

Town of Manchester-by-the-Sea

MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2021

Gregory Federspiel, Town Administrator
Andrea Mainville, Town Accountant

On the cover: Rainbow over Tuck's Point Rotunda. Photo credit to Kris Maroney.

This page: Newly renovated Town Hall Common and War Memorial. Photo credit to Steve Rosenthal of Steve Rosenthal Photography.



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



Annual Comprehensive Financial Report

**For the Fiscal Year
July 1, 2020 through June 30, 2021**

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

TOWN OF MANCHESTER-BY-THE-SEA, MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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Introductory Section



Flags along Beach Street & Masconomo Park

Photo courtesy of Tiffany Marletta, Manchester resident and Town of Manchester-by-the-Sea's Communications Coordinator

Introductory Section

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MANCHESTER-BY-THE-SEA

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Letter of Transmittal

December 22, 2021

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

State law requires the Town of Manchester-by-the-Sea (Town) 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 Annual Comprehensive Financial Report (ACFR) of the Town of Manchester-by-the-Sea, Massachusetts, for the year ending June 30, 2021 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. 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'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'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 for the year ended June 30, 2021, 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's financial statements for the year ended June 30, 2021, 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 5,323, 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 shoreline 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.

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, water, solid waste collection and disposal, health and human services, cultural and recreational, administrative and financial services.

The Town operates under a Select Board/Open Town Meeting/Town Administrator form of government. The elected, five-member Select Board makes policy decisions. The Town Administrator is responsible for carrying out the policies and direction of the Select Board 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 Select Board, 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 Select Board. The Select Board review all requests and Town wide issues and present a budget to Town Meeting for approval. A seven-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 Select Board, 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's real estate continues to experience strong growth in terms of value and new construction in residential home construction and renovations. Residential properties comprise 93.27% of the tax levy. In fiscal year 2021, single family dwellings had an average assessment of \$1.264 million and an average tax bill of \$13,896 based on a single tax rate of \$10.99. The per capita income of \$146,846 continues to rise compared to the state average of \$46,062 according to the Massachusetts Department of Revenue. The unemployment rate has varied significantly over the 18 months due to the COVID-19 global pandemic that began shutting down a majority of the economy in March 2020 with most businesses able to start fully operating the beginning of summer 2021. From the end of last fiscal year the state unemployment rate of about 17.7% decreased back to an average 5.4% as of June 2021. Conversely, Manchester has gone from a low of about 2.9% up to 4.9%.

Manchester-by-the-Sea is a very desirable community, and this is reflected in the strong residential sales market. 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. Tax revenues have remained steady despite the economic uncertainty at the end of the fiscal year. State aid for the fiscal year remained steady and local receipts were only slightly impacted by the pandemic. It is expected this impact will be more intense in the coming years. The Town has been doing well in battling the pandemic by hosting COVID-19 vaccine clinics, testing sites, implementing mask mandates, and assisting community business and departments with complying with federal, state and local mandates and recommendations.

On the Town's operating side, the 2021 budgets and service level were maintained through a modest 1-1.5% increase in the budget. This allowed the Town to continue to provide high quality services while minimizing the impact on the property tax burden, however in order to keep the tax impact the same with no increase for FY2021; the Town deferred several capital projects in order to balance the impact. 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 2021, the Town continued to demonstrate its commitment to fund long-term liabilities. Despite a tight budget process, the Town continues its commitment to fund the Other Postemployment Benefits liability. The June 2021, Annual Town Meeting appropriated \$271,388 to the OPEB Liability Account and the Town plans to continue to

fund this in future years until it is fully funded, which is expected to be on or about FY2031 based on the current funding schedule.

The Town has remained dedicated to a strategic approach of debt policy. Whenever possible, if new issuances of debt are needed, they are issued when previous debt issuances are fully retired. The Town's debt management keeps debt service payments level each year when possible and as those payments decline, the Town uses those funds towards an annual capital exclusion in order to save paying interest costs and divert those funds towards the Town's much needed capital improvements. The Town voted capital exclusions for fiscal year 2021 in the amount of \$725,000 for the purpose of water system improvements. These amounts make up the difference between the targeted level debt service (approximately \$1.9 million) and current debt service for that particular fiscal year 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 enterprise related debt is related to the sewer infrastructure improvements and the long-term goal is to be able to fully cover all infrastructure debt service for water and sewer by user fees. The general fund currently pays 25% of sewer debt and 100% of water debt service. By moving towards fully covering debt service with enterprise funds 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 increases in contractual obligations of school operations. The Town and school district continue to try to work together to stay within budget parameters. Beginning in the fall of 2017, the boards of both Towns and the school district have been meeting to discuss the short and long-term budgets for the school, facility needs, and impacts to both communities.

Major initiatives for 2022 include the restoration of Central Pond/Sawmill Brook/Central St. Bridge and culvert, completion of the harbor loop sewer pipe relining, and roadway, water and sewer infrastructure improvements. Particular focus is 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. In that light, for FY2022, continuing to be conservative, the Town did not request a capital exclusion. Ongoing discussions from FY2021 include whether to go to a regional public safety dispatch center or keep dispatch within the Town. It also includes discussions on best ways to increase affordable housing which has been the focus of the Manchester Affordable Housing Trust with various Town departments, committees, and resident groups working towards the initiative.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the fifth year the Town submitted a ACFR to the GFOA. Based on information available on the GFOA website, only forty-seven municipalities in Massachusetts received this distinction for fiscal year 2019. In order to receive this prestigious award, a government must publish an easily readable and efficiently organized ACFR 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 2021 ACFR 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 Select Board 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.

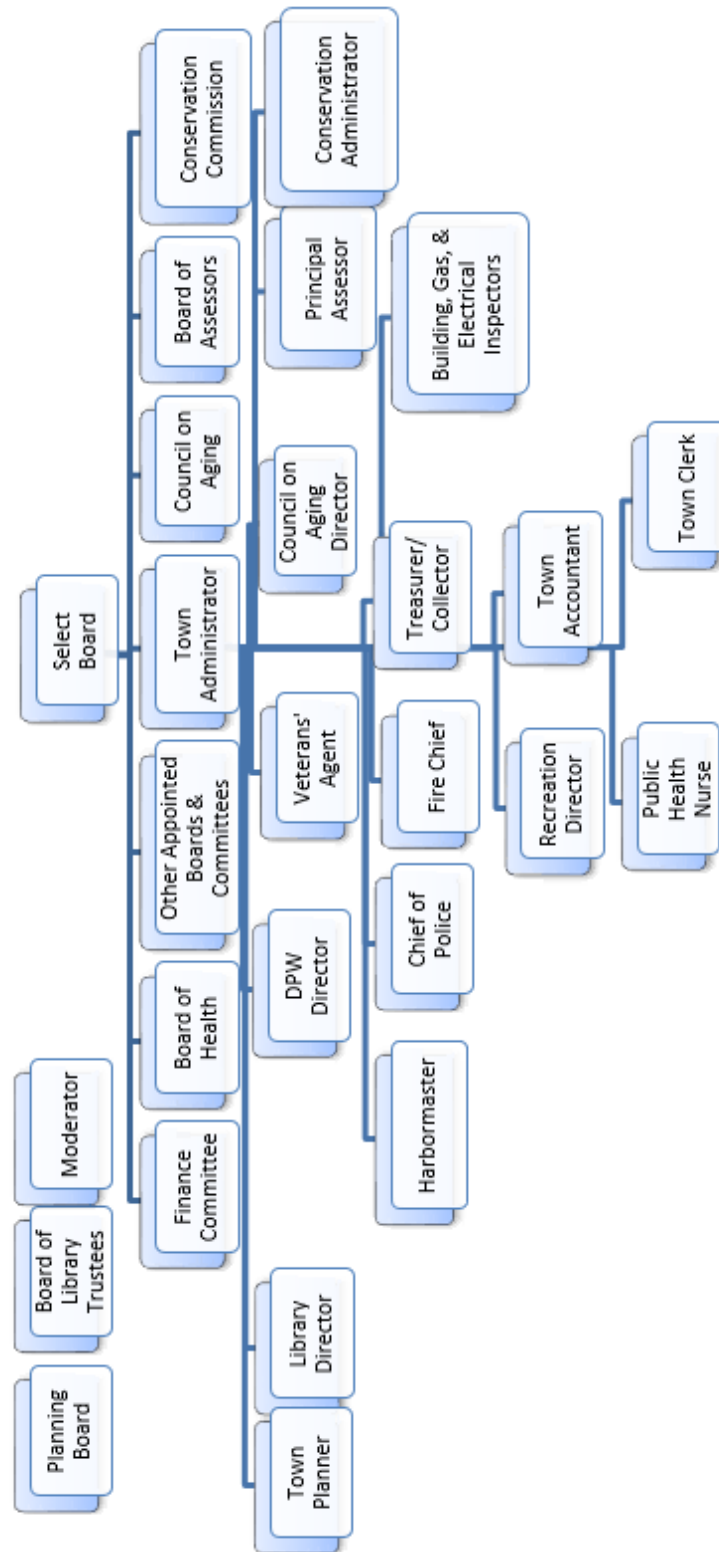
Andrea Mainville
Town Accountant

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

Principal Executive Officers - As of June 30, 2021

TITLE	NAME	SELECTION / TERM	TERM EXPIRES
Selectperson, Chairman	Jeffrey H. Bodmer-Turner	Elected / 3 years	2022
Selectperson, Vice Chairman	Becky Jaques	Elected / 3 years	2024
Selectperson	Eli G. Boling	Elected / 3 years	2022
Selectperson	Ann W. Harrison	Elected / 3 years	2023
Selectperson	John J. Round	Elected / 3 years	2023
Town Administrator	Gregory Federspiel	Contract / 3 years	2022
Treasurer/Collector	Jennifer Yaskell	Appointed / 3 years	2023
Town Accountant	Andrea Mainville	Contract / 3 years	2022
Town Clerk	Dianne Bucco	Appointed / 3 years	2024
Town Counsel	KP Law	Appointed / 1 year	no expiration date

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, 2020

Christopher P. Morill

Executive Director/CEO

Financial Section



Manchester's Singing Beach

Photo courtesy of Tiffany Marletta, Manchester resident and Town of Manchester-by-the-Sea's Communications Coordinator

Financial Section

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Independent Auditor's Report

To the Honorable Select Board
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 (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, 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's basic financial statements. The introductory section, combining 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 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 22, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



December 22, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Manchester-by-the-Sea (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented in this report.

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'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 of resources and liabilities and deferred inflows of resources, 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 Town'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, health and human services, library and recreation, community preservation, COVID-19, 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 adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information 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's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25.7 million at the close of 2021. Overall net position increased (improved) by \$4.4 million during fiscal year 2021.

Net position of \$32.5 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, \$2.4 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 \$9.2 million. The deficit is the result of the recognition of the net pension liability of \$13.7 million, along with the net other postemployment benefits liability of \$4.6 million. These are long-term, unfunded liabilities that will not require significant short-term resources. The Town is currently allocating funds yearly to fully fund these liabilities by the early 2030's.

During 2021, the Town incurred costs directly related to the COVID-19 pandemic of \$230,000. The Federal Government has approved funding for communities through the Federal Emergency Management Agency (FEMA), the Coronavirus Aid, Relief, Economic Security (CARES) Act, and the American Rescue Plan Act (ARPA) which will assist the Town in paying for costs incurred, future preventative costs, and other eligible economic stimulus projects. The Town plans on drawing further from these funding sources in 2022.

Governmental Activities

The Town's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.6 million at the close of 2021.

	2021	2020
Assets:		
Current assets.....	\$ 16,149,361	\$ 15,710,013
Noncurrent assets (excluding capital).....	56,224	97,501
Capital assets, non depreciable.....	2,475,467	1,845,871
Capital assets, net of accumulated depreciation.....	14,585,529	13,683,532
Total assets.....	33,266,581	31,336,917
Deferred outflows of resources.....	1,015,696	1,637,201
Liabilities:		
Current liabilities (excluding debt).....	1,306,130	970,003
Noncurrent liabilities (excluding debt).....	16,820,496	18,344,902
Current debt.....	731,878	762,455
Noncurrent debt.....	5,920,909	6,590,278
Total liabilities.....	24,779,413	26,667,638
Deferred inflows of resources.....	1,884,987	1,463,331
Net position:		
Net investment in capital assets.....	15,445,506	13,719,986
Restricted.....	2,360,265	2,247,744
Unrestricted.....	(10,187,894)	(11,124,581)
Total net position.....	\$ 7,617,877	\$ 4,843,149

The Town's governmental net position increased by \$2.8 million from the prior year's net position of \$4.8 million, to a net position of \$7.6 million at year-end. The increase in the net investment in capital assets was mainly the result of capital assets acquired primarily through the Town's annual operating budget without the issuance of short or long-term debt, and budgeted principal payments on existing debt. The increase in the unrestricted net position is primarily due to the overall decrease in the net OPEB liability due to strong investment returns in 2021.

	2021	2020
Program Revenues:		
Charges for services.....	\$ 2,444,509	\$ 2,314,447
Operating grants and contributions.....	1,278,616	675,500
Capital grants and contributions.....	794,837	866,831
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	29,514,961	29,264,953
Motor vehicle and other excise taxes.....	1,121,288	1,144,207
Community preservation tax.....	397,627	392,287
Penalties and interest on taxes.....	85,071	94,129
Payments in lieu of taxes.....	9,511	-
Grants and contributions not restricted to specific programs.....	254,091	246,428
Unrestricted investment income.....	249,707	162,318
Total revenues.....	36,150,218	35,161,100
Expenses:		
General government.....	2,320,599	2,308,462
Public safety.....	5,632,410	5,670,613
Education.....	18,192,378	17,814,254
Public works.....	2,770,793	3,130,367
Environmental.....	112,787	118,908
Health and human services.....	1,105,089	588,979
Library and recreation.....	1,424,534	1,518,550
Community preservation.....	151,179	227,513
COVID-19.....	230,499	7,000
Interest.....	194,021	218,996
Total expenses.....	32,134,289	31,603,642
Excess (Deficiency) before transfers.....	4,015,929	3,557,458
Transfers.....	(1,241,201)	(1,073,005)
Change in net position.....	2,774,728	2,484,453
Net position, beginning of year.....	4,843,149	2,358,696
Net position, end of year.....	\$ 7,617,877	\$ 4,843,149

The governmental expenses totaled \$32.1 million of which \$4.5 million (14.1%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions. Health and human services reported the largest increase in expenses of \$516,000 over 2020, as the affordable housing trust provided funding to North Shore Community Development Corporation for the purchase of affordable housing units in Town. Public works expenses decreased in fiscal year 2021 as more of the Department's operating budget was used for capital purchases.

General revenues and net transfers totaled \$30.4 million, primarily coming from real estate and personal property taxes, motor vehicle and other excise taxes and community preservation taxes. Property tax revenue had a \$250,000 increase over the prior year, which was consistent with the Town's budget.

During fiscal year 2021, the Town made a \$1.2 million transfer to the water enterprise fund for water system improvements.

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 \$18.1 million at the close of 2021.

	2021	2020
Assets:		
Current assets.....	\$ 2,857,379	\$ 3,700,115
Capital assets, non depreciable.....	175,000	175,000
Capital assets, net of accumulated depreciation.....	19,015,277	17,284,916
Total assets.....	22,047,656	21,160,031
Deferred outflows of resources.....	90,726	157,976
Liabilities:		
Current liabilities (excluding debt).....	203,339	602,144
Noncurrent liabilities (excluding debt).....	1,505,876	1,716,900
Current debt.....	199,887	200,461
Noncurrent debt.....	1,953,232	2,153,119
Total liabilities.....	3,862,334	4,672,624
Deferred inflows of resources.....	168,376	132,244
Net position:		
Net investment in capital assets.....	17,079,973	15,504,037
Unrestricted.....	1,027,699	1,009,102
Total net position.....	\$ 18,107,672	\$ 16,513,139

Business-type net position of \$17.1 million represents the net investment in capital assets while \$1 million was unrestricted. The Town's business-type activities net position increased by approximately \$1.6 million in the current year. The increase is primarily related to the water enterprise fund's \$1.2 million transfer from the general fund for water system improvements. Further, the Town implemented small increases in water and sewer user rates during fiscal year 2021.

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 pension, other 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 and are instead funded through general fund free cash. The statement of cash flows more closely reports the activity in which the rates are set.

	2021	2020
Program Revenues:		
Charges for services.....	\$ 2,936,798	\$ 2,856,814
Operating grants and contributions.....	-	1,788
Total revenues.....	2,936,798	2,858,602
Expenses:		
Water.....	1,431,515	1,502,895
Sewer.....	1,151,951	1,166,422
Total expenses.....	2,583,466	2,669,317
Excess (Deficiency) before transfers.....	353,332	189,285
Transfers.....	1,241,201	1,073,005
Change in net position.....	1,594,533	1,262,290
Net position, beginning of year.....	16,513,139	15,250,849
Net position, end of year.....	\$ 18,107,672	\$ 16,513,139

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 \$14.2 million, a decrease of \$60,000 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 \$6.8 million, and total fund balance totaled \$10 million. Fund balance of \$3.1 million was committed for Town Meeting articles and \$123,000 was assigned for encumbrances. The general fund decreased \$210,000 during the year. The decrease is a result of the use of free cash of \$1.2 million during the year to fund the OPEB trust and for capital expenditures. This was offset by \$869,000 of revenues higher than budgeted and departmental turnbacks of \$466,000. The increased revenues primarily related to department and other, and real estate and personal property tax revenue. The real estate and personal property tax budget includes a \$168,000 allowance for abatements and exemptions, which is raised in anticipation of potential tax abatements.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represented 21.4% of total general fund expenditures, while total fund balance represents 31.6% of that same amount.

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 \$25,000 from the prior year. The Town collected \$400,000 from the

1.5% property tax surcharge and \$198,000 from matching State funds. Expenditures and transfers out totaled \$663,000 and related to a variety of projects including the Town common renovation, veteran's memorial, purchase of land at Christian Hill, and funding was granted to the Manchester Affordable Housing Trust (MAHT) for community housing project funding initiatives. There are typically timing differences between the amounts raised and the related expenditures. Unreserved funds are invested by the Town until appropriated for eligible projects at Town Meeting.

The State, Federal, and other local grants major fund is used to account for activity specifically financed by grants. During fiscal year 2021, the Town expended \$1 million on storm capital repairs, COVID-19 pandemic costs, and police enforcement, all of which are reimbursable from various grants.

General Fund Budgetary Highlights

The Town 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.

The 2021, final approved budget authorized approximately \$37 million in appropriations and other amounts to be raised, which included \$3.5 million in amounts carried over from the previous year. The final budget was balanced through the use of \$1.2 million 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 \$1.2 million. The use of free cash included an additional \$271,000 to fund the Town's OPEB liability trust fund and \$909,000 for capital outlay appropriated within the general fund.

The Town's revenues came in over budget by \$869,000 and expenditures and encumbrances came in under budget by \$466,000. Revenue surpluses were primarily in departmental and other, and real estate and personal property taxes. The largest departmental turn backs included employee benefits and snow removal.

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.

During 2021, the major Town capital activity included building and improvement additions of \$625,000, which included a HVAC system and gazebo repairs, and infrastructure additions of \$578,000, which included the fiber cable loop project, drainage and sidewalk improvements, and road paving and construction. Transfers from construction in progress supported the additions to building and improvements and infrastructure. Construction in progress at year end consisted primarily of the seawall repairs, Central Street culvert, and public safety radio upgrades.

Business-type capital assets activity was comprised of infrastructure additions of \$1.8 million for water system improvements, system improvements, and plant upgrades, and \$623,000 in sewer system, infiltration and treatment plant improvements.

Debt administration. Outstanding governmental long-term debt, as of June 30, 2021, totaled \$6.4 million. Of that amount, \$3.9 million of outstanding long-term debt relates to general obligation water bonds related to the water building and road repairs and construction, water main replacement, and other water system improvements. 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 through the use of transfers.

At June 30, 2021, the enterprise funds had \$2 million in sewer debt outstanding that relates to various sewer projects.

Please refer to notes 4, 6 and 7 to the financial statements for further discussion of the major capital asset 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 Town'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.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 11,266,090	\$ 1,943,042	\$ 13,209,132
Investments.....	2,973,601	-	2,973,601
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	215,426	-	215,426
Tax liens and deferrals.....	236,784	-	236,784
Motor vehicle and other excise taxes.....	182,354	-	182,354
User charges.....	-	914,337	914,337
Departmental and other.....	146,910	-	146,910
Intergovernmental.....	1,112,127	-	1,112,127
Special assessments.....	4,277	-	4,277
Tax foreclosures.....	11,792	-	11,792
Total current assets.....	16,149,361	2,857,379	19,006,740
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	56,224	-	56,224
Capital assets, nondepreciable.....	2,475,467	175,000	2,650,467
Capital assets, net of accumulated depreciation.....	14,585,529	19,015,277	33,600,806
Total noncurrent assets.....	17,117,220	19,190,277	36,307,497
TOTAL ASSETS.....	33,266,581	22,047,656	55,314,237
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,015,696	90,726	1,106,422
LIABILITIES			
CURRENT:			
Warrants payable.....	482,517	143,386	625,903
Accrued payroll.....	387,051	-	387,051
Accrued interest.....	70,974	30,953	101,927
Other liabilities.....	25,093	-	25,093
Unearned revenue.....	137,495	-	137,495
Compensated absences.....	203,000	29,000	232,000
Notes payable.....	62,509	-	62,509
Bonds payable.....	669,369	199,887	869,256
Total current liabilities.....	2,038,008	403,226	2,441,234
NONCURRENT:			
Compensated absences.....	74,000	10,000	84,000
Net pension liability.....	12,556,394	1,121,596	13,677,990
Net other postemployment benefits liability.....	4,190,102	374,280	4,564,382
Bonds payable.....	5,920,909	1,953,232	7,874,141
Total noncurrent liabilities.....	22,741,405	3,459,108	26,200,513
TOTAL LIABILITIES.....	24,779,413	3,862,334	28,641,747
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	1,146,811	102,438	1,249,249
Deferred inflows related to other postemployment benefits.....	738,176	65,938	804,114
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,884,987	168,376	2,053,363
NET POSITION			
Net investment in capital assets.....	15,445,506	17,079,973	32,525,479
Restricted for:			
Permanent funds:			
Expendable.....	86,804	-	86,804
Nonexpendable.....	413,978	-	413,978
Gifts and grants.....	752,879	-	752,879
Community preservation.....	1,106,604	-	1,106,604
Unrestricted.....	(10,187,894)	1,027,699	(9,160,195)
TOTAL NET POSITION.....	\$ 7,617,877	\$ 18,107,672	\$ 25,725,549

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

		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.....	\$ 2,320,599	\$ 567,627	\$ 5,221	\$ -	\$ (1,747,751)	
Public safety.....	5,632,410	851,342	71,214	14,156	(4,695,698)	
Education.....	18,192,378	56,077	-	-	(18,136,301)	
Public works.....	2,770,793	369,051	12,400	582,664	(1,806,678)	
Environmental.....	112,787	17,664	-	-	(95,123)	
Health and human services.....	1,105,089	29,000	644,822	-	(431,267)	
Library and recreation.....	1,424,534	553,748	64,960	-	(805,826)	
Community preservation.....	151,179	-	-	198,017	46,838	
COVID-19.....	230,499	-	479,999	-	249,500	
Interest.....	194,021	-	-	-	(194,021)	
Total Governmental Activities.....	32,134,289	2,444,509	1,278,616	794,837	(27,616,327)	
Business-Type Activities:						
Water.....	1,431,515	1,552,200	-	-	120,685	
Sewer.....	1,151,951	1,384,598	-	-	232,647	
Total Business-Type Activities.....	2,583,466	2,936,798	-	-	353,332	
Total Primary Government.....	\$ 34,717,755	\$ 5,381,307	\$ 1,278,616	\$ 794,837	\$ (27,262,995)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(27,616,327)	\$ 353,332	\$ (27,262,995)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	29,514,961	-	29,514,961
Motor vehicle and other excise taxes.....	1,121,288	-	1,121,288
Community preservation tax.....	397,627	-	397,627
Penalties and interest on taxes.....	85,071	-	85,071
Payments in lieu of taxes.....	9,511	-	9,511
Grants and contributions not restricted to specific programs.....	254,091	-	254,091
Unrestricted investment income.....	249,707	-	249,707
<i>Transfers, net</i>	<u>(1,241,201)</u>	<u>1,241,201</u>	<u>-</u>
Total general revenues and transfers.....	<u>30,391,055</u>	<u>1,241,201</u>	<u>31,632,256</u>
Change in net position.....	2,774,728	1,594,533	4,369,261
<i>Net position:</i>			
Beginning of year.....	<u>4,843,149</u>	<u>16,513,139</u>	<u>21,356,288</u>
End of year..... \$	<u><u>7,617,877</u></u>	<u><u>\$ 18,107,672</u></u>	<u><u>\$ 25,725,549</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Community Preservation	State Federal and other Local Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 8,454,815	\$ 412,988	\$ -	\$ 2,398,287	\$ 11,266,090
Investments.....	1,753,996	566,482	-	653,123	2,973,601
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	212,992	2,434	-	-	215,426
Tax liens and deferrals.....	236,784	-	-	-	236,784
Motor vehicle and other excise taxes.....	182,354	-	-	-	182,354
Departmental and other.....	146,910	-	-	-	146,910
Intergovernmental.....	-	127,600	828,987	155,540	1,112,127
Special assessments.....	60,501	-	-	-	60,501
Tax foreclosures.....	11,792	-	-	-	11,792
Due from other funds.....	526,418	-	-	-	526,418
TOTAL ASSETS.....	\$ 11,586,562	\$ 1,109,504	\$ 828,987	\$ 3,206,950	\$ 16,732,003
LIABILITIES					
Warrants payable.....	\$ 405,165	\$ 2,900	\$ 31,888	\$ 42,564	\$ 482,517
Accrued payroll.....	387,051	-	-	-	387,051
Due to other funds.....	-	-	526,418	-	526,418
Other liabilities.....	25,093	-	-	-	25,093
Unearned revenue.....	-	-	137,495	-	137,495
Notes payable.....	-	-	-	62,509	62,509
TOTAL LIABILITIES.....	817,309	2,900	695,801	105,073	1,621,083
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	752,812	2,434	-	155,540	910,786
FUND BALANCES					
Nonspendable.....	-	-	-	413,978	413,978
Restricted.....	-	1,104,170	133,186	2,594,868	3,832,224
Committed.....	3,108,971	-	-	-	3,108,971
Assigned.....	122,858	-	-	-	122,858
Unassigned.....	6,784,612	-	-	(62,509)	6,722,103
TOTAL FUND BALANCES.....	10,016,441	1,104,170	133,186	2,946,337	14,200,134
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 11,586,562	\$ 1,109,504	\$ 828,987	\$ 3,206,950	\$ 16,732,003

See notes to basic financial statements.

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

JUNE 30, 2021

Total governmental fund balances.....	\$ 14,200,134
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	17,060,996
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	910,786
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(869,291)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(70,974)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(6,590,278)
Net pension liability.....	(12,556,394)
Net other postemployment benefits liability.....	(4,190,102)
Compensated absences.....	(277,000)
Net effect of reporting long-term liabilities.....	<u>(23,613,774)</u>
Net position of governmental activities.....	<u>\$ 7,617,877</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	Community Preservation	State Federal and other Local Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 29,509,839	\$ -	\$ -	\$ -	\$ 29,509,839
Motor vehicle and other excise taxes.....	1,027,424	-	-	16,887	1,044,311
Charges for services.....	571,687	-	-	-	571,687
Penalties and interest on taxes.....	84,314	757	-	-	85,071
Payments in lieu of taxes.....	9,511	-	-	-	9,511
Intergovernmental - state aid.....	255,789	-	-	-	255,789
Intergovernmental - other.....	-	-	677,424	42,064	719,488
Intergovernmental - COVID-19 relief.....	-	-	479,999	-	479,999
Departmental and other.....	1,072,886	-	-	838,247	1,911,133
Community preservation taxes.....	-	399,568	-	-	399,568
Community preservation state match.....	-	198,017	-	-	198,017
Contributions and donations.....	-	-	-	573,458	573,458
Investment income.....	154,632	39,811	-	55,264	249,707
TOTAL REVENUES.....	32,686,082	638,153	1,157,423	1,525,920	36,007,578
EXPENDITURES:					
Current:					
General government.....	1,996,780	-	2,371	60,012	2,059,163
Public safety.....	3,860,616	-	131,506	647,914	4,640,036
Education.....	18,192,378	-	-	-	18,192,378
Public works.....	2,486,991	-	546,184	52,164	3,085,339
Environmental.....	83,093	-	-	-	83,093
Health and human services.....	324,451	-	104,025	559,070	987,546
Library and recreation.....	895,751	-	9,652	231,485	1,136,888
Community preservation.....	-	512,790	-	-	512,790
COVID-19.....	-	-	230,499	-	230,499
Pension benefits.....	1,206,311	-	-	-	1,206,311
Property and liability insurance.....	126,676	-	-	-	126,676
Employee benefits.....	1,491,489	-	-	-	1,491,489
State and county charges.....	173,898	-	-	-	173,898
Debt service:					
Principal.....	672,131	-	-	-	672,131
Interest.....	228,074	-	-	-	228,074
TOTAL EXPENDITURES.....	31,738,639	512,790	1,024,237	1,550,645	34,826,311
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	947,443	125,363	133,186	(24,725)	1,181,267
OTHER FINANCING SOURCES (USES):					
Transfers in.....	83,500	-	-	338,020	421,520
Transfers out.....	(1,241,201)	(150,000)	-	(271,520)	(1,662,721)
TOTAL OTHER FINANCING SOURCES (USES)....	(1,157,701)	(150,000)	-	66,500	(1,241,201)
NET CHANGE IN FUND BALANCES.....	(210,258)	(24,637)	133,186	41,775	(59,934)
FUND BALANCES AT BEGINNING OF YEAR.....	10,226,699	1,128,807	-	2,904,562	14,260,068
FUND BALANCES AT END OF YEAR.....	\$ 10,016,441	\$ 1,104,170	\$ 133,186	\$ 2,946,337	\$ 14,200,134

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, 2021

Net change in fund balances - total governmental funds.....	\$	(59,934)
<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.....	2,425,663	
Depreciation expense.....	<u>(894,070)</u>	
Net effect of reporting capital assets.....		1,531,593
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		142,640
<p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p>		
Net amortization of premium from issuance of bonds.....	27,815	
Debt service principal payments.....	<u>672,131</u>	
Net effect of reporting long-term debt.....		699,946
<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.....	(48,000)	
Net change in accrued interest on long-term debt.....	6,238	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(1,058,016)	
Net change in net pension liability.....	849,420	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	14,855	
Net change in net other postemployment benefits liability.....	<u>695,986</u>	
Net effect of recording long-term liabilities.....		<u>460,483</u>
Change in net position of governmental activities.....	\$	<u><u>2,774,728</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 967,972	\$ 975,070	\$ 1,943,042
Receivables:			
User charges.....	454,700	459,637	914,337
Total current assets.....	1,422,672	1,434,707	2,857,379
NONCURRENT:			
Capital assets, non depreciable.....	175,000	-	175,000
Capital assets, net of accumulated depreciation.....	10,938,917	8,076,360	19,015,277
Total noncurrent assets.....	11,113,917	8,076,360	19,190,277
TOTAL ASSETS.....	12,536,589	9,511,067	22,047,656
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	39,831	50,895	90,726
LIABILITIES			
CURRENT:			
Warrants payable.....	122,886	20,500	143,386
Accrued interest.....	-	30,953	30,953
Compensated absences.....	18,000	11,000	29,000
Bonds payable.....	-	199,887	199,887
Total current liabilities.....	140,886	262,340	403,226
NONCURRENT:			
Compensated absences.....	6,000	4,000	10,000
Net pension liability.....	492,408	629,188	1,121,596
Net other postemployment benefits liability.....	164,318	209,962	374,280
Bonds payable.....	-	1,953,232	1,953,232
Total noncurrent liabilities.....	662,726	2,796,382	3,459,108
TOTAL LIABILITIES.....	803,612	3,058,722	3,862,334
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	44,973	57,465	102,438
Deferred inflows related to other postemployment benefits.....	28,949	36,989	65,938
TOTAL DEFERRED INFLOWS OF RESOURCES.....	73,922	94,454	168,376
NET POSITION			
Net investment in capital assets.....	11,113,917	5,966,056	17,079,973
Unrestricted.....	584,969	442,730	1,027,699
TOTAL NET POSITION.....	\$ 11,698,886	\$ 6,408,786	\$ 18,107,672

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services.....	\$ 1,552,200	\$ 1,384,598	\$ 2,936,798
OPERATING EXPENSES:			
Cost of services and administration.....	1,040,419	744,754	1,785,173
Depreciation.....	391,096	335,863	726,959
TOTAL OPERATING EXPENSES.....	1,431,515	1,080,617	2,512,132
OPERATING INCOME (LOSS).....	120,685	303,981	424,666
NONOPERATING REVENUES (EXPENSES):			
Interest expense.....	-	(71,334)	(71,334)
INCOME (LOSS) BEFORE TRANSFERS.....	120,685	232,647	353,332
TRANSFERS:			
Transfers in.....	1,170,000	71,201	1,241,201
CHANGE IN NET POSITION.....	1,290,685	303,848	1,594,533
NET POSITION AT BEGINNING OF YEAR.....	10,408,201	6,104,938	16,513,139
NET POSITION AT END OF YEAR.....	\$ 11,698,886	\$ 6,408,786	\$ 18,107,672

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 1,595,279	\$ 1,389,961	\$ 2,985,240
Payments to vendors.....	(792,712)	(581,288)	(1,374,000)
Payments to employees and employee benefits.....	(255,108)	(262,234)	(517,342)
NET CASH FROM OPERATING ACTIVITIES.....	547,459	546,439	1,093,898
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	1,170,000	71,201	1,241,201
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition and construction of capital assets.....	(2,231,582)	(623,215)	(2,854,797)
Principal payments on bonds.....	-	(177,887)	(177,887)
Interest expense.....	-	(96,709)	(96,709)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,231,582)	(897,811)	(3,129,393)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(514,123)	(280,171)	(794,294)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,482,095	1,255,241	2,737,336
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 967,972	\$ 975,070	\$ 1,943,042
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ 120,685	\$ 303,981	\$ 424,666
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	391,096	335,863	726,959
Deferred (outflows)/inflows related to pensions.....	44,779	56,371	101,150
Deferred (outflows)/inflows related to other postemployment benefits.....	1,179	1,053	2,232
Changes in assets and liabilities:			
User charges.....	43,079	5,363	48,442
Warrants payable.....	42,371	(35,898)	6,473
Compensated absences.....	1,000	(6,000)	(5,000)
Net pension liability.....	(80,867)	(91,080)	(171,947)
Net other postemployment benefits liability.....	(15,863)	(23,214)	(39,077)
Total adjustments.....	426,774	242,458	669,232
NET CASH FROM OPERATING ACTIVITIES.....	\$ 547,459	\$ 546,439	\$ 1,093,898
Acquisition of capital assets on account.....	\$ (397,477)	\$ -	\$ (397,477)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

		Other Postemployment Benefit Trust Fund
<hr/>		
ASSETS		
Cash and cash equivalents.....	\$	271,388
Investments:		
Investments in Pension Reserve Investment Trust.....		3,258,694
		<hr/>
TOTAL ASSETS.....		3,530,082
		<hr/>
NET POSITION		
Restricted for other postemployment benefits.....	\$	3,530,082
		<hr/>
		<hr/>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 271,388
Employer contributions for other postemployment benefit payments.....	<u>413,505</u>
Total contributions.....	<u>684,893</u>
Net investment income:	
Investment income.....	<u>747,019</u>
TOTAL ADDITIONS.....	<u>1,431,912</u>
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	<u>413,505</u>
NET INCREASE IN NET POSITION.....	1,018,407
NET POSITION AT BEGINNING OF YEAR.....	<u>2,511,675</u>
NET POSITION AT END OF YEAR.....	<u><u>\$ 3,530,082</u></u>

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 Select Board (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.

The Manchester-by-the-Sea Affordable Housing Trust (Trust) was established by Town Meeting with the mission to increase diversity of housing options to meet the needs of Manchester's low and moderate income households. The Trust is comprised of a seven-member board of resident volunteers with experience and expertise in housing policy, finance, development, programs, and advocacy. The Town planner, through funding from the Community Preservation Act, provides staff support to the Trust. The Trust is reported within the nonmajor governmental funds of the Town.

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 2021 assessment was \$18,047,867. 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 North Shore Agricultural & Technical School 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 2021 assessment was \$169,045. Please contact the finance office at 565 Maple Street, Hathorne, 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 activities) 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 governmental funds 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 1.5%, along with matching state funds.

The *State, Federal and other local grants* major fund is a special revenue fund used to account for activity specifically financed by grants, which are designated for specific programs.

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 type is 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 Town 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 1st 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 1st, November 1st, February 1st and May 1st 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, § 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 Charges

User charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user charges are estimated at year-end and are recorded as revenue in the current period.

Since the receivables are secured via a shut off 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.

Special Assessments

The costs incurred on completed special projects that have been assessed to the benefited taxpayers which have not been paid.

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

G. Inventories and Prepaid Items

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.

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

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:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20 - 40
Buildings.....	45
Buildings and improvements.....	10 - 45
Machinery and equipment.....	5 - 20
Infrastructure.....	10 - 50

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 and OPEB.

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. Unavailable revenue is reported as a deferred inflow of resources in the fund 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.

Net position has been “restricted for” the following:

“Permanent funds - expendable” 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 - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents amounts held of gift and grant funds.

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

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 Town’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 general fund is the only fund that reports a positive unassigned fund balance amount.

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. 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.

The Town uses material bond premiums to reduce the total amount of the bond issuance.

O. 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.

P. 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.

Q. Fund Deficits and Appropriation Deficit

An individual fund deficit existed at June 30, 2021, in the MCWT Septic Loan Program fund. The deficit will be funded by future bond proceeds.

Actual expenditures exceed appropriations for snow removal salaries and will be raised in fiscal year 2021. Massachusetts General Law allows communities to overspend their snow and ice removal appropriation line; however, deficits must be raised in the subsequent year.

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 that is maintained 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 Town Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2021, \$3,258,694 from the OPEB Trust Fund is included within the Town's investment balances and \$271,388 from the OPEB Trust Fund is included within the Town's cash 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. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.019 to 16.28 years.

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 \$13,444,238 and the bank balance totaled \$15,894,424. Of the bank balance, \$2,000,000 was covered by Federal Depository Insurance, \$4,905,387 was covered by the Depositors Insurance Fund, \$1,373 was covered by the Securities Investor Protection Corporation, \$7,226,417 was collateralized and \$1,761,247 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2021, the Town had the following investments:

Investment Type	Fair value	Maturities	
		Under 1 Year	1-5 Years
<u>Debt securities:</u>			
U.S. treasury notes.....	\$ 472,274	\$ 402,235	\$ 70,039
Government sponsored enterprises.....	272,878	-	272,878
Corporate bonds.....	1,059,011	255,814	803,197
Total debt securities.....	1,804,163	\$ 658,049	\$ 1,146,114
<u>Other investments:</u>			
Equity securities.....	991,251		
Fixed income mutual funds.....	178,193		
Money market mutual funds.....	36,282		
Pension Reserve Investment Trust (PRIT) - OPEB Trust.....	3,258,688		
Total investments.....	\$ 6,268,577		

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. To manage this risk, the Town uses only regulated custodians and will review the financial institution's financial statements of safety ratings from well-established ratings services. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidence by safekeeping receipts showing individual CUSIP numbers for each security. As of June 30, 2021, the Town's investments are all registered in the name and tax ID of the Town and all investment accounts are held in the Town's name as well as a third-party custodian, therefore, 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. The Town limits the term of investment from between 1 and 5 years.

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 government sponsored enterprises obligations that the Town may invest in.

The investment ratings for the Town at June 30, 2021, were as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
Aaa.....	\$ 272,878	\$ -
A2.....	-	441,678
Baa2.....	-	133,472
Baa1.....	-	483,861
Total.....	\$ <u>272,878</u>	\$ <u>1,059,011</u>

Additionally, 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. As of June 30, 2021, the Town did not have any investments with a single issuer that represented 5% or more of the Town's total investments.

Fair Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy. The following table presents financial assets at June 30, 2021, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 472,274	\$ 472,274	\$ -	\$ -
Government sponsored enterprises.....	272,878	272,878	-	-
Corporate bonds.....	1,059,011	-	1,059,011	-
Total debt securities.....	1,804,163	745,152	1,059,011	-
<u>Other investments:</u>				
Equity securities.....	991,251	991,251	-	-
Fixed income mutual funds.....	178,193	178,193	-	-
Money market mutual funds.....	36,282	36,282	-	-
Total other investments.....	1,205,726	1,205,726	-	-
Total investments measured at fair value.....	3,009,889	\$ 1,950,878	\$ 1,059,011	\$ -
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT) - OPEB Trust.....	3,258,688			
Total investments.....	\$ 6,268,577			

U.S. treasury notes, government sponsored enterprises, equity securities, fixed income mutual funds, and money market mutual funds are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 are valued using significant unobservable inputs. The Town does not have any investments in this category.

PRIT investments are valued using the net asset value method.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 215,426	\$ -	\$ 215,426
Tax liens and tax deferrals.....	236,784	-	236,784
Motor vehicle and other excise taxes.....	193,554	(11,200)	182,354
Departmental and other.....	309,910	(163,000)	146,910
Intergovernmental.....	984,527	-	984,527
Community preservation state share.....	127,600	-	127,600
Special assessments.....	60,501	-	60,501
Total.....	\$ 2,128,302	\$ (174,200)	\$ 1,954,102

At June 30, 2021, receivables for the water and sewer enterprise funds consisted of \$454,700, and \$459,637, respectively.

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	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 170,548	\$ 2,434	\$ 172,982
Tax liens and tax deferrals.....	236,784	-	236,784
Motor vehicle and other excise taxes.....	182,354	-	182,354
Departmental and other.....	90,833	-	90,833
Intergovernmental - highway improvements.....	-	155,540	155,540
Special assessments.....	60,501	-	60,501
<u>Other assets:</u>			
Tax foreclosures.....	11,792	-	11,792
Total.....	\$ 752,812	\$ 157,974	\$ 910,786

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 977,806	\$ 63,135	\$ -	\$ 1,040,941
Construction in progress.....	868,065	948,568	(382,107)	1,434,526
Total capital assets not being depreciated.....	1,845,871	1,011,703	(382,107)	2,475,467
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,153,200	435,089	-	2,588,289
Buildings.....	4,834,941	-	-	4,834,941
Buildings and improvements.....	2,828,728	625,278	-	3,454,006
Machinery and equipment.....	5,891,998	157,864	(90,400)	5,959,462
Infrastructure.....	9,138,415	577,836	(13,231)	9,703,020
Total capital assets being depreciated.....	24,847,282	1,796,067	(103,631)	26,539,718
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(240,469)	(94,207)	-	(334,676)
Buildings.....	(4,393,794)	(51,017)	-	(4,444,811)
Buildings and improvements.....	(468,693)	(155,954)	-	(624,647)
Machinery and equipment.....	(4,146,743)	(342,330)	90,400	(4,398,673)
Infrastructure.....	(1,914,051)	(250,562)	13,231	(2,151,382)
Total accumulated depreciation.....	(11,163,750)	(894,070)	103,631	(11,954,189)
Total capital assets being depreciated, net.....	13,683,532	901,997	-	14,585,529
Total governmental activities capital assets, net.....	\$ 15,529,403	\$ 1,913,700	\$ (382,107)	\$ 17,060,996

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<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
Buildings and improvements.....	1,403,058	-	-	1,403,058
Machinery and equipment.....	7,847,298	-	-	7,847,298
Infrastructure.....	7,510,800	1,834,105	-	9,344,905
Total capital assets being depreciated.....	19,021,715	1,834,105	-	20,855,820
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,180,852)	(53,654)	-	(1,234,506)
Buildings and improvements.....	(177,543)	(36,072)	-	(213,615)
Machinery and equipment.....	(7,401,530)	(88,951)	-	(7,490,481)
Infrastructure.....	(765,882)	(212,419)	-	(978,301)
Total accumulated depreciation.....	(9,525,807)	(391,096)	-	(9,916,903)
Total capital assets being depreciated, net.....	9,495,908	1,443,009	-	10,938,917
Total water activities capital assets, net.....	\$ 9,670,908	\$ 1,443,009	\$ -	\$ 11,113,917
Sewer:				
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 6,441,825	\$ -	\$ -	\$ 6,441,825
Buildings and improvements.....	197,005	-	-	197,005
Machinery and equipment.....	2,470,762	-	-	2,470,762
Infrastructure.....	6,010,943	623,215	-	6,634,158
Total capital assets being depreciated.....	15,120,535	623,215	-	15,743,750
<u>Less accumulated depreciation for:</u>				
Buildings.....	(3,469,812)	(145,774)	-	(3,615,586)
Buildings and improvements.....	(24,626)	(9,850)	-	(34,476)
Machinery and equipment.....	(2,435,725)	(14,713)	-	(2,450,438)
Infrastructure.....	(1,401,364)	(165,526)	-	(1,566,890)
Total accumulated depreciation.....	(7,331,527)	(335,863)	-	(7,667,390)
Total capital assets being depreciated, net.....	7,789,008	287,352	-	8,076,360
Total sewer activities capital assets, net.....	\$ 7,789,008	\$ 287,352	\$ -	\$ 8,076,360

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

Governmental Activities:

General government.....	\$	105,044
Public safety.....		212,399
Public works.....		436,667
Health and human services.....		21,007
Library and recreation.....		90,610
Community preservation.....		28,343
Total depreciation expense - governmental activities.....	\$	<u>894,070</u>

Business-Type Activities:

Water.....	\$	391,096
Sewer.....		335,863
Total depreciation expense - business-type activities.....	\$	<u>726,959</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Town's interfund receivable/payable at June 30, 2021, consisted of \$526,418 due to the general fund from the State, Federal and other local grants fund, representing interfund borrowings for cash flow purposes. The payables will be funded by future grant proceeds.

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General fund	Nonmajor governmental funds	Sewer enterprise fund	Water enterprise fund	
General fund.....	\$ -	\$ -	\$ 71,201	\$ 1,170,000	\$ 1,241,201 (1)
Community preservation fund.....	-	150,000	-	-	150,000 (2)
Nonmajor governmental funds.....	83,500	188,020	-	-	271,520 (3)
Total.....	<u>\$ 83,500</u>	<u>\$ 338,020</u>	<u>\$ 71,201</u>	<u>\$ 1,170,000</u>	<u>\$ 1,662,721</u>

- (1) Represents budgeted transfers from the general fund to finance the water main capital project from taxation and the general fund's 25% portion of the sewer debt.
- (2) Represents a transfer from the community preservation fund to the affordable housing trust for community housing project funding.
- (3) Represents transfers from amounts collected in other funds used to fund the Town's operating budget, as well as transfers for harbor projects from special revenue funds.

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 Massachusetts Clean Water Trust (MCWT) temporary financing program is used for low-interest betterment loans for eligible homeowners with failed septic systems. The Town has entered into a financing agreement for costs up to \$200,000 with the MCWT that allows the Town to expend funds against the loan over a multi-year period. Once complete, a permanent debt schedule will be agreed upon between MCWT and the Town.

As of June 30, 2021, the Town has drawn \$62,509 against the \$200,000 available loan. The \$62,509 is reported as a note payable in the governmental fund financial statements. Once permanently financed, the loan will carry a 2% interest rate. There is no interest during the interim period. During fiscal year 2021, the Town did not draw any additional funds against the loan and the loan has not yet been permanently financed by the MCWT.

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, 2021, and the debt service requirements are as follows on the next page.

Bonds and Notes Payable Schedule – Governmental Activities:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<u>General Obligation Bonds Payable:</u>				
Municipal Purpose Bonds of 2012.....	2031	\$ 2,711,000	2.00-4.00	\$ 1,370,000
Municipal Purpose Refunding Bonds of 2013.....	2023	1,033,100	1.75-2.00	94,000
Municipal Purpose Bonds of 2015.....	2032	1,731,000	2.70	1,100,000
Subtotal Governmental General Obligation Bonds Payable.....				<u>2,564,000</u>
Water Building Road Repair and Construction.....	2031	150,000	2.00-4.00	50,000
Water Refunding Bonds of 2015.....	2023	1,061,900	1.75-2.00	186,000
Water Pipe Bonds of 2018.....	2033	93,000	5.00	80,000
Water System Improvements Bonds of 2018.....	2033	918,500	5.00	780,000
Water System Improvements (2) Bonds of 2018.....	2033	1,837,000	5.00	1,565,000
Subtotal Governmental Water General Obligation Bonds Payable.....				<u>2,661,000</u>
<u>Direct Borrowings Payable:</u>				
Water System Improvements - MCWT.....	2037	1,440,000	2.00	1,199,297
Total Governmental Water Bonds Payable.....				<u>3,860,297</u>
Total General Obligation Bonds and Direct Borrowings Payable.....				6,424,297
Add: Unamortized premium on bonds.....				<u>165,981</u>
Total Bonds Payable, net.....				<u>\$ 6,590,278</u>

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

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2022.....	\$ 580,000	\$ 188,926	\$ 768,926
2023.....	565,000	170,922	735,922
2024.....	445,000	152,074	597,074
2025.....	455,000	135,108	590,108
2026.....	430,000	117,420	547,420
2027.....	415,000	99,912	514,912
2028.....	420,000	82,751	502,751
2029.....	430,000	65,324	495,324
2030.....	445,000	50,738	495,738
2031.....	450,000	35,160	485,160
2032.....	340,000	19,426	359,426
2033.....	250,000	8,124	258,124
Total.....	\$ <u>5,225,000</u>	\$ <u>1,125,885</u>	\$ <u>6,350,885</u>

Year	Direct Borrowings Payable:		
	Principal	Interest	Total
2022.....	\$ 63,481	\$ 23,351	\$ 86,832
2023.....	64,861	22,068	86,929
2024.....	66,270	20,757	87,027
2025.....	67,710	19,417	87,127
2026.....	69,182	18,048	87,230
2027.....	70,686	16,649	87,335
2028.....	72,222	15,220	87,442
2029.....	73,792	13,760	87,552
2030.....	75,395	12,268	87,663
2031.....	77,034	10,744	87,778
2032.....	78,708	9,187	87,895
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
Total.....	\$ <u>1,199,297</u>	\$ <u>202,827</u>	\$ <u>1,402,124</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<u>General Obligation Bonds Payable:</u>				
Sewer.....	2025	\$ 70,000	2.00-4.00	\$ 20,000
Sewer Improvement Bonds of 2018.....	2033	459,500	5.00	385,000
Sewer Improvement (2) Bonds of 2018.....	2033	1,837,000	5.00	<u>1,565,000</u>
Subtotal General Obligation Bonds Payable.....				<u>1,970,000</u>
<u>Direct Borrowings Payable:</u>				
Wastewater Management Plan - MCWT.....	2022	234,450	2.00	<u>48,928</u>
Total General Obligation Bonds and Direct Borrowings Payable.....				2,018,928
Add: Unamortized premium on bonds.....				<u>134,191</u>
Total Bonds Payable, net.....				<u><u>\$ 2,153,119</u></u>

Debt service requirements for principal and interest for sewer enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2022.....	\$ 130,000	\$ 81,758	\$ 211,758
2023.....	135,000	75,356	210,356
2024.....	140,000	68,708	208,708
2025.....	150,000	61,800	211,800
2026.....	150,000	54,386	204,386
2027.....	160,000	46,888	206,888
2028.....	170,000	38,886	208,886
2029.....	175,000	30,386	205,386
2030.....	180,000	24,700	204,700
2031.....	185,000	18,850	203,850
2032.....	195,000	12,838	207,838
2033.....	<u>200,000</u>	<u>6,500</u>	<u>206,500</u>
Total.....	<u>\$ 1,970,000</u>	<u>\$ 521,056</u>	<u>\$ 2,491,056</u>

Year	Direct Borrowings Payable:		
	Principal	Interest	Total
2022.....	\$ 48,928	\$ 489	\$ 49,417

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 \$3,860,297.

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 \$71,201 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. On June 30, 2021, the Town had authorized and unissued debt of \$1 million for the harbor dredging and improvements.

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term general obligation bonds payable...	\$ 5,835,000	\$ -	\$ (610,000)	\$ -	\$ -	\$ 5,225,000	\$ 580,000
Long-term direct borrowing payable.....	1,261,428	-	(62,131)	-	-	1,199,297	63,481
Add: Unamortized premium on bonds.....	193,796	-	(27,815)	-	-	165,981	25,888
Total bonds payable.....	7,290,224	-	(699,946)	-	-	6,590,278	669,369
Compensated absences.....	229,000	-	-	224,000	(176,000)	277,000	203,000
Net pension liability.....	13,405,814	-	-	289,873	(1,139,293)	12,556,394	-
Net other postemployment benefits liability....	4,886,088	-	-	63,225	(759,211)	4,190,102	-
Total governmental activity long-term liabilities.....	\$ 25,811,126	\$ -	\$ (699,946)	\$ 577,098	\$ (2,074,504)	\$ 23,613,774	\$ 872,369
Business-Type Activities:							
Long-term general obligation bonds payable...	\$ 2,100,000	\$ -	\$ (130,000)	\$ -	\$ -	\$ 1,970,000	\$ 130,000
Long-term direct borrowing payable.....	96,815	-	(47,887)	-	-	48,928	48,928
Add: Unamortized premium on bonds.....	156,765	-	(22,574)	-	-	134,191	20,959
Total bonds payable.....	2,353,580	-	(200,461)	-	-	2,153,119	199,887
Compensated absences.....	44,000	-	-	29,000	(34,000)	39,000	29,000
Net pension liability.....	1,293,543	-	-	19,249	(191,196)	1,121,596	-
Net other postemployment benefits liability....	413,357	-	-	2,089	(41,166)	374,280	-
Total business-type activity long-term liabilities.....	\$ 4,104,480	\$ -	\$ (200,461)	\$ 50,338	\$ (266,362)	\$ 3,687,995	\$ 228,887

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 Town from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the Town 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.

As of June 30, 2021, the governmental fund balances consisted of the following:

	General	Community Preservation	State, Federal and Other Local Grants	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 413,978	\$ 413,978
Restricted for:					
Community preservation.....	-	1,104,170	-	-	1,104,170
State, federal and other local grants.....	-	-	133,186	-	133,186
Gifts.....	-	-	-	271,726	271,726
Harbormaster.....	-	-	-	98,699	98,699
Special revenue trusts.....	-	-	-	347,967	347,967
Recreation revolving.....	-	-	-	540,288	540,288
Planning conservation commission.....	-	-	-	89,830	89,830
Harbor improvement.....	-	-	-	397,601	397,601
Affordable housing trust.....	-	-	-	599,330	599,330
Other special revenue.....	-	-	-	162,623	162,623
Expendable trusts.....	-	-	-	86,804	86,804
Committed to:					
Articles and continuing appropriations:					
Town Hall upgrades.....	45,929	-	-	-	45,929
Street light purchase and conversion.....	21,596	-	-	-	21,596
Zoning by-laws and improvements.....	40,000	-	-	-	40,000
Public safety radio upgrades.....	23,617	-	-	-	23,617
Fire engine.....	965,000	-	-	-	965,000
Fire station renovations.....	49,128	-	-	-	49,128
Drainage/sidewalk improvements.....	545,376	-	-	-	545,376
Compressor.....	22,000	-	-	-	22,000
Road maintenance and construction.....	308,724	-	-	-	308,724
Cemetery expansion study.....	1,023	-	-	-	1,023
Guardrail replacement.....	41,170	-	-	-	41,170
Compost facility.....	230,404	-	-	-	230,404
Complete streets.....	32,000	-	-	-	32,000
Public works vehicle replacement.....	40,000	-	-	-	40,000
Storm damage repairs.....	60,152	-	-	-	60,152
Public works shop equipment.....	10,000	-	-	-	10,000
Central street culvert.....	607,620	-	-	-	607,620
Conservation lands management plan.....	10,000	-	-	-	10,000
Library interior updates.....	13,232	-	-	-	13,232
Tennis court resurfacing.....	10,000	-	-	-	10,000
Sweeney parking lot.....	32,000	-	-	-	32,000
Assigned to:					
Selectmen.....	4,750	-	-	-	4,750
Information technology.....	18,484	-	-	-	18,484
Accounting.....	100	-	-	-	100
Assessors.....	2,190	-	-	-	2,190
Treasurer/collector.....	2,615	-	-	-	2,615
Town clerk.....	3,532	-	-	-	3,532
Legal.....	6,114	-	-	-	6,114
Appeals board.....	315	-	-	-	315
Planning board.....	9,000	-	-	-	9,000
Town hall & common.....	310	-	-	-	310
Employee benefits.....	5,503	-	-	-	5,503
Police.....	681	-	-	-	681
Fire.....	1,846	-	-	-	1,846
Public works.....	26,210	-	-	-	26,210
Sanitation/composting/recycling.....	39,651	-	-	-	39,651
Conservation commission.....	782	-	-	-	782
Parks & recreation.....	775	-	-	-	775
Unassigned.....	6,784,612	-	-	(62,509)	6,722,103
Total Fund Balances.....	\$ 10,016,441	\$ 1,104,170	\$ 133,186	\$ 2,946,337	\$ 14,200,134

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 \$1.9 million and has been reported as unassigned fund balance within the general fund.

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. On June 30, 2021, 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 or 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, 2021, was \$1,330,489, which equaled its required contribution and was 26.39% 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, 2021, the Town reported a liability of \$13,677,990 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2020, the Town's proportion was 3.45%, which decreased 0.04% from its proportion measured as of December 31, 2019.

Pension Expense – For the year ended June 30, 2021, the Town recognized a pension expense of \$1,468,288. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$1,106,422, and deferred inflows of resources related to pensions of \$1,249,249. The Town paid their annual pension appropriation on July 1, 2020, for the measurement date of December 31, 2020, therefore no contributions after the measurement date were reported by the Town.

The balances of deferred outflows and inflows at June 30, 2021, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,494	\$ (11,728)	\$ (10,234)
Difference between projected and actual earnings, net.....	-	(1,017,650)	(1,017,650)
Changes in assumptions.....	915,034	-	915,034
Changes in proportion and difference between employer contributions and proportionate share of contributions.....	189,894	(219,871)	(29,977)
Total deferred outflows/(inflows) of resources.....	\$ <u>1,106,422</u>	\$ <u>(1,249,249)</u>	\$ <u>(142,827)</u>

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

Year ended June 30:	
2022.....	\$ 69,748
2023.....	195,796
2024.....	(214,237)
2025.....	<u>(194,134)</u>
Total.....	\$ <u>(142,827)</u>

Actuarial Assumptions – The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2020:

Valuation date.....	January 1, 2020
Salary increases.....	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Net investment return/Discount rate.....	7.30%
Inflation rate.....	2.75%
Cost of living adjustments.....	2% of first \$14,000 for fiscal 2021 and 3% of first \$14,000 thereafter.
Mortality rates:	
Pre-Retirement.....	RP-2014 Employee Mortality Table projected generationally with Scale MP-2019.
Healthy Retiree.....	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019.
Disabled Retiree.....	RP-2014 Healthy Annuitant Mortality Table, set forward two years projected generationally with Scale MP-2019.

Investment Policy – The System'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 and subtracting expected investment expenses and a risk margin. The System's expected future real rate of return, after deducting inflation, but before investment expense, used in the derivation of the long-term investment rate of return assumption as of December 31, 2020, are summarized in the table below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	23.10%	6.40%
International developed markets equity.....	14.40%	6.60%
International emerging markets equity.....	5.80%	8.40%
Core fixed income.....	15.80%	2.70%
Value added fixed income.....	7.40%	6.20%
Private Equity.....	12.40%	10.20%
Real estate.....	8.30%	6.00%
Timberland.....	3.30%	6.60%
Hedge funds, PCS.....	8.80%	5.20%
Liquidating portfolios.....	0.10%	0.00%
Overlay.....	0.60%	0.00%
Total.....	100.00%	

Rate of Return – For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.14%. 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 7.30% as of June 30, 2021 and June 30, 2020. 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 System'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 Pension Liability to Changes in the Discount Rate – The following presents the net pension liability, calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount (7.30%)	1% Increase (8.30%)
The Town's proportionate share of the net pension liability.....	\$ 17,514,103	\$ 13,677,990	\$ 10,453,702
ERRS total net pension liability.....	\$ 508,239,564	\$ 396,919,889	\$ 303,354,686

Pension Plan Fiduciary Net Position – Detailed information about the System's fiduciary net position is available in the separately issued Essex Regional Retirement System's financial report.

Changes in Assumptions – None.

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 65% to 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% to 35% of their premium costs. For 2021, the Town's age adjusted contribution to the plan totaled approximately \$685,000. For the year ended June 30, 2021, the Town's average contribution rate was 14.14% of covered-employee payroll.

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 2021, the Town pre-funded future OPEB liabilities totaling approximately \$271,000 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, 2021, the balance of this fund totaled \$3.5 million.

Employees Covered by Benefit Terms – The following table represents the Plan's membership at July 1, 2020, the date of the actuarial valuation:

Active members.....	66
Inactive members currently receiving benefits.....	<u>90</u>
Total.....	<u>156</u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2021:

Total OPEB liability.....	\$ 8,094,464
Less: OPEB plan's fiduciary net position.....	<u>(3,530,082)</u>
Net OPEB liability.....	<u>\$ 4,564,382</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	43.61%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2021:

Valuation date.....	July 1, 2020
Measurement date.....	June 30, 2021
Actuarial cost method.....	Entry Age Normal.
Investment rate of return/discount rate.....	Full prefunding: 7.50%, net of investment expenses.
Asset valuation method.....	Fair Value.
Medical inflation rate.....	4.50%
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.
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 all retirees and beneficiaries during 2020-21 at age 64 and 65 are \$15,525 and \$3,549, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$3,167. 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 current premium rates for 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 costs of administration.
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 three 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 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. 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.

Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return is added to the expected inflation rate 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, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	23.10%	6.40%
International developed markets equity..	14.40%	6.60%
International emerging markets equity...	5.80%	8.40%
Core fixed income.....	15.80%	2.13%
Value added fixed income.....	7.40%	6.20%
Private Equity.....	12.60%	10.20%
Real estate.....	8.30%	6.00%
Timberland.....	3.30%	6.60%
Hedge fund, GTAA, Risk parity.....	8.80%	5.20%
Portfolio completion.....	0.50%	5.20%
Total.....	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 7.50% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 7,811,120	\$ 2,511,675	\$ 5,299,445
Changes for the year:			
Service cost.....	142,160	-	142,160
Interest on liability and service cost.....	554,689	-	554,689
Benefit payments.....	(413,505)	(413,505)	-
Employer contributions.....	-	684,893	(684,893)
Investment income.....	-	747,019	(747,019)
Net change.....	283,344	1,018,407	(735,063)
Balances at June 30, 2021.....	\$ 8,094,464	\$ 3,530,082	\$ 4,564,382

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 7.50%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability.....	\$ 5,487,303	\$ 4,564,382	\$ 3,791,163

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability.....	\$ 3,659,904	\$ 4,564,382	\$ 5,662,945

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$52,693. At June 30, 2021, the Town reported the following deferred inflows of resources related to OPEB:

<u>Deferred Category</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.....	\$ (431,338)
Difference between projected and actual earnings, net.....	<u>(372,776)</u>
Total deferred inflows of resources.....	\$ <u><u>(804,114)</u></u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022.....	\$ (322,641)
2023.....	(283,518)
2024.....	(85,151)
2025.....	<u>(112,804)</u>
Total.....	\$ <u><u>(804,114)</u></u>

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 12 – COMMITMENTS

At year end the Town had various ongoing projects for water and sewer system improvements and road and sidewalk paving projects. The Town has been and continues to work on a multi-year project for the rebuild/repair/renovate of the Central Street Culvert which currently is estimated to cost \$5-6 million. At the October 2018, Special Town Meeting, the Town voted and approved a debt exclusion in the amount of \$52 million for the new construction of the Manchester Memorial Elementary School. The District expects approximately 36% reimbursement of eligible project costs from the Massachusetts School Building Authority (MSBA). The remaining amount is assessed to the Towns of Essex and Manchester under the current district allocation agreement. Construction started in June 2019, and the school was able to open in full for the September 2021 school year. The school had a ribbon cutting at the school in December of 2021.

The general fund has various commitments for goods and services related to encumbrances totaling \$3.2 million.

NOTE 13 – 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, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2022, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. 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 #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.

- The GASB issued Statement #97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of *GASB Statements No. 14 and No. 84*, and a supersession of *GASB Statement No. 32*, which is required to be implemented in 2022.

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, 2021

	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	
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 29,403,718	\$ 29,403,718	\$ 29,403,718	\$ 29,642,670	\$ -	\$ 238,952	
Motor vehicle and other excise taxes.....	-	965,000	965,000	965,000	1,027,424	-	62,424	
Charges for services.....	-	470,000	470,000	470,000	627,764	-	157,764	
Penalties and interest on taxes.....	-	60,000	60,000	60,000	84,314	-	24,314	
Intergovernmental.....	-	256,489	256,489	256,489	255,789	-	(700)	
Departmental and other.....	-	662,000	662,000	662,000	1,026,320	-	364,320	
Investment income.....	-	12,000	12,000	12,000	34,177	-	22,177	
TOTAL REVENUES.....	-	31,829,207	31,829,207	31,829,207	32,698,458	-	869,251	
EXPENDITURES:								
Current:								
General Government								
Selectmen's Department								
Salaries.....	-	243,664	243,664	252,964	252,964	-	-	
Expenses.....	-	32,050	32,050	32,050	22,929	-	9,121	
Audit.....	8,750	47,000	55,750	55,750	47,000	4,750	4,000	
Total Selectmen's Department.....	8,750	322,714	331,464	340,764	322,893	4,750	13,121	
Information Technology.....								
Expenses.....	1,073	125,000	126,073	166,073	146,693	18,484	896	
Finance Committee								
Salaries.....	-	3,500	3,500	3,500	3,330	-	170	
Expenses.....	-	320	320	320	56	-	264	
Reserve Fund.....	-	160,000	160,000	33,000	-	-	33,000	
Total Finance Committee.....	-	163,820	163,820	36,820	3,386	-	33,434	
Election & Registration								
Salaries.....	-	4,650	4,650	5,094	4,170	-	924	
Expenses.....	8,191	20,265	28,456	33,012	33,012	-	-	
Total Elections & Registration.....	8,191	24,915	33,106	38,106	37,182	-	924	
Accounting								
Salaries.....	-	157,722	157,722	157,722	155,653	-	2,069	
Expenses.....	162	4,700	4,862	4,862	4,678	100	84	
Total Accounting.....	162	162,422	162,584	162,584	160,331	100	2,153	
Assessors								
Salaries.....	-	160,795	160,795	160,795	160,795	-	-	
Expenses.....	1,251	52,875	54,126	54,126	45,803	2,190	6,133	
Total Assessors.....	1,251	213,670	214,921	214,921	206,598	2,190	6,133	
Treasurer/ Collector								
Salaries.....	-	153,572	153,572	153,572	150,113	-	3,459	
Expenses.....	900	38,940	39,840	39,840	23,329	2,615	13,896	
Total Treasurer/ Collector.....	900	192,512	193,412	193,412	173,442	2,615	17,355	
Town Clerk								
Salaries.....	-	119,603	119,603	119,603	83,284	-	36,319	
Expenses.....	6,600	5,300	11,900	14,400	10,775	3,532	93	
Total Town Clerk.....	6,600	124,903	131,503	134,003	94,059	3,532	36,412	
Legal								
Expenses.....	9,539	120,000	129,539	191,640	185,525	6,114	1	
Appeals Board								
Salaries.....	-	1,600	1,600	1,600	1,600	-	-	
Expenses.....	-	8,750	8,750	9,380	8,954	315	111	
Total Appeals Board.....	-	10,350	10,350	10,980	10,554	315	111	
Planning Board								
Salaries.....	-	93,762	93,762	93,762	86,626	-	7,136	
Expenses.....	6,878	6,600	13,478	13,478	4,413	9,000	65	
Total Planning Board.....	6,878	100,362	107,240	107,240	91,039	9,000	7,201	

(continued)

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

YEAR ENDED JUNE 30, 2021

	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.....	4,454	84,050	88,504	79,205	72,508	310	6,387
Total General Government.....	47,798	1,644,718	1,692,516	1,675,748	1,504,210	47,410	124,128
Pensions.....	-	-	-	-	-	-	-
Contributory.....	-	1,330,489	1,330,489	1,330,489	1,330,489	-	-
Non-Contributory.....	-	2,111	2,111	2,111	-	-	2,111
Total Pensions.....	-	1,332,600	1,332,600	1,332,600	1,330,489	-	2,111
Employee Benefits	-	-	-	-	-	-	-
Group Health Insurance.....	-	1,350,000	1,350,000	1,544,788	1,432,460	-	112,328
Worker's Compensation.....	-	95,000	95,000	95,000	90,709	4,291	-
Unemployment Compensation.....	-	7,000	7,000	7,000	5,788	1,212	-
FICA-Medicare.....	-	97,850	97,850	95,824	93,773	-	2,051
Total Employee Benefits.....	-	1,549,850	1,549,850	1,742,612	1,622,730	5,503	114,379
Insurance	-	-	-	-	-	-	-
Fire/ Auto/ Liability.....	-	130,000	130,000	130,000	126,676	-	3,324
Public Safety	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Salaries.....	-	1,665,592	1,665,592	1,700,592	1,700,592	-	-
Expenses.....	-	97,164	97,164	100,664	99,882	681	101
Total Police.....	-	1,762,756	1,762,756	1,801,256	1,800,474	681	101
Parking Clerk/ Resident Parking	-	-	-	-	-	-	-
Salaries.....	-	12,674	12,674	12,674	12,674	-	-
Expenses.....	-	16,550	16,550	16,550	16,434	-	116
Total Parking Clerk/ Resident Parking.....	-	29,224	29,224	29,224	29,108	-	116
Fire	-	-	-	-	-	-	-
Salaries.....	-	1,320,336	1,320,336	1,387,336	1,386,839	-	497
Expenses.....	13,073	143,850	156,923	141,925	138,463	1,846	1,616
Total Fire.....	13,073	1,464,186	1,477,259	1,529,261	1,525,302	1,846	2,113
Building Department	-	-	-	-	-	-	-
Building Inspector.....	-	46,173	46,173	46,173	43,250	-	2,923
Gas/ Plumbing Inspector.....	-	13,634	13,634	13,634	13,634	-	-
Sealer of Weights & Measures.....	-	3,000	3,000	3,000	3,000	-	-
Electrical Inspector.....	-	13,634	13,634	13,634	13,634	-	-
Inspectors' Expenses.....	-	4,500	4,500	4,500	4,485	-	15
Total Building Department.....	-	80,941	80,941	80,941	78,003	-	2,938
Emergency Management	-	-	-	-	-	-	-
Salaries.....	-	4,000	4,000	4,000	4,000	-	-
Expenses.....	-	1,000	1,000	1,000	999	-	1
Emergency Notification.....	-	4,500	4,500	4,500	4,500	-	-
Total Emergency Management.....	-	9,500	9,500	9,500	9,499	-	1
Animal Control	-	-	-	-	-	-	-
Expenses.....	-	16,315	16,315	14,841	14,841	-	-
Total Public Safety.....	13,073	3,362,922	3,375,995	3,465,023	3,457,227	2,527	5,269
Education	-	-	-	-	-	-	-
Manchester Essex Regional School District.....	-	18,047,867	18,047,867	18,047,867	18,026,789	-	21,078
Essex North Shore Agricultural and Technical School.....	-	169,045	169,045	169,045	165,589	-	3,456
Total Education.....	-	18,216,912	18,216,912	18,216,912	18,192,378	-	24,534

(continued)

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

YEAR ENDED JUNE 30, 2021

	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.....	-	861,026	861,026	861,026	834,658	-	26,368
Expenses.....	18,052	389,800	407,852	407,849	367,429	26,210	14,210
Total Department of Public Works.....	18,052	1,250,826	1,268,878	1,268,875	1,202,087	26,210	40,578
Snow Removal							
Salaries.....	-	32,000	32,000	32,000	37,394	-	(5,394)
Expenses.....	-	170,000	170,000	170,000	101,692	-	68,308
Total Snow Removal.....	-	202,000	202,000	202,000	139,086	-	62,914
Street Lighting							
Expenses.....	86	35,000	35,086	35,086	20,267	-	14,819
Sanitation / Composting / Recycling							
Salaries.....	-	14,500	14,500	14,500	12,709	-	1,791
Expenses.....	-	60,000	60,000	60,000	48,873	1,228	9,899
Rubbish Collection / Recycling.....	-	416,000	416,000	416,000	396,465	19,089	446
Disposal.....	-	164,250	164,250	164,250	144,666	19,334	250
Total Sanitation / Composting / Recycling.....	-	654,750	654,750	654,750	602,713	39,651	12,386
Total Public Works.....	18,138	2,142,576	2,160,714	2,160,711	1,964,153	65,861	130,697
Environmental							
Historic District Commission							
Salaries.....	-	1,600	1,600	1,600	1,600	-	-
Expenses.....	-	850	850	850	471	-	379
Total Historic District Commission.....	-	2,450	2,450	2,450	2,071	-	379
Conservation Commission							
Salaries.....	-	78,813	78,813	78,813	78,637	-	176
Expenses.....	-	2,640	2,640	2,640	1,235	782	623
Total Conservation Commission.....	-	81,453	81,453	81,453	79,872	782	799
Total Environmental.....	-	83,903	83,903	83,903	81,943	782	1,178
Human Services							
Health							
Salaries.....	-	66,505	66,505	76,005	73,640	-	2,365
Expenses.....	325	50,800	51,125	51,125	43,072	-	8,053
Total Health.....	325	117,305	117,630	127,130	116,712	-	10,418
Veteran's Services							
Expenses.....	-	15,000	15,000	15,000	15,000	-	-
Veterans' Benefits.....	-	28,000	28,000	28,000	7,215	-	20,785
Total Veteran's Services.....	-	43,000	43,000	43,000	22,215	-	20,785
Council on Aging							
Salaries.....	-	172,808	172,808	172,808	172,808	-	-
Expenses.....	763	19,100	19,863	19,864	12,716	-	7,148
Total Council on Aging.....	763	191,908	192,671	192,672	185,524	-	7,148
Total Human Services.....	1,088	352,213	353,301	362,802	324,451	-	38,351
Library							
Salaries.....	-	338,203	338,203	338,203	336,014	-	2,189
Expenses.....	614	163,029	163,643	163,643	163,643	-	-
Total Library.....	614	501,232	501,846	501,846	499,657	-	2,189

(continued)

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

YEAR ENDED JUNE 30, 2021

	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			
Recreation							
Parks & Recreation							
Salaries.....	-	146,827	146,827	146,827	146,827	-	-
Expenses.....	-	7,609	7,609	7,609	4,183	775	2,651
Total Parks & Recreation.....	-	154,436	154,436	154,436	151,010	775	2,651
Singing Beach Operations							
Salaries.....	-	74,341	74,341	74,341	74,310	-	31
Expenses.....	1,197	16,800	17,997	17,997	17,586	-	411
Total Singing Beach Operations.....	1,197	91,141	92,338	92,338	91,896	-	442
Lifeguards							
Salaries.....	-	60,740	60,740	60,740	60,740	-	-
Expenses.....	-	3,400	3,400	3,400	3,400	-	-
Total Lifeguards.....	-	64,140	64,140	64,140	64,140	-	-
Tuck's Point							
Salaries.....	-	6,600	6,600	6,600	6,600	-	-
Expenses.....	38,086	31,195	69,281	69,281	53,635	-	15,646
Total Tuck's Point.....	38,086	37,795	75,881	75,881	60,235	-	15,646
Other Recreation							
Memorial Day.....	1,909	3,000	4,909	4,909	3,814	-	1,095
Fourth of July.....	-	10,000	10,000	10,000	10,000	-	-
Total Other Recreation.....	1,909	13,000	14,909	14,909	13,814	-	1,095
Total Recreation.....	41,192	360,512	401,704	401,704	381,095	775	19,834
State and County Charges.....	-	173,898	173,898	173,898	173,898	-	-
Debt Service							
Principal.....	-	672,131	672,131	672,131	672,131	-	-
Interest.....	-	228,075	228,075	228,075	228,074	-	1
Total Debt Service.....	-	900,206	900,206	900,206	900,205	-	1
Total Capital Outlay.....	3,345,913	358,500	3,704,413	4,612,064	1,503,063	3,108,971	30
TOTAL EXPENDITURES.....	3,467,816	31,110,042	34,577,858	35,760,029	32,062,175	3,231,829	466,025
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,467,816)	719,165	(2,748,651)	(3,930,822)	636,283	(3,231,829)	1,335,276
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	397,036	397,036	407,036	407,036	-	-
Transfers out.....	-	(1,241,201)	(1,241,201)	(1,241,201)	(1,241,201)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(844,165)	(844,165)	(834,165)	(834,165)	-	-
NET CHANGE IN FUND BALANCE.....	(3,467,816)	(125,000)	(3,592,816)	(4,764,987)	(197,882)	(3,231,829)	1,335,276
BUDGETARY FUND BALANCE, Beginning of year.....	-	8,292,075	8,292,075	8,292,075	8,292,075	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (3,467,816)	\$ 8,167,075	\$ 4,699,259	\$ 3,527,088	\$ 8,094,193	\$ (3,231,829)	\$ 1,335,276

(concluded)

See notes to required supplementary information.

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**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2020.....	3.45%	\$ 13,677,990	\$ 4,942,593	276.74%	59.73%
December 31, 2019.....	3.49%	14,699,357	4,741,557	310.01%	55.46%
December 31, 2018.....	3.50%	14,775,220	4,569,464	323.35%	51.89%
December 31, 2017.....	3.36%	12,655,836	4,387,209	288.47%	55.40%
December 31, 2016.....	3.44%	13,247,938	4,569,174	289.94%	51.12%
December 31, 2015.....	3.43%	12,475,940	4,392,184	284.05%	51.01%
December 31, 2014.....	3.20%	10,686,675	4,218,767	253.31%	52.27%

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2021.....	\$ 1,330,489	\$ (1,330,489)	\$ -	\$ 5,041,445	26.39%
June 30, 2020.....	1,253,062	(1,253,062)	-	4,836,388	25.91%
June 30, 2019.....	1,168,756	(1,168,756)	-	4,660,853	25.08%
June 30, 2018.....	1,047,225	(1,047,225)	-	4,668,601	22.43%
June 30, 2017.....	996,275	(996,275)	-	4,518,763	22.05%
June 30, 2016.....	943,343	(943,343)	-	4,211,677	22.40%
June 30, 2015.....	821,748	(821,748)	-	4,277,933	19.21%

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

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.

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service Cost.....	\$ 129,111	\$ 134,919	\$ 143,825	\$ 136,038	\$ 142,160
Interest.....	674,864	635,764	603,974	622,089	554,689
Differences between expected and actual experience....	-	(326,145)	-	(887,771)	-
Benefit payments.....	(563,006)	(563,616)	(565,328)	(428,405)	(413,505)
Net change in total OPEB liability.....	240,969	(119,078)	182,471	(558,049)	283,344
Total OPEB liability - beginning.....	8,064,807	8,305,776	8,186,698	8,369,169	7,811,120
Total OPEB liability - ending (a).....	<u>\$ 8,305,776</u>	<u>\$ 8,186,698</u>	<u>\$ 8,369,169</u>	<u>\$ 7,811,120</u>	<u>\$ 8,094,464</u>
Plan fiduciary net position					
Employer contributions.....	\$ 245,864	\$ 252,011	\$ 258,311	\$ 264,769	\$ 271,388
Employer contributions for OPEB payments.....	563,006	563,616	565,328	428,405	413,505
Net investment income.....	123,892	143,083	122,884	37,219	747,019
Benefit payments.....	(563,006)	(563,616)	(565,328)	(428,405)	(413,505)
Net change in plan fiduciary net position.....	369,756	395,094	381,195	301,988	1,018,407
Plan fiduciary net position - beginning of year.....	1,063,642	1,433,398	1,828,492	2,209,687	2,511,675
Plan fiduciary net position - end of year (b).....	<u>\$ 1,433,398</u>	<u>\$ 1,828,492</u>	<u>\$ 2,209,687</u>	<u>\$ 2,511,675</u>	<u>\$ 3,530,082</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 6,872,378</u>	<u>\$ 6,358,206</u>	<u>\$ 6,159,482</u>	<u>\$ 5,299,445</u>	<u>\$ 4,564,382</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	17.26%	22.33%	26.40%	32.16%	43.61%
Covered-employee payroll.....	\$ 4,160,000	\$ 4,326,400	\$ 4,499,500	\$ 4,680,000	\$ 4,843,800
Net OPEB liability as a percentage of covered-employee payroll.....	165.20%	146.96%	136.89%	113.24%	94.23%

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>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2021.....	\$ 791,879	\$ (684,893)	\$ 106,986	\$ 4,843,800	14.14%
June 30, 2020.....	686,274	(693,174)	(6,900)	4,680,000	14.81%
June 30, 2019.....	565,328	(823,639)	(258,311)	4,499,456	18.31%
June 30, 2018.....	551,425	(815,627)	(264,202)	4,326,400	18.85%
June 30, 2017.....	529,584	(808,870)	(279,286)	4,160,000	19.44%

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

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2021.....	29.74%
June 30, 2020.....	1.97%
June 30, 2019.....	6.09%
June 30, 2018.....	9.54%
June 30, 2017.....	12.78%

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.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYBudgetary 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 2021 budget included approximately \$32.4 million in current year authorized appropriations and other amounts to be raised and approximately \$3.4 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 \$1.2 million which included \$273,000 for the Town's OPEB trust fund and \$909,000 for capital.

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

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, 2021, is presented below:

Net change in fund balance - budgetary basis.....	\$	(197,882)
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		120,455
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		<u>(132,831)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(210,258)</u></u>

Excess of Expenditures over Appropriations

For the year ended June 30, 2021, snow removal salaries exceeded appropriations and the deficit will be raised in 2022.

NOTE B – PENSION PLANSchedule 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, 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.

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.

Changes in Assumptions – None.

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. Healthcare benefits are through the Town's group health insurance plan and life insurance benefits are through a third party, which covers both active and retired members.

The Other Postemployment Benefit PlanThe 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. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2020
Measurement date.....	June 30, 2021
Actuarial cost method.....	Entry Age Normal.
Investment rate of return/discount rate.....	Full prefunding: 7.50%, net of investment expenses.
Asset valuation method.....	Fair Value.
Medical inflation rate.....	4.50%
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.
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 all retirees and beneficiaries during 2020-21 at age 64 and 65 are \$15,525 and \$3,549, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$3,167. 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 current premium rates for 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 costs of administration.
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 three 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 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. 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.

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.

Changes of Assumptions – None.

Changes in Provisions – None.

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 Town.
- *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.
- *Highway Improvements Fund* – This fund is used to account for construction, reconstruction and improvements of roadways, streets and sidewalks. Funding is provided by state grants.
- *Affordable Housing Trust Fund* – 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.
- *MCWT Septic Loan Program Fund* – This fund is used to account for low-interest betterment loans to eligible homeowners with failed septic systems.

Capital Project Fund

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:

- *PEG Access Capital Fund* – This fund is used to account for the installation of a new fiber cable loop that will serve municipal facilities in furtherance of broadcasting PEG programming.

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.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

Special Revenue Funds							
	Gifts	Harbor- master	Special Revenue Trust	Recreation Revolving	Planning Conservation Commission	Harbor Improvement	Highway Improvements
ASSETS							
Cash and cash equivalents.....	\$ 275,603	\$ 120,081	\$ 118,799	\$ 550,783	\$ 89,830	\$ 397,601	\$ -
Investments.....	-	-	229,168	-	-	-	-
Receivables, net of uncollectibles:							
Intergovernmental.....	-	-	-	-	-	-	155,540
TOTAL ASSETS.....	\$ 275,603	\$ 120,081	\$ 347,967	\$ 550,783	\$ 89,830	\$ 397,601	\$ 155,540
LIABILITIES							
Warrants payable.....	\$ 3,877	\$ 21,382	\$ -	\$ 10,495	\$ -	\$ -	\$ -
Notes payable.....	-	-	-	-	-	-	-
TOTAL LIABILITIES.....	3,877	21,382	-	10,495	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue.....	-	-	-	-	-	-	155,540
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	-	-
Restricted.....	271,726	98,699	347,967	540,288	89,830	397,601	-
Unassigned.....	-	-	-	-	-	-	-
TOTAL FUND BALANCES.....	271,726	98,699	347,967	540,288	89,830	397,601	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 275,603	\$ 120,081	\$ 347,967	\$ 550,783	\$ 89,830	\$ 397,601	\$ 155,540

(Continued)

Special Revenue Funds				Capital Project Fund	Permanent Funds			Total Nonmajor Governmental Funds
Affordable Housing Trust	Other Special Revenue	MCWT Septic Loan Program	Subtotal	PEG Access Capital	Non- Expendable Trust Funds	Expendable Trust Funds	Subtotal	
\$ 601,946	\$ 152,485	\$ -	\$ 2,307,128	\$ -	\$ 2,293	\$ 88,866	\$ 91,159	\$ 2,398,287
-	12,270	-	241,438	-	411,685	-	411,685	653,123
-	-	-	155,540	-	-	-	-	155,540
<u>\$ 601,946</u>	<u>\$ 164,755</u>	<u>\$ -</u>	<u>\$ 2,704,106</u>	<u>\$ -</u>	<u>\$ 413,978</u>	<u>\$ 88,866</u>	<u>\$ 502,844</u>	<u>\$ 3,206,950</u>
\$ 2,616	\$ 2,132	\$ -	\$ 40,502	\$ -	\$ -	\$ 2,062	\$ 2,062	\$ 42,564
-	-	62,509	62,509	-	-	-	-	62,509
2,616	2,132	62,509	103,011	-	-	2,062	2,062	105,073
-	-	-	155,540	-	-	-	-	155,540
-	-	-	-	-	413,978	-	413,978	413,978
599,330	162,623	-	2,508,064	-	-	86,804	86,804	2,594,868
-	-	(62,509)	(62,509)	-	-	-	-	(62,509)
599,330	162,623	(62,509)	2,445,555	-	413,978	86,804	500,782	2,946,337
<u>\$ 601,946</u>	<u>\$ 164,755</u>	<u>\$ -</u>	<u>\$ 2,704,106</u>	<u>\$ -</u>	<u>\$ 413,978</u>	<u>\$ 88,866</u>	<u>\$ 502,844</u>	<u>\$ 3,206,950</u>

(Concluded)

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

YEAR ENDED JUNE 30, 2021

	Special Revenue Funds						
	Gifts	Harbor- master	Special Revenue Trust	Recreation Revolving	Planning Conservation Commission	Harbor Improvement	Highway Improvements
REVENUES:							
Motor vehicle and other excise taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,887	\$ -
Intergovernmental - other.....	-	-	-	-	-	-	42,064
Departmental and other.....	-	-	-	237,756	7,207	233,899	-
Contributions and donations.....	58,273	-	11,000	-	-	-	-
Investment income.....	-	-	22,854	-	-	-	-
TOTAL REVENUES.....	58,273	-	33,854	237,756	7,207	250,786	42,064
EXPENDITURES:							
Current:							
General government.....	3,137	-	-	-	4,448	-	-
Public safety.....	5,371	272,477	-	-	-	-	-
Public works.....	2,200	-	-	-	-	-	42,064
Health and human services.....	6,360	-	-	-	-	-	-
Library and recreation.....	73,626	-	22,665	135,194	-	-	-
TOTAL EXPENDITURES.....	90,694	272,477	22,665	135,194	4,448	-	42,064
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(32,421)	(272,477)	11,189	102,562	2,759	250,786	-
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	188,020	-	-	-	-	-
Transfers out.....	(10,000)	-	-	(50,000)	-	(206,520)	-
TOTAL OTHER FINANCING SOURCES (USES).....	(10,000)	188,020	-	(50,000)	-	(206,520)	-
NET CHANGE IN FUND BALANCES.....	(42,421)	(84,457)	11,189	52,562	2,759	44,266	-
FUND BALANCES AT BEGINNING OF YEAR.....	314,147	183,156	336,778	487,726	87,071	353,335	-
FUND BALANCES AT END OF YEAR.....	\$ 271,726	\$ 98,699	\$ 347,967	\$ 540,288	\$ 89,830	\$ 397,601	\$ -

(Continued)

Special Revenue Funds				Capital Project Fund	Permanent Funds			Total Nonmajor Governmental Funds
Affordable Housing Trust	Other Special Revenue	MCWT Septic Loan Program	Subtotal	PEG Access Capital	Non- Expendable Trust Funds	Expendable Trust Funds	Subtotal	
\$ -	\$ -	\$ -	\$ 16,887	\$ -	\$ -	\$ -	\$ -	\$ 16,887
-	-	-	42,064	-	-	-	-	42,064
-	359,385	-	838,247	-	-	-	-	838,247
498,785	-	-	568,058	-	5,400	-	5,400	573,458
665	-	-	23,519	-	-	31,745	31,745	55,264
499,450	359,385	-	1,488,775	-	5,400	31,745	37,145	1,525,920
1,216	8,323	-	17,124	42,888	-	-	-	60,012
-	370,066	-	647,914	-	-	-	-	647,914
-	7,900	-	52,164	-	-	-	-	52,164
552,710	-	-	559,070	-	-	-	-	559,070
-	-	-	231,485	-	-	-	-	231,485
553,926	386,289	-	1,507,757	42,888	-	-	-	1,550,645
(54,476)	(26,904)	-	(18,982)	(42,888)	5,400	31,745	37,145	(24,725)
150,000	-	-	338,020	-	-	-	-	338,020
-	(5,000)	-	(271,520)	-	-	-	-	(271,520)
150,000	(5,000)	-	66,500	-	-	-	-	66,500
95,524	(31,904)	-	47,518	(42,888)	5,400	31,745	37,145	41,775
503,806	194,527	(62,509)	2,398,037	42,888	408,578	55,059	463,637	2,904,562
\$ 599,330	\$ 162,623	\$ (62,509)	\$ 2,445,555	\$ -	\$ 413,978	\$ 86,804	\$ 500,782	\$ 2,946,337

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Statistical Section



Seaside No. 1

This building was constructed in 1885 to house the Town's horse drawn fire engine. Currently, this building is home to a museum and office space. The museum includes two antique fire engines, fire equipment as well as town memorabilia from both the Town's Fire and Police departments. Photo courtesy of Tiffany Marletta, Manchester resident and the Town's Communications Coordinator

Statistical Section

Statistical Section

This part of the Town of Manchester-by-the-Sea's (Town's) annual comprehensive 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 annual comprehensive financial reports for the relevant year.

Net Position By Component

Last Ten Years

	2012	2013	2014 (1)	2015	2016	2017	2018 (2)	2019 (3)	2020	2021
Governmental activities										
Net investment in capital assets.....	\$ 5,349,753	\$ 6,080,219	\$ 6,588,998	\$ 5,988,619	\$ 6,786,763	\$ 7,726,871	\$ 10,509,951	\$ 12,082,996	\$ 13,719,986	\$ 15,445,506
Restricted.....	2,232,833	2,328,406	860,023	2,002,723	2,156,367	1,986,033	1,736,553	1,923,416	2,247,744	2,360,265
Unrestricted	<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>	<u>(13,523,171)</u>	<u>(11,647,716)</u>	<u>(11,124,581)</u>	<u>(10,187,894)</u>
Total governmental activities net position.....	<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>	<u>\$ (1,276,667)</u>	<u>\$ 2,358,696</u>	<u>\$ 4,843,149</u>	<u>\$ 7,617,877</u>
Business-type activities										
Net investment in capital assets.....	\$ 7,890,817	\$ 7,939,745	\$ 7,712,260	\$ 8,147,216	\$ 10,150,738	\$ 11,249,508	\$ 14,453,305	\$ 14,301,065	\$ 15,504,037	\$ 17,079,973
Unrestricted.....	<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>	<u>704,363</u>	<u>949,784</u>	<u>1,009,102</u>	<u>1,027,699</u>
Total business-type activities net position.....	<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>\$ 12,041,178</u>	<u>\$ 15,157,668</u>	<u>\$ 15,250,849</u>	<u>\$ 16,513,139</u>	<u>\$ 18,107,672</u>
Primary government										
Net investment in capital assets.....	\$ 13,240,570	\$ 14,019,964	\$ 14,301,258	\$ 14,135,835	\$ 16,937,501	\$ 18,976,676	\$ 24,963,256	\$ 26,384,061	\$ 29,224,023	\$ 32,525,479
Restricted.....	2,232,833	2,328,406	860,023	2,002,723	2,156,367	1,986,033	1,736,553	1,923,416	2,247,744	2,360,265
Unrestricted.....	<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>	<u>(12,818,808)</u>	<u>(10,697,932)</u>	<u>(10,115,479)</u>	<u>(9,160,195)</u>
Total primary government net position.....	<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>	<u>\$ 13,881,001</u>	<u>\$ 17,609,545</u>	<u>\$ 21,356,288</u>	<u>\$ 25,725,549</u>

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

(2) = Unrestricted net position has been revised to reflect the implementation of GASB Statement #75.

(3) = Unrestricted net position has been restated to reflect the change in measurement date per GASB Statement #75.

Changes in Net Position

Last Ten Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government.....	\$ 3,301,849	\$ 2,209,533	\$ 1,977,317	\$ 3,328,452	\$ 2,211,434	\$ 2,318,805	\$ 2,255,476	\$ 2,278,192	\$ 2,317,746	\$ 2,320,599
Public safety.....	4,597,971	5,428,134	5,304,247	5,474,186	5,503,516	5,694,741	5,793,142	5,810,846	5,670,613	5,632,410
Education.....	12,381,121	12,576,122	13,023,589	13,442,173	14,496,087	14,866,246	15,610,457	15,774,922	17,814,254	18,192,378
Public works.....	2,234,808	3,292,779	2,187,944	2,462,981	2,303,016	2,676,687	2,923,644	3,155,783	3,130,367	2,770,793
Environmental.....	42,803	51,858	61,135	62,884	66,933	76,397	117,015	111,903	118,908	112,787
Health and human services.....	372,686	412,725	416,373	399,049	405,808	436,344	458,532	478,060	579,695	1,105,089
Library and recreation.....	1,233,930	1,347,516	1,347,057	1,509,755	1,565,026	1,596,546	1,516,767	1,613,049	1,518,550	1,424,534
Community preservation.....	31,083	121,902	174,190	188,678	273,043	297,544	190,391	228,421	227,513	151,179
COVID-19.....	-	-	-	-	-	-	-	-	7,000	230,499
Interest.....	300,316	213,868	193,244	214,474	185,726	206,254	224,049	239,612	218,996	194,021
Total government activities expenses.....	24,496,367	25,654,437	24,685,096	27,082,632	27,010,589	28,169,564	29,089,473	29,690,788	31,603,642	32,134,289
Business-type activities:										
Water.....	1,312,624	1,211,167	1,109,753	1,191,946	1,458,045	1,177,721	1,024,668	1,384,282	1,502,895	1,431,515
Sewer.....	1,171,581	1,037,894	1,035,859	888,735	967,062	893,274	1,305,690	1,131,441	1,166,422	1,151,951
Total business-type activities expenses.....	2,484,205	2,249,061	2,145,612	2,080,681	2,425,107	2,070,995	2,330,358	2,515,723	2,669,317	2,583,466
Total primary government expenses.....	\$ 26,980,572	\$ 27,903,498	\$ 26,830,708	\$ 29,163,313	\$ 29,435,696	\$ 30,240,559	\$ 31,419,831	\$ 32,206,511	\$ 34,272,959	\$ 34,717,755
Program Revenues										
Governmental activities:										
Public safety charges for services.....	\$ 859,854	\$ 1,060,694	\$ 928,075	\$ 941,759	\$ 1,016,928	\$ 983,873	\$ 1,009,161	\$ 1,053,118	\$ 834,355	\$ 851,342
Public works charges for services.....	370,400	271,146	226,928	420,284	245,215	241,625	358,823	523,626	203,908	369,051
Library and recreation charges for services.....	412,894	533,176	587,051	612,374	772,549	738,976	732,109	849,645	664,847	553,748
Other charges for services.....	364,228	364,302	559,315	439,606	467,813	545,476	526,308	561,487	611,337	670,368
Operating grants and contributions.....	1,409,674	1,067,334	1,121,150	917,718	754,588	544,773	244,990	393,170	391,640	1,278,616
Capital grant and contributions.....	74,214	338,243	473,565	234,680	360,084	306,708	1,182,139	885,586	1,150,691	794,837
Total government activities program revenues.....	3,491,264	3,634,895	3,896,084	3,566,421	3,617,177	3,361,331	4,053,530	4,266,632	3,856,778	4,517,962
Business-type activities:										
Charges for services - Water.....	1,005,231	1,010,770	1,073,623	1,288,344	1,279,465	1,206,649	1,318,255	1,330,938	1,555,948	1,552,200
Charges for services - Sewer.....	1,094,382	982,753	1,039,228	1,148,833	1,131,736	1,235,579	1,208,583	1,231,434	1,300,866	1,384,598
Capital grants and contributions - Water.....	-	-	-	-	1,253,267	-	-	-	-	-
Operating grants and contributions - Sewer.....	126,033	109,839	91,342	72,400	52,487	32,269	7,065	4,844	1,788	-
Total business-type activities program revenues.....	2,225,646	2,103,362	2,204,193	2,509,577	3,716,955	2,474,497	2,533,903	2,567,216	2,858,602	2,936,798
Total primary government program revenues.....	\$ 5,716,910	\$ 5,738,257	\$ 6,100,277	\$ 6,075,998	\$ 7,334,132	\$ 5,835,828	\$ 6,587,433	\$ 6,833,848	\$ 6,715,380	\$ 7,454,760
Net (Expense)/Revenue										
Governmental activities.....	\$ (21,005,103)	\$ (22,019,542)	\$ (20,789,012)	\$ (23,516,211)	\$ (23,393,412)	\$ (24,808,233)	\$ (25,035,943)	\$ (25,424,156)	\$ (27,746,864)	\$ (27,616,327)
Business-type activities.....	(258,559)	(145,699)	58,581	428,896	1,291,848	403,502	203,545	51,493	169,285	353,332
Total primary government net expense.....	\$ (21,263,662)	\$ (22,165,241)	\$ (20,730,431)	\$ (23,087,315)	\$ (22,101,564)	\$ (24,404,731)	\$ (24,832,398)	\$ (25,372,663)	\$ (27,577,579)	\$ (27,262,995)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes,										
net of tax refunds payable.....	\$ 21,194,536	\$ 22,060,022	\$ 22,514,736	\$ 23,537,391	\$ 24,858,435	\$ 26,072,652	\$ 26,402,749	\$ 27,491,519	\$ 29,264,953	\$ 29,514,961
Motor vehicle and other excise taxes.....	823,971	867,725	960,019	1,088,562	1,033,774	1,202,892	1,151,772	1,147,203	1,144,207	1,121,288
Community preservation taxes.....	277,163	289,379	330,588	631,891	327,590	343,859	351,822	365,651	392,287	397,627
Penalties and interest on taxes.....	-	-	-	-	-	-	-	74,450	94,129	85,071
Payments in lieu of taxes.....	4,727	4,813	12,053	4,744	4,749	1,055	8,441	4,753	-	9,511
Grants and contributions not restricted to										
specific programs.....	204,935	199,652	200,812	214,651	212,326	219,009	231,555	245,925	246,428	254,091
Unrestricted investment income.....	26,441	19,050	16,184	33,171	161,990	59,579	82,843	347,844	162,318	249,707
Capital transfers.....	-	-	-	-	-	(1,539,118)	(3,102,019)	-	-	-
Transfers, net.....	(72,022)	70,188	151,208	(174,738)	(187,716)	(307,054)	(144,111)	(140,848)	(1,073,005)	(1,241,201)
Total governmental activities.....	22,459,751	23,510,729	24,185,600	25,335,672	26,411,148	26,052,874	24,983,052	29,536,497	30,231,317	30,391,055
Business-type activities:										
Capital transfers.....	-	-	-	-	-	1,539,118	3,102,019	-	-	-
Transfers, net.....	72,022	(70,188)	(151,208)	174,738	187,716	307,054	144,111	140,848	1,073,005	1,241,201
Total Business-type activities.....	72,022	(70,188)	(151,208)	174,738	187,716	1,846,172	3,246,130	140,848	1,073,005	1,241,201
Total primary government	\$ 22,531,773	\$ 23,440,541	\$ 24,034,392	\$ 25,510,410	\$ 26,598,864	\$ 27,899,046	\$ 28,229,182	\$ 29,677,345	\$ 31,304,322	\$ 31,632,256
Changes in Net Position										
Governmental activities.....	\$ 1,454,648	\$ 1,491,187	\$ 3,396,588	\$ 1,819,461	\$ 3,017,736	\$ 1,244,641	\$ (52,891)	\$ 4,112,341	\$ 2,484,453	\$ 2,774,728
Business-type activities.....	(186,537)	(215,887)	(92,627)	603,634	1,479,564	2,249,674	3,449,675	192,341	1,262,290	1,594,533
Total primary government.....	\$ 1,268,111	\$ 1,275,300	\$ 3,303,961	\$ 2,423,095	\$ 4,497,300	\$ 3,494,315	\$ 3,396,784	\$ 4,304,682	\$ 3,746,743	\$ 4,369,261

Fund Balances, Governmental Funds

Last Ten Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Committed.....	\$ -	\$ -	\$ -	\$ -	\$ 875,846	\$ 1,445,799	\$ 2,114,792	\$ 2,350,326	\$ 3,345,913	\$ 3,108,971
Assigned.....	666,020	678,448	740,509	686,237	557,488	435,759	136,144	145,225	121,903	122,858
Unassigned.....	<u>2,087,546</u>	<u>2,970,256</u>	<u>3,885,238</u>	<u>4,182,478</u>	<u>4,732,730</u>	<u>5,749,320</u>	<u>6,177,712</u>	<u>7,383,496</u>	<u>6,758,883</u>	<u>6,784,612</u>
Total general fund.....	<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>	<u>\$ 8,428,648</u>	<u>\$ 9,879,047</u>	<u>\$ 10,226,699</u>	<u>\$ 10,016,441</u>
All Other Governmental Funds										
Nonspendable.....	\$ 306,882	\$ 314,551	\$ 330,078	\$ 355,628	\$ 367,678	\$ 373,427	\$ 383,078	\$ 405,278	\$ 408,578	\$ 413,978
Restricted.....	1,671,544	1,412,867	4,238,683	3,611,381	3,597,003	3,158,848	2,721,678	3,381,113	3,687,300	3,832,224
Unassigned.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,509)</u>	<u>(62,509)</u>
Total all other governmental funds...	<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>	<u>\$ 3,104,756</u>	<u>\$ 3,786,391</u>	<u>\$ 4,033,369</u>	<u>\$ 4,183,693</u>

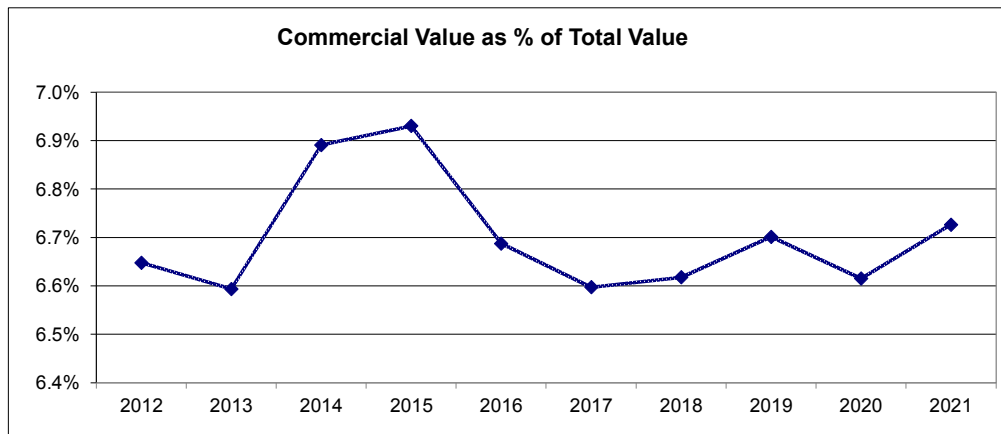
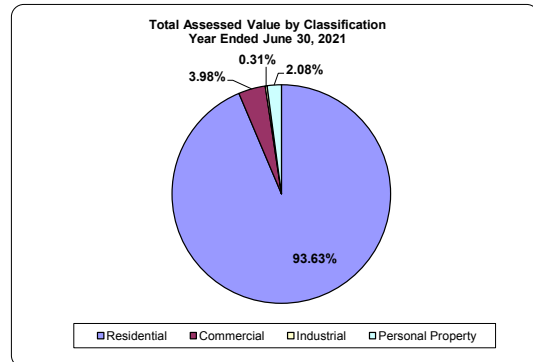
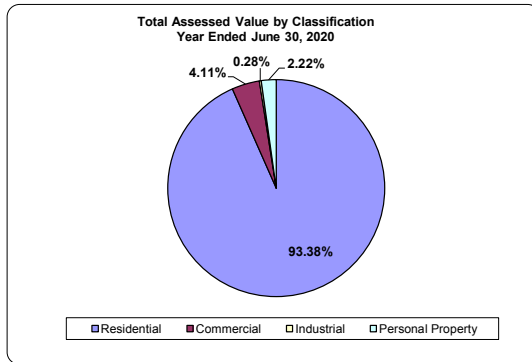
Changes in Fund Balances, Governmental Funds

	Last Ten Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 21,278,938	\$ 21,939,264	\$ 22,409,769	\$ 23,422,563	\$ 24,762,126	\$ 26,001,250	\$ 26,321,662	\$ 27,409,147	\$ 29,336,909	\$ 29,509,839
Motor vehicle and other excise taxes.....	841,862	821,077	997,267	1,052,007	1,075,413	1,151,286	1,179,792	1,126,577	1,136,861	1,044,311
Charges for services.....	179,650	237,222	510,104	462,978	438,929	468,257	539,479	553,315	530,182	571,687
Penalties and interest on taxes.....	79,059	79,953	98,419	71,308	93,459	65,644	70,522	74,450	94,129	85,071
Payments in lieu of taxes.....	4,727	4,813	4,735	4,745	4,749	1,055	8,441	4,753	-	9,511
Intergovernmental.....	1,366,364	1,200,515	1,253,657	1,105,660	1,118,193	658,793	2,049,434	1,087,228	1,324,177	975,277
Intergovernmental - COVID-19 relief.....	-	-	-	-	-	-	-	-	12,907	479,999
Intergovernmental - COVID-19 lost revenue replacement.....	-	-	-	-	-	-	-	-	-	-
Departmental and other.....	1,764,167	2,012,530	1,857,044	1,946,132	2,108,224	2,123,741	2,040,922	2,412,546	1,805,749	1,911,133
Community preservation taxes and state match.....	279,406	289,976	329,948	627,379	332,909	343,627	351,621	433,103	479,230	597,585
Contributions and donations.....	396,182	306,359	152,417	160,050	178,454	120,306	144,230	271,479	390,667	573,458
Investment income.....	26,441	19,050	17,587	36,330	187,639	65,412	12,321	347,844	162,318	249,707
Total Revenues.....	26,216,796	26,910,759	27,630,947	28,889,152	30,300,095	30,999,371	32,718,424	33,720,442	35,273,129	36,007,578
Expenditures:										
General government.....	1,171,377	1,397,416	1,213,873	2,552,316	1,685,127	1,487,992	1,393,400	1,589,286	1,982,240	2,059,163
Public safety.....	3,558,589	3,502,865	3,454,630	3,704,191	3,906,006	4,019,962	4,651,428	4,176,218	4,448,723	4,640,036
Education.....	12,381,121	12,576,122	13,023,589	13,442,173	14,496,087	14,866,246	15,610,457	15,774,922	17,814,254	18,192,378
Public works.....	1,937,077	2,600,598	2,173,789	3,063,488	2,210,430	2,786,445	4,218,145	3,881,679	3,550,036	3,085,339
Environmental.....	42,603	51,858	61,135	62,107	62,998	67,269	73,816	73,722	80,668	83,093
Health and human services.....	279,126	271,447	281,247	271,111	285,385	299,868	424,334	338,107	448,898	987,546
Library and recreation.....	938,162	1,317,814	1,205,962	1,120,910	1,212,740	1,499,528	1,111,376	1,252,896	1,134,831	1,136,888
Community preservation.....	424,988	121,902	261,423	223,376	643,448	484,895	722,155	343,836	282,441	512,790
COVID-19.....	-	-	-	-	-	-	-	-	7,000	230,499
Pension benefits.....	1,326,219	1,407,431	1,362,589	1,396,859	945,454	998,386	1,049,336	1,062,465	1,138,646	1,206,311
Property and liability insurance.....	92,337	94,835	107,441	120,508	105,425	114,797	118,271	98,628	105,860	126,676
Employee benefits.....	1,863,773	1,710,844	2,018,521	1,758,738	1,823,119	1,757,905	1,797,973	1,610,500	1,521,313	1,491,489
State and county charges.....	146,622	153,319	153,976	156,371	158,300	158,906	161,280	166,752	170,086	173,898
Debt service:										
Principal.....	924,900	904,200	924,500	1,142,800	1,082,100	912,400	685,248	805,015	665,809	672,131
Interest.....	314,344	245,182	239,517	228,250	200,739	205,310	186,843	273,534	254,689	228,074
Total Expenditures.....	25,401,238	26,355,833	26,482,192	29,243,198	28,817,358	29,659,909	32,204,062	31,447,560	33,605,494	34,826,311
Excess (deficiency) of revenues over (under) expenditures.....	815,558	554,926	1,148,755	(354,046)	1,482,737	1,339,462	514,362	2,272,882	1,667,635	1,181,267
Other Financing Sources (Uses):										
Issuance of refunding debt.....	-	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.....	-	-	-	-	-	-	-	-	-	-
Transfers in.....	743,460	904,581	485,488	801,466	653,799	642,699	639,131	439,877	397,542	421,520
Transfers out.....	(815,482)	(834,393)	(334,280)	(976,204)	(841,515)	(949,753)	(783,242)	(580,725)	(1,470,547)	(1,662,721)
Total other financing sources (uses).....	(72,022)	89,204	2,669,631	(174,738)	(187,716)	(307,054)	(144,111)	(140,848)	(1,073,005)	(1,241,201)
Net change in fund balance.....	\$ 743,536	\$ 644,130	\$ 3,818,386	\$ (528,784)	\$ 1,295,021	\$ 1,032,408	\$ 370,251	\$ 2,132,034	\$ 594,630	\$ (59,934)
Debt service as a percentage of noncapital expenditures.....	5.13%	4.55%	4.56%	4.83%	4.67%	3.99%	2.93%	3.66%	2.94%	2.78%
Percentage increase (decrease) of real estate and personal property taxes, net of tax refunds.....	10.23%	3.10%	2.14%	4.52%	5.72%	5.00%	1.23%	4.13%	7.03%	0.59%

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 (1)	Total Town Value
2012	\$ 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	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
2018	2,238,369,780	11.03	97,448,467	7,046,900	54,138,870	158,634,237	11.03	11.03	2,397,004,017
2019	2,279,712,840	11.23	101,712,296	7,046,900	54,994,520	163,753,716	11.23	11.23	2,443,466,556
2020	2,343,011,245	11.70	103,227,703	7,027,400	55,720,290	165,975,393	11.70	11.70	2,508,986,638
2021	2,509,748,470	10.99	106,759,526	8,229,750	66,008,220	180,997,496	10.99	10.99	2,690,745,966



(1) 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.

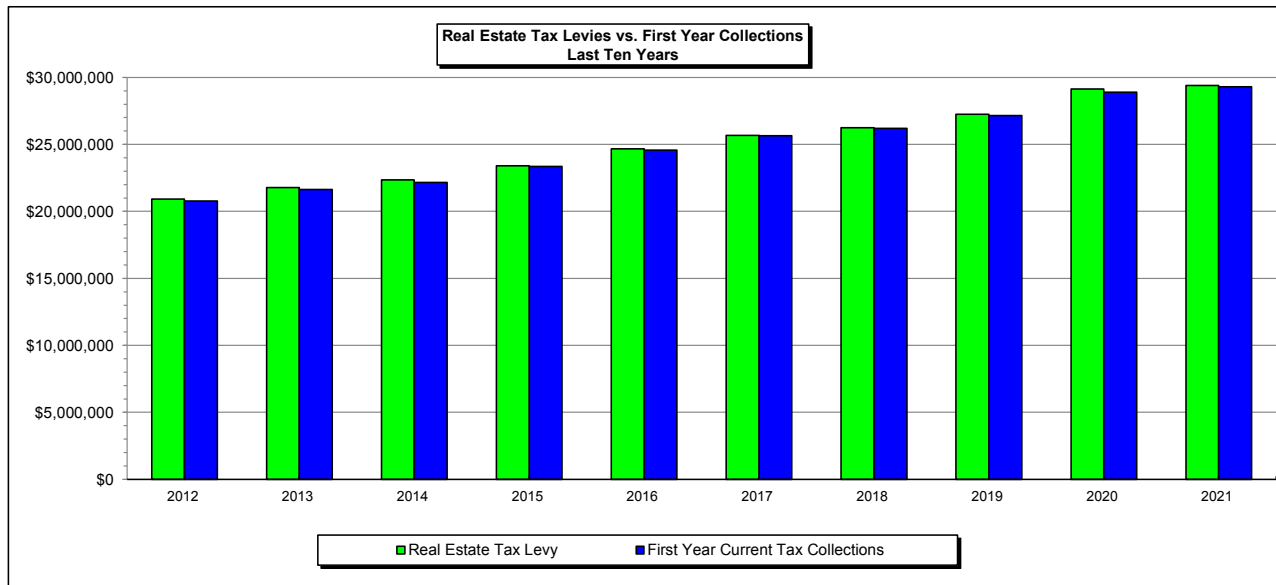
Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2021			2012		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Mass. Electric Co.	Utility	\$ 37,470,410	1	1.39%	\$ 17,359,190	3	0.83%
Sea Rock Estates (Colburn)	Residence/Apts.	25,492,520	2	0.95%	19,027,100	2	0.91%
Essex County Club	Golf Course	22,573,500	3	0.84%	20,182,380	1	0.97%
Bolena, LLC	Residential/Commercial	22,553,900	4	0.84%	-	N/A	-
Von Metzsch, Ernest	Residence/Apts.	18,761,100	5	0.70%	16,196,200	4	0.78%
Moore, Stuart (Eaglis)	Residential	17,802,720	6	0.66%	15,119,400	5	0.72%
Algonquin Gas	Gas Line	17,271,900	7	0.64%	12,011,400	8	0.58%
The Eleanor Trust	Residential	14,976,700	8	0.56%	-	N/A	-
Melden, Kurt A	Residential	13,325,800	9	0.50%	12,291,300	7	0.59%
Warren/ Paumier	Residential	10,899,220	10	0.41%	-	N/A	-
Donovan, John Jr.	Residential	-	N/A	-	14,661,050	6	0.70%
Bousquet, Dawna	Residential	-	N/A	-	10,875,900	9	0.52%
Levin, Becky	Residential	-	N/A	-	9,989,800	10	0.48%
	Totals	\$ 201,127,770		7.47%	\$ 147,713,720		7.07%
Source: Town Assessor, Debt Offering Statements							

Property Tax Levies and Collections

Last Ten Years

Year		(1) Total Tax Levy	Less Reserve for Abatements & Exemptions	(1) 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 (2)
2012	\$	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		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%	24,582,559	99.69%	175,722	24,758,282	100.40%
2017		25,896,777	224,747	25,672,030	99.13%	25,655,634	99.94%	127,924	25,783,558	100.43%
2018		26,438,954	199,489	26,239,465	99.25%	26,203,017	99.86%	123,340	26,326,357	100.33%
2019		27,440,129	197,371	27,242,758	99.28%	27,142,903	99.63%	301,305	27,444,208	100.74%
2020		29,355,144	210,144	29,145,000	99.28%	28,887,543	99.12%	337,934	29,225,477	100.28%
2021		29,571,298	167,580	29,403,718	99.43%	29,304,734	99.66%	-	29,304,734	99.66%



(1) Includes tax liens.

(2) 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)	Direct Borrowings	General Obligation Bonds (1)	Direct Borrowings				
2012	\$ 7,479,000	\$ -	\$ 191,000	\$ 2,641,120	\$ 10,311,120	1.68%	5,205	\$ 1,981
2013	6,564,800	-	160,200	2,179,193	8,904,193	1.55%	5,136	1,734
2014	8,101,300	-	319,700	1,705,271	10,126,271	1.65%	5,136	1,972
2015	6,958,500	-	251,500	1,218,581	8,428,581	1.34%	5,216	1,616
2016	5,876,400	-	183,600	713,627	6,773,627	1.05%	5,300	1,278
2017	4,964,000	1,440,000	116,000	429,450	6,949,450	1.05%	5,389	1,290
2018	7,439,019	1,381,752	2,590,019	319,555	11,730,345	1.82%	5,393	2,175
2019	6,663,409	1,322,237	2,405,887	208,683	10,600,216	1.53%	5,429	1,953
2020	6,028,796	1,261,428	2,256,765	96,815	9,643,804	1.35%	5,434	1,775
2021	5,390,981	1,199,297	2,104,191	48,928	8,743,397	1.12%	5,323	1,643

(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)
2012	\$	7,670,000	0.37%	\$	1,981
2013		6,725,000	0.32%		1,734
2014		8,421,000	0.39%		1,972
2015		7,210,000	0.33%		1,616
2016		6,060,000	0.27%		1,278
2017		5,080,000	0.22%		1,290
2018		10,029,038	0.42%		2,175
2019		9,069,296	0.37%		1,953
2020		8,285,561	0.33%		1,775
2021		7,495,172	0.28%		1,643

(1) This is the general obligation 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, 2021

	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Overlapping debt:			
Manchester-Essex Regional School District.....	\$ 13,765,000	67.10%	\$ 9,236,315
Manchester Memorial Elementary School.....	30,130,000	66.94%	<u>20,169,022</u>
Subtotal, overlapping debt.....			29,405,337
Town direct debt.....			<u>6,590,278</u>
Total direct and overlapping debt.....			\$ <u><u>56,164,637</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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Equalized Valuation.....	\$ 2,242,768	\$ 2,242,768	\$ 2,276,186	\$ 2,276,186	\$ 2,394,763	\$ 2,394,763	\$ 2,526,295	\$ 2,526,295	\$ 2,662,109	\$ 2,662,109
Debt Limit -5% of Equalized Valuation.....	\$ 112,138	\$ 112,138	\$ 113,809	\$ 113,809	\$ 119,738	\$ 119,738	\$ 126,315	\$ 126,315	\$ 133,105	\$ 133,105
Less:										
Outstanding debt applicable to limit.....	6,620	5,789	5,764	4,735	3,739	3,125	4,919	4,294	3,841	3,448
Authorized and unissued debt applicable to limit.....	-	2,661	-	-	4,194	5,000	1,000	1,000	1,000	1,000
Legal debt margin.....	\$ 105,518	\$ 103,688	\$ 108,045	\$ 109,074	\$ 111,805	\$ 111,613	\$ 120,396	\$ 121,021	\$ 128,264	\$ 128,657
Total debt applicable to the limit as a percentage of debt limit.....	5.90%	7.54%	5.06%	4.16%	6.63%	6.79%	4.69%	4.19%	3.64%	3.34%

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
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%
2018	5,393	645,428,847	119,679	49.9	849	3.6%
2019	5,429	693,875,061	127,809	51.1	839	3.5%
2020	5,434	711,799,660	130,990	47.6	824	2.9%
2021	5,323	781,661,258	146,846	47.6	761	4.9%

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

* Estimated

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2021			2003 (1)		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Essex County Club	Golf/Tennis	113	1	4.23%	90	1	3.26%
Manchester Athletic Club	Athletic Club	103	2	3.86%	-	N/A	-
Landmark School	Education	101	3	3.78%	-	N/A	-
Brookwood School	Education	80	4	3.00%	-	N/A	-
Manchester Essex Regl High School	Education	63	5	2.36%	-	N/A	-
Crosby's Marketplace	Supermarket	59	6	2.21%	30	4	1.09%
Memorial School	Education	57	7	2.13%	10	8	0.36%
Manchester Essex Regl Middle School	Education	41	8	1.54%	-	N/A	-
Gurley Eyecare Associates	Medical Center	21	9	0.79%	15	7	0.54%
Crocker's Boat Yard	Boat Yard	15	10	0.56%	20	6	0.72%
J Barrett	Real Estate	-	N/A	-	50	2	1.81%
Coldwell Banker	Real Estate	-	N/A	-	45	3	1.63%
Cricket Press	Printing	-	N/A	-	28	5	1.01%
Landing at Seven Central	Restaurant	-	N/A	-	10	9	0.36%

Source: Massachusetts Department of Employment and Training and Official Statements

(1) Only 9 principal employers were available for 2003. Information more recent than 2003 was not available at the time of preparing the ACFR.

Full-time Equivalent Town Employees by Function

	Last Ten Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
General government.....	10	10	9	11	9	11	11	11	11	10
Public safety.....	36	35	36	35	35	33	33	31	30	33
Public works.....	12	13	11	10	9	9	9	11	11	11
Environmental.....	1	1	1	1	1	1	1	1	1	1
Health and human services.....	2	2	2	3	3	3	3	3	3	3
Library and recreation.....	6	6	7	7	6	6	6	6	6	6
Water and sewer enterprise.....	6	8	6	8	8	8	8	7	7	9
Total	<u>73</u>	<u>75</u>	<u>72</u>	<u>75</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>70</u>	<u>69</u>	<u>73</u>

Source: Town Treasurer/Collector

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fire & Rescue										
Fire and other related calls.....	1,007	891	975	522	515	528	489	407	547	520
Rescue/EMS.....	436	400	513	485	481	533	565	527	546	455
Permits and inspections.....	715	1,117	1,329	1,191	239	514	640	568	680	367
Animal Control										
Calls for service.....	312	345	404	438	376	428	374	419	483	354
Council on Aging										
Units of transportation provided.....	1,250	960	975	3,300	4,200	7,400	7,500	6,410	6,858	3,990
Units of outreach service provided.....	274	278	283	375	390	420	530	592	632	1,323
Meals delivered by Meals on Wheels.....	2,200	2,275	2,633	3,336	3,453	3,702	3,693	4,334	5,014	5,321
Inspectional Services Department										
Number of building permits issued.....	229	259	249	280	326	314	280	312	274	231
Number of electrical permits.....	174	158	208	189	204	227	215	163	157	145
Number of plumbing.....	196	172	176	211	211	194	190	141	165	128
Number of gas permits.....	206	152	165	209	177	194	191	154	183	157
Water/Sewer										
Drinking water use (in gallons).....	208,453,780	207,444,164	235,789,924	232,392,560	246,006,924	231,424,280	234,221,939	222,662,000	208,599,283	229,167,799
Drinking water supplied.....	2,106	2,110	1,997	2,418	2,468	2,510	2,524	2,534	2,545	2,533
Annual flow of wastewater (in gallons).....	206,000,000	128,000,000	153,000,000	177,823,000	144,086,000	150,294,000	151,825,169	165,751,000	164,384,000	152,962,000
Recreation										
Number of participants after school program.....	102	102	108	85	91	81	74	63	61	0
Number of participants winter basketball.....	279	283	296	283	267	267	271	238	241	56
Number of participants summer playground.....	376	371	314	312	209	252	253	260	326	0
Parking Clerk										
Beach and residence stickers issued.....	3,662	3,689	3,561	3,700	3,778	3,707	3,962	3,666	3,691	3,417
Police Department										
Calls for service.....	9,374	11,061	12,157	13,130	13,676	14,522	13,504	13,995	14,581	13,081
Arrests.....	111	142	129	136	178	48	47	29	29	29
Traffic citations.....	561	579	588	587	581	319	342	554	498	301
Public Works										
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
Town Clerk										
Dog licenses issued.....	923	940	909	973	915	962	954	793	899	651
Manchester Public Library										
Number of visitors.....	46,820	50,000	50,000	43,500	50,630	42,680	46,836	47,387	45,183	10,363
Registered borrowers.....	4,550	4,726	5,200	4,613	5,694	5,694	5,157	5,316	5,443	5,958
Number of circulated items.....	73,315	67,300	63,000	65,577	62,763	63,387	68,198	68,483	68,578	39,067
Usage of electronic collections.....	n/a	n/a	n/a	n/a	n/a	n/a	30,383	30,753	34,853	68,107
Borrowed from other MVLC libraries.....	12,000	14,000	12,000	10,887	11,195	11,183	11,494	12,456	14,950	10,987
Items lent to other MVLC libraries.....	29,000	17,250	15,660	16,626	17,931	17,923	21,707	17,664	19,073	19,963
Answered reference questions.....	n/a	2,400	1,444	1,395	2,183	2,058	2,065	2,325	3,812	6,548
Titles owned.....	81,674	53,700	59,443	54,386	59,443	61,783	43,061	43,065	72,890	95,917
Number of programs held.....	212	240	244	226	n/a	73	286	244	270	185

Source: Various Town Departments

n/a - not available

Capital Asset Statistics by Function/Program

Last Ten Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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
Cemeteries.....	4	4	4	4	4	4	4	4	4	4
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