policy goal level, which is 5-10% of general operating revenues. The April 2017 Annual Town Meeting appropriated \$100,000 to the Stabilization Fund and \$245,864 to the OPEB Liability Account. The Town plans to continue to fund these reserves in future years.

The Town has remained dedicated to a strategic approach of debt policy. Whenever possible, new issuances of debt are issued when previous debt issuances are fully retired. The Town debt management keeps debt service payments level each year when possible. In fiscal year 2017, at the April 2017 Annual Town Meeting, the Town authorized debt to continue ongoing water and sewer system improvements. In addition, slated for fiscal year 2018 the Town approved a one-time capital exclusion of \$300,000 for the purchase and LED conversion of the street lights in Town. This amount is the difference between the targeted level debt service and current debt service that is expected to drop as old debt issuances are paid off.

The Town established enterprise funds for water and sewer operations. This has allowed the Town to shift large portions of the operating costs and capital improvements to the users of water and sewer services so that no tax support goes towards providing these services. A portion of sewer related debt is related to the sewer infrastructure and the long term goal is to be able to fully cover all infrastructure debt service for water and sewer by user fees. By doing so the Town will be able to provide the maximum tax dollars available to all other services.

The Town's assessment to MERSD continues to grow due to increased student population and increased valuation of the Town's real estate compared to the Town of Essex. The Town and school district continue to try to work together to stay within budget parameters. Starting fall of 2017, the boards of both Towns and the school will start meeting earlier to discuss the short and long-term budgets for the school, how the rebuilding or renovation of the Manchester Memorial Elementary School will impact each Town and the school as well as where the rebuilding or renovation of the Essex Elementary School falls afterward.

Major initiatives for 2018 include a Town-wide facility study, purchasing and converting the Town's streetlights to LED, completing the first part of the harbor dredging effort, continuing the septic loan program initiative and feasibility study for the replacement or renovation of the Manchester Memorial Elementary School which is part of the Manchester-Essex Regional School District, and many other infrastructure studies and improvements most of which are for water and sewer infrastructure improvements. Particular focus will be given to ensuring that we continue to review our capital and operating needs while balancing with expected revenues from the tax levy, charges for services and other sources.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Manchester-by-the-Sea, Massachusetts for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the first year the Town submitted a CAFR to the GFOA. Based on information available on the GFOA website, only thirty-five municipalities in Massachusetts received this distinction for fiscal year 2015. In order to receive this prestigious award, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2017 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report represents significant effort by the entire financial team of the Town. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Selectmen and Finance Committee for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Manchester-by-the-Sea's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Andrea Mainville". The signature is written in dark ink and is positioned above the printed name and title.

Andrea Mainville  
Town Accountant

# Town of Manchester-by-the-Sea, Massachusetts

## Principal Executive Officers

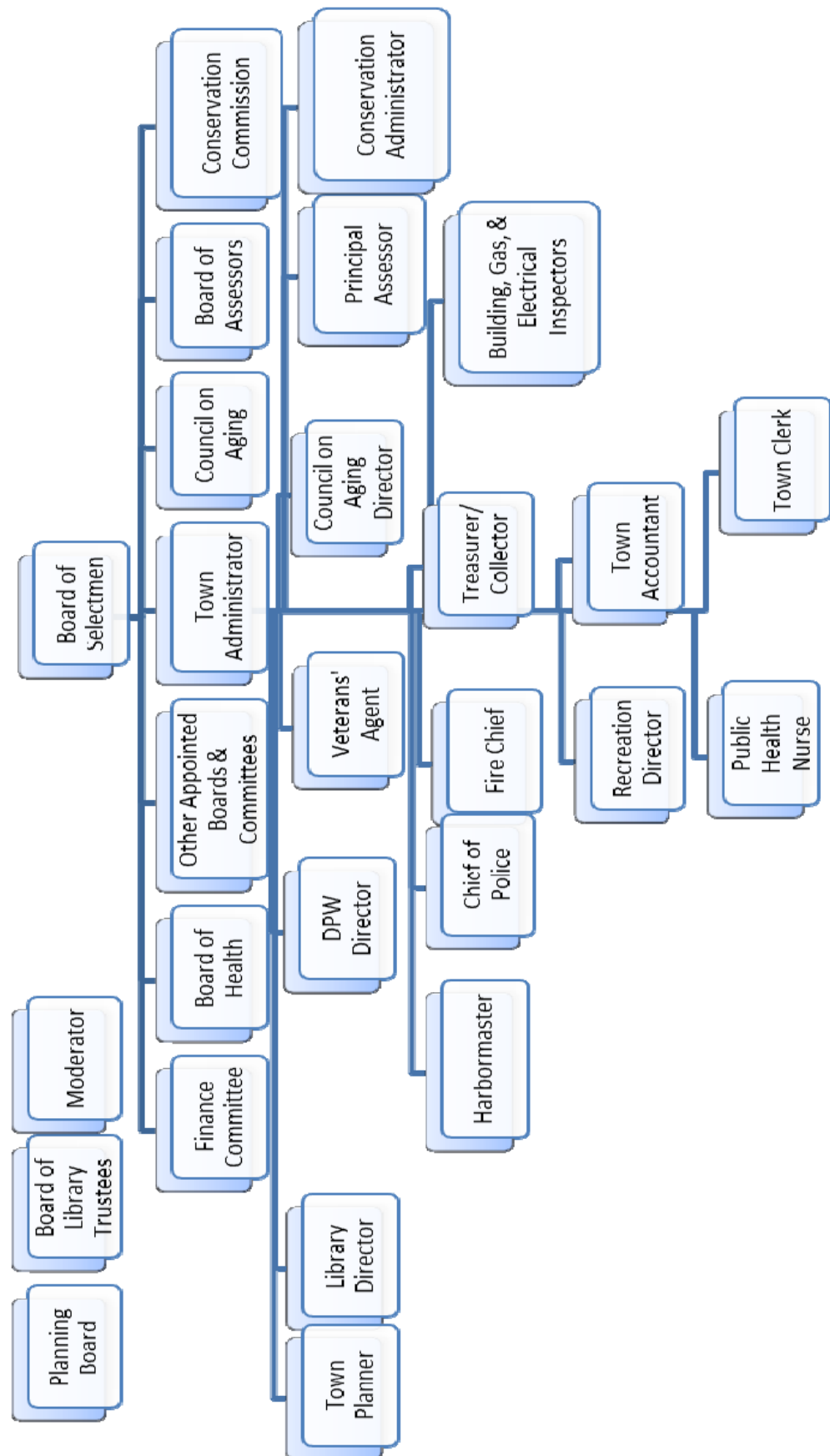
TITLE	NAME	SELECTION / TERM	TERM EXPIRES
Selectman, Chairman	Eli G. Boling	Elected / 3 years	2019
Selectman, Vice Chairman	Susan M. Beckmann	Elected / 3 years	2019
Selectman	Thomas P. Kehoe	Elected / 3 years	2018
Selectman	Margaret F. Driscoll	Elected / 3 years	2017
Selectman	Paul M. Barclay*	Elected / 3 years	2017
Selectman	Arthur Steinert	Elected / 3 years	2020
Town Administrator	Gregory Federspiel	Appointed / 3 years	2019
Treasurer	Jennifer Yaskell	Appointed / 3 years	2017
Town Accountant	Andrea Mainville	Appointed / 3 years	2018
Town Clerk	Denise Samolchuk	Appointed / 3 years	2019
Town Counsel	Kopelman & Paige	Appointed / 1 year	no expiration date

\* Term ended May 16, 2017



## Town of Manchester-By-The-Sea, Massachusetts

### Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Manchester-by-the-Sea  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

## ***Financial Section***



*Eaglehead in Snow by Olga Hayes*

# ***Financial Section***

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Manchester-By-The-Sea, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manchester-By-The-Sea, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Manchester-by-the-Sea, Massachusetts' basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manchester-By-The-Sea, Massachusetts, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 of Manchester-By-The-Sea, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements 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 financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the Town of Manchester-By-The-Sea, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Manchester-By-The-Sea, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

December 21, 2017

# **Management's Discussion and Analysis**

## ***Management's Discussion and Analysis***

As management of the Town of Manchester-By-The-Sea, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of the financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Manchester-By-The-Sea's basic financial statements. These basic financial statements are comprised of 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 finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, environmental, human services, community preservation, library and recreation, and interest. The business-type activities include the activities of the water and sewer activities.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary 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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 of Manchester-By-The-Sea adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

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

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

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's budgetary basis of accounting as well as pension and other postemployment benefit obligations.

## ***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Manchester-By-The-Sea's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.5 million at the close of 2017. Overall net position increased (improved) by \$3.5 million during fiscal year 2017.

Net position of \$19 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$5.4 million. The deficit is the result of the recognition of the net pension liability of \$13.2 million, along with the other postemployment benefits liability of \$1.4 million. These are long-term unfunded liabilities that will not require significant short-term resources.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the Town's OPEB Trust fund. Its sister standard, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*, is required to be implemented in FY2018. This standard will affect the financial statements themselves by requiring the Town to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.

## Governmental Activities

The Town of Manchester-By-The-Sea's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.5 million at the close of 2017.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 12,959,025	\$ 11,700,583
Capital assets, not being depreciated.....	1,199,342	1,370,791
Capital assets, net of accumulated depreciation.....	8,958,291	7,765,454
<b>Total assets.....</b>	<b>23,116,658</b>	<b>20,836,828</b>
<b>Deferred outflows of resources:</b>		
Deferred outflows of resources related to pensions.....	<b>1,442,814</b>	<b>1,112,828</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	908,418	928,446
Noncurrent liabilities (excluding debt).....	13,523,535	12,885,233
Current debt.....	685,248	912,400
Noncurrent debt.....	5,718,752	4,964,000
<b>Total liabilities.....</b>	<b>20,835,953</b>	<b>19,690,079</b>
<b>Deferred inflows of resources:</b>		
Deferred inflows of resources related to pensions.....	<b>219,301</b>	-
<b>Net Position:</b>		
Net investment in capital assets.....	7,726,871	6,786,763
Restricted.....	1,986,033	2,156,367
Unrestricted.....	(6,208,686)	(6,683,553)
<b>Total net position.....</b>	<b>\$ 3,504,218</b>	<b>\$ 2,259,577</b>

The Town's governmental net position increased by \$1.2 million from the prior year's net position of \$2.3 million, to \$3.5 million at year-end. This increase was primarily due to better than anticipated budgetary results in the general fund.

	2017	2016
<b>Program revenues:</b>		
Charges for services.....	\$ 2,509,850	\$ 2,502,505
Operating grants and contributions.....	544,773	754,588
Capital grants and contributions.....	306,708	360,084
<b>General Revenues:</b>		
Real estate and personal property taxes.....	26,065,847	24,831,700
Tax liens.....	6,805	26,735
Motor vehicle and other excise taxes.....	1,202,892	1,033,774
Community preservation taxes.....	343,859	327,590
Payments in lieu of taxes.....	1,055	4,749
Nonrestricted grants and contributions.....	219,009	212,326
Unrestricted investment income.....	59,579	161,990
<b>Total revenues.....</b>	<b>31,260,377</b>	<b>30,216,041</b>
<b>Expenses:</b>		
General Government.....	2,318,805	2,211,434
Public Safety.....	5,694,741	5,503,516
Education.....	14,866,246	14,496,087
Public Works.....	2,676,687	2,303,016
Environmental.....	76,397	66,933
Human Services.....	436,344	405,808
Library and Recreation.....	1,596,546	1,565,026
Community Preservation.....	297,544	273,043
Interest.....	206,254	185,726
<b>Total expenses.....</b>	<b>28,169,564</b>	<b>27,010,589</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>3,090,813</b>	<b>3,205,452</b>
<b>Transfers.....</b>	<b>(1,846,172)</b>	<b>(187,716)</b>
<b>Change in net position.....</b>	<b>1,244,641</b>	<b>3,017,736</b>
<b>Beginning net position.....</b>	<b>2,259,577</b>	<b>(758,159)</b>
<b>Ending net position.....</b>	<b>\$ 3,504,218</b>	<b>\$ 2,259,577</b>

The governmental expenses totaled \$28.2 million of which \$3.4 million (11.9%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions. General government expenses increased approximately \$1.2 million (4%). Education increased \$370,000 due to the regional school district formula which determines the Town's assessment. General revenues totaled \$27.9 million, primarily coming from property taxes, motor vehicle excise and non-restricted grants and contributions. The Town made capital contributions of \$1.4 million to the water enterprise fund during fiscal year 2017 for a water main replacement project and \$99,000 to the sewer enterprise fund for capital related costs.



## Business-Type Financial Analysis

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12 million at the close of 2017.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 3,432,238	\$ 3,998,663
Noncurrent assets (excluding capital).....	37,920	55,660
Capital assets not being depreciated.....	368,892	175,000
Capital assets, net of accumulated depreciation.....	12,249,322	12,014,199
<b>Total assets.....</b>	<b>16,088,372</b>	<b>16,243,522</b>
<b>Deferred outflows of resources:</b>		
Deferred outflows of resources related to pensions.....	126,802	113,313
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	338,501	616,318
Noncurrent liabilities (excluding debt).....	1,170,475	1,266,423
Current debt.....	2,252,895	4,371,293
Noncurrent debt.....	392,555	311,000
<b>Total liabilities.....</b>	<b>4,154,426</b>	<b>6,565,034</b>
<b>Deferred inflows of resources:</b>		
Deferred inflows of resources related to pensions.....	19,273	-
<b>Net Position:</b>		
Net investment in capital assets.....	11,249,805	10,150,738
Unrestricted.....	791,670	(358,937)
<b>Total net position.....</b>	<b>\$ 12,041,475</b>	<b>\$ 9,791,801</b>

Business-type net position of \$11.2 million represents the net investment in capital assets while \$792,000 is unrestricted. The Town's business-type activities net position increased by \$2.2 million in the current year. This was primarily the result of a \$1.8 million in transfers and capital contributions from governmental funds related to a capital projects, including a water main replacement project which will be funded through \$1.4 million in debt to be repaid by governmental funds.

	2017	2016
<b>Program revenues:</b>		
Charges for services.....	\$ 2,442,228	\$ 2,411,201
Operating grants and contributions.....	32,269	52,487
Capital grants and contributions.....	-	1,253,267
<b>Total revenues.....</b>	<b><u>2,474,497</u></b>	<b><u>3,716,955</u></b>
<b>Expenses:</b>		
Water.....	1,177,721	1,458,045
Sewer.....	893,274	967,062
<b>Total expenses.....</b>	<b><u>2,070,995</u></b>	<b><u>2,425,107</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>403,502</b>	<b>1,291,848</b>
<b>Transfers.....</b>	<b><u>1,846,172</u></b>	<b><u>187,716</u></b>
<b>Change in net position.....</b>	<b>2,249,674</b>	<b>1,479,564</b>
<b>Beginning net position.....</b>	<b><u>9,791,801</u></b>	<b><u>8,312,237</u></b>
<b>Ending net position.....</b>	<b><u>\$ 12,041,475</u></b>	<b><u>\$ 9,791,801</u></b>

The increase is the net result of an increase of \$516,000 in the sewer enterprise and an increase of \$1.7 million in the water enterprise. The enterprise funds are generally designed to recover the cost of providing services through operating revenue. The costs are not set to recover the depreciation of capital assets, and the recognition of long-term liabilities such as other pension, postemployment benefits, and compensated absences, which has decreased the net position in prior years when these liabilities were first recorded. Certain capital projects are also not funded through rates. As a result, the general government recorded \$1.8 million in transfers and capital contributions to the enterprise funds to finance capital projects. The water fund also received a \$1.3 million insurance reimbursement in the prior year related to the water treatment plant roof. The increase in the sewer fund is primarily the result of subsidies from the Massachusetts Clean Water Trust (MCWT) used to offset a portion of the cost of the debt in the sewer enterprise fund. The statement of cash flows more closely reports the activity in which the rates are set.

### ***Financial Analysis of the Government'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 a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$11.2 million, an increase of \$1 million in comparison with the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$5.7 million, and total fund balance totaled \$7.6 million. Fund balance of \$1.4 million is committed for Town Meeting articles and \$436,000 is assigned for encumbrances and amounts voted to fund the subsequent year's budget. The general fund increased \$1.5 million during the year which was primarily due to

budgetary surpluses. The surpluses were generated from conservative revenue estimates and various departmental turnbacks.

The community preservation major fund is used to account for the acquisition, creation, preservation, or rehabilitation of areas of open space, historic preservation, community housing and recreation. The fund balance totaled \$1.1 million at year end, a decrease of \$76,000 from the prior year. The net decrease of \$76,000 in the fund balance relates only to the timing of projects funded with CPA funds. The Town collected \$344,000 from property tax surcharges and \$58,000 from matching State funds. In 2015, the Town increased the property tax surcharge to the maximum of 3% for only one year. In 2016, the property tax surcharge was decreased back to 1.5%. Expenditures in 2017 totaled \$485,000 and related to a variety of projects including the Town Hall boat ramp project, Crowell Chapel fire safety improvements, and Town Hall exterior painting.

The highway improvements major fund is used to account for the construction, reconstruction and improvements of roadways, streets and sidewalks funded by state grants. The Town did not have any activity in this fund during fiscal year 2017 and has recorded an intergovernmental receivable of \$606,000, which will come in the form of reimbursements for road projects from state grants in 2018.

### ***General Fund Budgetary Highlights***

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The 2017 final approved budget authorized approximately \$30 million in appropriations and other amounts to be raised, which included \$1 million in amounts carried over from the previous year. The budget was balanced through the use of \$388,000 of free cash funds (available funds), and the release of \$125,000 of overlay (reserve for abatements). Adjustments to the original budget included transfers between line items and free cash voted to increase appropriations by \$352,000. This included an additional \$246,000 to fund the Town's OPEB liability trust fund and a \$100,000 transfer to the stabilization fund.

The Town's revenues came in over budget by \$1.2 million and expenditures and encumbrances came in under budget by \$300,000. Revenue surpluses were primarily in departmental and other and charges for services where estimated revenues were budgeted conservatively.

### ***Capital Asset and Debt Administration***

**Capital assets.** In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The major Town capital activity included land improvement additions of \$920,000 which was primarily related to the Town's new boat ramp; building improvement additions of \$206,000 which included the Crowell Chapel improvements, and Town Hall painting; machinery and equipment additions of \$437,000 which includes police vehicles and dump trucks, plows, and sanders; and infrastructure additions of \$276,000 which includes roadway repairs. Construction in progress at year end included police station upgrades, Town Hall renovation work, and a harbor dredging project.

Business-type activity capital assets activity was comprised of infrastructure additions of \$1 million in water and wastewater system improvements.

**Debt administration.** Outstanding governmental long-term debt, as of June 30, 2017, totaled \$6.4 million. Of that amount, \$2.2 million of outstanding long-term debt relates to general obligation water bonds related to the water storage tank, treatment facility, road repair and construction. The liability of long-term debt related to water is paid by the governmental funds while the capital assets are reported in the water enterprise fund. The sewer long-term debt is funded 25% by the governmental funds by the use of transfers.

The enterprise funds have \$545,000 in sewer debt that relates to various sewer projects including approximately \$195,000 of partially subsidized MCWT bonds.

During fiscal year 2017, the Town issued \$1.4 million and \$234,000 in water and sewer bonds, respectively. The Town also redeemed \$390,000; \$522,000; and \$586,000 in governmental, water, and sewer bonds, respectively.

Please refer to notes 4, 6, 7 to the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Manchester-By-The-Sea's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 10 Central Street, Manchester-By-The-Sea, Massachusetts 01944.

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## ***Basic Financial Statements***



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**STATEMENT OF NET POSITION**

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 11,736,707	\$ 2,723,438	\$ 14,460,145
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	119,326	-	119,326
Real estate tax deferrals.....	57,149	-	57,149
Tax liens.....	186,100	-	186,100
Motor vehicle and other excise taxes.....	88,800	-	88,800
User fees.....	-	691,060	691,060
Departmental and other.....	101,191	-	101,191
Intergovernmental.....	657,960	17,740	675,700
Tax foreclosures.....	11,792	-	11,792
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	37,920	37,920
Capital assets:			
Nondepreciable.....	1,199,342	368,892	1,568,234
Depreciable.....	8,958,291	12,249,322	21,207,613
<b>TOTAL ASSETS.....</b>	<b>23,116,658</b>	<b>16,088,372</b>	<b>39,205,030</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	1,442,814	126,802	1,569,616
<b>LIABILITIES</b>			
CURRENT:			
Warrants payable.....	579,384	291,674	871,058
Tax refunds payable.....	80,010	-	80,010
Accrued interest.....	49,898	6,827	56,725
Payroll withholdings.....	25,543	-	25,543
Other liabilities.....	18,583	-	18,583
Compensated absences.....	155,000	40,000	195,000
Notes payable.....	-	2,100,000	2,100,000
Bonds payable.....	685,248	152,895	838,143
NONCURRENT:			
Compensated absences.....	61,000	9,000	70,000
Other postemployment benefits.....	1,284,840	91,232	1,376,072
Net pension liability.....	12,177,695	1,070,243	13,247,938
Bonds payable.....	5,718,752	392,555	6,111,307
<b>TOTAL LIABILITIES.....</b>	<b>20,835,953</b>	<b>4,154,426</b>	<b>24,990,379</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	219,301	19,273	238,574
<b>NET POSITION</b>			
Net investment in capital assets.....	7,726,871	11,249,805	18,976,676
Restricted for:			
Permanent funds:			
Expendable.....	63,171	-	63,171
Nonexpendable.....	373,427	-	373,427
Community preservation.....	1,140,161	-	1,140,161
Gifts and grants.....	409,274	-	409,274
Unrestricted.....	(6,208,686)	791,670	(5,417,016)
<b>TOTAL NET POSITION.....</b>	<b>\$ 3,504,218</b>	<b>\$ 12,041,475</b>	<b>\$ 15,545,693</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 2,318,805	\$ 523,742	\$ 5,223	\$ 30,010	\$ (1,759,830)	
Public safety.....	5,694,741	983,873	134,152	-	(4,576,716)	
Education.....	14,866,246	-	-	-	(14,866,246)	
Public works.....	2,676,687	241,525	199,361	218,434	(2,017,367)	
Environmental.....	76,397	9,909	-	-	(66,488)	
Human services.....	436,344	11,825	39,697	-	(384,822)	
Library and recreation.....	1,596,546	738,976	166,340	-	(691,230)	
Community preservation.....	297,544	-	-	58,264	(239,280)	
Interest.....	206,254	-	-	-	(206,254)	
Total Governmental Activities.....	28,169,564	2,509,850	544,773	306,708	(24,808,233)	
Business-Type Activities:						
Sewer.....	893,274	1,235,579	32,269	-	374,574	
Water.....	1,177,721	1,206,649	-	-	28,928	
Total Business-Type Activities.....	2,070,995	2,442,228	32,269	-	403,502	
Total Primary Government.....	\$ 30,240,559	\$ 4,952,078	\$ 577,042	\$ 306,708	\$ (24,404,731)	

See notes to basic financial statements.

(Continued)

# STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(24,808,233)</b>	\$ <b>403,502</b>	\$ <b>(24,404,731)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	26,065,847	-	26,065,847
Tax liens.....	6,805	-	6,805
Motor vehicle and other excise taxes.....	1,202,892	-	1,202,892
Community preservation taxes.....	343,859	-	343,859
Payments in lieu of taxes.....	1,055	-	1,055
Grants and contributions not restricted to specific programs.....	219,009	-	219,009
Unrestricted investment income.....	59,579	-	59,579
<i>Capital transfers</i> .....	(1,539,118)	1,539,118	-
<i>Transfers, net</i> .....	(307,054)	307,054	-
Total general revenues and transfers.....	26,052,874	1,846,172	27,899,046
Change in net position.....	1,244,641	2,249,674	3,494,315
<i>Net Position:</i>			
Beginning of year.....	2,259,577	9,791,801	12,051,378
End of year.....	\$ <u>3,504,218</u>	\$ <u>12,041,475</u>	\$ <u>15,545,693</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

	General	Community Preservation	Highway Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 8,120,690	\$ 1,131,824	\$ -	\$ 2,484,193	\$ 11,736,707
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	117,865	1,461	-	-	119,326
Real estate tax deferrals.....	57,149	-	-	-	57,149
Tax liens.....	186,100	-	-	-	186,100
Motor vehicle and other excise taxes.....	88,800	-	-	-	88,800
Departmental and other.....	101,191	-	-	-	101,191
Intergovernmental.....	-	51,800	606,160	-	657,960
Tax foreclosures.....	11,792	-	-	-	11,792
Due from other funds.....	66,888	-	-	-	66,888
<b>TOTAL ASSETS.....</b>	<b>\$ 8,750,475</b>	<b>\$ 1,185,085</b>	<b>\$ 606,160</b>	<b>\$ 2,484,193</b>	<b>\$ 13,025,913</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 443,842	\$ 44,924	\$ -	\$ 90,618	\$ 579,384
Tax refunds payable.....	80,010	-	-	-	80,010
Payroll withholdings.....	25,543	-	-	-	25,543
Other liabilities.....	18,583	-	-	-	18,583
Due to other funds.....	-	-	66,888	-	66,888
<b>TOTAL LIABILITIES.....</b>	<b>567,978</b>	<b>44,924</b>	<b>66,888</b>	<b>90,618</b>	<b>770,408</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues.....	551,619	1,461	539,272	-	1,092,352
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	373,427	373,427
Restricted.....	-	1,138,700	-	2,020,148	3,158,848
Committed.....	1,445,799	-	-	-	1,445,799
Assigned.....	435,759	-	-	-	435,759
Unassigned.....	5,749,320	-	-	-	5,749,320
<b>TOTAL FUND BALANCES.....</b>	<b>7,630,878</b>	<b>1,138,700</b>	<b>-</b>	<b>2,393,575</b>	<b>11,163,153</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 8,750,475</b>	<b>\$ 1,185,085</b>	<b>\$ 606,160</b>	<b>\$ 2,484,193</b>	<b>\$ 13,025,913</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Total governmental fund balances.....	\$ 11,163,153
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	10,157,633
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	1,092,352
Deferred inflows and outflows are not payable or due in the current period and, therefore, are not reported in the governmental funds:	
Deferred outflows/(inflows) of resources related to pensions.....	1,223,513
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(49,898)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and notes payable.....	(6,404,000)
Net pension liability.....	(12,177,695)
Compensated absences.....	(216,000)
Other postemployment benefits.....	<u>(1,284,840)</u>
Net effect of reporting long-term liabilities.....	<u>(20,082,535)</u>
Net position of governmental activities.....	<u>\$ 3,504,218</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2017**

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 26,002,305	\$ -	\$ -	\$ 26,002,305
Motor vehicle and other excise taxes.....	1,133,682	-	17,604	1,151,286
Community preservation taxes.....	-	343,627	-	343,627
Charges for services.....	468,257	-	-	468,257
Penalties and interest on taxes.....	65,149	495	-	65,644
Intergovernmental.....	227,477	58,264	373,052	658,793
Departmental and other.....	1,168,253	-	955,488	2,123,741
Contributions.....	-	-	120,306	120,306
Investment income.....	49,851	6,375	9,186	65,412
<b>TOTAL REVENUES.....</b>	<b>29,114,974</b>	<b>408,761</b>	<b>1,475,636</b>	<b>30,999,371</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	1,304,033	-	183,959	1,487,992
Public safety.....	3,303,192	-	716,770	4,019,962
Education.....	14,866,246	-	-	14,866,246
Public works.....	2,450,138	-	336,307	2,786,445
Environmental.....	67,269	-	-	67,269
Human services.....	274,291	-	25,577	299,868
Community preservation.....	-	484,895	-	484,895
Library and recreation.....	905,233	-	594,295	1,499,528
Pension benefits.....	998,386	-	-	998,386
Property and liability insurance.....	114,797	-	-	114,797
Employee benefits.....	1,757,905	-	-	1,757,905
State and county charges.....	158,906	-	-	158,906
Debt service:				
Principal.....	912,400	-	-	912,400
Interest.....	205,310	-	-	205,310
<b>TOTAL EXPENDITURES.....</b>	<b>27,318,106</b>	<b>484,895</b>	<b>1,856,908</b>	<b>29,659,909</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,796,868</b>	<b>(76,134)</b>	<b>(381,272)</b>	<b>1,339,462</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt.....	-	-	1,440,000	1,440,000
Transfers in.....	328,684	-	314,015	642,699
Transfers out.....	(660,738)	-	(289,015)	(949,753)
Capital transfer.....	-	-	(1,440,000)	(1,440,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(332,054)</b>	<b>-</b>	<b>25,000</b>	<b>(307,054)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,464,814</b>	<b>(76,134)</b>	<b>(356,272)</b>	<b>1,032,408</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>6,166,064</b>	<b>1,214,834</b>	<b>2,749,847</b>	<b>10,130,745</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 7,630,878</b>	<b>\$ 1,138,700</b>	<b>\$ 2,393,575</b>	<b>\$ 11,163,153</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ 1,032,408
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	1,667,926	
Depreciation expense.....	<u>(646,538)</u>	
Net effect of reporting capital assets.....		1,021,388
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		261,006
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(1,440,000)	
Debt service principal payments.....	<u>912,400</u>	
Net effect of reporting long-term debt.....		(527,600)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(13,000)	
Net change in accrued interest on long-term debt.....	(944)	
Net change in other postemployment benefits liability.....	215,410	
Net change in deferred outflows/(inflows) of resources related to pensions.....	110,685	
Net change in pension liability.....	<u>(854,712)</u>	
Net effect of recording long-term liabilities.....		<u>(542,561)</u>
Change in net position of governmental activities.....		<u>\$ 1,244,641</u>

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 1,027,012	\$ 1,696,426	\$ 2,723,438
Receivables, net of allowance for uncollectibles:			
User fees.....	347,015	344,045	691,060
Intergovernmental.....	17,740	-	17,740
Total current assets.....	1,391,767	2,040,471	3,432,238
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	37,920	-	37,920
Capital assets:			
Nondepreciable.....	193,892	175,000	368,892
Depreciable.....	6,216,290	6,033,032	12,249,322
Total noncurrent assets.....	6,448,102	6,208,032	12,656,134
<b>TOTAL ASSETS.....</b>	<b>7,839,869</b>	<b>8,248,503</b>	<b>16,088,372</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	65,947	60,855	126,802
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	227,713	63,961	291,674
Accrued interest.....	6,827	-	6,827
Compensated absences.....	16,000	24,000	40,000
Notes payable.....	750,000	1,350,000	2,100,000
Bonds payable.....	152,895	-	152,895
Total current liabilities.....	1,153,435	1,437,961	2,591,396
<b>NONCURRENT:</b>			
Compensated absences.....	7,000	2,000	9,000
Other postemployment benefits.....	45,616	45,616	91,232
Net pension liability.....	556,610	513,633	1,070,243
Bonds payable.....	392,555	-	392,555
Total noncurrent liabilities.....	1,001,781	561,249	1,563,030
<b>TOTAL LIABILITIES.....</b>	<b>2,155,216</b>	<b>1,999,210</b>	<b>4,154,426</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	10,023	9,250	19,273
<b>NET POSITION</b>			
Net investment in capital assets.....	5,357,061	5,892,744	11,249,805
Unrestricted.....	383,516	408,154	791,670
<b>TOTAL NET POSITION.....</b>	<b>\$ 5,740,577</b>	<b>\$ 6,300,898</b>	<b>\$ 12,041,475</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<b>OPERATING REVENUES:</b>			
Charges for services .....	\$ 1,235,579	\$ 1,206,649	\$ 2,442,228
<b>OPERATING EXPENSES:</b>			
Cost of services and administration .....	568,517	901,403	1,469,920
Depreciation.....	294,328	276,318	570,646
<b>TOTAL OPERATING EXPENSES .....</b>	<b>862,845</b>	<b>1,177,721</b>	<b>2,040,566</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>372,734</b>	<b>28,928</b>	<b>401,662</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest expense.....	(30,429)	-	(30,429)
Intergovernmental.....	32,269	-	32,269
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>1,840</b>	<b>-</b>	<b>1,840</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>374,574</b>	<b>28,928</b>	<b>403,502</b>
<b>CAPITAL CONTRIBUTIONS.....</b>	<b>99,118</b>	<b>1,440,000</b>	<b>1,539,118</b>
<b>TRANSFERS:</b>			
Transfers in.....	200,738	420,000	620,738
Transfers out.....	(158,760)	(154,924)	(313,684)
<b>TOTAL TRANSFERS.....</b>	<b>41,978</b>	<b>265,076</b>	<b>307,054</b>
<b>CHANGE IN NET POSITION.....</b>	<b>515,670</b>	<b>1,734,004</b>	<b>2,249,674</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>5,224,907</b>	<b>4,566,894</b>	<b>9,791,801</b>
<b>NET POSITION AT END OF YEAR.....\$</b>	<b>\$ 5,740,577</b>	<b>\$ 6,300,898</b>	<b>\$ 12,041,475</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ 1,193,091	\$ 1,176,789	\$ 2,369,880
Payments to vendors.....	(361,983)	(1,205,588)	(1,567,571)
Payments to employees.....	(230,729)	(223,070)	(453,799)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>600,379</b>	<b>(251,869)</b>	<b>348,510</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Transfers in.....	200,738	420,000	620,738
Transfers out.....	(158,760)	(154,924)	(313,684)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>41,978</b>	<b>265,076</b>	<b>307,054</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Proceeds from the issuance of bonds and notes.....	242,640	2,481,194	2,723,834
Capital contributions.....	99,118	1,440,000	1,539,118
Acquisition and construction of capital assets.....	(249,156)	(556,613)	(805,769)
Principal payments on bonds and notes.....	(666,420)	(3,940,000)	(4,606,420)
Interest expense.....	(8,583)	-	(8,583)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(582,401)</b>	<b>(575,419)</b>	<b>(1,157,820)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>59,956</b>	<b>(562,212)</b>	<b>(502,256)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>967,056</b>	<b>2,258,638</b>	<b>3,225,694</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,027,012</b>	<b>\$ 1,696,426</b>	<b>\$ 2,723,438</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>			
<b><u>FROM OPERATING ACTIVITIES:</u></b>			
Operating income (loss).....	\$ 372,734	\$ 28,928	\$ 401,662
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	294,328	276,318	570,646
Change in deferred inflows/outflows related to pension.....	3,564	2,220	5,784
Changes in assets and liabilities:			
User fees.....	(42,488)	(29,860)	(72,348)
Warrants payable.....	16,419	(492,705)	(476,286)
Compensated absences.....	2,000	12,000	14,000
Net pension liability.....	(48,683)	(34,031)	(82,714)
Other postemployment benefits.....	2,505	(14,739)	(12,234)
<b>Total adjustments.....</b>	<b>227,645</b>	<b>(280,797)</b>	<b>(53,152)</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 600,379</b>	<b>\$ (251,869)</b>	<b>\$ 348,510</b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>			
Intergovernmental subsidy of debt service.....	\$ 186,526		

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**

JUNE 30, 2017

		Other Postemployment Benefit Trust Fund
<b>ASSETS</b>		
Investments - PRIT.....	\$	1,433,398
<b>NET POSITION</b>		
Restricted for OPEB benefits.....	\$	1,433,398

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Trust Fund
<b>ADDITIONS:</b>	
Contributions:	
Employer contributions to the trust.....	\$ 245,864
Employer contributions to pay benefit payments.....	563,006
Total contributions.....	808,870
Net investment income (loss):	
Net change in fair value of investments.....	57,144
Interest and dividends.....	66,748
Total investment income.....	123,892
TOTAL ADDITIONS.....	932,762
<b>DEDUCTIONS:</b>	
Benefit Payments.....	563,006
CHANGE IN NET POSITION.....	369,756
NET POSITION AT BEGINNING OF YEAR.....	1,063,642
NET POSITION AT END OF YEAR.....	\$ 1,433,398

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Manchester-By-The-Sea, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The Town is a municipal corporation that is governed by a five member elected Board of Selectmen (the Board) and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has no component units that require inclusion in the basic financial statements.

***Joint Ventures***

The Town is a member of the Manchester Essex Regional School District that provides for the education of all levels of schools for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2017 assessment was \$14,781,245. Please contact the finance office at 36 Lincoln Street, Manchester-by-the-Sea, MA 01944, for audited financial statements.

The Town is a member of the Essex Technical High School District that serves the members students seeking an education in academic, technical and agriculture studies. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2017 assessment was \$85,001. Please contact the finance office at 565 Maple Street, Hawthorne, MA 01937, for audited financial statements.

**B. Government-Wide and Fund Financial Statements*****Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

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

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

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation* major fund is a special revenue fund used to account for the acquisition, creation, preservation, or rehabilitation of areas of open space, historic preservation, affordable housing and recreation. Funding is provided primarily by a property tax surcharge of up to 3%, along with matching state funds.

The *highway improvements* major fund is a special revenue fund used to account for construction, reconstruction and improvements of roadways, streets and sidewalks. Funding is provided primarily by state grants.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.



Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for the Town's sewer activities.

The *water enterprise fund* is used to account for the Town's water activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *OPEB trust fund* is used to account for the activities of the Other Postemployment Benefit trust fund, which accumulates resources to provide other postemployment benefits to eligible retirees and their beneficiaries.

#### D. Cash and Investments

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

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

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

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

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

##### ***Real Estate Tax Deferrals***

Real estate tax deferrals are receivables from owners of real property that have entered into a tax deferral and recovery agreement with the Board of Assessors (M.G.L. Ch. 59, SS 5).

Real estate tax deferrals are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

##### ***Motor Vehicle and Other Excise Taxes***

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

value of those boats. The assessor's department receives information from the Commonwealth and from the Town's Harbormaster department. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***Water and Sewer User Fees***

User fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed every year and included as a lien on the property owner's real estate tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### ***Departmental and Other***

Departmental and other receivables consist primarily of ambulance details and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

## **G. Inventories**

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

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

## **H. Capital Assets**

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

Capital assets, which include land, land improvements, buildings and building improvements, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art, historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. Except for the capital assets of

the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	20
Buildings.....	45
Building improvements.....	10-45
Machinery and equipment.....	5 - 45
Infrastructure.....	45

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

#### *Governmental Fund Financial Statements*

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

#### I. Deferred Outflows/Inflows of Resources

##### *Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reported deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resources related to pensions.

#### *Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

### J. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

### K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

#### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

### L. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

### M. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of

capital related debt are not considered capital assets. Outstanding debt related to future reimbursements from the Massachusetts Clean Water Trust's loan subsidy program is not considered to be capital related debt.

Net position has been "restricted for" the following:

"Permanent funds - restricted" represents the amounts of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds - nonspendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

"Gifts and grants" represents amounts held of gift and grant funds.

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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by adoption of a Town Meeting warrant article, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Accountant is authorized to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation.

Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

#### N. Capital Lease Obligations

The Town can lease various assets under capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net position.

#### O. Long-term debt

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

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### P. Investment Income

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

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

#### Q. Compensated Absences

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

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

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

##### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

## R. Use of Estimates

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

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

## S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Essex Regional Retirement System (ERRS) and additions to/deductions from the ERRS's fiduciary net position have been determined on the same basis as they are reported by the ERRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## T. Total Column

### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool) the Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Town Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2017, \$1,433,398 from the OPEB Trust Fund is included within the Town's investment balances in the following disclosures.



The OPEB Trust Fund is invested in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

#### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. At year-end, the carrying amount of deposits totaled \$14,460,145 and the bank balance totaled \$14,695,259. Of the bank balance, \$1,029,663 was covered by Federal Depository Insurance, \$2,950,569 was covered by the Depositors Insurance Fund, \$500,000 was covered by the Securities Investor Protection Corporation, \$8,053,011 was collateralized and \$2,162,016 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### Investments

As of June 30, 2017, the Town's investments consisted of \$1,433,398 in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.45 to 22.60 years.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's formal investment policy states that the Town will limit its exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. As of June 30, 2017, the Town is not subject to custodial credit risk for its investments.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. The Town's formal investment policy states that the Town will manage interest rate risk by managing the duration investments are held in an account.

#### Credit Risk

The Town's formal investment policy states the Town will only purchase investment grade securities with a minimum of 80% in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) up to an amount not to exceed 50% of the municipality's investment aggregate. There is no limit to the amount of U.S. Treasury and U.S. Government Agency obligations that the Town may invest in.

The Town's investments in PRIT are unrated.

#### Concentration of Credit Risk

The Town places a limit on the amount the Town may invest in any one issuer. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools, no more than 40% of the Town's investments may be invested in a single financial institution. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will

be made by the Town in the near future. The Town's investments are limited to the investment of the OPEB trust fund in PRIT, a State investment pool.

#### Fair Market Value of Investments

The Town does not hold any investments that are measured at fair value on a recurring basis. The Town's investment in PRIT is measured using net asset value. The investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT. The net asset value of the Town's investment in PRIT at June 30, 2017 was \$1,433,398.

### **NOTE 3 – RECEIVABLES**

At June 30, 2017, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 121,775	\$ (2,449)	\$ 119,326
Real estate tax deferrals.....	57,149	-	57,149
Tax liens.....	186,100	-	186,100
Motor vehicle and other excise taxes.....	107,519	(18,719)	88,800
Departmental and other.....	316,948	(215,757)	101,191
Intergovernmental.....	657,960	-	657,960
Total.....	<u>\$ 1,447,451</u>	<u>\$ (236,925)</u>	<u>\$ 1,210,526</u>

At June 30, 2017, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 691,060	\$ -	\$ 691,060
Intergovernmental.....	55,660	-	55,660
Total.....	<u>\$ 746,720</u>	<u>\$ -</u>	<u>\$ 746,720</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes.....	\$ 106,588	\$ 1,461	\$ -	\$ 108,049
Real estate tax deferrals.....	57,149	-	-	57,149
Tax liens.....	186,099	-	-	186,099
Motor vehicle and other excise.....	88,800	-	-	88,800
Departmental and other.....	101,191	-	-	101,191
Intergovernmental.....	-	-	539,272	539,272
Tax foreclosures.....	11,792	-	-	11,792
Total.....	\$ 551,619	\$ 1,461	\$ 539,272	\$ 1,092,352

#### NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

##### Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 977,806	\$ -	\$ -	\$ 977,806
Construction in progress.....	392,985	132,144	(303,593)	221,536
Total capital assets not being depreciated.....	1,370,791	132,144	(303,593)	1,199,342
<u>Capital assets being depreciated:</u>				
Land improvements.....	-	919,677	-	919,677
Buildings.....	4,885,416	-	-	4,885,416
Building Improvements.....	1,284,434	206,436	-	1,490,870
Machinery and equipment.....	4,409,124	436,860	(291,143)	4,554,841
Infrastructure.....	6,502,429	276,402	-	6,778,831
Total capital assets being depreciated.....	17,081,403	1,839,375	(291,143)	18,629,635
<u>Less accumulated depreciation for:</u>				
Land improvements.....	-	(22,992)	-	(22,992)
Buildings.....	(4,288,696)	(50,441)	-	(4,339,137)
Building Improvements.....	(85,259)	(43,340)	-	(128,599)
Machinery and equipment.....	(3,532,663)	(358,757)	291,143	(3,600,277)
Infrastructure.....	(1,409,331)	(171,008)	-	(1,580,339)
Total accumulated depreciation.....	(9,315,949)	(646,538)	291,143	(9,671,344)
Total capital assets being depreciated, net.....	7,765,454	1,192,837	-	8,958,291
Total governmental activities capital assets, net.....	\$ 9,136,245	\$ 1,324,981	\$ (303,593)	\$ 10,157,633

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 193,892	\$ -	\$ 193,892
<u>Capital assets being depreciated:</u>				
Buildings.....	6,459,073	-	(17,248)	6,441,825
Machinery and equipment.....	2,531,676	-	-	2,531,676
Infrastructure.....	3,400,078	249,156	-	3,649,234
Total capital assets being depreciated.....	12,390,827	249,156	(17,248)	12,622,735
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,903,966)	(145,774)	17,248	(3,032,492)
Machinery and equipment.....	(2,307,978)	(52,208)	-	(2,360,186)
Infrastructure.....	(917,421)	(96,346)	-	(1,013,767)
Total accumulated depreciation.....	(6,129,365)	(294,328)	17,248	(6,406,445)
Total capital assets being depreciated, net.....	6,261,462	(45,172)	-	6,216,290
Total sewer activities capital assets, net.....	\$ 6,261,462	\$ 148,720	\$ -	\$ 6,410,182
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 175,000	\$ -	\$ -	\$ 175,000
<u>Capital assets being depreciated:</u>				
Buildings.....	2,260,559	-	-	2,260,559
Building Improvements.....	1,403,058	-	-	1,403,058
Machinery and equipment.....	7,847,298	-	-	7,847,298
Infrastructure.....	2,586,263	556,613	-	3,142,876
Total capital assets being depreciated.....	14,097,178	556,613	-	14,653,791
<u>Less accumulated depreciation for:</u>				
Buildings.....	(966,237)	(53,654)	-	(1,019,891)
Building Improvements.....	(17,681)	(4,918)	-	(22,599)
Machinery and equipment.....	(6,975,835)	(112,320)	-	(7,088,155)
Infrastructure.....	(384,688)	(105,426)	-	(490,114)
Total accumulated depreciation.....	(8,344,441)	(276,318)	-	(8,620,759)
Total capital assets being depreciated, net.....	5,752,737	280,295	-	6,033,032
Total water activities capital assets, net.....	\$ 5,927,737	\$ 280,295	\$ -	\$ 6,208,032

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

**Governmental Activities:**

General government.....	\$	100,773
Public safety.....		185,761
Public works.....		275,750
Culture and recreation.....		61,807
Community preservation.....		22,447

Total depreciation expense - governmental activities.....	\$	<u>646,538</u>
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**Business-Type Activities:**

Sewer.....	\$	294,328
Water.....		<u>276,318</u>

Total depreciation expense - business-type activities.....	\$	<u>570,646</u>
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**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

As of June 30, 2017, the Town had an interfund receivable/payable of \$66,888, which existed between the general fund and the highway improvements fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant proceeds.

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Water Enterprise Funds		
General Fund.....	\$	\$ 40,000	\$ 200,738	\$ 420,000	\$	660,738 (1)
Nonmajor Governmental Funds.....	15,000	274,015	-	-		289,015 (2)
Sewer Enterprise Fund.....	158,760	-	-	-		158,760 (3)
Water Enterprise Fund.....	154,924	-	-	-		154,924 (3)
Total.....	<u>\$ 328,684</u>	<u>\$ 314,015</u>	<u>\$ 200,738</u>	<u>\$ 420,000</u>	<u>\$</u>	<u>1,263,437</u>

- (1) Represents budgeted transfers from the general fund to support of water and sewer operations and the general fund portion of sewer fund related debt, including a \$400,000 retirement of water BANs. Also, a \$40,000 transfer from the reserve fund, within the general fund, to the Harbor master fund.
- (2) Represents transfers from amounts collected in other funds used to fund the Town's operating budget, as well as the transfers within special revenue funds for harbor projects.
- (3) Represents budgeted transfers from the enterprise funds for various charges.

Additionally, the governmental activities reported capital contributions to the water and sewer enterprise funds totaling \$1,440,000 and \$99,118, respectively, to finance capital projects.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds respectively.

The Town had the following short-term debt activity during 2017:

Type	Purpose	Rate (%)	Maturity Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
<b>Business-Type Activities:</b>							
BAN	Interim Financing Loan....	0.90%	06/15/17	\$ 226,260	\$ 8,190	\$ (234,450)	\$ -
BAN	General Obligation.....	1.15%	06/23/17	2,500,000	-	(2,500,000)	-
BAN	Interim Financing Loan....	0.10%	04/13/17	1,058,806	381,194	(1,440,000)	-
BAN	General Obligation.....	1.44%	03/30/18	-	2,100,000	-	2,100,000
Total.....				\$ <u>3,785,066</u>	\$ <u>2,489,384</u>	\$ <u>(4,174,450)</u>	\$ <u>2,100,000</u>

**NOTE 7 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

### Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2107
Municipal Purpose Bonds of 2012.....	2031	\$ 2,711,000	2.00 - 4.00	\$ 2,110,000	\$ -	\$ (60,000)	\$ 2,050,000
Municipal Purpose Refunding Bonds of 2013.....	2023	1,033,100	1.75 - 2.00	569,000	-	(116,000)	453,000
Municipal Purpose Bonds of 2015.....	2032	1,731,000	2.70	1,558,000	-	(86,000)	1,472,000
Municipal Purpose Bonds of 2015.....	2019	620,000	2.00	384,000	-	(128,000)	256,000
Total Governmental Bonds Payable.....				4,621,000	-	(390,000)	4,231,000
Water Treatment Facility Refunding.....	2017	4,092,800	2.65 - 4.50	385,400	-	(385,400)	-
Water Building Road Repair and Construction.....	2031	150,000	2.00 - 4.00	110,000	-	(10,000)	100,000
Water Refunding Bonds of 2015.....	2023	1,061,900	1.75 - 2.00	706,000	-	(109,000)	597,000
Water.....	2019	110,000	2.00	54,000	-	(18,000)	36,000
Watermain Replacement.....	2037	1,440,000	2.00	-	1,440,000	-	1,440,000
Total Governmental Water Bonds Payable.....				1,255,400	1,440,000	(522,400)	2,173,000
Total.....				\$ 5,876,400	\$ 1,440,000	\$ (912,400)	\$ 6,404,000

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

Year	Principal	Interest	Total
2018.....	\$ 685,248	\$ 170,647	\$ 855,895
2019.....	671,515	153,229	824,744
2020.....	525,809	136,086	661,895
2021.....	522,131	123,753	645,884
2022.....	488,481	111,503	599,984
2023.....	469,861	99,966	569,827
2024.....	341,270	87,807	429,077
2025.....	342,710	77,999	420,709
2026.....	314,182	67,942	382,124
2027.....	285,686	58,285	343,971
2028.....	287,222	49,688	336,910
2029.....	288,792	41,060	329,852
2030.....	290,395	31,968	322,363
2031.....	292,034	22,344	314,378
2032.....	178,708	12,687	191,395
2033.....	80,419	7,595	88,014
2034.....	82,167	5,969	88,136
2035.....	83,952	4,308	88,260
2036.....	85,777	2,610	88,387
2037.....	87,641	876	88,517
Totals.....	\$ 6,404,000	\$ 1,266,322	\$ 7,670,322

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
MCWT I.....	2017	\$ 7,104,616	6.00	\$ 458,627	\$ -	\$ (458,627)	\$ -
MCWT II.....	2020	1,026,694	6.00	255,000	-	(60,000)	195,000
Sewer Refunding.....	2017	657,200	2.65 - 4.50	24,600	-	(24,600)	-
Sewer.....	2025	70,000	2.00 - 4.00	45,000	-	(5,000)	40,000
Sewer.....	2019	190,000	2.00	114,000	-	(38,000)	76,000
Wastewater Management Plan.....	2022	234,450	2.00	-	234,450	-	234,450
Total Sewer Bonds Payable.....				\$ 897,227	\$ 234,450	\$ (586,227)	\$ 545,450

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

Year	Principal	Interest	Total
2018.....	\$ 152,895	\$ 14,906	\$ 167,801
2019.....	153,872	10,056	163,928
2020.....	116,868	5,111	121,979
2021.....	52,887	2,225	55,112
2022.....	53,928	1,109	55,037
2023.....	5,000	468	5,468
2024.....	5,000	320	5,320
2025.....	5,000	162	5,162
Totals.....	\$ 545,450	\$ 34,357	\$ 579,807

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$55,660 and interest costs of \$13,696. Thus, net MCWT loan repayments, including interest, are scheduled to be \$86,927. The principal subsidies are guaranteed and therefore a \$55,660 intergovernmental receivable has been reported in the business-type financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2017 principal and interest subsidies totaled \$154,257 and \$32,269, respectively.

The Town's General Fund is responsible for principal and interest payments relating to bonds issued to acquire assets owned by the Water Enterprise Fund. As a result, those bonds are reported as liabilities of the Governmental Activities in the Entity-Wide financial statements in the amount of \$2,173,000.

The General Fund is responsible for 25% of principal and interest payments related to bonds payable issued for the Sewer Enterprise Fund. As a result, the Town has reported 100% of debt service payments related to those bonds in the Sewer Enterprise Fund and has recorded a transfer of \$100,738 from the General Fund to the Sewer Enterprise Fund for the General Funds portion of Sewer debt principal and interest payments.



The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town had the following authorized and unissued debt:

Purpose	Amount
Wastewater System Improvements.....	\$ 2,000,000
Water System Improvements.....	2,000,000
Harbor Dredging and Improvements.....	<u>1,000,000</u>
Total.....	<u>\$ 5,000,000</u>

#### Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds and Notes.....	\$ 5,876,400	\$ 1,440,000	\$ (912,400)	\$ 6,404,000	\$ 685,248
Other Postemployment Benefits.....	1,500,250	542,692	(758,102)	1,284,840	-
Net Pension Liability.....	11,322,983	1,770,502	(915,790)	12,177,695	-
Compensated Absences.....	<u>203,000</u>	<u>168,000</u>	<u>(155,000)</u>	<u>216,000</u>	<u>155,000</u>
Total governmental activity long-term liabilities.....	<u>\$ 18,902,633</u>	<u>\$ 3,921,194</u>	<u>\$ (2,741,292)</u>	<u>\$ 20,082,535</u>	<u>\$ 840,248</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds and Notes.....	\$ 897,227	\$ 234,450	\$ (586,227)	\$ 545,450	\$ 152,895
Other Postemployment Benefits.....	103,466	38,534	(50,768)	91,232	-
Net Pension Liability.....	1,152,957	17,771	(100,485)	1,070,243	-
Compensated Absences.....	<u>35,000</u>	<u>54,000</u>	<u>(40,000)</u>	<u>49,000</u>	<u>24,000</u>
Total business-type activity long-term liabilities.....	<u>\$ 2,188,650</u>	<u>\$ 344,755</u>	<u>\$ (777,480)</u>	<u>\$ 1,755,925</u>	<u>\$ 176,895</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balances according to the constraints imposed on the use of those resources. The Town reports two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, the Town reports spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end the balance of the General Stabilization Fund totaled \$1.6 million and has been reported as unassigned fund balance within the General Fund.

As of June 30, 2017, the governmental fund balances consisted of the following:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund principal..... \$	- \$	- \$	373,427 \$	373,427
Restricted for:				
Community Preservation fund.....	-	1,138,700	-	1,138,700
Gifts.....	-	-	196,415	196,415
Harbormaster.....	-	-	536,276	536,276
Affordable housing.....	-	-	19,863	19,863
Special revenue trust funds.....	-	-	198,560	198,560
Recreation revolving.....	-	-	360,889	360,889
Planning conservation commission.....	-	-	76,459	76,459
Harbor improvement fund.....	-	-	293,297	293,297
State grants.....	-	-	14,299	14,299
Police and Fire details.....	-	-	211,181	211,181
Storm damage.....	-	-	15,852	15,852
Pine Street acquisitions and cleanup.....	-	-	33,886	33,886
Expendable trust funds.....	-	-	63,171	63,171
Committed to:				
Town Hall upgrades.....	86,074	-	-	86,074
Fire engine.....	170,000	-	-	170,000
School feasibility study.....	302,042	-	-	302,042
Garage bay.....	75,805	-	-	75,805
Electrical control upgrades.....	20,000	-	-	20,000
Storm drains.....	435,054	-	-	435,054
Road maintenance and construction.....	135,813	-	-	135,813
Bell court repairs.....	100,000	-	-	100,000
Dump truck, sander and plow.....	21,312	-	-	21,312
Trench box, small bucket and roller.....	42,928	-	-	42,928
Library capital outlay.....	11,852.00	-	-	11,852
Sweeney parking lot.....	40,000	-	-	40,000
Public works mower.....	131	-	-	131
Central Street culvert.....	4,788	-	-	4,788
Assigned to:				
Town clerk.....	6,345	-	-	6,345
Legal.....	11,677	-	-	11,677
Planning board.....	32,497	-	-	32,497
Worker's compensation.....	26,053	-	-	26,053
Liability insurance.....	700	-	-	700
Police department.....	1,176	-	-	1,176
Parking clerk.....	2,814	-	-	2,814
Public works.....	3,684	-	-	3,684
Conservation commission.....	230	-	-	230
Chebacco woods.....	4,550	-	-	4,550
Health department.....	460	-	-	460
Council on aging.....	172	-	-	172
Parks and beach.....	225	-	-	225
Tuck's Point.....	24,156	-	-	24,156
Building and grounds.....	1,020	-	-	1,020
Funds voted to fund the 2018 budget.....	320,000	-	-	320,000
Unassigned.....	5,749,320	-	-	5,749,320
<b>TOTAL FUND BALANCES..... \$</b>	<b>7,630,878 \$</b>	<b>1,138,700 \$</b>	<b>2,393,575 \$</b>	<b>11,163,153</b>

**NOTE 9 – RISK FINANCING**

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

The Town is self-insured for workers' compensation insurance activities. These claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. At June 30, 2017, the Town did not have a workers compensation liability.

**NOTE 10 – PENSION PLAN**

*Plan Description* - The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board (the Board). Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts, 01923 or by visiting [www.essexregional.org](http://www.essexregional.org) or [www.mass.gov/perac](http://www.mass.gov/perac).

*Benefits Provided* – The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

*Contributions* - Chapter 32 of the MGL governs the contributions of plan members. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current regular payroll. The actuarially determined Town contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Town's contribution to the System for the year ended June 30, 2017, was \$996,275, which equaled its required contribution and was 21.80% of covered payroll. The required contribution was actuarially determined as an amount that, when combined with plan member

contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities* - At June 30, 2017, the Town reported a liability of \$13,247,938, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 3.438%, which increased .004% from its proportion measured as of December 31, 2015.

*Pension Expense* - For the year ended June 30, 2017, the Town recognized a pension expense of \$1,663,372. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$1,569,616, from the net difference between projected and actual investment earnings on pension plan investments, changes of assumptions and change in proportion and differences between employer contributions and the proportionate share of contributions; and deferred inflows of resources related to pensions of \$238,574, from differences between expected and actual experience.

The balances of deferred outflows and inflows at June 30, 2017, consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....\$	-	\$ (238,574)	\$ (238,574)
Change of assumptions.....	561,460	-	561,460
Difference between projected and actual earnings.....	580,326	-	580,326
Changes in proportion and differences between contributions and proportionate share of contributions....	427,830	-	427,830
Total Deferred Outflows/(Inflows) of Resources.....\$	<u>1,569,616</u>	<u>\$ (238,574)</u>	<u>\$ 1,331,042</u>

The Town's deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018.....	\$ 393,136
2019.....	393,136
2020.....	405,729
2021.....	123,559
2021.....	<u>15,482</u>
Total.....	<u>\$ 1,331,042</u>

*Actuarial Assumptions* - The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Remaining amortization period.....	18 years for the fresh start base.
Amortization method.....	The total appropriation is set to increase annually by 7.41% for five years, then by 6.36% for one year and 4% increases annually thereafter until the final year which will be 3.89%.
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Projected salary increases.....	3.75% Ultimate rate, with steps. 7.50% year one, 6.50% year two, 6.00% year three, 5.50% year four, 5.00% year five.
Cost of living adjustments.....	3.00% of the first \$13,000 of a member's retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.
Investment rate of return/Discount rate.....	7.75% per year.
Nominal investment rate of return.....	7.80%, including inflation of 3.00%.
Long-term expected real rate of investment return.....	4.80%, nominal rate of 7.80% less inflation 3.00%.
Inflation.....	3.00%

*Investment Policy* - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 by the target asset allocation percentage and by adding expected inflation. The System's expected future real rate of return of 4.8% is added to the expected inflation of 3% to produce the long-term nominal expected rate of return of 7.8%. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
<b>Global Equity</b>		
Large Cap Equities.....	14.50%	4.50%
Small/Mid Cap Equities.....	3.50%	4.75%
International Equities.....	16.00%	4.83%
Emerging International Equities.....	6.00%	6.61%
<b>Core Fixed Income</b>		
Core Bonds.....	5.00%	1.00%
20+ Year Treasuries.....	5.00%	0.75%
TIPS.....	3.00%	0.75%
<b>Value Added Fixed Income</b>		
Bank Loans.....	1.50%	3.00%
EMD (External).....	1.00%	2.75%
EMD (Local Currency).....	2.00%	3.50%
Private Debt.....	4.00%	6.06%
Private Equity.....	10.00%	6.50%
Real Estate.....	10.00%	3.50%
Timberland.....	4.00%	3.00%
Hedge Funds and Portfolio Completion.....	13.00%	3.48%
Total Asset Allocation.....	100.00%	

*Rate of Return* – For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution 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 and inactive 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 Position Liability to Changes in the Discount Rate* – The following presents the net position liability, calculated using the discount rate of 7.75%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability..... \$	16,237,606	\$ 13,247,938	\$ 11,036,102

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Essex Regional Retirement System's financial report.

*Changes in Assumptions* - The principal actuarial assumptions used in this valuation are the same as the assumptions used in the previous valuation except for the following change.

The non-economic assumptions were changed from the January 1, 2013, actuarial valuation. The mortality assumptions are based upon the RP2000 Table (sex-distinct) increased with generational mortality and Scale BB. The previous assumption used an 18 year projection with Scale AA.

*Changes in Plan Provisions* – None

#### **NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town administers a single-employer defined benefit healthcare plan ("Plan"). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 70.0% to 80.0% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 20.0% to 30.0% of their premium costs. For 2017, the Town's age adjusted contribution to the plan totaled approximately \$809,000. For the year ended June 30, 2017, the Town's average contribution rate was 12.73% of covered payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefits (OPEB) liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HSCBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment management Board (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT fund.



During 2017, the Town pre-funded future OPEB liabilities totaling approximately \$246,000, by contributing funds to the OPEB fund in excess of the pay-as-you-go required contribution. These funds are reported within the Town's Fiduciary Fund financial statements. As of June 30, 2017, the balance of this fund totaled \$1.4 million.

*Rate of Return* - The annual money-weighted rate of return on OPEB plan investments was 12.78%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

*Plan Membership* – The following table represents the Plan's membership at June 30, 2017:

Active members.....	67
Inactive members currently receiving benefits..	<u>114</u>
Total.....	<u><u>181</u></u>

*Components of OPEB Liability* – The following table represents the Components of the other postemployment benefits liability as of June 30, 2017:

Total OPEB liability.....	\$ 8,305,775
Less: OPEB plan's fiduciary net position.....	<u>(1,063,642)</u>
Net OPEB liability.....	<u><u>\$ 7,242,133</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability....	17.3%

*Significant Actuarial Methods Assumptions* – The following actuarial methods and assumptions were used to determine the total other postemployment benefit liability in the July 1, 2016, actuarial valuation, applied to all periods included in the measurement date that was updated to June 30, 2017 to be in compliance with GASB Statement # 74:

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry Age Normal
Investment rate of return/discount rate....	Full Prefunding: 7.5%, net of investment expenses
Medical inflation rate.....	5.0% decreasing to 4.5% for periods starting in 2017
Participation rate.....	95% of future retirees are assumed to participate in the retiree medical plan. 95% of future retirees are assumed to elect life insurance.
Inflation rate.....	2.75%
Marital status.....	75% of male Town employees and 65% of female Town employees are assumed to have covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Termination benefit.....	95% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.

Medical plan costs.....	The estimated gross per capita incurred claim costs for all retirees and beneficiaries during 2016-2017 at age 64 and 65 are \$17,999 and \$3,691, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$4,159. It is assumed that future retirees participate in the same manner as current retirees. Per capita costs were developed from age adjusting a blend of the current premium rates for the various insured arrangements. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries. Premium costs include cost of administration.
Amortization period.....	26 year level percent of pay assuming 4% increasing payments, closed basis. For a closed basis, the amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.
Mortality.....	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.
Asset valuation method.....	Market value

### *Investment Policy*

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

The long-term expected rate of return on OPEB 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 by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.75% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.50%.

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap.....	14.50%	4.00%
Domestic Equity - Small/Mid Cap.....	3.50%	6.00%
International Equity - Developed Market.....	16.00%	4.50%
International Equity - Emerging Market.....	6.00%	7.00%
Domestic Fixed Income.....	20.00%	2.00%
International Fixed Income.....	3.00%	3.00%
Alternatives.....	23.00%	6.50%
Real Estate.....	14.00%	6.25%
Total Asset Allocation.....	100.00%	

*Discount Rate*- The discount rate was selected based on a projection of employer and employee contributions, benefit payments, expenses and the long term expected rate of return on trust assets. Based on these assumptions, the 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the net OPEB liability calculated using the discount rate of 7.5%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Total OPEB liability.....	\$ 9,256,860	\$ 8,305,775	\$ 7,515,335
Less: OPEB plan's fiduciary net position.....	(1,063,642)	(1,063,642)	(1,063,642)
Net OPEB liability.....	\$ 8,193,218	\$ 7,242,133	\$ 6,451,693

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* – The following table presents the net OPEB liability calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability.....	\$ 7,413,150	\$ 8,305,775	\$ 9,385,712
Less: OPEB plan's fiduciary net position.....	(1,063,642)	(1,063,642)	(1,063,642)
Net OPEB liability.....	\$ 6,349,508	\$ 7,242,133	\$ 8,322,070

*The Town's Annual OPEB Cost and Net OPEB Obligation* – The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities

(or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in following table:

Annual required contribution.....	\$ 551,425
Interest on net OPEB obligation.....	120,279
Amortization of OPEB obligation.....	<u>(90,478)</u>
Annual OPEB cost (expense).....	581,226
Contributions made.....	<u>(808,870)</u>
Increase/(Decrease) in net OPEB obligation.....	<u>(227,644)</u>
Net OPEB obligation - beginning of year.....	<u>1,603,716</u>
Net OPEB obligation - end of year.....	<u><u>\$ 1,376,072</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the prior two years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 581,226	139%	\$ 1,376,072
6/30/2016	727,976	121%	1,603,716
6/30/2015	701,255	91%	1,754,675

*Funded Status and Funding Progress* – As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$7.9 million. The actuarial value of assets for the plan was \$1.1 million. The remaining \$6.8 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4.2 million, the ratio of the UAAL to the covered payroll was 163.5%, and the funded ratio is 13.52%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, actuarial liabilities were determined using the entry age normal actuarial cost method. The actuarial assumptions included a 7.5% investment return assumption, which is based on the expected yield on the assets of the Trust, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 5% initially, and decreasing to a rate of 4.5%. The inflation rate is 2.75%. The UAAL is being amortized over a closed 30 year period, with amortization payments increasing at 4.0% per year. The asset valuation method used is market value. The remaining amortization period at July 1, 2016, is 26 years.

#### **NOTE 12 – LANDFILL CLOSURE, ENVIRONMENTAL REMEDIATION AND POSTCLOSURE CARE**

The Department of Environmental Protection (DEP) has identified the Town as one of the responsible parties in relation to a contaminated site which was previously used as a burn dump. The Town has performed an initial assessment of the site in order to identify the perimeter and depth of the contamination.

In May 2009, the Town voted to approve the issuance of \$2.4 million in general obligation bonds to acquire the properties to mitigate the Town's risk. The Town has since purchased the three properties and has removed the buildings. The Town has established a remediation plan submitted to the Massachusetts Department of Environmental Protection in April 2014, regarding properties located at Pine Street and Rockwood Heights Road. In April 2014, the Town voted to approve the issuance of \$1.7 million for the total amount needed for environmental engineering, testing, design and clean-up of the sites. As of June 30, 2017, the Town has spent approximately \$1.4 million related to the clean-up and required monitoring. The Town estimates that there are minimal costs remaining related to the clean-up and required monitoring and therefore no liability has been reported.

#### **NOTE 13 – COMMITMENTS**

At year end the Town had various ongoing projects for water pipe improvements, valve and hydrant replacement, sewer pipe improvements, sewer pump station improvements and repairs as well as road paving.

#### **NOTE 14 – CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

#### **NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 21, 2017, which is the date the financial statements were available to be issued.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.



**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts						
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 25,672,031	\$ 25,672,031	\$ 25,672,031	\$ 25,827,889	\$ -	\$ 155,858
Motor vehicle and other excise taxes.....	-	850,000	850,000	850,000	1,133,682	-	283,682
Charges for services.....	-	355,000	355,000	355,000	468,257	-	113,257
Penalties and interest on taxes.....	-	35,000	35,000	35,000	65,149	-	30,149
Intergovernmental.....	-	223,181	223,181	223,181	227,477	-	4,296
Departmental and other.....	-	540,000	540,000	540,000	1,168,253	-	628,253
Investment income.....	-	13,000	13,000	13,000	26,485	-	13,485
TOTAL REVENUES.....	-	27,688,212	27,688,212	27,688,212	28,917,192	-	1,228,980
<b>EXPENDITURES:</b>							
Current:							
General Government							
Selectmen's Department							
Salaries.....	-	191,620	191,620	191,620	191,234	-	386
Expenses.....	-	24,350	24,350	25,051	25,051	-	-
Audit.....	3,000	36,000	39,000	39,000	39,000	-	-
Information Technology.....	3,961	102,750	106,711	103,860	103,584	60	216
Total Selectmen's Department.....	6,961	354,720	361,681	359,531	358,869	60	602
Moderator							
Expenses.....	-	50	50	50	-	-	50
Finance Committee							
Salaries.....	-	2,000	2,000	3,425	3,374	-	51
Expenses.....	-	320	320	320	201	-	119
Reserve Fund.....	-	175,000	175,000	53,285	-	-	53,285
Total Finance Committee.....	-	177,320	177,320	57,030	3,575	-	53,455
Election & Registration							
Salaries.....	-	3,800	3,800	3,800	3,485	-	315
Expenses.....	-	11,000	11,000	11,000	10,915	-	85
Total Elections & Registration.....	-	14,800	14,800	14,800	14,400	-	400
Accounting							
Salaries.....	-	120,533	120,533	120,533	120,533	-	-
Expenses.....	-	4,850	4,850	4,850	4,836	-	14
Total Accounting.....	-	125,383	125,383	125,383	125,369	-	14
Assessors							
Salaries.....	-	142,537	142,537	145,387	145,234	-	153
Expenses.....	-	39,675	39,675	39,675	37,990	-	1,685
Total Assessors.....	-	182,212	182,212	185,062	183,224	-	1,838
Treasurer/ Collector							
Salaries.....	-	148,149	148,149	143,524	140,148	-	3,376
Expenses.....	-	36,840	36,840	36,840	26,210	-	10,630
Total Treasurer/ Collector.....	-	184,989	184,989	180,364	166,358	-	14,006
Town Clerk							
Salaries.....	-	97,698	97,698	97,698	96,799	-	899
Expenses.....	-	6,050	6,050	34,050	26,930	6,345	775
Total Town Clerk.....	-	103,748	103,748	131,748	123,729	6,345	1,674
Legal							
Expenses.....	32,808	100,000	132,808	138,108	126,431	11,677	-
Appeals Board							
Salaries.....	-	18,245	18,245	18,245	10,808	-	7,437
Expenses.....	-	28,600	28,600	13,600	5,703	-	7,897
Total Appeals Board.....	-	46,845	46,845	31,845	16,511	-	15,334
Planning Board							
Salaries.....	-	45,507	45,507	62,422	61,078	-	1,344
Expenses.....	-	19,050	19,050	2,050	1,201	230	619
Professional Services.....	27,929	-	27,929	44,929	12,662	32,267	-
Total Planning Board.....	27,929	64,557	92,486	109,401	74,941	32,497	1,963

(continued)

**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Town Hall & Common Expenses.....	-	83,650	83,650	76,650	76,640	-	10
Total General Government.....	67,698	1,438,274	1,505,972	1,409,972	1,270,047	50,579	89,346
Pensions.....							
Contributory.....	-	1,010,645	1,010,645	1,010,645	996,275	-	14,370
Non-Contributory.....	-	2,200	2,200	2,200	2,111	-	89
Total Pensions.....	-	1,012,845	1,012,845	1,012,845	998,386	-	14,459
Employee Benefits							
Group Health Insurance.....	-	1,559,928	1,559,928	1,635,174	1,630,395	-	4,779
Worker's Compensation.....	7,374	65,000	72,374	72,374	46,321	26,053	-
Unemployment Compensation.....	-	10,000	10,000	9,300	1,465	-	7,835
FICA-Medicare.....	-	85,495	85,495	85,495	79,724	-	5,771
Total Employee Benefits.....	7,374	1,720,423	1,727,797	1,802,343	1,757,905	26,053	18,385
Insurance							
Fire/ Auto/ Liability.....	-	125,000	125,000	125,000	114,797	700	9,503
Public Safety							
Police							
Salaries.....	-	1,552,253	1,552,253	1,575,756	1,574,085	-	1,671
Expenses.....	-	145,850	145,850	122,347	121,172	1,175	-
Total Police.....	-	1,698,103	1,698,103	1,698,103	1,695,257	1,175	1,671
Parking Clerk/ Resident Parking							
Salaries.....	-	11,518	11,518	11,518	11,518	-	-
Expenses.....	-	11,955	11,955	18,955	16,141	2,814	-
Total Parking Clerk/ Resident Parking.....	-	23,473	23,473	30,473	27,659	2,814	-
Fire							
Salaries.....	-	1,150,217	1,150,217	1,132,217	1,131,918	-	299
Expenses.....	1,589	124,700	126,289	164,740	164,689	-	51
Ambulance Billing Expenses.....	-	68,000	68,000	68,000	67,868	-	132
Total Fire.....	1,589	1,342,917	1,344,506	1,364,957	1,364,475	-	482
Building Department							
Building Inspector.....	-	44,406	44,406	45,406	44,458	-	948
Gas/ Plumbing Inspector.....	-	12,351	12,351	12,351	12,351	-	-
Sealer of Weights & Measures.....	-	3,395	3,395	3,395	3,000	-	395
Electrical Inspector.....	-	12,351	12,351	12,351	12,351	-	-
Inspectors' Expenses.....	-	4,800	4,800	4,800	4,728	-	72
Total Building Department.....	-	77,303	77,303	78,303	76,888	-	1,415
Emergency Management							
Salaries.....	-	6,000	6,000	6,000	4,970	-	1,030
Expenses.....	-	1,000	1,000	1,000	1,000	-	-
Emergency Notification.....	-	5,500	5,500	5,500	4,500	-	1,000
Total Emergency Management.....	-	12,500	12,500	12,500	10,470	-	2,030
Animal Control							
Expenses.....	-	17,500	17,500	17,500	15,986	-	1,514
Total Public Safety.....	1,589	3,171,796	3,173,385	3,201,836	3,190,735	3,989	7,112
Education							
Public Schools							
Salaries and expenses.....	-	14,785,524	14,785,524	14,785,524	14,781,245	-	4,279
Memorial School Feasibility Study.....	-	302,042	302,042	302,042	-	302,042	-
North Shore Regional Vocational.....	-	86,657	86,657	86,657	85,001	-	1,656
Total Education.....	-	15,174,223	15,174,223	15,174,223	14,866,246	302,042	5,935

(continued)

**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Public Works							
Department of Public Works							
Salaries.....	-	562,606	562,606	562,606	556,717	-	5,889
Expenses.....	3,022	394,850	397,872	297,872	294,141	3,684	47
Total Department of Public Works.....	3,022	957,456	960,478	860,478	850,858	3,684	5,936
Snow Removal							
Salaries.....	-	32,000	32,000	32,000	55,467	-	(23,467)
Expenses.....	-	170,000	170,000	170,000	148,220	-	21,780
Street Lighting.....	-	95,000	95,000	95,000	94,614	-	386
Total Snow Removal.....	-	297,000	297,000	297,000	298,301	-	(1,301)
Sanitation / Composting / Recycling							
Salaries.....	-	22,550	22,550	22,550	19,980	-	2,570
Expenses.....	-	59,000	59,000	59,000	54,828	-	4,172
Rubbish Collection / Recycling.....	20,319	245,000	265,319	315,319	304,044	-	11,275
Disposal.....	30,505	108,000	138,505	138,505	114,438	-	24,067
Total Sanitation / Composting / Recycling.....	50,824	434,550	485,374	535,374	493,290	-	42,084
Total Public Works.....	53,846	1,689,006	1,742,852	1,692,852	1,642,449	3,684	46,719
Environmental							
Historic District Commission							
Salaries.....	-	3,000	3,000	3,000	2,149	-	851
Expenses.....	-	1,200	1,200	1,200	-	-	1,200
Total Historic District Commission.....	-	4,200	4,200	4,200	2,149	-	2,051
Conservation Commission							
Salaries.....	-	61,984	61,984	63,184	62,926	-	258
Expenses.....	-	2,650	2,650	2,650	2,194	230	226
Chebacco Woods.....	4,550	1,250	5,800	5,800	-	4,550	1,250
Total Conservation Commission.....	4,550	65,884	70,434	71,634	65,120	4,780	1,734
Total Environmental.....	4,550	70,084	74,634	75,834	67,269	4,780	3,785
Human Services							
Health							
Salaries.....	-	62,355	62,355	62,355	55,864	-	6,491
Expenses.....	4,531	58,650	63,181	63,180	45,448	460	17,272
Total Health.....	4,531	121,005	125,536	125,535	101,312	460	23,763
Veteran's Services							
Expenses.....	-	15,050	15,050	15,050	14,500	-	550
Veterans' Benefits.....	-	500	500	500	-	-	500
Total Veteran's Services.....	-	15,550	15,550	15,550	14,500	-	1,050
Council on Aging							
Salaries.....	-	140,431	140,431	142,431	142,251	-	180
Expenses.....	-	16,400	16,400	16,400	16,228	172	-
Total Council on Aging.....	-	156,831	156,831	158,831	158,479	172	180
Total Human Services.....	4,531	293,386	297,917	299,916	274,291	632	24,993
Library							
Salaries.....	-	296,955	296,955	296,955	296,469	-	486
Expenses.....	-	152,962	152,962	152,962	152,962	-	-
Total Library.....	-	449,917	449,917	449,917	449,431	-	486

(continued)

**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts						
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
Recreation							
Parks & Recreation							
Salaries.....	-	134,930	134,930	137,430	137,422	-	8
Expenses.....	5,525	8,550	14,075	14,075	13,504	225	346
Total Parks & Recreation.....	5,525	143,480	149,005	151,505	150,926	225	354
Singing Beach Operations							
Salaries.....	-	63,884	63,884	63,884	63,884	-	-
Expenses.....	-	14,325	14,325	14,325	14,229	-	96
Total Singing Beach Operations.....	-	78,209	78,209	78,209	78,113	-	96
Lifeguards							
Salaries.....	-	51,414	51,414	51,414	46,763	-	4,651
Expenses.....	1,128	3,400	4,528	4,528	3,435	-	1,093
Total Lifeguards.....	1,128	54,814	55,942	55,942	50,198	-	5,744
Tuck's Point							
Salaries.....	-	6,000	6,000	6,000	4,463	-	1,537
Expenses.....	23,105	30,370	53,475	53,475	23,992	24,156	5,327
Total Tuck's Point.....	23,105	36,370	59,475	59,475	28,455	24,156	6,864
Buildings & Grounds							
Salaries.....	-	75,269	75,269	75,269	75,269	-	-
Expenses.....	-	45,000	45,000	45,000	43,098	1,020	882
Total Buildings and Grounds.....	-	120,269	120,269	120,269	118,367	1,020	882
Other Recreation							
Memorial Day.....	-	3,000	3,000	3,000	3,000	-	-
Fourth of July.....	-	11,000	11,000	11,000	11,000	-	-
Total Other Recreation.....	-	14,000	14,000	14,000	14,000	-	-
Total Recreation.....	29,758	447,142	476,900	479,400	440,059	25,401	13,940
State and County Charges.....	-	163,226	163,226	163,226	158,906	-	4,320
Debt Service							
Principal.....	-	1,191,733	1,191,733	912,400	912,400	-	-
Interest.....	-	306,530	306,530	160,432	159,879	-	553
Temporary Loans/Interest.....	-	30,000	30,000	45,431	45,431	-	-
Total Debt Service.....	-	1,528,263	1,528,263	1,118,263	1,117,710	-	553
Total Capital Outlay.....	875,846	1,000,500	1,876,346	1,976,346	830,757	1,143,698	1,891
TOTAL EXPENDITURES.....	1,045,192	28,284,085	29,329,277	28,981,973	27,178,988	1,561,558	241,427
EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES.....	(1,045,192)	(595,873)	(1,641,065)	(1,293,761)	1,738,204	(1,561,558)	1,470,407
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	283,469	283,469	283,469	328,684	-	45,215
Transfers out.....	-	(200,738)	(200,738)	(899,856)	(899,856)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	82,731	82,731	(616,387)	(571,172)	-	45,215
NET CHANGE IN FUND BALANCE.....	(1,045,192)	(513,142)	(1,558,334)	(1,910,148)	1,167,032	(1,561,558)	1,515,622
BUDGETARY FUND BALANCE, Beginning of year.....	-	4,958,751	4,958,751	4,958,751	4,958,751	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (1,045,192)	\$ 4,445,609	\$ 3,400,417	\$ 3,048,603	\$ 6,125,783	\$ (1,561,558)	\$ 1,515,622

See notes to required supplementary information.

(concluded)

# ***Pension Plan Schedules***

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information relating to the Town's net pension liability and related ratios.

The Schedule of the Town Contributions presents multi-year trend information for the Town's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

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

	Decmeber 31, 2014	Decmeber 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	3.200%	3.434%	3.438%
Town's proportionate share of the net pension liability (asset)..... \$	10,868,675	\$ 12,475,940	\$ 13,247,938
Town's covered employee payroll..... \$	4,218,767	\$ 4,392,184	\$ 4,569,174
Net pension liability as a percentage of covered-employee payroll.....	257.63%	284.05%	289.94%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%	51.01%	51.12%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**ESSEX REGIONAL RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 821,748	\$ 943,343	\$ 996,275
Contributions in relation to the actuarially determined contribution.....	<u>(821,748)</u>	<u>(943,343)</u>	<u>(996,275)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 4,218,767	\$ 4,392,184	\$ 4,569,174
Contributions as a percentage of covered- employee payroll.....	19.48%	21.48%	21.80%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

## **GASB 74 Schedules**

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

## **GASB 45 Schedules**

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.



**SCHEDULE OF CHANGES IN THE  
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>	
Service Cost.....	\$ 129,111
Interest.....	674,864
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(563,006)</u>
Net change in total OPEB liability.....	240,969
 Total OPEB liability- beginning.....	 <u>8,064,806</u>
Total OPEB liability- ending (a).....	<u>\$ 8,305,775</u>
 <b>Plan fiduciary net position</b>	
Contributions- employer .....	\$ 808,870
Net investment income.....	123,892
Benefit payments.....	<u>(563,006)</u>
Net change in plan fiduciary net position.....	369,756
 Plan fiduciary net position- beginning.....	 <u>1,063,642</u>
Plan fiduciary net position- ending (b).....	<u>\$ 1,433,398</u>
 <b>Town's net OPEB liability- ending (a)-(b).....</b>	 <b><u>\$ 6,872,377</u></b>
 Plan fiduciary net position as a percentage of the total OPEB liability.....	 17.3%
 Covered-employee payroll.....	 \$ 4,160,000
 Town's net OPEB liability as a percentage of covered-employee payroll.....	 165.2%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years  
for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	<u>June 30, 2017</u>
Actuarially determined contribution.....	\$ 529,584
Contributions in relation to the actuarially determined contribution.....	<u>(808,870)</u>
Contribution deficiency (excess).....	<u>\$ (279,286)</u>
Covered-employee payroll.....	\$ 4,160,000
Contributions as a percentage of covered- employee payroll.....	12.73%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	12.78%
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Note: This schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)** (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2016	\$ 1,063,642	\$ 7,866,796	\$ 6,803,154	13.52%	\$ 4,160,000	163.54%
7/1/2014	559,515	8,396,220	7,836,705	6.66%	4,368,000	179.41%
7/1/2012	-	16,703,015	16,703,015	0.00%	4,350,300	383.95%
7/1/2010	-	13,431,137	13,431,137	0.00%	4,137,000	324.66%
7/1/2007	-	10,667,966	10,667,966	0.00%	3,195,687	333.82%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 529,584	\$ 808,870	153%
6/30/2016	689,298	878,935	128%
6/30/2015	661,916	640,021	97%
6/30/2014	1,085,148	740,354	68%

\*\* Valuations from 2007 through 2014 were based on the Projected Unit Credit Cost Method.  
Beginning with 7/1/2016, the actuarial cost method was changed to the Entry Age Normal Cost Method.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry Age Normal
Investment rate of return/discount rate....	Full Prefunding: 7.5%, net of investment expenses
Medical inflation rate.....	5.0% decreasing to 4.5% for periods starting in 2017
Participation rate.....	95% of future retirees are assumed to participate in the retiree medical plan. 95% of future retirees are assumed to elect life insurance.
Inflation rate.....	2.75%
Marital status.....	75% of male Town employees and 65% of female Town employees are assumed to have covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Termination benefit.....	95% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.
Medical plan costs.....	The estimated gross per capita incurred claim costs for all retirees and beneficiaries during 2016-2017 at age 64 and 65 are \$17,999 and \$3,691, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$4,159. It is assumed that future retirees participate in the same manner as current retirees. Per capita costs were developed from age adjusting a blend of the current premium rates for the various insured arrangements. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries. Premium costs include cost of administration.
Amortization period.....	26 year level percent of pay assuming 4% increasing payments, closed basis. For a closed basis, the amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.
Mortality.....	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.
Asset valuation method.....	Market value

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Finance Committee (Committee). The Committee presents an annual budget to the Open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by a majority vote of the Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 budget includes approximately \$28.5 million in current year authorized appropriations and other amounts to be raised and approximately \$1 million in encumbrances and appropriations carried over from previous years. Changes to the original budget consisted of transfers between appropriations and the use of free cash of \$346,000 to fund the Town's OPEB trust fund and to transfer funds to the stabilization fund.

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

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

Net change in fund balance - budgetary basis.....	\$	1,167,032
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		123,366
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		205,521
Net change in tax refunds payable.....		<u>(31,105)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>1,464,814</u></u>

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, snow and ice expenditures and encumbrances exceeded appropriations and the deficit will be raised in 2018.

**NOTE B – PENSION PLAN**A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the Town's allocated percentage of the net pension liability (asset), the Town's proportionate share of the net pension liability, and the Town's covered employee payroll. It also demonstrates the Town's net position as a percentage of the Town's pension liability and the Town's net pension liability as a percentage of the Town's covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The Town's appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The Town's appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual Town contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Changes in Assumptions

The principal actuarial assumptions used in this valuation are the same as the assumptions used in the previous valuation except for the following change.

The non-economic assumptions were changed from the January 1, 2013, actuarial valuation. The mortality assumptions are based upon the RP2000 Table (sex-distinct) increased with generational mortality and Scale BB. The previous assumption used an 18 year projection with Scale AA.

D. Changes in Plan Provisions

None

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members.

**The Other Postemployment Benefit Plan**The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

**The Town**

The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 13.52%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Schedule of Funding Progress

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the Town's actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Schedule of Employer Contributions

The Schedule of Employer Contributions presents multiyear trend information for the Town's required and actual contributions relating to the plan.

Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.



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## ***Other Supplementary Information***

# ***Combining Statements***

The combining financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type.

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

Special revenue funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital project funds) that are restricted by law or administrative action to expenditures for specific purposes. The Town's grouping for nonmajor special revenue funds is as described as follows:

- *Gifts Fund* – This fund is used to account for gifts which have been accepted by the Town to be used for the purpose specified by the donor.
- *Harbormaster Fund* – This fund is used to account for the activity related to the Harbormaster.
- *Special Revenue Trust Fund* – This fund is used to account for statutory trust accounts that may be spent to support the government.
- *Recreation Revolving Fund* – This fund is used to account for self-supporting recreational programs and activities.
- *Planning Conservation Commission Fund* – This fund is used to account for the activity of the planning board, conservation commission, and various other projects.
- *Harbor Improvement Fund* – This fund is used to account for the receipts of mooring fees, which are reserved for use on harbor improvement projects.
- *State Grant Fund* – This fund is used to account for activity specifically financed by grants, which are designated for specific programs.
- *Affordable Housing Trust* – This fund is used to account for activity of the Town's affordable housing trust fund.
- *Other Special Revenue Fund* – This fund is used to account for other small special revenue funds which are not categorized within any of the other funds.

## ***Capital Project Funds***

Capital project funds are used to account for financial resources to be used for the acquisition, construction, or improvement of major capital assets (other than those financed by enterprise funds). Such resources are derived principally from proceeds of general obligation bonds and grants. The Town's grouping for nonmajor capital project funds is as described as follows:

- *Storm Damage Repairs Fund* – This fund is used to account for emergency pipe repairs and beach damage that resulted from winter storms in 2013.
- *Pine Street Acquisitions and Cleanup Fund* – This fund is used to account for the activities related to the acquisition, maintenance, cleanup and other costs associated with the landfill.

### ***Permanent Funds***

Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs. The Town's grouping for nonmajor permanent funds is as described as follows:

- *Non-Expendable Trust Fund* – This fund is used to account for the non-expendable portion of gifts, bequests, and contributions for which only earnings may be expended to benefit the Town.
- *Expendable Trust Fund* – This fund is used to account for the spendable portion of gifts, bequests, and contributions for which only earnings may be expended for purposes specified by the donor.

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**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

YEAR ENDED JUNE 30, 2017

<b>Special Revenue Funds</b>							
	Gifts	Harbor- master	Special Revenue Trust	Recreation Revolving	Planning Conservation Commission	Harbor Improvement	State Grants
<b>ASSETS</b>							
Cash and cash equivalents.....	\$ 198,221	\$ 544,677	\$ 198,560	\$ 364,762	\$ 76,459	\$ 293,297	\$ 72,135
<b>LIABILITIES</b>							
Warrants payable.....	\$ 1,806	\$ 8,401	\$ -	\$ 3,873	\$ -	\$ -	\$ 57,836
<b>FUND BALANCES</b>							
Nonspendable.....	-	-	-	-	-	-	-
Restricted.....	196,415	536,276	198,560	360,889	76,459	293,297	14,299
TOTAL FUND BALANCES.....	196,415	536,276	198,560	360,889	76,459	293,297	14,299
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 198,221	\$ 544,677	\$ 198,560	\$ 364,762	\$ 76,459	\$ 293,297	\$ 72,135

(Continued)

Special Revenue Funds			Capital Projects Funds			Permanent Funds			Total Nonmajor Governmental Funds
Affordable Housing Trust	Other Special Revenues	Subtotal	Storm Damage Repairs	Pine Street Acquisitions and Cleanup	Subtotal	Non- Expendable Trust Funds	Expendable Trust Funds	Subtotal	
\$ 29,663	\$ 211,210	\$ 1,988,984	\$ 22,454	\$ 33,886	\$ 56,340	\$ 373,427	\$ 65,442	\$ 438,869	\$ 2,484,193
\$ 9,800	\$ 29	\$ 81,745	\$ 6,602	\$ -	\$ 6,602	\$ -	\$ 2,271	\$ 2,271	\$ 90,618
-	-	-	-	-	-	373,427	-	373,427	373,427
19,863	211,181	1,907,239	15,852	33,886	49,738	-	63,171	63,171	2,020,148
19,863	211,181	1,907,239	15,852	33,886	49,738	373,427	63,171	436,598	2,393,575
\$ 29,663	\$ 211,210	\$ 1,988,984	\$ 22,454	\$ 33,886	\$ 56,340	\$ 373,427	\$ 65,442	\$ 438,869	\$ 2,484,193

(Concluded)



**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	<b>Special Revenue Funds</b>						
	Gifts	Harbor- master	Special Revenue Trust	Recreation Revolving	Planning Conservation Commission	Harbor Improvement	State Grants
<b>REVENUES:</b>							
Motor vehicle and other excise taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,604	\$ -
Intergovernmental.....	-	-	-	-	-	-	343,042
Departmental and other.....	-	-	-	328,962	21,764	251,356	-
Contributions.....	97,598	-	16,750	-	-	-	-
Investment income.....	-	-	3,353	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>97,598</b>	<b>-</b>	<b>20,103</b>	<b>328,962</b>	<b>21,764</b>	<b>268,960</b>	<b>343,042</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	5,431	-	-	-	37,999	-	2,975
Public safety.....	21,954	285,412	-	-	-	-	94,873
Public works.....	-	-	-	-	-	-	322,483
Human services.....	5,143	-	-	-	-	-	20,434
Library and recreation.....	74,574	-	11,641	234,336	-	-	7,058
<b>TOTAL EXPENDITURES.....</b>	<b>107,102</b>	<b>285,412</b>	<b>11,641</b>	<b>234,336</b>	<b>37,999</b>	<b>-</b>	<b>447,823</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(9,504)</b>	<b>(285,412)</b>	<b>8,462</b>	<b>94,626</b>	<b>(16,235)</b>	<b>268,960</b>	<b>(104,781)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Issuance of long-term bonds.....	-	-	-	-	-	-	-
Capital transfer.....	-	-	-	-	-	-	-
Transfers in.....	-	314,015	-	-	-	-	-
Transfers out.....	-	-	-	-	-	(274,015)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>314,015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(274,015)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(9,504)</b>	<b>28,603</b>	<b>8,462</b>	<b>94,626</b>	<b>(16,235)</b>	<b>(5,055)</b>	<b>(104,781)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>205,919</b>	<b>507,673</b>	<b>190,098</b>	<b>266,263</b>	<b>92,694</b>	<b>298,352</b>	<b>119,080</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 196,415</b>	<b>\$ 536,276</b>	<b>\$ 198,560</b>	<b>\$ 360,889</b>	<b>\$ 76,459</b>	<b>\$ 293,297</b>	<b>\$ 14,299</b>

(Continued)

Special Revenue Funds			Capital Project Funds			Permanent Funds			Total Nonmajor Governmental Funds
Affordable Housing Trust	Other Special Revenues	Sub-total	Storm Damage Repairs	Pine Street Acquisitions and Cleanup	Sub-total	Non Expendable Trust Funds	Expendable Trust Funds	Sub-total	
\$ -	\$ -	\$ 17,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,604
30,010	-	373,052	-	-	-	-	-	-	373,052
-	353,406	955,488	-	-	-	-	-	-	955,488
-	-	114,348	-	-	-	5,749	209	5,958	120,306
-	-	3,353	-	-	-	-	5,833	5,833	9,186
30,010	353,406	1,463,845	-	-	-	5,749	6,042	11,791	1,475,636
10,147	13,213	69,765	-	114,194	114,194	-	-	-	183,959
-	314,531	716,770	-	-	-	-	-	-	716,770
-	13,824	336,307	-	-	-	-	-	-	336,307
-	-	25,577	-	-	-	-	-	-	25,577
-	-	327,609	266,286	-	266,286	-	400	400	594,295
10,147	341,568	1,476,028	266,286	114,194	380,480	-	400	400	1,856,908
19,863	11,838	(12,183)	(266,286)	(114,194)	(380,480)	5,749	5,642	11,391	(381,272)
-	-	-	-	1,440,000	1,440,000	-	-	-	1,440,000
-	-	-	-	(1,440,000)	(1,440,000)	-	-	-	(1,440,000)
-	-	314,015	-	-	-	-	-	-	314,015
-	(15,000)	(289,015)	-	-	-	-	-	-	(289,015)
-	(15,000)	25,000	-	-	-	-	-	-	25,000
19,863	(3,162)	12,817	(266,286)	(114,194)	(380,480)	5,749	5,642	11,391	(356,272)
-	214,343	1,894,422	282,138	148,080	430,218	367,678	57,529	425,207	2,749,847
\$ 19,863	\$ 211,181	\$ 1,907,239	\$ 15,852	\$ 33,886	\$ 49,738	\$ 373,427	\$ 63,171	\$ 436,598	\$ 2,393,575

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## ***Statistical Section***



*Evening Glow by Olga Hayes*

# ***Statistical Section***

This part of the Town of Manchester-by-the-Sea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

## ***Financial Trends***

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

## ***Revenue Capacity***

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

## ***Debt Capacity***

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

## ***Demographic and Economic Information***

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

## ***Operating Information***

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Net Position By Component**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014 (1)	2015	2016 (1)	2017
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 277,935	\$ 4,474,153	\$ 4,482,187	\$ 4,517,579	\$ 5,349,753	\$ 6,080,219	\$ 6,588,998	\$ 5,988,619	\$ 6,786,763	\$ 7,726,871
Restricted.....	1,224,974	1,143,489	1,269,874	1,635,495	2,232,833	2,328,406	860,023	2,002,723	2,156,367	1,986,033
Unrestricted .....	<u>1,608,951</u>	<u>(3,104,640)</u>	<u>(4,246,663)</u>	<u>(5,414,126)</u>	<u>(5,388,990)</u>	<u>(4,723,842)</u>	<u>(10,026,641)</u>	<u>(8,749,501)</u>	<u>(6,683,553)</u>	<u>(6,208,686)</u>
Total governmental activities net position.....	<u>\$ 3,111,860</u>	<u>\$ 2,513,002</u>	<u>\$ 1,505,398</u>	<u>\$ 738,948</u>	<u>\$ 2,193,596</u>	<u>\$ 3,684,783</u>	<u>\$ (2,577,620)</u>	<u>\$ (758,159)</u>	<u>\$ 2,259,577</u>	<u>\$ 3,504,218</u>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 7,779,805	\$ 8,759,416	\$ 8,721,240	\$ 8,271,506	\$ 7,890,817	\$ 7,939,745	\$ 7,712,260	\$ 8,147,216	\$ \$10,150,738	\$ 11,249,805
Unrestricted.....	<u>1,905,313</u>	<u>515,506</u>	<u>557,719</u>	<u>1,024,793</u>	<u>1,218,945</u>	<u>954,130</u>	<u>166,283</u>	<u>165,021</u>	<u>(358,937)</u>	<u>791,670</u>
Total business-type activities net position.....	<u>\$ 9,685,118</u>	<u>\$ 9,274,922</u>	<u>\$ 9,278,959</u>	<u>\$ 9,296,299</u>	<u>\$ 9,109,762</u>	<u>\$ 8,893,875</u>	<u>\$ 7,878,543</u>	<u>\$ 8,312,237</u>	<u>\$ 9,791,801</u>	<u>\$ 12,041,475</u>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 8,057,740	\$ 13,233,569	\$ 13,203,427	\$ 12,789,085	\$ 13,240,570	\$ 14,019,964	\$ 14,301,258	\$ 14,135,835	\$ \$16,937,501	\$ 18,976,676
Restricted.....	1,224,974	1,143,489	1,269,874	1,635,495	2,232,833	2,328,406	860,023	2,002,723	2,156,367	1,986,033
Unrestricted.....	<u>3,514,264</u>	<u>(2,589,134)</u>	<u>(3,688,944)</u>	<u>(4,389,333)</u>	<u>(4,170,045)</u>	<u>(3,769,712)</u>	<u>(9,860,358)</u>	<u>(8,584,480)</u>	<u>(7,042,490)</u>	<u>(5,417,016)</u>
Total primary government net position.....	<u>\$ 12,796,978</u>	<u>\$ 11,787,924</u>	<u>\$ 10,784,357</u>	<u>\$ 10,035,247</u>	<u>\$ 11,303,358</u>	<u>\$ 12,578,658</u>	<u>\$ 5,300,923</u>	<u>\$ 7,554,078</u>	<u>\$ 12,051,378</u>	<u>\$ 15,545,693</u>

(1) = Unrestricted net position has been revised to reflect the implementation of GASB Statement #68.

**Changes in Net Position**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 1,051,418	\$ 3,057,272	\$ 4,348,762	\$ 3,590,745	\$ 3,301,849	\$ 2,209,533	\$ 1,977,317	\$ 3,328,452	\$ 2,211,434	\$ 2,318,805
Public safety.....	2,992,079	4,321,924	4,395,354	4,371,052	4,597,971	5,428,134	5,304,247	5,474,186	5,503,516	5,694,741
Education.....	10,111,285	11,211,645	11,683,547	12,366,672	12,381,121	12,576,122	13,023,589	13,442,173	14,496,087	14,866,246
Public works.....	2,117,279	2,370,338	2,301,968	2,667,830	2,234,808	3,292,779	2,187,944	2,462,981	2,303,016	2,676,687
Environmental.....	-	-	-	-	42,603	51,858	61,135	62,884	66,933	76,397
Human services.....	251,662	413,970	343,575	348,353	372,686	412,725	416,373	399,049	405,808	436,344
Library and recreation.....	861,735	1,131,858	1,108,416	1,056,110	1,233,930	1,347,516	1,347,057	1,509,755	1,565,026	1,596,546
Community preservation.....	227,838	125,750	99,125	111,500	31,083	121,902	174,190	188,678	273,043	297,544
Employee benefits.....	2,013,346	-	-	-	-	-	-	-	-	-
Intergovernmental.....	115,707	-	-	-	-	-	-	-	-	-
Interest.....	326,513	306,530	266,717	320,292	300,316	213,868	193,244	214,474	185,726	206,254
Total government activities expenses.....	<u>20,068,862</u>	<u>22,939,287</u>	<u>24,547,464</u>	<u>24,832,554</u>	<u>24,496,367</u>	<u>25,654,437</u>	<u>24,685,096</u>	<u>27,082,632</u>	<u>27,010,589</u>	<u>28,169,564</u>
Business-type activities:										
Sewer.....	1,133,353	1,144,432	1,182,756	1,142,391	1,171,581	1,037,894	1,035,859	888,735	967,062	893,274
Water.....	1,441,248	1,589,462	1,157,302	1,348,047	1,312,624	1,211,167	1,109,753	1,191,946	1,458,045	1,177,721
Total business-type activities expenses.....	<u>2,574,601</u>	<u>2,733,894</u>	<u>2,340,058</u>	<u>2,490,438</u>	<u>2,484,205</u>	<u>2,249,061</u>	<u>2,145,612</u>	<u>2,080,681</u>	<u>2,425,107</u>	<u>2,070,995</u>
Total primary government expenses.....	<u>\$ 22,643,463</u>	<u>\$ 25,673,181</u>	<u>\$ 26,887,522</u>	<u>\$ 27,322,992</u>	<u>\$ 26,980,572</u>	<u>\$ 27,903,498</u>	<u>\$ 26,830,708</u>	<u>\$ 29,163,313</u>	<u>\$ 29,435,696</u>	<u>\$ 30,240,559</u>
<b>Program Revenues</b>										
Governmental activities:										
Public Safety charges for services.....	\$ 673,902	\$ 787,630	\$ 902,236	\$ 936,231	\$ 859,854	\$ 1,060,694	\$ 928,075	\$ 941,759	\$ 1,016,928	\$ 983,873
Public works charges for services.....	551,291	177,667	202,915	261,116	370,400	271,146	226,928	420,284	245,215	241,525
Culture and recreation charges for services.....	376,887	171,466	303,173	250,412	412,894	533,176	587,051	612,374	772,549	738,976
Other charges for services.....	167,459	301,759	408,912	370,709	364,228	364,302	559,315	439,606	467,813	545,476
Operating grants and contributions.....	1,261,814	1,283,552	1,202,459	1,396,188	1,409,674	1,067,334	1,121,150	917,718	754,588	544,773
Capital grant and contributions.....	-	551,028	227,269	218,340	74,214	338,243	473,565	234,680	360,084	306,708
Total government activities program revenues.....	<u>3,031,353</u>	<u>3,273,102</u>	<u>3,246,964</u>	<u>3,432,996</u>	<u>3,491,264</u>	<u>3,634,895</u>	<u>3,896,084</u>	<u>3,566,421</u>	<u>3,617,177</u>	<u>3,361,331</u>
Business-type activities:										
Charges for services - Sewer.....	1,108,672	1,063,941	1,112,644	1,137,951	1,094,382	982,753	1,039,228	1,148,833	1,131,736	1,235,579
Charges for services - Water.....	971,600	864,388	1,024,289	1,128,376	1,005,231	1,010,770	1,073,623	1,288,344	1,279,465	1,206,649
Operating grants and contributions - Sewer.....	203,917	179,339	163,319	142,082	126,033	109,839	91,342	72,400	52,487	32,269
Capital grants and contributions - Water.....	-	-	-	-	-	-	-	-	1,253,267	-
Total business-type activities program revenues.....	<u>2,284,189</u>	<u>2,107,668</u>	<u>2,300,252</u>	<u>2,408,409</u>	<u>2,225,646</u>	<u>2,103,362</u>	<u>2,204,193</u>	<u>2,509,577</u>	<u>3,716,955</u>	<u>2,474,497</u>
Total primary government program revenues.....	<u>\$ 5,315,542</u>	<u>\$ 5,380,770</u>	<u>\$ 5,547,216</u>	<u>\$ 5,841,405</u>	<u>\$ 5,716,910</u>	<u>\$ 5,738,257</u>	<u>\$ 6,100,277</u>	<u>\$ 6,075,998</u>	<u>\$ 7,334,132</u>	<u>\$ 5,835,828</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (17,037,509)	\$ (19,666,185)	\$ (21,300,500)	\$ (21,399,558)	\$ (21,005,103)	\$ (22,019,542)	\$ (20,789,012)	\$ (23,516,211)	\$ (23,393,412)	\$ (24,808,233)
Business-type activities.....	(290,412)	(626,226)	(39,806)	(82,029)	(258,559)	(145,699)	58,581	428,896	1,291,848	403,502
Total primary government net expense.....	<u>\$ (17,327,921)</u>	<u>\$ (20,292,411)</u>	<u>\$ (21,340,306)</u>	<u>\$ (21,481,587)</u>	<u>\$ (21,263,662)</u>	<u>\$ (22,165,241)</u>	<u>\$ (20,730,431)</u>	<u>\$ (23,087,315)</u>	<u>\$ (22,101,564)</u>	<u>\$ (24,404,731)</u>
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 15,835,038	\$ 18,092,319	\$ 18,675,316	\$ 19,405,859	\$ 21,181,559	\$ 22,044,186	\$ 22,483,247	\$ 23,530,730	\$ 24,831,700	\$ 26,065,847
Tax liens.....	94,756	8,406	15,386	14,501	12,977	15,836	31,489	6,661	26,735	6,805
Motor vehicle and other excise taxes.....	947,857	770,698	774,595	795,742	823,971	867,725	960,019	1,088,562	1,033,774	1,202,892
Community preservation taxes.....	71,889	78,412	83,454	257,821	277,163	289,379	330,588	631,891	327,590	343,859
Payments in lieu of taxes.....	-	8,086	5,412	4,703	4,727	4,813	12,053	4,744	4,749	1,055
Grants and contributions not restricted to specific programs.....	290,089	269,530	207,501	210,208	204,935	199,552	200,812	214,651	212,326	219,009
Unrestricted investment income.....	113,323	55,996	51,075	43,643	26,441	19,050	16,184	33,171	161,990	59,579
Miscellaneous.....	36,337	-	-	-	-	-	-	-	-	-
Capital transfers.....	-	-	-	-	-	-	-	-	-	(1,539,118)
Transfers, net.....	(38,767)	(216,030)	(43,843)	(99,369)	(72,022)	70,188	151,208	(174,738)	(187,716)	(307,054)
Total governmental activities.....	<u>17,350,522</u>	<u>19,067,417</u>	<u>19,768,896</u>	<u>20,633,108</u>	<u>22,459,751</u>	<u>23,510,729</u>	<u>24,185,600</u>	<u>25,335,672</u>	<u>26,411,148</u>	<u>26,052,874</u>
Business-type activities:										
Capital transfers.....	-	-	-	-	-	-	-	-	-	1,539,118
Transfers, net.....	38,767	216,030	43,843	99,369	72,022	(70,188)	(151,208)	174,738	187,716	307,054
Total Business-type activities.....	<u>38,767</u>	<u>216,030</u>	<u>43,843</u>	<u>99,369</u>	<u>72,022</u>	<u>(70,188)</u>	<u>(151,208)</u>	<u>174,738</u>	<u>187,716</u>	<u>1,846,172</u>
Total primary government.....	<u>\$ 17,389,289</u>	<u>\$ 19,283,447</u>	<u>\$ 19,812,739</u>	<u>\$ 20,732,477</u>	<u>\$ 22,531,773</u>	<u>\$ 23,440,541</u>	<u>\$ 24,034,392</u>	<u>\$ 25,510,410</u>	<u>\$ 26,598,864</u>	<u>\$ 27,899,046</u>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ 313,013	\$ (598,768)	\$ (1,531,604)	\$ (766,450)	\$ 1,454,648	\$ 1,491,187	\$ 3,396,588	\$ 1,819,461	\$ 3,017,736	\$ 1,244,641
Business-type activities.....	(251,645)	(410,196)	4,037	17,340	(186,537)	(215,887)	(92,627)	603,634	1,479,564	2,249,674
Total primary government.....	<u>\$ 61,368</u>	<u>\$ (1,008,964)</u>	<u>\$ (1,527,567)</u>	<u>\$ (749,110)</u>	<u>\$ 1,268,111</u>	<u>\$ 1,275,300</u>	<u>\$ 3,303,961</u>	<u>\$ 2,423,095</u>	<u>\$ 4,497,300</u>	<u>\$ 3,494,315</u>

**Fund Balances, Governmental Funds**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved.....	\$ 1,468,698	\$ 391,397	\$ 312,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	1,606,016	1,719,820	1,488,450	-	-	-	-	-	-	-
Committed.....	-	-	-	-	-	-	-	-	875,846	1,445,799
Assigned.....	-	-	-	539,806	666,020	678,448	740,509	686,237	557,488	435,759
Unassigned.....	-	-	-	1,497,678	2,087,546	2,970,256	3,885,238	4,182,478	4,732,730	5,749,320
Total general fund.....	<u>\$ 3,074,714</u>	<u>\$ 2,111,217</u>	<u>\$ 1,800,741</u>	<u>\$ 2,037,484</u>	<u>\$ 2,753,566</u>	<u>\$ 3,648,704</u>	<u>\$ 4,625,747</u>	<u>\$ 4,868,715</u>	<u>\$ 6,166,064</u>	<u>\$ 7,630,878</u>
All Other Governmental Funds										
Reserved.....	\$ 282,122	\$ 294,892	\$ 303,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	1,410,677	1,921,152	1,938,456	-	-	-	-	-	-	-
Capital projects funds.....	112,809	78,779	(2,140,895)	-	-	-	-	-	-	-
Permanent funds.....	318,700	70,024	45,113	-	-	-	-	-	-	-
Nonspendable.....	-	-	-	300,579	306,882	314,551	330,078	355,628	367,678	373,427
Restricted.....	-	-	-	1,652,393	1,671,544	1,412,867	4,238,683	3,611,381	3,597,003	3,158,848
Total all other governmental funds....	<u>\$ 2,124,308</u>	<u>\$ 2,364,847</u>	<u>\$ 145,871</u>	<u>\$ 1,952,972</u>	<u>\$ 1,978,426</u>	<u>\$ 1,727,418</u>	<u>\$ 4,568,761</u>	<u>\$ 3,967,009</u>	<u>\$ 3,964,681</u>	<u>\$ 3,532,275</u>

The Town implemented GASB 54 in year 2011, fund balances prior to year 2011 have been reported in the pre-GASB 54 format.



**Changes in Fund Balances, Governmental Funds**

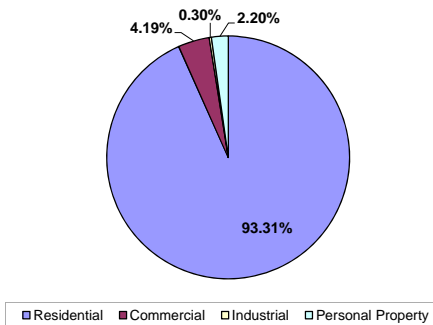
	Last Ten Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 16,412,141	\$ 17,951,372	\$ 18,673,753	\$ 19,308,193	\$ 21,283,665	\$ 21,944,077	\$ 22,414,504	\$ 23,427,308	\$ 24,766,875	\$ 26,002,305
Motor vehicle and other excise taxes.....	864,865	807,854	787,524	788,114	841,862	821,077	997,267	1,052,007	1,075,413	1,151,286
Community preservation taxes.....	71,889	78,412	43,454	254,067	279,406	289,976	329,948	627,379	332,909	343,627
Charges for services.....	956,560	221,957	201,675	279,018	179,650	237,222	510,104	462,978	438,929	468,257
Penalties and interest on taxes.....	94,756	45,134	72,592	51,958	79,059	79,953	98,419	71,308	93,459	65,644
Intergovernmental.....	1,308,929	1,848,305	1,254,840	1,488,581	1,366,364	1,200,515	1,253,657	1,105,660	1,118,193	658,793
Departmental and other.....	781,343	1,255,730	1,618,796	1,549,944	1,764,167	2,012,530	1,857,044	1,946,132	2,108,224	2,123,741
Contributions.....	242,975	325,554	301,121	296,642	396,182	306,359	152,417	160,050	178,454	120,306
Investment income.....	113,323	55,996	51,075	43,643	26,441	19,050	17,587	36,330	187,639	65,412
<b>Total Revenues.....</b>	<b>20,846,781</b>	<b>22,590,314</b>	<b>23,004,830</b>	<b>24,060,160</b>	<b>26,216,796</b>	<b>26,910,759</b>	<b>27,630,947</b>	<b>28,889,152</b>	<b>30,300,095</b>	<b>30,999,371</b>
<b>Expenditures:</b>										
General government.....	1,059,967	1,192,779	3,336,689	1,111,340	1,171,377	1,397,416	1,213,873	2,552,316	1,685,127	1,487,992
Public safety.....	2,895,450	2,860,275	3,137,433	3,327,123	3,558,589	3,502,865	3,454,630	3,704,191	3,906,006	4,019,962
Education.....	10,111,285	11,211,645	11,683,547	12,366,672	12,381,121	12,576,122	13,023,589	13,442,173	14,496,087	14,866,246
Public works.....	2,154,066	2,581,009	1,950,901	2,222,771	1,937,077	2,600,598	2,173,789	3,063,488	2,210,430	2,786,445
Environmental.....	-	-	-	-	42,603	51,858	61,135	62,107	62,998	67,269
Human services.....	251,598	259,522	259,674	261,688	279,126	271,447	281,247	271,111	285,385	299,868
Community preservation.....	227,838	125,750	99,125	111,500	424,988	121,902	261,423	223,376	643,448	484,895
Library and recreation.....	756,019	818,956	830,626	894,001	938,162	1,317,814	1,205,962	1,120,910	1,212,740	1,499,528
Pension benefits.....	-	1,335,184	1,305,558	1,340,294	1,326,219	1,407,431	1,362,589	1,396,859	945,454	998,386
Property and liability insurance.....	-	87,953	86,204	89,736	92,337	94,835	107,441	120,508	105,425	114,797
Employee benefits.....	2,013,346	1,474,387	1,564,994	1,779,742	1,863,773	1,710,844	2,018,521	1,758,738	1,823,119	1,757,905
State and county charges.....	115,707	140,375	148,394	148,399	146,622	153,319	153,976	156,371	158,300	158,906
Debt service:										
Principal.....	827,400	822,700	808,300	803,600	924,900	904,200	924,500	1,142,800	1,082,100	912,400
Interest.....	340,179	309,062	278,994	321,081	314,344	245,182	239,517	228,250	200,739	205,310
<b>Total Expenditures.....</b>	<b>20,752,855</b>	<b>23,219,597</b>	<b>25,490,439</b>	<b>24,777,947</b>	<b>25,401,238</b>	<b>26,355,833</b>	<b>26,482,192</b>	<b>29,243,198</b>	<b>28,817,358</b>	<b>29,659,909</b>
Excess (deficiency) of revenues over (under) expenditures.....	93,926	(629,283)	(2,485,609)	(717,787)	815,558	554,926	1,148,755	(354,046)	1,482,737	1,339,462
<b>Other Financing Sources (Uses):</b>										
Issuance of refunding debt.....	-	-	-	2,861,000	-	2,095,000	-	-	-	-
Issuance of bonds and notes.....	-	-	-	-	-	-	2,461,000	-	-	-
Premium from issuance of bonds.....	-	-	-	-	-	-	57,423	-	-	-
Premium from issuance of refunding bonds.....	-	-	-	-	-	92,836	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	-	-	-	(2,168,820)	-	-	-	-
Capital lease financing.....	-	122,295	-	-	-	-	-	-	-	-
Transfers in.....	1,126,672	718,183	835,943	869,509	743,460	904,581	485,488	801,466	653,799	642,699
Transfers out.....	(1,165,439)	(934,213)	(879,786)	(968,878)	(815,482)	(834,393)	(334,280)	(976,204)	(841,515)	(949,753)
<b>Total other financing sources (uses).....</b>	<b>(38,767)</b>	<b>(93,735)</b>	<b>(43,843)</b>	<b>2,761,631</b>	<b>(72,022)</b>	<b>89,204</b>	<b>2,669,631</b>	<b>(174,738)</b>	<b>(187,716)</b>	<b>(307,054)</b>
<b>Net change in fund balance.....</b>	<b>\$ 55,159</b>	<b>\$ (723,018)</b>	<b>\$ (2,529,452)</b>	<b>\$ 2,043,844</b>	<b>\$ 743,536</b>	<b>\$ 644,130</b>	<b>\$ 3,818,386</b>	<b>\$ (528,784)</b>	<b>\$ 1,295,021</b>	<b>\$ 1,032,408</b>
Debt service as a percentage of noncapital expenditures.....	5.63%	5.08%	4.44%	4.66%	5.13%	4.55%	4.56%	4.83%	4.67%	3.99%
Percentage increase (decrease) of real estate and personal property taxes, net of tax refunds.....	6.96%	9.38%	4.02%	3.40%	10.23%	3.10%	2.14%	4.52%	5.72%	4.99%

# Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

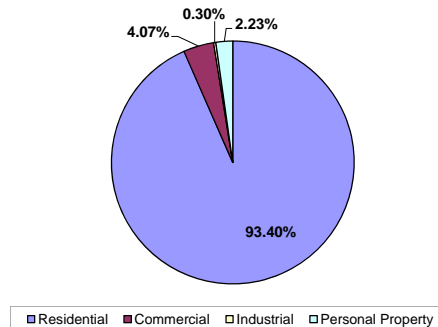
Last Ten Years

Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential & Personal Property Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total Town Value
2008	\$2,030,991,345	\$7.53	\$88,568,648	\$6,342,050	\$27,124,570	\$122,035,268	\$7.53	\$7.53	\$2,153,026,613
2009	(1) \$2,059,975,505	\$8.25	\$91,046,836	\$6,306,000	\$39,517,900	\$136,870,736	\$8.25	\$8.25	\$2,196,846,241
2010	\$2,161,387,030	\$8.14	\$88,761,973	\$6,595,750	\$49,653,670	\$145,011,393	\$8.14	\$8.14	\$2,306,398,423
2011	\$2,016,626,930	\$9.04	\$85,892,569	\$6,528,400	\$52,259,680	\$144,680,649	\$9.04	\$9.04	\$2,161,307,579
2012	(1) \$1,949,895,980	\$10.11	\$84,497,921	\$6,677,800	\$47,687,130	\$138,862,851	\$10.11	\$10.11	\$2,088,758,831
2013	\$1,951,832,430	\$10.51	\$84,294,302	\$6,689,600	\$46,798,640	\$137,782,542	\$10.51	\$10.51	\$2,089,614,972
2014	\$2,012,976,160	\$10.45	\$95,458,145	\$6,717,750	\$46,811,320	\$148,987,215	\$10.45	\$10.45	\$2,161,963,375
2015	(1) \$2,027,420,125	\$10.84	\$95,509,329	\$6,717,150	\$48,748,980	\$150,975,459	\$10.84	\$10.84	\$2,178,395,584
2016	\$2,095,470,865	\$11.07	\$94,052,039	\$6,705,900	\$49,426,790	\$150,184,729	\$11.07	\$11.07	\$2,245,655,594
2017	\$2,198,932,890	\$11.00	\$95,909,875	\$6,980,800	\$52,428,880	\$155,319,555	\$11.00	\$11.00	\$2,354,252,445

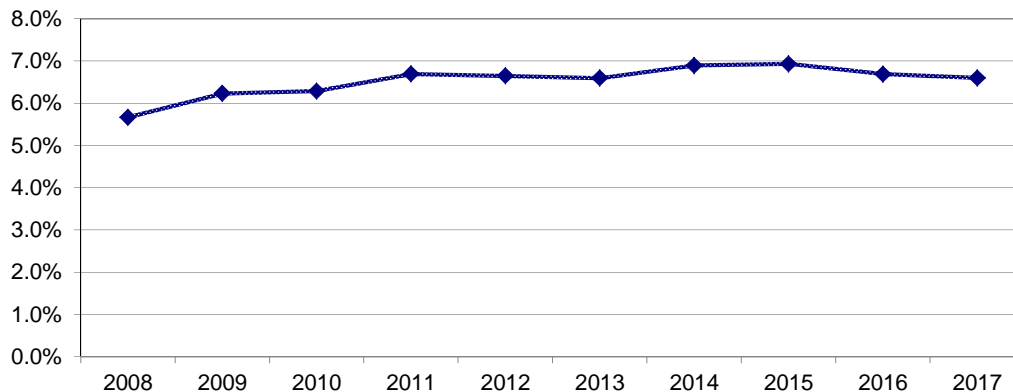
Total Assessed Value by Classification  
Year Ended June 30, 2016



Total Assessed Value by Classification  
Year Ended June 30, 2017



Commercial Value as % of Total Value



(1) Revaluation year.

(2) Weighted average direct tax rate, calculated as weighted average of residential, commercial and personal property tax rates.

Source: Assessor's Department, Town of Manchester-by-the-Sea

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

# Principal Taxpayers

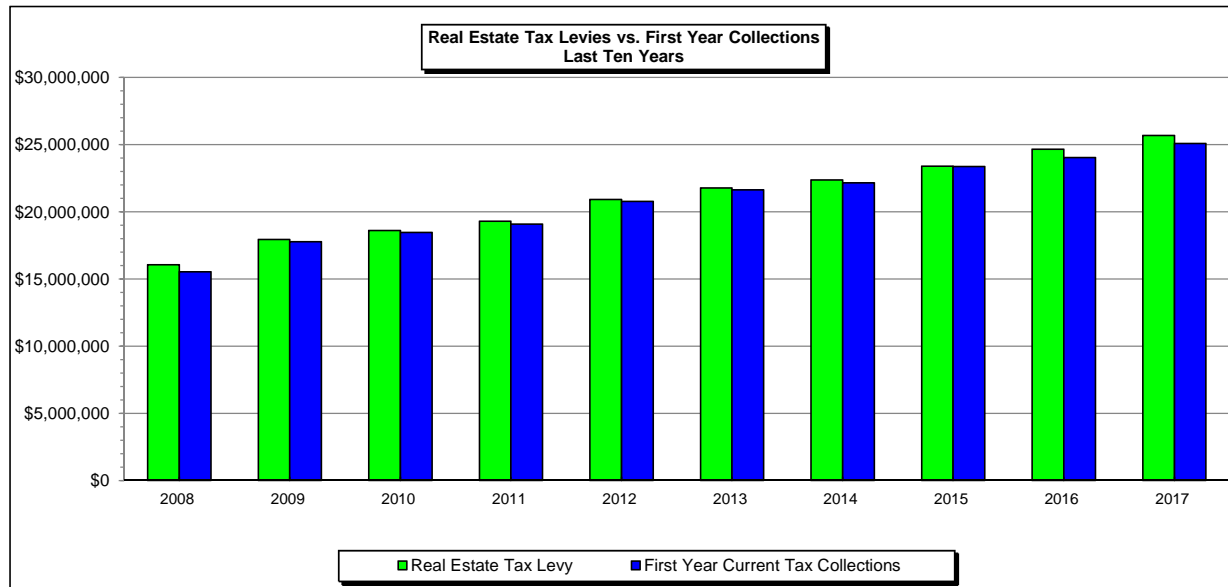
Current Year and Nine Years Ago

Name	Nature of Business	2017			2008		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Mass. Electric Co.	Utility	\$28,126,880	1	1.25%	\$16,739,605	2	0.78%
Essex Country Club	Golf Course	\$21,128,710	2	0.94%	\$20,463,110	1	0.95%
Sea Rock Estates (Colburn)	Residence/Apts.	\$19,199,260	4	0.85%	-	-	-
Von Metzsch, Ernest	Residence/Apts.	\$20,801,500	3	0.93%	-	-	-
Melden, Kurt A	Residential	12,641,300.00	8	0.56%	\$14,823,500	3	0.69%
Lindsay, Stephen P.	Residential	-	-	0.00%	\$12,178,700	4	0.57%
Lastavica, Catherine C	Residential	-	-	0.00%	\$11,733,400	5	0.54%
Moore, Stuart	Residential	\$16,480,400	5	0.73%	\$11,594,000	6	0.54%
Skates, Mary	Residential	-	-	0.00%	\$11,075,300	7	0.51%
Bousquet, Dawna	Residential	11,449,000.00	10	0.51%	\$11,016,900	8	0.51%
Kaneb, Gary & Diane	Residential	-	-	0.00%	\$10,050,930	9	0.47%
Derba, Joseph Jr. Trustee	Residential	-	-	0.00%	\$9,579,800	10	0.44%
Algonquin Gas	Gas Line	14,776,800.00	6	0.66%	-	-	-
Bolena, LLC	Residential/Commercial	13,627,500.00	7	0.61%	-	-	-
Warren/ Paumier	Residential	11,653,370.00	9	0.52%	-	-	-
	Totals	<u>\$169,884,720</u>		<u>7.57%</u>	<u>\$129,255,245</u>		<u>6.00%</u>
Source: Debt Offering Statements							

# Property Tax Levies and Collections

## Last Ten Years

Year	(2) Total Tax Levy	Less Reserve for Abatements & Exemptions	(2) Net Tax Levy	Net as % of Total	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy (3)
2008	\$16,212,291	\$149,989	\$16,062,302	99.07%	\$15,526,421	96.66%	\$521,692	\$16,048,113	99.91%
2009 (1)	\$18,123,982	\$194,429	\$17,929,553	98.93%	\$17,761,402	99.06%	\$6,054	\$17,767,456	99.10%
2010	\$18,774,083	\$163,876	\$18,610,207	99.13%	\$18,458,862	99.19%	\$86,193	\$18,545,055	99.65%
2011	\$19,538,221	\$245,499	\$19,292,722	98.74%	\$19,074,571	98.87%	\$98,255	\$19,172,826	99.38%
2012 (1)	\$21,117,352	\$193,715	\$20,923,637	99.08%	\$20,777,559	99.30%	\$63,362	\$20,840,921	99.60%
2013	\$21,961,853	\$191,978	\$21,769,875	99.13%	\$21,634,483	99.38%	\$32,941	\$21,667,424	99.53%
2014	\$22,592,517	\$230,286	\$22,362,231	98.98%	\$22,160,572	99.10%	\$104,593	\$22,265,165	99.57%
2015 (1)	\$23,613,808	\$214,272	\$23,399,536	99.09%	\$23,360,761	99.83%	\$150,675	\$23,511,436	100.48%
2016	\$24,859,407	\$200,408	\$24,658,999	99.19%	\$24,036,215	97.47%	\$175,722	\$24,211,937	98.19%
2017	\$25,896,777	\$224,747	\$25,672,030	99.13%	\$25,081,351	97.70%	\$0	\$25,081,351	97.70%



(1) Revaluation year.

(2) Includes tax liens.

(3) If the actual abatements and exemptions are lower than the estimate, the actual collections can exceed the net levy.

Source: Official Statements, Town of Manchester-by-the-Sea.

## Ratios of Outstanding Debt by Type

### Last Ten Years

Year	Governmental Activities		Business-type Activities		Total Debt Outstanding	Percentage of Personal Income (2)	U. S. Census Population	Debt Per Capita
	General Obligation Bonds (1)		General Obligation Bonds (1)					
2008	\$ 7,977,500	\$	\$4,818,246	\$	12,795,746	2.16%	5,335	\$ 2,398
2009	\$7,154,800		\$4,299,053		11,453,853	2.97%	5,290	2,165
2010	\$6,346,500		\$3,774,227		10,120,727	1.99%	5,265	1,922
2011	\$8,403,900		\$3,308,496		11,712,396	2.24%	5,260	2,227
2012	\$7,479,000		\$2,832,120		10,311,120	1.68%	5,205	1,981
2013	\$6,564,800		\$2,339,393		8,904,193	1.55%	5,136	1,734
2014	\$8,101,300		\$2,024,971		10,126,271	1.65%	5,136	1,972
2015	\$6,958,500		\$1,470,081		8,428,581	1.34%	5,216	1,616
2016	\$5,876,400		\$897,227		6,773,627	1.05%	5,300	1,278
2017	6,404,000		545,450		6,949,450	1.05%	5,389	1,290

(1) Presented net of original issuance discounts and premiums.

(2) Personal income is disclosed on the Schedule of Demographic and Economic Statistics.

Source: Audited Financial Statements, U. S. Census

## Ratios of General Bonded Debt Outstanding

Last Ten Years

Year		General Obligation Bonds (1)	Percentage of Estimated Actual Taxable Value of Property (2)		Per Capita (3)
2008	\$	12,795,746	0.59%	\$	2,398
2009		11,453,853	0.52%		2,165
2010		10,120,727	0.44%		1,922
2011		11,712,396	0.54%		2,227
2012		10,311,120	0.49%		1,981
2013		8,904,193	0.43%		1,734
2014		10,126,271	0.47%		1,972
2015		8,428,581	0.39%		1,616
2016		6,773,627	0.30%		1,278
2017		6,949,450	0.30%		1,290

(1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

(2) Property value data is disclosed on the Schedule of Assessed Value of Taxable Property by Classification and Tax Rates.

(3) Population data is disclosed on the Schedule of Demographic and Economic Statistics.

Source: Audited Financial Statements, U. S. Census

# **Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2017**

	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Overlapping debt:			
Manchester-Essex Regional School District.....	\$ 20,125,000	66.95%	\$ 13,473,688
Town direct debt.....			<u>6,404,000</u>
Total direct and overlapping debt.....			<u><u>\$ 19,877,688</u></u>

Source: Official Statements and Manchester-Essex Regional School District

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule calculates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of Town. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage applicable for the Manchester-Essex Regional School District is based on the Town's percentage of the total annual capital budget, which summarizes debt payments due in the fiscal year.

# Computation of Legal Debt Margin

## Last Ten Years

(Amounts in Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equalized Valuation.....	\$ <u>2,346,551</u>	\$ <u>2,346,551</u>	\$ <u>2,434,992</u>	\$ <u>2,434,992</u>	\$ <u>2,242,768</u>	\$ <u>2,242,768</u>	\$ <u>2,276,186</u>	\$ <u>2,276,186</u>	\$ <u>2,394,763</u>	\$ <u>2,394,763</u>
Debt Limit -5% of Equalized Valuation.....	\$ 117,328	\$ 117,328	\$ 121,750	\$ 121,750	\$ 112,138	\$ 112,138	\$ 113,809	\$ 113,809	\$ 119,738	\$ 119,738
Less:										
Outstanding debt applicable to limit.....	6,760	6,015	5,269	7,443	6,620	5,789	5,764	4,735	3,739	3,125
Authorized and unissued debt applicable to limit.....	<u>40</u>	<u>2,440</u>	<u>2,931</u>	<u>-</u>	<u>-</u>	<u>2,661</u>	<u>-</u>	<u>-</u>	<u>4,194</u>	<u>5,000</u>
Legal debt margin.....	\$ <u>110,528</u>	\$ <u>108,873</u>	\$ <u>113,550</u>	\$ <u>114,307</u>	\$ <u>105,518</u>	\$ <u>103,688</u>	\$ <u>108,045</u>	\$ <u>109,074</u>	\$ <u>111,805</u>	\$ <u>111,613</u>
Total debt applicable to the limit as a percentage of debt limit.....	5.80%	7.21%	6.74%	6.11%	5.90%	7.54%	5.06%	4.16%	6.63%	6.79%

Source: Assessor's Office



## Demographic and Economic Statistics

### Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2008	5,335	\$ 591,992,940	\$ 110,964	43.7	736	4.9%
2009	5,290	\$ 385,900,210	\$ 72,949	43.7	781	6.0%
2010	5,265	\$ 508,914,900	\$ 96,660	45.8	817	5.9%
2011	5,260	\$ 522,018,180	\$ 99,243	45.8	888	4.8%
2012	5,205	\$ 614,153,565	\$ 117,993	45.8	902	5.6%
2013	5,136	\$ 574,821,120	\$ 111,920	45.8	892	4.9%
2014	5,136	\$ 614,671,344	\$ 119,679	45.8	896	3.7%
2015	5,216	\$ 630,488,121 *	\$ 120,876 *	45.8	863	3.2%
2016	5,300	\$ 647,048,104 *	\$ 122,085 *	45.8	865	3.0%
2017	5,389	\$ 664,492,765 *	\$ 123,305 *	48.8	868	2.9%

Source: U. S. Census, Division of Local Services  
Median age is based on most recent census data

**Principal Employers (excluding Town)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2017			2003		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Brookwood School	Education	120	2	4.41%	-	-	-
J Barrett	Real Estate	29	10	1.07%	50	2	1.81%
Crosby's Marketplace	Supermarket	53	7	1.95%	30	4	1.09%
Essex Country Club	Golf/Tennis	71	5	2.61%	-	-	-
Family Medicine Associates	Medical Center	37	8	1.36%	-	-	-
Landmark School	Education	95	3	3.49%	90	1	3.26%
Manchester Athletic Club	Athletic Club	171	1	6.28%	-	-	-
Manchester Essex Regl High School	Education	66	6	2.42%	-	-	-
Manchester Essex Regl Middle School	Education	74	4	2.72%	-	-	-
Memorial School	Education	71	5	2.61%	10	8	0.36%
Coldwell Banker	Real Estate	30	9	1.10%	45	3	1.63%
Cricket Press Inc	Printing	-	-	-	28	5	1.01%
Crocker's Boat Yard	Boat Yard	-	-	-	20	6	0.72%
Gurley Optical Shop	Medical Center	-	-	-	15	7	0.54%
Landing at Seven Central	Restaurant	-	-	-	10	9	0.36%

Source: Massachusetts Department of Employment and Training and Official Statements

Information for 2008 is unavailable.

Only 9 principal employers were available for 2003.

### Full-time Equivalent Town Employees by Function

#### Last Ten Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function										
General government.....	9	10	12	11	10	10	9	11	9	11
Public safety.....	37	37	37	36	36	35	36	35	35	33
Public works.....	14	13	13	13	12	13	11	10	9	9
Environmental.....	1	1	1	2	1	1	1	1	1	1
Human services.....	2	2	2	2	2	2	2	3	3	3
Culture and recreation.....	6	6	6	7	6	6	7	7	6	6
Water and sewer enterprise.....	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>8</u>	<u>6</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total .....	<u>76</u>	<u>76</u>	<u>78</u>	<u>78</u>	<u>73</u>	<u>75</u>	<u>72</u>	<u>75</u>	<u>71</u>	<u>71</u>

Source: Various Town Departments

**Operating Indicators by Function/Program**

**Last Ten Years**

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Fire &amp; Rescue</b>										
Fire related calls.....	943	893	955	955	1,007	891	975	962	996	32
Rescue/EMS.....	458	435	469	410	436	400	513	485	481	533
Permits and inspections.....	419	669	666	811	715	1,117	1,329	1,191	239	651
<b>Animal Control</b>										
Calls for service.....	249	323	337	323	312	345	404	438	376	428
<b>Council on Aging</b>										
Units of transportation provided.....	n/a	1,272	1,008	1,196	1,250	960	975	3,300	4,200	7,400
Units of outreach service provided.....	n/a	215	237	256	274	278	283	375	390	420
Meals delivered by Meals on Wheels.....	3,200	3,000	2,700	2,400	2,200	2,275	2,633	3,336	3,453	3,702
<b>Inspectional Services Department</b>										
Number of building permits issued.....	242	209	208	228	229	259	249	280	326	314
Number of electrical permits.....	223	197	144	192	174	158	208	189	204	227
Number of plumbing.....	196	193	172	200	196	172	176	211	211	194
Number of gas permits.....	239	203	177	175	206	152	165	209	177	194
<b>Water/Sewer</b>										
Drinking water use (in gallons).....	230,000,000	230,000,000	225,000,000	303,000,000	268,000,000	265,000,000	288,000,000	n/a	n/a	n/a
Drinking water supplied.....	n/a	n/a	n/a	n/a	2,000	2,000	2,000	2,000	2,000	2,000
Annual flow of wastewater (in gallons).....	146,000,000	151,000,000	212,000,000	171,000,000	206,000,000	128,000,000	153,000,000	n/a	n/a	n/a
<b>Recreation</b>										
Number of participants after school program.....	n/a	45	45	85	102	102	108	85	91	81
Number of participants winter basketball .....	n/a	238	248	292	279	283	296	283	267	267
Number of participants summer playground.....	n/a	273	272	269	376	371	314	312	209	252
<b>Parking Clerk</b>										
Beach and residence stickers issued.....	3,418	3,502	3,466	3,617	3,662	3,689	3,561	3,700	3,778	3,707
<b>Police Department</b>										
Calls for service.....	7,127	7,946	7,923	7,902	9,374	11,061	12,157	13,130	13,676	14,522
Arrests.....	152	172	n/a	129	111	142	129	136	178	48
Traffic citations.....	545	610	709	673	561	579	588	587	581	319
<b>Public Works</b>										
Beaches maintained.....	6	6	6	6	6	6	6	6	6	6
Parks/Sports Fields maintained.....	5	5	5	5	5	5	5	5	5	5
Cemeteries maintained.....	5	5	5	5	5	5	5	5	5	5
Trees in towns right of ways.....	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
<b>Town Clerk</b>										
Dog licenses issued.....	852	895	915	913	923	940	909	973	915	962
<b>Manchester Public Library</b>										
Number of visitors.....	38,740	37,000	49,000	45,855	46,820	50,000	50,000	43,500	50,630	42,680
Registered borrowers.....	n/a	4,620	4,900	4,512	4,550	4,726	5,200	4,613	5,694	5,694
Number of circulated items.....	n/a	n/a	75,000	n/a	73,315	67,300	63,000	65,577	62,763	63,387
Borrowed from other MVLC libraries.....	n/a	n/a	n/a	n/a	12,000	14,000	12,000	10,887	11,195	11,183
Items lent to other MVLC libraries.....	n/a	n/a	n/a	n/a	29,000	17,250	15,660	16,626	17,931	17,923
Answered reference questions.....	3,275	3,500	4,000	3,500	n/a	2,400	1,444	1,395	2,183	2,058
Titles owned.....	n/a	50,900	57,300	54,363	81,674	53,700	59,443	54,386	59,443	61,783
Number of programs held.....	227	237	215	196	212	240	244	226	n/a	73

Note- 2017 information not available.

Source: Various Town Departments

n/a - not available

## Capital Asset Statistics by Function/Program

### Last Ten Years

<b>Function/Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Government										
Town Hall.....	1	1	1	1	1	1	1	1	1	1
Seaside One Building.....	1	1	1	1	1	1	1	1	1	1
Police										
Police Station at Town Hall.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Sewer Treatment Plant.....	1	1	1	1	1	1	1	1	1	1
Water Treatment Plant.....	1	1	1	1	1	1	1	1	1	1
Public Works Garage.....	1	1	1	1	1	1	1	1	1	1
Cemetery.....	1	1	1	1	1	1	1	1	1	1
Transfer Station.....	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Tuck's Point.....	1	1	1	1	1	1	1	1	1	1
Rotunda at Tuck's Point.....	1	1	1	1	1	1	1	1	1	1
Tuck's Point Chowder House.....	1	1	1	1	1	1	1	1	1	1
Singing Beach.....	1	1	1	1	1	1	1	1	1	1
Masconomo Park.....	1	1	1	1	1	1	1	1	1	1
Libraries.....	1	1	1	1	1	1	1	1	1	1
Crowell Chapel.....	1	1	1	1	1	1	1	1	1	1
Black Beach.....	1	1	1	1	1	1	1	1	1	1
Coach Field Playground.....	1	1	1	1	1	1	1	1	1	1
Magnolia Beach.....	1	1	1	1	1	1	1	1	1	1
Surf Park.....	1	1	1	1	1	1	1	1	1	1
Sweeney Park.....	1	1	1	1	1	1	1	1	1	1
West Manchester Beach.....	1	1	1	1	1	1	1	1	1	1
White Beach.....	1	1	1	1	1	1	1	1	1	1

Source: Various Town Departments