

Town of Manchester-by-the-Sea

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2016

Gregory Federspiel, Town Administrator
Andrea Mainville, Town Accountant

On the cover: Aerial view of Town of Manchester-by-the-Sea and harbor
Photo courtesy of Barbara Almy

This page: Tuck's Point Rotunda – Tuck's point is a wonderful area that includes a beach, swings, picnic area, and Chowder House.
Photo courtesy of Cheryl Marshall, Parks & Recreation Director



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



Comprehensive Annual Financial Report

**For the Year
July 1, 2015 through June 30, 2016**

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

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

JUNE 30, 2016

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Introductory Section



Tuck's Point

Introductory Section

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MANCHESTER-BY-THE-SEA

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Letter of Transmittal

December 23, 2016

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

State law requires the Town of Manchester-by-the-Sea to publish at the close of each year a complete set of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) that are audited in accordance with generally accepted auditing standards accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, I hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Manchester-by-the-Sea, Massachusetts, for the year ending June 30, 2016 for your review.

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

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

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

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

The Town of Manchester-by-the-Sea's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Manchester-by-the-Sea for the year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant

estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Manchester-by-the-Sea's financial statements for the year ended June 30, 2016, 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 was originally 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 5,700, Manchester-by-the-Sea is located in what is traditionally known as the "North Shore", approximately 30 miles from the City of Boston, within the County of Essex. Manchester-by-the-Sea is a residential seashore community situated on the Atlantic Ocean encompassing approximately 9 square miles with approximately 12.8 miles of tidal shore line providing beaches, a perfect yachting haven, and commercial fishing. The Town is serviced by route 128 a primary state highway and a route 127 a scenic state highway. The Town is also serviced by a commuter rail branch connecting directly to the City of Boston.

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

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

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

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

The Town Administrator is charged with preparing and presenting the General Fund, Enterprise Funds and Capital plan budgets to the Board of Selectmen. The Selectmen review all requests and Town wide issues and

presents a budget to Town Meeting for approval. A nine member Finance Committee reviews the budget and makes recommendations to Town Meeting.

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

Information Useful in Assessing the Town's Economic Condition

The Town of Manchester-by-the-Sea'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% of the tax levy. In fiscal year 2016, single family dwellings had an average assessment of \$1 million and an average tax bill of \$11,700 based on a single tax rate of \$11.07. The per capita income of \$69,930 continues to rise compared to the state average of \$33,966 according to the 2010 federal census. Manchester-by-the-Sea also has a low comparable unemployment rate (as of September 2016) of 3.0% compared with the state rate of 3.3%.

Manchester-by-the-Sea has experienced a slow but positive change in commercial property value with some sales in the downtown area. In order to increase and improve commercial development, the desirability of the major commercial area along with zoning restrictions should be reviewed. The Limited Commercial district area is situated on the other side of a major highway (Rt.128). Having some zoning changes to this area would allow more growth; if improvements and changes are made then that will bring more commercial growth to the Town which in turn would increase tax revenue and employment without substantial cost to the Town. Growth in Manchester has increased over the past 4 years, with this year being a record high. Residential, single family homes continue to be the area in which the Town receives the most significant new growth. The growth is primarily from substantial/major renovations on high-end properties, new subdivisions, new high-end houses and tear downs that have new, larger homes built on the properties.

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

The growth of the Town's main source of revenues, property taxes, is capped by Proposition 2 ½ and can only be overridden by a majority vote at a Town election. While tax revenue increases have been limited in recent years, other revenue sources, such as State aid and local receipts have stabilized. In addition, the Town has made significant efforts with fixed costs budgets, resulting in much improved budgets in health insurance and benefit accounts. On the Town's operating side, the 2016 budgets and service level were maintained through a modest 2-3.5% increase in the budget. This allowed the Town to continue to provide high quality services while minimizing the impact on the property tax burden. The Town continues to work on the health insurance costs resulting in continued savings. The changes included plan restructuring and continuation of working with unions related to the Town and employee percentage shares.

The Town continues to manage its financial affairs in a prudent manner, primarily through considerable long-term planning and financial policies. The Town continues to enjoy a bond rating of AAA by Standard & Poor's. It has been able to do so by incorporating long range planning tools such as a five-year Capital Improvement Program

and 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 2016, the Town continued to demonstrate its commitment to the Financial Policy of maintaining and building its reserve accounts. Despite a tight budget process, the Town continues its commitment to build the Stabilization account to the policy goal level, which is 5-10% of general operating revenues. The April 2016 Annual Town Meeting appropriated \$100,000 to the Stabilization Fund and \$238,703 to the Other Postemployment Benefits (OPEB) Liability Trust Fund. The Town plans to continue to fund these reserves in future years.

The Town has remained dedicated to a strategic approach of debt policy. Whenever possible, new issuances of debt are issued when previous debt issuances are fully retired. The Town works with MERSD to pursue state funding for all school construction projects. In fiscal year 2016, at the April 2016 Annual Town Meeting, the Town authorized funding for MERSD for a feasibility study on the Memorial Elementary School in Manchester as the first stage of the elementary school building project. In addition, the Town has authorized debt to continue ongoing water and sewer system improvements. The Town monitors and schedules retirement and issuance of debt to ensure that debt service stays level annually and net debt does not exceed 1.5% of total assessed valuation to ensure availability of resources for ongoing operations.

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 for the goal that no tax support goes towards providing these services and expenditures are fully recovered by user charges and fees. However, the Town has had a long standing tradition of supporting the water fund with the general fund and is likely to continue in the foreseeable future. A portion of sewer related debt is related to the sewer infrastructure and the long term goal is to be able to fully cover all infrastructure debt service for water and sewer by user fees. By doing so the Town will be able to provide the maximum tax dollars available to all other services.

The Town's assessment to MERSD continues to grow due to increased student population from families purchasing properties in Manchester and continued overhead costs, such as health insurance and other employee benefits. The Town and school district continue to try to work together to stay within budget parameters.

Major initiatives for 2017 include a Town-wide facility study, establishment of the Manchester Affordable Housing Trust, a septic loan program initiative, funding for a feasibility study through the Massachusetts School Building Authority for the replacement or renovation of the Manchester Memorial Elementary School which is part of the Manchester-Essex Regional School District, and many other infrastructure studies and improvements most of which are for water and sewer infrastructure improvements. Particular focus will be given to ensuring that we continue to review our capital and operating needs while balancing with expected revenues from the tax levy, charges for services and other sources.

Acknowledgements

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Andrea Mainville".

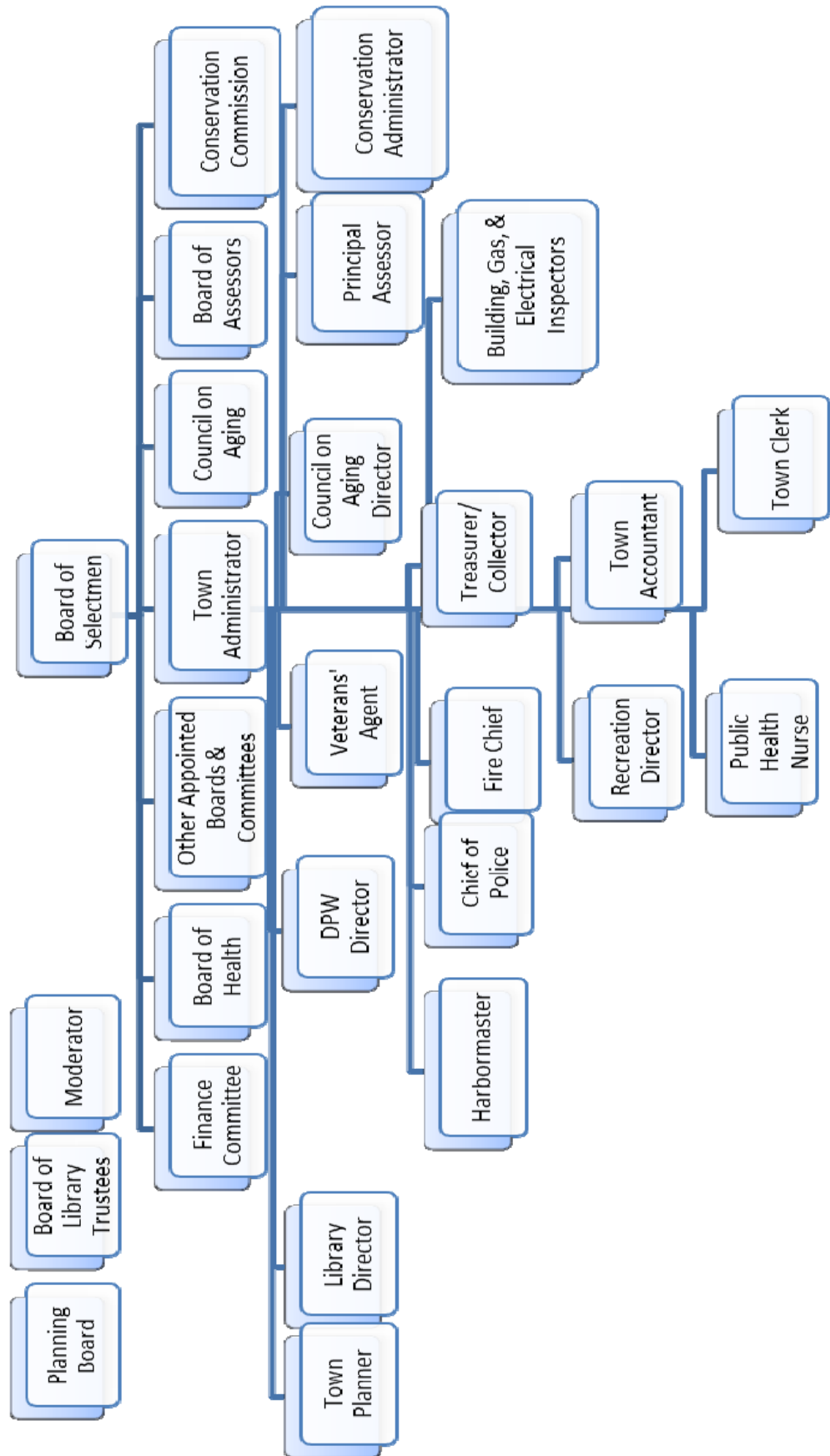
Andrea Mainville
Town Accountant

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

Principal Executive Officers

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

Town of Manchester-By-The-Sea, Massachusetts Organizational Chart



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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manchester-By-The-Sea, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Manchester-by-the-Sea, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manchester-By-The-Sea, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Manchester-By-The-Sea, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the Town of Manchester-By-The-Sea, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Manchester-By-The-Sea, Massachusetts' internal control over financial reporting and compliance.



December 23, 2016

Financial Section



Moonlight over Smith's Point

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Manchester-By-The-Sea, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

The Town of Manchester-By-The-Sea adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Manchester-By-The-Sea's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12.1 million at the close of 2016. Overall net position increased (improved) by \$4.5 million during fiscal year 2016.

Net position of \$16.9 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, \$2.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$7.0 million. The deficit is the result of the recognition of the net pension liability of \$12.5 million, along with the other postemployment benefits liability of \$1.6 million. These are long-term unfunded liabilities that will not require significant short-term resources.

Governmental Activities

The Town of Manchester-By-The-Sea's governmental assets and deferred outflows of resources exceeded liabilities for governmental activities by \$2.3 million at the close of 2016.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 11,700,583	\$ 10,715,856
Capital assets, not being depreciated.....	1,370,791	1,076,850
Capital assets, net of accumulated depreciation.....	<u>7,765,454</u>	<u>7,344,576</u>
Total assets.....	<u>20,836,828</u>	<u>19,137,282</u>
Deferred outflows of resources:		
Deferred outflows of resources related to pensions.....	<u>1,112,828</u>	<u>43,213</u>
Liabilities:		
Current liabilities (excluding debt).....	928,446	1,337,699
Noncurrent liabilities (excluding debt).....	12,885,233	11,642,455
Current debt.....	912,400	1,082,100
Noncurrent debt.....	<u>4,964,000</u>	<u>5,876,400</u>
Total liabilities.....	<u>19,690,079</u>	<u>19,938,654</u>
Net Position:		
Net investment in capital assets.....	6,786,763	5,988,619
Restricted.....	2,156,367	2,002,723
Unrestricted.....	<u>(6,683,553)</u>	<u>(8,749,501)</u>
Total net position.....	<u>\$ 2,259,577</u>	<u>\$ (758,159)</u>

The Town's net position increased by \$3 million from the prior year deficit of \$758,000 to \$2.3 million at year-end. This increase was primarily due to better than anticipated budgetary results in the general fund (approximately \$1.3 million surplus), the receipt of capital grants related to community preservation and roadway improvements (approximately \$360,000), the amount raised for the payment of debt exceeding the depreciation expense reported on a full accrual basis (approximately \$470,000) and capitalizing assets from current resources (approximately \$900,000).

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services.....	\$ 2,502,505	\$ 2,414,023
Operating grants and contributions.....	754,588	917,718
Capital grants and contributions.....	360,084	234,680
General Revenues:		
Real estate and personal property taxes.....	24,831,700	23,530,730
Tax liens.....	26,735	6,661
Motor vehicle and other excise taxes.....	1,033,774	1,088,562
Community preservation taxes.....	327,590	631,891
Payments in lieu of taxes.....	4,749	4,744
Nonrestricted grants and contributions.....	212,326	214,651
Unrestricted investment income.....	161,990	33,171
Total revenues.....	<u>30,216,041</u>	<u>29,076,831</u>
Expenses:		
General Government.....	2,211,434	3,328,452
Public Safety.....	5,503,516	5,474,186
Education.....	14,496,087	13,442,173
Public Works.....	2,303,016	2,462,981
Environmental.....	66,933	62,884
Human Services.....	405,808	399,049
Library and Recreation.....	1,565,026	1,509,755
Community Preservation.....	273,043	188,678
Interest.....	185,726	214,474
Total expenses.....	<u>27,010,589</u>	<u>27,082,632</u>
Excess (Deficiency) before transfers.....	3,205,452	1,994,199
Transfers.....	<u>(187,716)</u>	<u>(174,738)</u>
Change in net position.....	3,017,736	1,819,461
Beginning net position.....	<u>(758,159)</u>	<u>(2,577,620)</u>
Ending net position.....	\$ <u>2,259,577</u>	\$ <u>(758,159)</u>

The governmental expenses totaled \$27 million of which \$3.6 million (13%) was directly supported by program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions. General government expenses decreased approximately \$1.1 million which is mainly due to a decrease of \$1.1 million of expenses related to the landfill closure, which was substantially completed in the prior year. Education expenses increased approximately \$1.1 million due to an increase in the regional school assessment. General revenues totaled \$26.6 million, primarily coming from property taxes, motor vehicle excise and non-restricted grants and contributions. The Town elected to increase the Community Preservation Taxes to 3% in 2015 and to decrease the Community Preservation Taxes back to 1.5% for 2016, which accounts for the decrease in revenue from Community Preservation Taxes.

Business-Type Financial Analysis

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities by \$9.8 million at the close of 2016.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 3,998,663	\$ 1,710,131
Noncurrent assets (excluding capital).....	55,660	209,917
Capital assets not being depreciated.....	175,000	401,260
Capital assets, net of accumulated depreciation.....	<u>12,014,199</u>	<u>8,858,545</u>
Total assets.....	<u>16,243,522</u>	<u>11,179,853</u>
Deferred outflows of resources:		
Deferred outflows of resources related to pensions.....	<u>113,313</u>	<u>4,057</u>
Liabilities:		
Current liabilities (excluding debt).....	616,318	121,438
Noncurrent liabilities (excluding debt).....	1,266,423	1,053,894
Current debt.....	4,371,293	799,114
Noncurrent debt.....	<u>311,000</u>	<u>897,227</u>
Total liabilities.....	<u>6,565,034</u>	<u>2,871,673</u>
Net Position:		
Net investment in capital assets.....	10,150,738	8,147,216
Unrestricted.....	<u>(358,937)</u>	<u>165,021</u>
Total net position.....	<u>\$ 9,791,801</u>	<u>\$ 8,312,237</u>
	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services.....	\$ 2,411,201	\$ 2,437,177
Operating grants and contributions.....	52,487	72,400
Capital grants and contributions.....	<u>1,253,267</u>	<u>-</u>
Total revenues.....	<u>3,716,955</u>	<u>2,509,577</u>
Expenses:		
Water.....	1,458,045	1,191,946
Sewer.....	<u>967,062</u>	<u>888,735</u>
Total expenses.....	<u>2,425,107</u>	<u>2,080,681</u>
Excess (Deficiency) before transfers.....	1,291,848	428,896
Transfers.....	<u>187,716</u>	<u>174,738</u>
Change in net position.....	1,479,564	603,634
Beginning net position.....	<u>8,312,237</u>	<u>7,708,603</u>
Ending net position.....	<u>\$ 9,791,801</u>	<u>\$ 8,312,237</u>

Business-type net position of \$10.2 million represents the net investment in capital assets while a deficit of (\$359,000) is unrestricted. The negative unrestricted net position is the result of recording \$1.3 million in net pension and OPEB long term liabilities that have not been factored into the rates. The Town's business-type activities net position increased by \$1.5 million in the current year.

The increase is the net result of an increase of \$441,000 in the sewer enterprise and an increase of \$1 million in the water enterprise. The enterprise funds are designed to recover the cost of providing services through operating revenue. The costs are not set to recover the depreciation of capital assets, and the recognition of long-term liabilities such as other pension, postemployment benefits, and compensated absences, which has contributed to the prior year decrease in the balance of the water fund. For 2016, the result of operations was increased by a \$1.3 million in insurance reimbursement related to the water treatment plant roof. The roof repairs have been capitalized as they have extended the value and useful life of the building. The increase in the sewer fund is primarily the result of subsidies from the Massachusetts Clean Water Trust (MCWT) used to offset a portion of the cost of the debt in the sewer enterprise fund and a net \$225,000 transfer in from the general fund. The statement of cash flows more closely reports the activity in which the rates are set.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$10.2 million, an increase of \$1.3 million in comparison with the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$4.8 million, and total fund balance totaled \$6.2 million. Fund balance of \$876,000 is committed for Town Meeting articles and \$557,000 is assigned for encumbrances and amounts voted to fund the subsequent year's budget. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18% of total general fund expenditures, while total fund balance represents 23% of that same amount. The general fund increased \$1.3 million during the year which was primarily due to budgetary surpluses, offset by the planned use of free cash to balance the budget.

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 \$1.2 million at year end, a decrease of \$72,000 from the prior year. The net decrease of \$72,000 in the fund balance relates only to the timing of projects funded with CPA funds. The Town collected \$333,000 from property tax surcharges and \$190,000 from matching State funds. In 2015, the Town increased the property tax surcharge to 3% for only one year. In 2016, the property tax surcharge was decreased back to 1.5%. Expenditures in 2016 totaled \$643,000 and related to various projects including the Town Hall boat ramp project and the replacement of the Masconomo Park playground equipment.

The highway improvements major fund is used to account for the construction, reconstruction and improvements of roadways, streets and sidewalks funded by state grants. The Town received \$244,000 in reimbursement from state grants in 2016. Expenditures in 2016 related to highway improvements totaled \$206,000.

General Fund Budgetary Highlights

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

The 2016 final approved budget authorized approximately \$28.2 million in appropriations and other amounts to be raised, which included \$601,000 in amounts carried over from the previous year. The budget was balanced through the use of \$429,000 of free cash funds (available funds), the release of \$125,000 of overlay (reserve for abatements), offset by \$166,000 raised for a prior year snow and ice deficit. Adjustments to the original budget included transfers between line items and free cash voted to increase appropriations by \$339,000. This included an additional \$239,000 to fund the Town's OPEB liability trust fund and a \$100,000 transfer to the stabilization fund.

The Town's revenues came in over budget by \$690,000 and expenditures and encumbrances came in under budget by \$426,000. Revenue surpluses were primarily in departmental and other where collections were higher than anticipated for beach passes, as well as in charges for services where ambulance collections were higher than anticipated. The biggest area where expenditures were under budget was employee benefits. This was the result of plan changes and conservative budgeting.

Capital Asset and Debt Administration

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

The major Town capital activity included building improvements additions of \$193,000 which includes fire station renovations and police station upgrades; machinery and equipment additions of \$37,000 which includes police vehicles; and infrastructure additions of \$802,000 which includes roadway repairs.

Business-type activity capital assets activity was comprised of building and infrastructure additions of \$1.2 million in water treatment plant roof repairs and \$2.6 million in water and wastewater system improvements.

Debt administration. Outstanding governmental long-term debt, as of June 30, 2016, totaled \$5.9 million. Of that amount, \$1.3 million of outstanding long-term debt relates to general obligation water bonds related to the water storage tank, treatment facility, road repair and construction. The liability of long-term debt related to water is paid by the governmental funds while the capital assets are reported in the water enterprise fund. The sewer long-term debt is funded 75% by the governmental funds by the use of transfers.

The enterprise funds have \$897,000 million in sewer debt that relates to various sewer projects including approximately \$714,000 of partially subsidized MCWT bonds. The sewer enterprise fund has been used to finance the construction of sewer projects with balances totaling \$184,000.

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

Requests for Information

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

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 10,559,649	\$ 3,225,694	\$ 13,785,343
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	190,314	-	190,314
Real estate tax deferrals.....	45,776	-	45,776
Tax liens.....	140,390	-	140,390
Motor vehicle and other excise taxes.....	35,618	-	35,618
User fees.....	-	618,712	618,712
Departmental and other.....	129,000	-	129,000
Intergovernmental.....	588,044	154,257	742,301
Tax foreclosures.....	11,792	-	11,792
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	55,660	55,660
Capital assets:			
Nondepreciable.....	1,370,791	175,000	1,545,791
Depreciable.....	7,765,454	12,014,199	19,779,653
TOTAL ASSETS.....	20,836,828	16,243,522	37,080,350
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	1,112,828	113,313	1,226,141
LIABILITIES			
CURRENT:			
Warrants payable.....	402,960	574,068	977,028
Tax refunds payable.....	285,531	-	285,531
Accrued interest.....	48,954	17,250	66,204
Payroll withholdings.....	31,643	-	31,643
Other liabilities.....	18,358	-	18,358
Compensated absences.....	141,000	25,000	166,000
Notes payable.....	-	3,785,066	3,785,066
Bonds payable.....	912,400	586,227	1,498,627
NONCURRENT:			
Compensated absences.....	62,000	10,000	72,000
Other postemployment benefits.....	1,500,250	103,466	1,603,716
Net pension liability.....	11,322,983	1,152,957	12,475,940
Bonds payable.....	4,964,000	311,000	5,275,000
TOTAL LIABILITIES.....	19,690,079	6,565,034	26,255,113
NET POSITION			
Net investment in capital assets.....	6,786,763	10,150,738	16,937,501
Restricted for:			
Permanent funds:			
Expendable.....	57,529	-	57,529
Nonexpendable.....	367,678	-	367,678
Community preservation.....	1,216,063	-	1,216,063
Gifts and grants.....	515,097	-	515,097
Unrestricted.....	(6,683,553)	(358,937)	(7,042,490)
TOTAL NET POSITION.....	\$ 2,259,577	\$ 9,791,801	\$ 12,051,378

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,211,434	\$ 435,520	\$ 12,121	\$ -	\$ (1,763,793)
Public safety.....	5,503,516	1,016,928	59,294	-	(4,427,294)
Education.....	14,496,087	-	-	-	(14,496,087)
Public works.....	2,303,016	245,215	373,744	169,989	(1,514,068)
Environmental.....	66,933	12,923	-	-	(54,010)
Human services.....	405,808	19,370	30,199	-	(356,239)
Library and recreation.....	1,565,026	772,549	279,230	-	(513,247)
Community preservation.....	273,043	-	-	190,095	(82,948)
Interest.....	185,726	-	-	-	(185,726)
Total Governmental Activities.....	<u>27,010,589</u>	<u>2,502,505</u>	<u>754,588</u>	<u>360,084</u>	(23,393,412)
<i>Business-Type Activities:</i>					
Sewer.....	967,062	1,131,736	52,487	-	217,161
Water.....	<u>1,458,045</u>	<u>1,279,465</u>	<u>-</u>	<u>1,253,267</u>	<u>1,074,687</u>
Total Business-Type Activities.....	<u>2,425,107</u>	<u>2,411,201</u>	<u>52,487</u>	<u>1,253,267</u>	1,291,848
Total Primary Government.....	<u>\$ 29,435,696</u>	<u>\$ 4,913,706</u>	<u>\$ 807,075</u>	<u>\$ 1,613,351</u>	\$ (22,101,564)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (23,393,412)	\$ 1,291,848	\$ (22,101,564)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	24,831,700	-	24,831,700
Tax liens.....	26,735	-	26,735
Motor vehicle and other excise taxes.....	1,033,774	-	1,033,774
Community preservation taxes.....	327,590	-	327,590
Payments in lieu of taxes.....	4,749	-	4,749
Grants and contributions not restricted to specific programs.....	212,326	-	212,326
Unrestricted investment income.....	161,990	-	161,990
<i>Transfers, net</i>	<u>(187,716)</u>	<u>187,716</u>	<u>-</u>
Total general revenues and transfers.....	<u>26,411,148</u>	<u>187,716</u>	<u>26,598,864</u>
Change in net position.....	3,017,736	1,479,564	4,497,300
<i>Net Position:</i>			
Beginning of year.....	<u>(758,159)</u>	<u>8,312,237</u>	<u>7,554,078</u>
End of year.....	<u>\$ 2,259,577</u>	<u>\$ 9,791,801</u>	<u>\$ 12,051,378</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Community Preservation	Highway Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 6,618,563	\$ 1,170,918	\$ -	\$ 2,770,168	\$ 10,559,649
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	189,085	1,229	-	-	190,314
Real estate tax deferrals.....	45,776	-	-	-	45,776
Tax liens.....	140,390	-	-	-	140,390
Motor vehicle and other excise taxes.....	35,618	-	-	-	35,618
Departmental and other.....	129,000	-	-	-	129,000
Intergovernmental.....	-	61,200	526,844	-	588,044
Tax foreclosures.....	11,792	-	-	-	11,792
Due from other funds.....	206,006	-	-	-	206,006
TOTAL ASSETS.....	\$ 7,376,230	\$ 1,233,347	\$ 526,844	\$ 2,770,168	\$ 11,906,589
LIABILITIES					
Warrants payable.....	\$ 365,355	\$ 17,284	\$ -	\$ 20,321	\$ 402,960
Tax refunds payable.....	285,531	-	-	-	285,531
Payroll withholdings.....	31,643	-	-	-	31,643
Other liabilities.....	18,358	-	-	-	18,358
Due to other funds.....	-	-	206,006	-	206,006
TOTAL LIABILITIES.....	700,887	17,284	206,006	20,321	944,498
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	509,279	1,229	320,838	-	831,346
FUND BALANCES					
Nonspendable.....	-	-	-	367,678	367,678
Restricted.....	-	1,214,834	-	2,382,169	3,597,003
Committed.....	875,846	-	-	-	875,846
Assigned.....	557,488	-	-	-	557,488
Unassigned.....	4,732,730	-	-	-	4,732,730
TOTAL FUND BALANCES.....	6,166,064	1,214,834	-	2,749,847	10,130,745
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 7,376,230	\$ 1,233,347	\$ 526,844	\$ 2,770,168	\$ 11,906,589

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....		\$ 10,130,745
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		9,136,245
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		831,346
Deferred inflows and outflows are not payable or due in the current period and, therefore, are not reported in the governmental funds:		
Deferred outflows of resources related to pensions.....		1,112,828
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(48,954)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable.....	(5,876,400)	
Net pension liability.....	(11,322,983)	
Compensated absences.....	(203,000)	
Other postemployment benefits.....	<u>(1,500,250)</u>	
Net effect of reporting long-term liabilities.....		<u>(18,902,633)</u>
Net position of governmental activities.....		<u>\$ 2,259,577</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Community Preservation	Highway Improvements	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds..... \$	24,766,875	-	-	-	24,766,875
Motor vehicle and other excise taxes.....	1,057,849	-	-	17,564	1,075,413
Community preservation taxes.....	-	332,909	-	-	332,909
Charges for services.....	438,929	-	-	-	438,929
Penalties and interest on taxes.....	92,451	1,008	-	-	93,459
Intergovernmental.....	221,505	190,095	206,006	500,587	1,118,193
Departmental and other.....	1,023,875	-	-	1,084,349	2,108,224
Contributions.....	-	-	-	178,454	178,454
Investment income.....	103,896	47,327	-	36,416	187,639
TOTAL REVENUES.....	27,705,380	571,339	206,006	1,817,370	30,300,095
EXPENDITURES:					
Current:					
General government.....	1,273,403	-	-	411,724	1,685,127
Public safety.....	3,123,800	-	-	782,206	3,906,006
Education.....	14,496,087	-	-	-	14,496,087
Public works.....	1,838,768	-	206,006	165,656	2,210,430
Environmental.....	62,998	-	-	-	62,998
Human services.....	266,299	-	-	19,086	285,385
Community preservation.....	-	643,448	-	-	643,448
Library and recreation.....	796,935	-	-	415,805	1,212,740
Pension benefits.....	945,454	-	-	-	945,454
Property and liability insurance.....	105,425	-	-	-	105,425
Employee benefits.....	1,823,119	-	-	-	1,823,119
State and county charges.....	158,300	-	-	-	158,300
Debt service:					
Principal.....	1,082,100	-	-	-	1,082,100
Interest.....	200,739	-	-	-	200,739
TOTAL EXPENDITURES.....	26,173,427	643,448	206,006	1,794,477	28,817,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,531,953	(72,109)	-	22,893	1,482,737
OTHER FINANCING SOURCES (USES):					
Transfers in.....	257,348	-	-	396,451	653,799
Transfers out.....	(491,952)	-	-	(349,563)	(841,515)
TOTAL OTHER FINANCING SOURCES (USES).....	(234,604)	-	-	46,888	(187,716)
NET CHANGE IN FUND BALANCES.....	1,297,349	(72,109)	-	69,781	1,295,021
FUND BALANCES AT BEGINNING OF YEAR.....	4,868,715	1,286,943	-	2,680,066	8,835,724
FUND BALANCES AT END OF YEAR..... \$	\$ 6,166,064	\$ 1,214,834	\$ -	\$ 2,749,847	\$ 10,130,745

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, 2016

Net change in fund balances - total governmental funds.....		\$ 1,295,021
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	1,326,096	
Depreciation expense.....	<u>(611,277)</u>	
Net effect of reporting capital assets.....		714,819
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(84,054)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Debt service principal payments.....	<u>1,082,100</u>	
Net effect of reporting long-term debt.....		1,082,100
<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.....	(4,000)	
Net change in accrued interest on long-term debt.....	15,013	
Net change in other postemployment benefits liability.....	141,220	
Net change in landfill remediation liability.....	175,000	
Net change in pension liability.....	<u>(317,383)</u>	
Net effect of recording long-term liabilities.....		<u>9,850</u>
Change in net position of governmental activities.....		<u>\$ 3,017,736</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 967,056	\$ 2,258,638	\$ 3,225,694
Receivables, net of allowance for uncollectibles:			
User fees.....	304,527	314,185	618,712
Intergovernmental.....	154,257	-	154,257
Total current assets.....	<u>1,425,840</u>	<u>2,572,823</u>	<u>3,998,663</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	55,660	-	55,660
Capital assets:			
Nondepreciable.....	-	175,000	175,000
Depreciable.....	6,261,462	5,752,737	12,014,199
Total noncurrent assets.....	<u>6,317,122</u>	<u>5,927,737</u>	<u>12,244,859</u>
TOTAL ASSETS.....	<u>7,742,962</u>	<u>8,500,560</u>	<u>16,243,522</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	59,488	53,825	113,313
LIABILITIES			
CURRENT:			
Warrants payable.....	17,402	556,666	574,068
Accrued interest.....	17,250	-	17,250
Compensated absences.....	13,000	12,000	25,000
Notes payable.....	976,260	2,808,806	3,785,066
Bonds payable.....	586,227	-	586,227
Total current liabilities.....	<u>1,610,139</u>	<u>3,377,472</u>	<u>4,987,611</u>
NONCURRENT:			
Compensated absences.....	8,000	2,000	10,000
Other postemployment benefits.....	43,111	60,355	103,466
Net pension liability.....	605,293	547,664	1,152,957
Bonds payable.....	311,000	-	311,000
Total noncurrent liabilities.....	<u>967,404</u>	<u>610,019</u>	<u>1,577,423</u>
TOTAL LIABILITIES.....	<u>2,577,543</u>	<u>3,987,491</u>	<u>6,565,034</u>
NET POSITION			
Net investment in capital assets.....	5,093,253	5,057,485	10,150,738
Unrestricted.....	131,654	(490,591)	(358,937)
TOTAL NET POSITION.....	<u>\$ 5,224,907</u>	<u>\$ 4,566,894</u>	<u>\$ 9,791,801</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for services	\$ 1,131,736	\$ 1,279,465	\$ 2,411,201
<u>OPERATING EXPENSES:</u>			
Cost of services and administration	623,038	1,048,770	1,671,808
Depreciation.....	285,514	409,275	694,789
TOTAL OPERATING EXPENSES	908,552	1,458,045	2,366,597
OPERATING INCOME (LOSS).....	223,184	(178,580)	44,604
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Interest expense.....	(58,510)	-	(58,510)
Intergovernmental.....	52,487	-	52,487
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(6,023)	-	(6,023)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	217,161	(178,580)	38,581
CAPITAL CONTRIBUTIONS.....	-	1,253,267	1,253,267
<u>TRANSFERS:</u>			
Transfers in.....	361,952	68,112	430,064
Transfers out.....	(137,683)	(104,665)	(242,348)
TOTAL TRANSFERS.....	224,269	(36,553)	187,716
CHANGE IN NET POSITION.....	441,430	1,038,134	1,479,564
NET POSITION AT BEGINNING OF YEAR.....	4,783,477	3,528,760	8,312,237
NET POSITION AT END OF YEAR.....	\$ 5,224,907	\$ 4,566,894	\$ 9,791,801

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 1,100,354	\$ 1,257,539	\$ 2,357,893
Payments to vendors.....	(348,271)	(724,211)	(1,072,482)
Payments to employees.....	(259,516)	(236,904)	(496,420)
NET CASH FROM OPERATING ACTIVITIES.....	492,567	296,424	788,991
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	361,952	68,112	430,064
Transfers out.....	(137,683)	(104,665)	(242,348)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	224,269	(36,553)	187,716
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes.....	750,000	2,808,806	3,558,806
Capital contributions.....	-	1,253,267	1,253,267
Acquisition and construction of capital assets.....	(668,332)	(2,448,884)	(3,117,216)
Principal payments on bonds and notes.....	(425,279)	-	(425,279)
Interest expense.....	(17,743)	-	(17,743)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(361,354)	1,613,189	1,251,835
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	355,482	1,873,060	2,228,542
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	611,574	385,578	997,152
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 967,056	\$ 2,258,638	\$ 3,225,694
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 223,184	\$ (178,580)	\$ 44,604
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	285,514	409,275	694,789
Change in deferred inflows/outflows related to pension.....	(57,311)	(51,945)	(109,256)
Changes in assets and liabilities:			
User fees.....	(31,382)	(21,926)	(53,308)
Warrants payable.....	(29,177)	26,810	(2,367)
Accrued compensated absences.....	1,000	3,000	4,000
Net pension liability.....	104,797	115,471	220,268
Other postemployment benefit obligations.....	(4,058)	(5,681)	(9,739)
Total adjustments.....	269,383	475,004	744,387
NET CASH FROM OPERATING ACTIVITIES.....	\$ 492,567	\$ 296,424	\$ 788,991
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Intergovernmental subsidy of debt service.....	\$ 200,062		

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

		Other Postemployment Benefit Trust Fund
ASSETS		
Investments - PRIT.....	\$	1,063,642
NET POSITION		
Held in trust for OPEB benefits.....	\$	1,063,642

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

		Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>		
Employer contributions.....	\$	238,703
Investment income.....		14,810
TOTAL ADDITIONS.....		253,513
NET POSITION AT BEGINNING OF YEAR.....		810,129
NET POSITION AT END OF YEAR.....		\$ 1,063,642

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Joint Ventures

The Town is a member of the Manchester Essex Regional School District that provides for the education of all levels of schools for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2016 assessment was \$14,415,865. Please contact the finance office at 36 Lincoln Street, Manchester-by-the-Sea, MA 01944, for audited financial statements.

The Town is a member of the Essex Technical High School District that serves the members students seeking an education in academic, technical and agriculture studies. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2016 assessment was \$80,307. Please contact the finance office at 565 Maple Street, Hawthorne, MA 01937, for audited financial statements.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

The following fiduciary fund types are reported:

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 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, SS 5).

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

Motor Vehicle and Other Excise Taxes

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

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. 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>
Buildings.....	45
Machinery and equipment.....	5 - 45
Infrastructure.....	45

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

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

Net position has been "restricted for" the following:

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

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

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

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

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

Fund Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

N. Capital Lease Obligations

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

O. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Investment Income

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

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

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Pensions

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

T. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

The Town Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2016, \$1,063,642 from the OPEB Trust Fund is included within the Town's investment balances in the following disclosures.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. At year-end, the carrying amount of deposits totaled \$13,785,343 and the bank balance totaled \$14,194,821. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance, \$4,343,065 was covered by the Depositors Insurance Fund, \$500,000 was covered by the Securities Investor Protection Corporation, \$6,254,086 was collateralized and \$2,097,670 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

As of June 30, 2016, the Town's investments consisted of \$1,063,642 in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.14 to 24.23 years.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's formal investment policy states that the Town will limit its exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. As of June 30, 2016, the Town is not subject to custodial credit risk for its investments.

Interest Rate Risk

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

Credit Risk

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

The Town's investments in PRIT are unrated.

Concentration of Credit Risk

The Town places a limit on the amount the Town may invest in any one issuer. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools, no more

than 40% of the Town's investments may be invested in a single financial institution. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. The Town's investments are limited to the investment of the OPEB trust fund in PRIT and MMDT, both State investment pools.

Fair Market Value of Investments

The Town does not hold any investments that are measured at fair value on a recurring basis. The Town's investment in PRIT is measured using net asset value. The investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT. The net asset value of the Town's investment in PRIT at June 30, 2016 was \$1,063,642.

The Town's investment in MMDT is valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and is adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the advisor.

NOTE 3 – RECEIVABLES

At June 30, 2016, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 192,327	\$ (2,013)	\$ 190,314
Real estate tax deferrals.....	45,776	-	45,776
Tax liens.....	140,390	-	140,390
Motor vehicle and other excise taxes.....	52,142	(16,524)	35,618
Departmental and other.....	279,694	(150,694)	129,000
Intergovernmental.....	588,044	-	588,044
	<u>588,044</u>	<u>-</u>	<u>588,044</u>
Total.....	<u>\$ 1,298,373</u>	<u>\$ (169,231)</u>	<u>\$ 1,129,142</u>

At June 30, 2016, receivables for the water and sewer enterprise consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User charges.....	\$ 618,712	\$ -	\$ 618,712
Intergovernmental.....	209,917	-	209,917
	<u>209,917</u>	<u>-</u>	<u>209,917</u>
Total.....	<u>\$ 828,629</u>	<u>\$ -</u>	<u>\$ 828,629</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes.....	\$ 146,703	\$ 1,229	\$ -	\$ 147,932
Real estate tax deferrals.....	45,776	-	-	45,776
Tax liens.....	140,390	-	-	140,390
Motor vehicle and other excise.....	35,618	-	-	35,618
Departmental and other.....	129,000	-	-	129,000
Intergovernmental.....	-	-	320,838	320,838
Tax foreclosures.....	11,792	-	-	11,792
Total.....	\$ 509,279	\$ 1,229	\$ 320,838	\$ 831,346

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 944,006	\$ 33,800	\$ -	\$ 977,806
Construction in progress.....	132,844	260,141	-	392,985
Total capital assets not being depreciated.....	1,076,850	293,941	-	1,370,791
<u>Capital assets being depreciated:</u>				
Buildings.....	4,885,416	-	-	4,885,416
Building Improvements.....	1,091,322	193,112	-	1,284,434
Machinery and equipment.....	4,372,124	37,000	-	4,409,124
Infrastructure.....	5,700,386	802,043	-	6,502,429
Total capital assets being depreciated.....	16,049,248	1,032,155	-	17,081,403
<u>Less accumulated depreciation for:</u>				
Buildings.....	(4,238,255)	(50,441)	-	(4,288,696)
Building Improvements.....	(51,907)	(33,352)	-	(85,259)
Machinery and equipment.....	(3,157,102)	(375,561)	-	(3,532,663)
Infrastructure.....	(1,257,408)	(151,923)	-	(1,409,331)
Total accumulated depreciation.....	(8,704,672)	(611,277)	-	(9,315,949)
Total capital assets being depreciated, net.....	7,344,576	420,878	-	7,765,454
Total governmental activities capital assets, net.....	\$ 8,421,426	\$ 714,819	\$ -	\$ 9,136,245

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 226,260	\$ -	\$ (226,260)	\$ -
<u>Capital assets being depreciated:</u>				
Buildings.....	6,459,073	-	-	6,459,073
Machinery and equipment.....	2,531,676	-	-	2,531,676
Infrastructure.....	2,505,486	894,592	-	3,400,078
Total capital assets being depreciated.....	11,496,235	894,592	-	12,390,827
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,753,606)	(150,360)	-	(2,903,966)
Machinery and equipment.....	(2,253,533)	(54,445)	-	(2,307,978)
Infrastructure.....	(836,712)	(80,709)	-	(917,421)
Total accumulated depreciation.....	(5,843,851)	(285,514)	-	(6,129,365)
Total capital assets being depreciated, net.....	5,652,384	609,078	-	6,261,462
Total sewer activities capital assets, net.....	\$ 5,878,644	\$ 609,078	\$ (226,260)	\$ 6,261,462

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 175,000	\$ -	\$ -	\$ 175,000
<u>Capital assets being depreciated:</u>				
Buildings.....	2,549,310	-	(288,751)	2,260,559
Building Improvements.....	156,895	1,246,163	-	1,403,058
Machinery and equipment.....	7,847,298	-	-	7,847,298
Infrastructure.....	876,575	1,709,688	-	2,586,263
Total capital assets being depreciated.....	11,430,078	2,955,851	(288,751)	14,097,178
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,028,754)	(226,234)	288,751	(966,237)
Building Improvements.....	(12,763)	(4,918)	-	(17,681)
Machinery and equipment.....	(6,858,611)	(117,224)	-	(6,975,835)
Infrastructure.....	(323,789)	(60,899)	-	(384,688)
Total accumulated depreciation.....	(8,223,917)	(409,275)	288,751	(8,344,441)
Total capital assets being depreciated, net.....	3,206,161	2,546,576	-	5,752,737
Total water activities capital assets, net.....	\$ 3,381,161	\$ 2,546,576	\$ -	\$ 5,927,737

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

Governmental Activities:

General government.....	\$	97,471
Public safety.....		199,483
Public works.....		243,639
Culture and recreation.....		58,879
Community preservation.....		<u>11,805</u>

Total depreciation expense - governmental activities..... \$ 611,277

Business-Type Activities:

Sewer.....	\$	285,514
Water.....		<u>409,275</u>

Total depreciation expense - business-type activities..... \$ 694,789

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2016, the Town had an interfund receivable/payable of \$206,006, which existed between the general fund and the highway improvements fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant proceeds.

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Water Enterprise Funds	
General Fund.....	\$ -	\$ 100,000	\$ 361,952	\$ 30,000	\$ 491,952 (1)
Nonmajor Governmental Funds.....	15,000	296,451	-	38,112	349,563 (2)
Sewer Enterprise Fund.....	137,683	-	-	-	137,683 (3)
Water Enterprise Fund.....	<u>104,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,665 (3)</u>
Total.....	<u>\$ 257,348</u>	<u>\$ 396,451</u>	<u>\$ 361,952</u>	<u>\$ 68,112</u>	<u>\$ 1,083,863</u>

- (1) Represents budgeted transfers from the general fund to support of water and sewer operations and the general fund portion of sewer fund related debt. Also, a \$100,000 transfer from the reserve fund, within the general fund, to the Harbor special revenue fund was approved.
- (2) Represents transfers from amounts collected in other funds used to fund the Town's operating budget, as well as the transfers within special revenue funds for harbor projects and insurance proceeds from the special revenue fund to the water enterprise.
- (3) Represents budgeted transfers from the enterprise funds for various charges.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

The Town had the following short-term debt activity during 2016:

Type	Purpose	Rate (%)	Maturity Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
Business-Type Activities:							
BAN	Interim Financing Loan.....	0.90%	06/15/17	\$ 226,260	\$ -	\$ -	\$ 226,260
BAN	General Obligation.....	1.15%	06/23/17	-	2,500,000	-	2,500,000
BAN	Interim Financing Loan.....	0.10%	06/15/17	-	1,058,806	-	1,058,806
Total.....				\$ 226,260	\$ 3,558,806	\$ -	\$ 3,785,066

The Town was authorized by the Massachusetts Clean Water Trust (MCWT) to borrow up to \$1,690,000 as part of an interim financing loan agreement. As of June 30, 2016, the Town drew down \$1,285,065. It is expected that the Town will refinance this interim loan with permanent financing from the MCWT in the future.

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, 2016, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose Bonds of 2005.....	2017	\$ 1,002,000	2.65 - 4.50	\$ 100,000	\$ -	\$ (100,000)	\$ -
Municipal Purpose Bonds of 2012.....	2031	2,711,000	2.00 - 4.00	2,233,000	-	(123,000)	2,110,000
Municipal Purpose Refunding Bonds of 2013.....	2023	1,033,100	1.75 - 2.00	687,000	-	(118,000)	569,000
Municipal Purpose Bonds of 2015.....	2032	1,731,000	2.70	1,644,000	-	(86,000)	1,558,000
Municipal Purpose Bonds of 2015.....	2019	620,000	2.00	512,000	-	(128,000)	384,000
Total Governmental Bonds Payable.....				5,176,000	-	(555,000)	4,621,000
Water Treatment Facility Refunding.....	2017	4,092,800	2.65 - 4.50	775,500	-	(390,100)	385,400
Water Building Road Repair and Construction.....	2031	150,000	2.00 - 4.00	117,000	-	(7,000)	110,000
Water Refunding Bonds of 2015.....	2023	1,061,900	1.75 - 2.00	818,000	-	(112,000)	706,000
Water.....	2019	110,000	2.00	72,000	-	(18,000)	54,000
Total Governmental Water Bonds Payable.....				1,782,500	-	(527,100)	1,255,400
Total.....				\$ 6,958,500	\$ -	\$ (1,082,100)	\$ 5,876,400

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

Year	Principal	Interest	Total
2017.....	\$ 912,400	\$ 161,075	\$ 1,073,475
2018.....	627,000	142,429	769,429
2019.....	612,000	126,189	738,189
2020.....	465,000	110,250	575,250
2021.....	460,000	99,146	559,146
2022.....	425,000	88,152	513,152
2023.....	405,000	77,898	482,898
2024.....	275,000	67,050	342,050
2025.....	275,000	58,582	333,582
2026.....	245,000	49,894	294,894
2027.....	215,000	41,636	256,636
2028.....	215,000	34,468	249,468
2029.....	215,000	27,300	242,300
2030.....	215,000	19,700	234,700
2031.....	215,000	11,600	226,600
2032.....	100,000	3,500	103,500
Totals.....	\$ 5,876,400	\$ 1,118,869	\$ 6,995,269

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
MCWT I.....	2017	\$ 7,104,616	6.00	\$ 903,581	\$ -	\$ (444,954)	\$ 458,627
MCWT II.....	2020	1,026,694	6.00	315,000	-	(60,000)	255,000
Sewer Refunding.....	2017	657,200	2.65 - 4.50	49,500	-	(24,900)	24,600
Sewer.....	2025	70,000	2.00 - 4.00	50,000	-	(5,000)	45,000
Sewer.....	2019	190,000	2.00	152,000	-	(38,000)	114,000
Total Sewer Bonds Payable.....				\$ 1,470,081	\$ -	\$ (572,854)	\$ 897,227

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

Year	Principal	Interest	Total
2017.....	\$ 586,227	\$ 38,628	\$ 624,855
2018.....	108,000	10,665	118,665
2019.....	108,000	6,723	114,723
2020.....	70,000	2,706	72,706
2021.....	5,000	768	5,768
2022.....	5,000	620	5,620
2023.....	5,000	468	5,468
2024.....	5,000	320	5,320
2025.....	5,000	162	5,162
Totals.....	\$ 897,227	\$ 61,060	\$ 958,287

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$209,917 and interest costs of \$45,965. Thus, net MCWT loan repayments, including interest, are scheduled to be \$550,774. The principal subsidies are guaranteed and therefore a \$209,917 intergovernmental receivable has been reported in the business-type financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2016 principal and interest subsidies totaled \$147,575 and \$52,487, respectively.

The Town’s General Fund is responsible for principal and interest payments relating to bonds issued to acquire assets owned by the Water Enterprise Fund. As a result, those bonds are reported as liabilities of the Governmental Activities in the Entity-Wide financial statements in the amount of \$1,255,400.

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 \$119,952 from the General Fund to the Sewer Enterprise Fund for the General Funds portion of Sewer debt principal and interest payments.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2016, the Town had the following authorized and unissued debt:

Purpose	Amount
Department Equipment & Computer Software.....	\$ 246
Sewer Improvements.....	750,000
Road Repairs.....	200,000
Wastewater Treatment Plant Improvements.....	296,733
Water Pipe Installation.....	250,000
Water Improvements.....	1,500,000
Harbor Dredging and Improvements.....	1,000,000
Water Pollution Facility Projects.....	<u>200,000</u>
Total.....	<u>\$ 4,196,979</u>

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 6,958,500	\$ -	\$ (1,082,100)	\$ 5,876,400	\$ 912,400
Other Postemployment Benefits.....	1,641,470	681,010	(822,230)	1,500,250	-
Net Pension Liability.....	9,935,985	2,243,162	(856,164)	11,322,983	-
Landfill Remediation.....	175,000	-	(175,000)	-	-
Compensated Absences.....	<u>199,000</u>	<u>138,000</u>	<u>(134,000)</u>	<u>203,000</u>	<u>141,000</u>
Total governmental activity long-term liabilities.....	<u>\$ 18,909,955</u>	<u>\$ 3,062,172</u>	<u>\$ (3,069,494)</u>	<u>\$ 18,902,633</u>	<u>\$ 1,053,400</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 1,470,081	\$ -	\$ (572,854)	\$ 897,227	\$ 586,227
Other Postemployment Benefits.....	113,205	46,966	(56,705)	103,466	-
Net Pension Liability.....	932,689	307,447	(87,179)	1,152,957	-
Compensated Absences.....	<u>31,000</u>	<u>27,000</u>	<u>(23,000)</u>	<u>35,000</u>	<u>25,000</u>
Total business-type activity long-term liabilities.....	<u>\$ 2,546,975</u>	<u>\$ 381,413</u>	<u>\$ (739,738)</u>	<u>\$ 2,188,650</u>	<u>\$ 611,227</u>

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

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

At year end the balance of the General Stabilization Fund totaled \$1.5 million and has been reported as unassigned fund balance within the General Fund.

As of June 30, 2016, the governmental fund balances consisted of the following:

GOVERNMENTAL FUNDS					
	General	Community Preservation	Highway Improvements	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 367,678	\$ 367,678
Restricted for:					
Community Preservation fund.....	-	1,214,834	-	-	1,214,834
Highway improvement fund.....	-	-	-	-	-
Gifts.....	-	-	-	205,919	205,919
Harbormaster.....	-	-	-	507,673	507,673
Special revenue trust funds.....	-	-	-	190,098	190,098
Recreation revolving.....	-	-	-	266,263	266,263
Planning Conservation Commission.....	-	-	-	92,694	92,694
Harbor improvement fund.....	-	-	-	298,352	298,352
State grants.....	-	-	-	119,080	119,080
Police and Fire details.....	-	-	-	214,343	214,343
Storm damage.....	-	-	-	282,138	282,138
Pine Street acquisitions and cleanup.....	-	-	-	148,080	148,080
Expendable trust funds.....	-	-	-	57,529	57,529
Committed to:					
Town Hall upgrades.....	20,000	-	-	-	20,000
Police station upgrades.....	22,957	-	-	-	22,957
Fire engine.....	110,000	-	-	-	110,000
Garage bay.....	536,026	-	-	-	536,026
Road maintenance and construction.....	102,268	-	-	-	102,268
Library capital outlay.....	12,595	-	-	-	12,595
Sweeney parking lot.....	40,000	-	-	-	40,000
Upgrade PLC electrical controls.....	20,000	-	-	-	20,000
Public works mower.....	3,906	-	-	-	3,906
Mechanical equipment.....	2,553	-	-	-	2,553
Central Street culvert.....	5,541	-	-	-	5,541
Assigned to:					
Selectmen.....	6,961	-	-	-	6,961
Legal.....	32,808	-	-	-	32,808
Planning board.....	27,929	-	-	-	27,929
Fire department.....	1,589	-	-	-	1,589
Public works.....	3,022	-	-	-	3,022
Sanitation, composting and recycling.....	50,824	-	-	-	50,824
Conservation commission.....	4,550	-	-	-	4,550
Health department.....	4,531	-	-	-	4,531
Parks and recreation.....	5,525	-	-	-	5,525
Lifeguards.....	1,128	-	-	-	1,128
Tuck's Point.....	23,105	-	-	-	23,105
Employee benefits.....	7,374	-	-	-	7,374
Funds voted to fund the 2017 budget.....	388,142	-	-	-	388,142
Unassigned.....	4,732,730	-	-	-	4,732,730
TOTAL FUND BALANCES.....	\$ 6,166,064	\$ 1,214,834	\$ -	\$ 2,749,847	\$ 10,130,745

NOTE 9 – RISK FINANCING

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

The Town is self-insured for workers' compensation insurance activities. These claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. At June 30, 2016, 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, 2016 was \$943,343, which equaled its required contribution for each year.

Pension Liabilities - At June 30, 2016, the Town reported a liability of \$12,475,940 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. 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. At December 31, 2015, the Town's proportion was 3.43%, which increased 0.23% from its proportion measured as of December 31, 2014.

Pension Expense - For the year ended June 30, 2016, the Town recognized a pension expense of \$1,371,736. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$1,226,141, from the net difference between projected and actual investment earnings on pension plan investments and change in the Town's proportionate share of the System's Net Pension Liability.

The balances of deferred outflows at June 30, 2016 consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>
Difference between projected and actual earnings.....	\$ 667,500
Changes in proportionate share.....	<u>558,641</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 1,226,141</u>

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

Year ended June 30:	
2017.....	\$ 296,725
2018.....	296,725
2019.....	296,725
2020.....	309,360
2021.....	<u>26,606</u>
Total.....	<u>\$ 1,226,141</u>

Actuarial Assumptions - The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Closed - Approximate level percent of payroll.
Remaining amortization period.....	20 years for the fresh start base
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Projected salary increases.....	Select and Ultimate. 7.5% year one, 6.5% year two, 6% year three, 5.5% year four, 5% year five, 3.75% ultimate rate.
Cost of living adjustments.....	3.0% of the first \$13,000 of a member's retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.
Investment rate of return/Discount rate.....	8.00% per year

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established by PRIT. 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 rate of 3.0%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by

the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Core Bonds.....	0.97%	13.00%
Value-Added Bonds.....	3.80%	10.00%
Large Cap Equities.....	4.61%	14.50%
Mid/Small Cap Equities.....	4.85%	3.50%
International Equities.....	5.10%	16.00%
Emerging Market Equities.....	6.31%	6.00%
Private Equity.....	6.55%	10.00%
Real Estate.....	3.40%	10.00%
Timber/Natural Resources.....	3.64%	4.00%
Hedge Funds.....	3.64%	9.00%
Cash/Portfolio Completion.....	0.00%	4.00%
TOTAL.....		100.00%

Rate of Return – For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.04%). 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 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate - The following presents the net position liability, calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
The Town's proportionate share of the net pension liability..... \$	15,337,728	12,475,940	10,264,131

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town administers a single-employer defined benefit healthcare plan (“Plan”). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health

insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 70.0% to 80.0% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 20.0% to 30.0% of their premium costs. For 2016, the Town contributed approximately \$879,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the table on the following page.

Annual required contribution.....	\$	689,298
Interest on net OPEB obligation.....		140,374
Amortization of OPEB obligation.....		<u>(101,696)</u>
Annual OPEB cost (expense).....		727,976
Contributions made.....		<u>(878,935)</u>
Increase/(Decrease) in net OPEB obligation.....		<u>(150,959)</u>
Net OPEB obligation - beginning of year.....		<u>1,754,675</u>
Net OPEB obligation - end of year.....	\$	<u><u>1,603,716</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the prior two years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 727,976	121%	\$ 1,603,716
6/30/2015	701,255	91%	1,754,675
6/30/2014	1,094,927	113%	1,693,441

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8.4 million. The actuarial value of assets for the plan was \$560,000. The remaining \$7.8 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4.4 million, and the ratio of the UAAL to the covered payroll was 179.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

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

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

In the July 1, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. Plan membership includes 67 active members and 119 retirees, beneficiaries and dependents. The actuarial assumptions included an 8.0% investment return assumption, which is based on the expected yield on the assets of the Trust, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 6% initially, and graded off 0.5% per year to an ultimate rate of 4.5%. The UAAL is being amortized over a closed 28 year period, with amortization payments increasing at 4.0% per year. The asset valuation method used in market value. The remaining amortization period at July 1, 2014 is 28 years.

NOTE 12 – LANDFILL CLOSURE, ENVIRONMENTAL REMEDIATION AND POSTCLOSURE CARE

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

In May 2009, the Town voted to approve the issuance of \$2.4 million in general obligation bonds to acquire the properties to mitigate the Town's risk. The Town has since purchased the three properties and has removed the buildings. The Town has established a remediation plan submitted to the Massachusetts Department of Environmental Protection in April 2014, regarding properties located at Pine Street and Rockwood Heights Road. In April 2014, the Town voted to approve the issuance of \$1.7 million for the total amount needed for environmental engineering, testing, design and clean-up of the sites. As of June 30, 2016, the Town has spent approximately \$1.4 million related to the clean-up and required monitoring. The Town estimates that there are minimal costs remaining related to the clean-up and required monitoring.

NOTE 13 – COMMITMENTS

At year end the Town had various ongoing projects related to water, sewer and road repairs. Additionally, the Water Treatment Plant sustained significant weather related damage to the roof. In 2016, \$1.75 million was appropriated for the permanent repair to be funded first by insurance proceeds and if any unreimbursed expenses remain, through permanent borrowing. The project was completed for approximately \$1.2 million which was funded through insurance proceeds. The Town was also in the process of rebuilding the boat ramp behind Town Hall. The project began during 2016. After the project began, the Town cut ties with the original contractor and contracted with a new company to complete the project. The total project is estimated to cost approximately \$580,000.

NOTE 14 – CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2016, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. 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 #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.

- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

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.

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

YEAR ENDED JUNE 30, 2016

	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			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 24,658,999	\$ 24,658,999	\$ 24,658,999	\$ 24,828,441	\$ -	\$ 169,442
Motor vehicle and other excise taxes.....	-	893,000	893,000	893,000	1,057,849	-	164,849
Charges for services.....	-	385,000	385,000	385,000	438,929	-	53,929
Penalties and interest on taxes.....	-	65,000	65,000	65,000	92,451	-	27,451
Intergovernmental.....	-	214,928	214,928	214,928	221,505	-	6,577
Departmental and other.....	-	760,000	760,000	760,000	1,023,875	-	263,875
Investment income.....	-	13,000	13,000	13,000	17,242	-	4,242
TOTAL REVENUES.....	-	26,989,927	26,989,927	26,989,927	27,680,292	-	690,365
EXPENDITURES:							
Current:							
General Government							
Selectmen's Department							
Salaries.....	-	186,069	186,069	193,169	192,401	-	768
Expenses.....	2,500	26,400	28,900	28,900	23,543	-	5,357
Audit.....	-	35,000	35,000	35,000	32,000	3,000	-
Information Technology.....	4,916	106,000	110,916	110,916	106,955	3,961	-
Total Selectmen's Department.....	7,416	353,469	360,885	367,985	354,899	6,961	6,125
Moderator							
Expenses.....	-	50	50	50	20	-	30
Finance Committee							
Salaries.....	-	2,000	2,000	2,000	2,000	-	-
Expenses.....	-	405	405	405	301	-	104
Reserve Fund.....	-	170,000	170,000	5,067	-	-	5,067
Total Finance Committee.....	-	172,405	172,405	7,472	2,301	-	5,171
Election & Registration							
Salaries.....	-	3,300	3,300	3,300	2,947	-	353
Expenses.....	-	10,300	10,300	10,300	8,954	-	1,346
Total Elections & Registration.....	-	13,600	13,600	13,600	11,901	-	1,699
Accounting							
Salaries.....	-	126,212	126,212	126,212	126,212	-	-
Expenses.....	-	4,370	4,370	4,370	4,322	-	48
Total Accounting.....	-	130,582	130,582	130,582	130,534	-	48
Assessors							
Salaries.....	-	137,365	137,365	138,701	138,700	-	1
Expenses.....	-	39,820	39,820	39,820	39,819	-	1
Total Assessors.....	-	177,185	177,185	178,521	178,519	-	2
Treasurer/ Collector							
Salaries.....	-	155,086	155,086	141,919	137,069	-	4,850
Expenses.....	-	26,840	26,840	36,840	30,641	-	6,199
Total Treasurer/ Collector.....	-	181,926	181,926	178,759	167,710	-	11,049
Town Clerk							
Salaries.....	-	89,937	89,937	91,583	91,240	-	343
Expenses.....	-	6,050	6,050	6,050	5,055	-	995
Total Town Clerk.....	-	95,987	95,987	97,633	96,295	-	1,338
Legal							
Expenses.....	43,487	100,000	143,487	203,487	170,679	32,808	-
Appeals Board							
Salaries.....	-	17,800	17,800	17,800	17,800	-	-
Expenses.....	-	13,600	13,600	13,600	7,040	-	6,560
Total Appeals Board.....	-	31,400	31,400	31,400	24,840	-	6,560
Planning Board							
Salaries.....	-	34,641	34,641	37,726	37,726	-	-
Expenses.....	-	2,820	2,820	2,820	1,642	-	1,178
Professional Services.....	13,504	15,000	28,504	28,504	575	27,929	-
Total Planning Board.....	13,504	52,461	65,965	69,050	39,943	27,929	1,178

(continued)

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

YEAR ENDED JUNE 30, 2016

	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.....	-	61,650	61,650	61,650	61,649	-	1
Total General Government.....	64,407	1,370,715	1,435,122	1,340,189	1,239,290	67,698	33,201
Pensions.....							
Contributory.....	-	943,343	943,343	943,343	943,343	-	-
Non-Contributory.....	-	2,400	2,400	2,400	2,111	-	289
Total Pensions.....	-	945,743	945,743	945,743	945,454	-	289
Employee Benefits							
Group Health Insurance.....	-	1,559,928	1,559,928	1,713,631	1,661,737	-	51,894
Worker's Compensation.....	24,828	65,000	89,828	89,828	82,454	7,374	-
Unemployment Compensation.....	-	20,000	20,000	20,000	1,271	-	18,729
FICA-Medicare.....	-	81,424	81,424	81,424	77,657	-	3,767
Total Employee Benefits.....	24,828	1,726,352	1,751,180	1,904,883	1,823,119	7,374	74,390
Insurance							
Fire/ Auto/ Liability.....	-	125,000	125,000	125,000	105,425	-	19,575
Public Safety							
Police							
Salaries.....	-	1,518,207	1,518,207	1,518,207	1,515,329	-	2,878
Expenses.....	-	112,450	112,450	112,450	109,586	-	2,864
Total Police.....	-	1,630,657	1,630,657	1,630,657	1,624,915	-	5,742
Parking Clerk/ Resident Parking							
Salaries.....	-	8,727	8,727	8,727	8,727	-	-
Expenses.....	-	10,355	10,355	10,355	10,355	-	-
Total Parking Clerk/ Resident Parking.....	-	19,082	19,082	19,082	19,082	-	-
Fire							
Salaries.....	-	1,125,231	1,125,231	1,125,231	1,059,084	-	66,147
Expenses.....	-	118,475	118,475	118,475	116,886	1,589	-
Ambulance Billing Expenses.....	858	-	858	858	858	-	-
Total Fire.....	858	1,243,706	1,244,564	1,244,564	1,176,828	1,589	66,147
Building Department							
Building Inspector.....	-	43,080	43,080	43,080	36,287	-	6,793
Gas/ Plumbing Inspector.....	-	12,049	12,049	12,049	12,049	-	-
Sealer of Weights & Measures.....	-	3,395	3,395	3,395	3,000	-	395
Electrical Inspector.....	-	12,049	12,049	12,049	12,049	-	-
Inspectors' Expenses.....	-	4,800	4,800	4,800	4,562	-	238
Total Building Department.....	-	75,373	75,373	75,373	67,947	-	7,426
Emergency Management							
Salaries.....	-	8,931	8,931	8,931	7,516	-	1,415
Expenses.....	-	1,000	1,000	1,000	39	-	961
Emergency Notification.....	-	5,500	5,500	5,500	5,351	-	149
Total Emergency Management.....	-	15,431	15,431	15,431	12,906	-	2,525
Animal Control							
Salaries.....	-	13,985	13,985	1,985	-	-	1,985
Expenses.....	-	5,500	5,500	17,500	14,079	-	3,421
Total Animal Control.....	-	19,485	19,485	19,485	14,079	-	5,406
Total Public Safety.....	858	3,003,734	3,004,592	3,004,592	2,915,757	1,589	87,246
Education							
Public Schools							
Salaries and expenses.....	-	14,415,865	14,415,865	14,415,865	14,415,865	-	-
North Shore Regional Vocational.....	-	80,307	80,307	80,307	80,222	-	85
Total Education.....	-	14,496,172	14,496,172	14,496,172	14,496,087	-	85

(continued)

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

YEAR ENDED JUNE 30, 2016

	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.....	-	703,085	703,085	603,085	590,861	-	12,224
Expenses.....	-	235,800	235,800	360,800	356,360	3,022	1,418
Park / Beach Maintenance.....	2,516	-	2,516	2,516	2,516	-	-
Maintenance.....	22,363	-	22,363	22,363	22,363	-	-
Total Department of Public Works.....	24,879	938,885	963,764	988,764	972,100	3,022	13,642
Snow Removal							
Salaries.....	-	31,775	31,775	31,775	33,465	-	(1,690)
Expenses.....	-	170,000	170,000	170,000	102,624	-	67,376
Street Lighting.....	-	95,000	95,000	99,000	95,514	-	3,486
Total Snow Removal.....	-	296,775	296,775	300,775	231,603	-	69,172
Sanitation / Composting / Recycling							
Salaries.....	-	22,550	22,550	22,550	22,550	-	-
Expenses.....	12,000	55,000	67,000	67,000	50,581	-	16,419
Rubbish Collection / Recycling.....	-	295,818	295,818	291,818	248,800	20,319	22,699
Disposal.....	-	108,000	108,000	108,000	77,495	30,505	-
Total Sanitation / Composting / Recycling.....	12,000	481,368	493,368	489,368	399,426	50,824	39,118
Total Public Works.....	36,879	1,717,028	1,753,907	1,778,907	1,603,129	53,846	121,932
Environmental							
Historic District Commission							
Salaries.....	-	5,487	5,487	5,487	3,807	-	1,680
Expenses.....	-	1,200	1,200	1,200	252	-	948
Total Historic District Commission.....	-	6,687	6,687	6,687	4,059	-	2,628
Conservation Commission							
Salaries.....	-	60,471	60,471	60,471	55,524	-	4,947
Expenses.....	-	2,650	2,650	2,650	1,715	-	935
Chebacco Woods.....	5,000	1,250	6,250	6,250	1,700	4,550	-
Total Conservation Commission.....	5,000	64,371	69,371	69,371	58,939	4,550	5,882
Total Environmental.....	5,000	71,058	76,058	76,058	62,998	4,550	8,510
Human Services							
Health							
Salaries.....	-	60,868	60,868	60,868	54,535	-	6,333
Expenses.....	1,100	60,650	61,750	61,750	48,104	4,531	9,115
Total Health.....	1,100	121,518	122,618	122,618	102,639	4,531	15,448
Veteran's Services							
Veterans' Agent.....	-	12,534	12,534	-	-	-	-
Expenses.....	-	550	550	15,050	14,500	-	550
Veterans' Benefits.....	-	2,000	2,000	34	-	-	34
Total Veteran's Services.....	-	15,084	15,084	15,084	14,500	-	584
Council on Aging							
Salaries.....	-	134,388	134,388	134,388	134,388	-	-
Expenses.....	-	15,900	15,900	15,900	14,772	-	1,128
Total Council on Aging.....	-	150,288	150,288	150,288	149,160	-	1,128
Total Human Services.....	1,100	286,890	287,990	287,990	266,299	4,531	17,160
Library							
Salaries.....	-	293,393	293,393	293,393	292,818	-	575
Expenses.....	-	147,757	147,757	147,757	147,755	-	2
Total Library.....	-	441,150	441,150	441,150	440,573	-	577

(continued)

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

YEAR ENDED JUNE 30, 2016

	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.....	-	125,884	125,884	125,884	125,340	-	544
Expenses.....	260	63,550	63,810	63,810	58,284	5,525	1
Total Parks & Recreation.....	260	189,434	189,694	189,694	183,624	5,525	545
Singing Beach Operations							
Salaries.....	-	62,325	62,325	72,158	63,557	-	8,601
Expenses.....	-	14,325	14,325	14,325	14,306	-	19
Total Singing Beach Operations.....	-	76,650	76,650	86,483	77,863	-	8,620
Lifeguards							
Salaries.....	-	50,160	50,160	58,260	57,634	-	626
Expenses.....	-	3,400	3,400	3,400	2,192	1,128	80
Total Lifeguards.....	-	53,560	53,560	61,660	59,826	1,128	706
Tuck's Point							
Salaries.....	-	4,000	4,000	5,000	4,343	-	657
Expenses.....	19,700	32,370	52,070	51,070	18,129	23,105	9,836
Total Tuck's Point.....	19,700	36,370	56,070	56,070	22,472	23,105	10,493
Other Recreation							
Memorial Day.....	-	3,000	3,000	3,000	2,522	-	478
Fourth of July.....	-	10,000	10,000	10,000	10,000	-	-
Total Other Recreation.....	-	13,000	13,000	13,000	12,522	-	478
Total Recreation.....	19,960	369,014	388,974	406,907	356,307	29,758	20,842
State and County Charges.....	-	158,300	158,300	158,300	158,300	-	-
Debt Service							
Principal.....	-	1,082,101	1,082,101	1,082,101	1,082,100	-	1
Interest.....	-	191,196	191,196	191,196	191,196	-	-
Temporary Loans/Interest.....	-	30,000	30,000	30,000	7,760	-	22,240
MWPAT Administration Fees.....	-	1,783	1,783	1,783	1,783	-	-
Total Debt Service.....	-	1,305,080	1,305,080	1,305,080	1,282,839	-	22,241
Total Capital Outlay.....	448,205	925,000	1,373,205	1,373,205	477,851	875,846	19,508
TOTAL EXPENDITURES.....	601,237	26,941,236	27,542,473	27,644,176	26,173,428	1,045,192	425,556
EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES.....	(601,237)	48,691	(552,546)	(654,249)	1,506,864	(1,045,192)	1,115,921
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	257,348	257,348	257,348	257,348	-	-
Transfers out.....	-	(344,952)	(344,952)	(591,952)	(591,952)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(87,604)	(87,604)	(334,604)	(334,604)	-	-
NET CHANGE IN FUND BALANCE.....	(601,237)	(38,913)	(640,150)	(988,853)	1,172,260	(1,045,192)	1,115,921
BUDGETARY FUND BALANCE, Beginning of year.....	-	3,786,491	3,786,491	3,786,491	3,786,491	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (601,237)	\$ 3,747,578	\$ 3,146,341	\$ 2,797,638	\$ 4,958,751	\$ (1,045,192)	\$ 1,115,921

See notes to required supplementary information.

(concluded)

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multiyear trend information relating to the Town's proportion of the net pension liability, the Town's proportionate share of the net pension liability, the Town's covered-employee payroll, the Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll, and plan fiduciary net position as a percentage of the total pension liability.

The Schedule of the Town Contributions presents multiyear trend information for the Town's contractually required contribution, contributions in relation to the contractually required contribution, contribution deficiency (excess), the Town's covered-employee payroll, and contributions as a percentage of covered-employee payroll.

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

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

	Decmeber 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	3.200%	3.430%
Town's proportionate share of the net pension liability (asset)..... \$	10,868,675	\$ 12,475,940
Town's covered employee payroll..... \$	4,218,767	\$ 4,392,184
Net pension liability as a percentage of covered-employee payroll.....	257.63%	284.05%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%	51.01%

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 CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 821,748	\$ 943,343
Contributions in relation to the actuarially determined contribution.....	<u>(821,748)</u>	<u>(943,343)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 4,218,767	\$ 4,392,184
Contributions as a percentage of covered- employee payroll.....	19.48%	21.48%

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

See notes to required supplementary information.

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

Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.0%
Remaining amortization period.....	28 years as of July 1, 2014, closed
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	8.00%
Medical/drug cost trend rate.....	6% per year graded off 0.5% per year to an ultimate rate of 4.5% per year

Plan Membership:

Current retirees, beneficiaries, and dependents.....	119
Current active members.....	<u>67</u>
Total.....	<u><u>186</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2016 budget includes approximately \$27.3 million in current year authorized appropriations and other amounts to be raised and approximately \$601,000 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 \$339,000 to fund the Town’s OPEB trust fund and to transfer funds to the stabilization fund.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$	1,172,260
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		186,655
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		(57,206)
Net change in tax refunds payable.....		<u>(4,360)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>1,297,349</u></u>

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, snow and ice expenditures and encumbrances exceeded appropriations and the deficit will be raised in 2017.

NOTE B – PENSION PLAN

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

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

B. Schedule of Town's Contributions

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

C. Changes in Assumptions

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

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

D. Changes in Plan Provisions

None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other postemployment benefits (OPEB) on combined pre-funded and a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) was 6.66%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets

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

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

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

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Other Supplementary Information

Combining Statements

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Capital Project Funds

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

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

Permanent Funds

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

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

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

YEAR ENDED JUNE 30, 2016

Special Revenue Funds

	Gifts	Harbor- master	Special Revenue Trust	Recreation Revolving	Planning Conservation Commission	Harbor Improvement	State Grants
ASSETS							
Cash and cash equivalents.....	\$ 208,799	\$ 507,928	\$ 190,098	\$ 275,838	\$ 93,125	\$ 298,352	\$ 123,740
LIABILITIES							
Warrants payable.....	\$ 2,880	\$ 255	\$ -	\$ 9,575	\$ 431	\$ -	\$ 4,660
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	-	-
Restricted.....	205,919	507,673	190,098	266,263	92,694	298,352	119,080
TOTAL FUND BALANCES.....	205,919	507,673	190,098	266,263	92,694	298,352	119,080
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 208,799	\$ 507,928	\$ 190,098	\$ 275,838	\$ 93,125	\$ 298,352	\$ 123,740

(Continued)

<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>			<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
Other Special Revenues	Subtotal	Storm Damage Repairs	Pine Street Acquisitions and Cleanup	Subtotal	Non- Expendable Trust Funds	Expendable Trust Funds	Subtotal	
\$ 214,835	\$ 1,912,715	\$ 282,138	\$ 150,108	\$ 432,246	\$ 367,678	\$ 57,529	\$ 425,207	\$ 2,770,168
\$ 492	\$ 18,293	\$ -	\$ 2,028	\$ 2,028	\$ -	\$ -	\$ -	\$ 20,321
-	-	-	-	-	367,678	-	367,678	367,678
214,343	1,894,422	282,138	148,080	430,218	-	57,529	57,529	2,382,169
214,343	1,894,422	282,138	148,080	430,218	367,678	57,529	425,207	2,749,847
\$ 214,835	\$ 1,912,715	\$ 282,138	\$ 150,108	\$ 432,246	\$ 367,678	\$ 57,529	\$ 425,207	\$ 2,770,168

(Concluded)

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

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds						
	Gifts	Harbor- master	Special Revenue Trust	Recreation Revolving	Planning Conservation Commission	Harbor Improvement	State Grants
REVENUES:							
Motor vehicle and other excise taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,564	\$ -
Intergovernmental.....	-	-	-	-	-	-	500,587
Departmental and other.....	-	-	-	345,795	2,105	242,852	-
Contributions.....	143,304	-	23,050	-	-	-	-
Investment income.....	-	-	10,767	-	-	-	-
TOTAL REVENUES.....	143,304	-	33,817	345,795	2,105	260,416	500,587
EXPENDITURES:							
Current:							
General government.....	2,430	-	-	-	57,209	-	1,650
Public safety.....	3,127	135,730	-	-	-	-	203,887
Public works.....	-	-	-	-	-	-	126,068
Human services.....	5,987	-	-	-	-	-	13,099
Library and recreation.....	86,098	-	2,288	238,693	-	-	45,725
TOTAL EXPENDITURES.....	97,642	135,730	2,288	238,693	57,209	-	390,429
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	45,662	(135,730)	31,529	107,102	(55,104)	260,416	110,158
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	396,451	-	-	-	-	-
Transfers out.....	-	-	-	-	-	(296,451)	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	396,451	-	-	-	(296,451)	-
NET CHANGE IN FUND BALANCES.....	45,662	260,721	31,529	107,102	(55,104)	(36,035)	110,158
FUND BALANCES AT BEGINNING OF YEAR.....	160,257	246,952	158,569	159,161	147,798	334,387	8,922
FUND BALANCES AT END OF YEAR.....	\$ 205,919	\$ 507,673	\$ 190,098	\$ 266,263	\$ 92,694	\$ 298,352	\$ 119,080

(Continued)

		Capital Project Funds			Permanent Funds			Total
Other Special Revenues	Sub-total	Storm Damage Repairs	Pine Street Acquisitions and Cleanup	Sub-total	Non Expendable Trust Funds	Expendable Trust Funds	Sub-total	Nonmajor Governmental Funds
\$ -	\$ 17,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,564
-	500,587	-	-	-	-	-	-	500,587
493,597	1,084,349	-	-	-	-	-	-	1,084,349
-	166,354	-	-	-	12,050	50	12,100	178,454
-	10,767	-	-	-	-	25,649	25,649	36,416
<u>493,597</u>	<u>1,779,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,050</u>	<u>25,699</u>	<u>37,749</u>	<u>1,817,370</u>
12,987	74,276	-	337,448	337,448	-	-	-	411,724
439,462	782,206	-	-	-	-	-	-	782,206
39,588	165,656	-	-	-	-	-	-	165,656
-	19,086	-	-	-	-	-	-	19,086
-	372,804	42,427	-	42,427	-	574	574	415,805
<u>492,037</u>	<u>1,414,028</u>	<u>42,427</u>	<u>337,448</u>	<u>379,875</u>	<u>-</u>	<u>574</u>	<u>574</u>	<u>1,794,477</u>
1,560	365,593	(42,427)	(337,448)	(379,875)	12,050	25,125	37,175	22,893
-	396,451	-	-	-	-	-	-	396,451
(53,112)	(349,563)	-	-	-	-	-	-	(349,563)
<u>(53,112)</u>	<u>46,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,888</u>
(51,552)	412,481	(42,427)	(337,448)	(379,875)	12,050	25,125	37,175	69,781
<u>265,895</u>	<u>1,481,941</u>	<u>324,565</u>	<u>485,528</u>	<u>810,093</u>	<u>355,628</u>	<u>32,404</u>	<u>388,032</u>	<u>2,680,066</u>
<u>\$ 214,343</u>	<u>\$ 1,894,422</u>	<u>\$ 282,138</u>	<u>\$ 148,080</u>	<u>\$ 430,218</u>	<u>\$ 367,678</u>	<u>\$ 57,529</u>	<u>\$ 425,207</u>	<u>\$ 2,749,847</u>

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Statistical Section



Singing Beach. Singing Beach is just shy of a half-mile wide and is named for the sound made while walking in the sand. The beach includes a bathhouse that was built in the early 1920s and features a small canteen/snack stand which is privately run, as well as restrooms and changing facilities. Photo courtesy of Cheryl Marshall, Parks & Recreation Director.

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Position By Component

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2016 (1)</u>
Governmental activities										
Net investment in capital assets.....	\$ 271,360	\$ 277,935	\$ 4,474,153	\$ 4,482,187	\$ 4,517,579	\$ 5,349,753	\$ 6,080,219	\$ 6,588,998	\$ 5,988,619	\$ 6,786,763
Restricted.....	1,244,385	1,224,974	1,143,489	1,269,874	1,635,495	2,232,833	2,328,406	860,023	2,002,723	(4,527,186)
Unrestricted	<u>1,283,012</u>	<u>1,608,951</u>	<u>(3,104,640)</u>	<u>(4,246,663)</u>	<u>(5,414,126)</u>	<u>(5,388,990)</u>	<u>(4,723,842)</u>	<u>(10,026,641)</u>	<u>(8,749,501)</u>	<u>(6,683,553)</u>
Total governmental activities net position.....	<u>\$ 2,798,757</u>	<u>\$ 3,111,860</u>	<u>\$ 2,513,002</u>	<u>\$ 1,505,398</u>	<u>\$ 738,948</u>	<u>\$ 2,193,596</u>	<u>\$ 3,684,783</u>	<u>\$ (2,577,620)</u>	<u>\$ (758,159)</u>	<u>\$ (4,423,976)</u>
Business-type activities										
Net investment in capital assets.....	\$ 8,242,415	\$ 7,779,805	\$ 8,759,416	\$ 8,721,240	\$ 8,271,506	\$ 7,890,817	\$ 7,939,745	\$ 7,712,260	\$ 8,147,216	\$ 10,150,738
Unrestricted.....	<u>1,694,348</u>	<u>1,905,313</u>	<u>515,506</u>	<u>557,719</u>	<u>1,024,793</u>	<u>1,218,945</u>	<u>954,130</u>	<u>166,283</u>	<u>165,021</u>	<u>(358,937)</u>
Total business-type activities net position.....	<u>\$ 9,936,763</u>	<u>\$ 9,685,118</u>	<u>\$ 9,274,922</u>	<u>\$ 9,278,959</u>	<u>\$ 9,296,299</u>	<u>\$ 9,109,762</u>	<u>\$ 8,893,875</u>	<u>\$ 7,878,543</u>	<u>\$ 8,312,237</u>	<u>\$ 9,791,801</u>
Primary government										
Net investment in capital assets.....	\$ 8,513,775	\$ 8,057,740	\$ 13,233,569	\$ 13,203,427	\$ 12,789,085	\$ 13,240,570	\$ 14,019,964	\$ 14,301,258	\$ 14,135,835	\$ 16,937,501
Restricted.....	1,244,385	1,224,974	1,143,489	1,269,874	1,635,495	2,232,833	2,328,406	860,023	2,002,723	(4,527,186)
Unrestricted.....	<u>2,977,360</u>	<u>3,514,264</u>	<u>(2,589,134)</u>	<u>(3,688,944)</u>	<u>(4,389,333)</u>	<u>(4,170,045)</u>	<u>(3,769,712)</u>	<u>(9,860,358)</u>	<u>(8,584,480)</u>	<u>(7,042,490)</u>
Total primary government net position.....	<u>\$ 12,735,520</u>	<u>\$ 12,796,978</u>	<u>\$ 11,787,924</u>	<u>\$ 10,784,357</u>	<u>\$ 10,035,247</u>	<u>\$ 11,303,358</u>	<u>\$ 12,578,658</u>	<u>\$ 5,300,923</u>	<u>\$ 7,554,078</u>	<u>\$ 5,367,825</u>

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

Changes in Net Position

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government.....	\$ 1,124,318	\$ 1,051,418	\$ 3,057,272	\$ 4,348,762	\$ 3,590,745	\$ 3,301,849	\$ 2,209,533	\$ 1,977,317	\$ 3,328,452	\$ 2,211,434
Public safety.....	2,844,169	2,992,079	4,321,924	4,395,354	4,371,052	4,597,971	5,428,134	5,304,247	5,474,186	5,503,516
Education.....	9,736,302	10,111,285	11,211,645	11,683,547	12,366,672	12,381,121	12,576,122	13,023,589	13,442,173	14,496,087
Public works.....	1,614,569	2,117,279	2,370,338	2,301,968	2,667,830	2,234,808	3,292,779	2,187,944	2,462,981	2,303,016
Environmental.....	-	-	-	-	-	42,603	51,858	61,135	62,884	66,933
Human services.....	229,578	251,662	413,970	343,575	348,353	372,686	412,725	416,373	399,049	405,808
Library and recreation.....	906,108	861,735	1,131,858	1,108,416	1,056,110	1,233,930	1,347,516	1,347,057	1,509,755	1,565,026
Community preservation.....	102,634	227,838	125,750	99,125	111,500	31,083	121,902	174,190	188,678	273,043
Employee benefits.....	1,842,746	2,013,346	-	-	-	-	-	-	-	-
Intergovernmental.....	112,096	115,707	-	-	-	-	-	-	-	-
Interest.....	341,832	326,513	306,530	266,717	320,292	300,316	213,868	193,244	214,474	185,726
Total government activities expenses.....	18,854,352	20,068,862	22,939,287	24,547,464	24,832,554	24,496,367	25,654,437	24,685,096	27,082,632	27,010,589
Business-type activities:										
Sewer.....	1,190,960	1,133,353	1,144,432	1,182,756	1,142,391	1,171,581	1,037,894	1,035,859	888,735	967,062
Water.....	1,426,416	1,441,248	1,589,462	1,157,302	1,348,047	1,312,624	1,211,167	1,109,753	1,191,946	1,458,045
Total business-type activities expenses.....	2,617,376	2,574,601	2,733,894	2,340,058	2,490,438	2,484,205	2,249,061	2,145,612	2,080,681	2,425,107
Total primary government expenses.....	\$ 21,471,728	\$ 22,643,463	\$ 25,673,181	\$ 26,887,522	\$ 27,322,992	\$ 26,980,572	\$ 27,903,498	\$ 26,830,708	\$ 29,163,313	\$ 29,435,696
Program Revenues										
Governmental activities:										
Public Safety charges for services.....	\$ 600,037	\$ 673,902	\$ 787,630	\$ 902,236	\$ 936,231	\$ 859,854	\$ 1,060,694	\$ 928,075	\$ 941,759	\$ 1,016,928
Public works charges for services.....	478,429	551,291	177,667	202,915	261,116	370,400	271,146	226,928	420,284	245,215
Culture and recreation charges for services.....	331,245	376,887	171,466	303,173	250,412	412,894	533,176	587,051	612,374	772,549
Other charges for services.....	171,217	167,459	301,759	408,912	370,709	364,228	364,302	559,315	439,606	467,813
Operating grants and contributions.....	1,316,597	1,261,814	1,283,552	1,202,459	1,396,188	1,409,674	1,067,334	1,121,150	917,718	754,588
Capital grant and contributions.....	649,927	-	551,028	227,269	218,340	74,214	338,243	473,565	234,680	360,084
Total government activities program revenues.....	3,547,452	3,031,353	3,273,102	3,246,964	3,432,996	3,491,264	3,634,895	3,896,084	3,566,421	3,617,177
Business-type activities:										
Charges for services - Sewer.....	1,021,583	1,108,672	1,063,941	1,112,644	1,137,951	1,094,382	982,753	1,039,228	1,148,833	1,131,736
Charges for services - Water.....	749,774	971,600	864,388	1,024,289	1,128,376	1,005,231	1,010,770	1,073,623	1,288,344	1,279,465
Operating grants and contributions - Sewer.....	216,064	203,917	179,339	163,319	142,082	126,033	109,839	91,342	72,400	52,487
Capital grants and contributions - Water.....	-	-	-	-	-	-	-	-	-	1,253,267
Total business-type activities program revenues.....	1,987,421	2,284,189	2,107,668	2,300,252	2,408,409	2,225,646	2,103,362	2,204,193	2,509,577	3,716,955
Total primary government program revenues.....	\$ 5,534,873	\$ 5,315,542	\$ 5,380,770	\$ 5,547,216	\$ 5,841,405	\$ 5,716,910	\$ 5,738,257	\$ 6,100,277	\$ 6,075,998	\$ 7,334,132
Net (Expense)/Revenue										
Governmental activities.....	\$ (15,306,900)	\$ (17,037,509)	\$ (19,666,185)	\$ (21,300,500)	\$ (21,399,558)	\$ (21,005,103)	\$ (22,019,542)	\$ (20,789,012)	\$ (23,516,211)	\$ (23,393,412)
Business-type activities.....	(629,955)	(290,412)	(626,226)	(39,806)	(82,029)	(258,559)	(145,699)	58,581	428,896	1,291,848
Total primary government net expense.....	\$ (15,936,855)	\$ (17,327,921)	\$ (20,292,411)	\$ (21,340,306)	\$ (21,481,587)	\$ (21,263,662)	\$ (22,165,241)	\$ (20,730,431)	\$ (23,087,315)	\$ (22,101,564)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 15,809,877	\$ 15,835,038	\$ 18,092,319	\$ 18,675,316	\$ 19,405,859	\$ 21,181,559	\$ 22,044,186	\$ 22,483,247	\$ 23,530,730	\$ 24,831,700
Tax liens.....	62,325	94,756	8,406	15,386	14,501	12,977	15,836	31,489	6,661	26,735
Motor vehicle and other excise taxes.....	836,233	947,857	770,698	774,595	795,742	823,971	867,725	960,019	1,088,562	1,033,774
Community preservation taxes.....	135,836	71,889	78,412	83,454	257,821	277,163	289,379	330,588	631,891	327,590
Payments in lieu of taxes.....	-	-	8,086	5,412	4,703	4,727	4,813	12,053	4,744	4,749
Grants and contributions not restricted to specific programs.....	299,800	290,089	269,530	207,501	210,208	204,935	199,552	200,812	214,651	212,326
Unrestricted investment income.....	217,592	113,323	55,996	51,075	43,643	26,441	19,050	16,184	33,171	161,990
Miscellaneous.....	14,509	36,337	-	-	-	-	-	-	-	-
Transfers, net.....	69,341	(38,767)	(216,030)	(43,843)	(99,369)	(72,022)	70,188	151,208	(174,738)	(187,716)
Total governmental activities.....	17,445,513	17,350,522	19,067,417	19,768,896	20,633,108	22,459,751	23,510,729	24,185,600	25,335,672	26,411,148
Business-type activities:										
Transfers.....	(69,341)	38,767	216,030	43,843	99,369	72,022	(70,188)	(151,208)	174,738	187,716
Total primary government	\$ 17,376,172	\$ 17,389,289	\$ 19,283,447	\$ 19,812,739	\$ 20,732,477	\$ 22,531,773	\$ 23,440,541	\$ 24,034,392	\$ 25,510,410	\$ 26,598,864
Changes in Net Position										
Governmental activities.....	\$ 2,138,613	\$ 313,013	\$ (598,768)	\$ (1,531,604)	\$ (766,450)	\$ 1,454,648	\$ 1,491,187	\$ 3,396,588	\$ 1,819,461	\$ 3,017,736
Business-type activities.....	(699,296)	(251,645)	(410,196)	4,037	17,340	(186,537)	(215,887)	(92,627)	603,634	1,479,564
Total primary government.....	\$ 1,439,317	\$ 61,368	\$ (1,008,964)	\$ (1,527,567)	\$ (749,110)	\$ 1,268,111	\$ 1,275,300	\$ 3,303,961	\$ 2,423,095	\$ 4,497,300

Fund Balances, Governmental Funds

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved.....	\$ 1,211,880	\$ 1,468,698	\$ 391,397	\$ 312,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	1,630,797	1,606,016	1,719,820	1,488,450	-	-	-	-	-	-
Committed.....	-	-	-	-	-	-	-	-	-	875,846
Assigned.....	-	-	-	-	539,806	666,020	678,448	740,509	686,237	557,488
Unassigned.....	-	-	-	-	1,497,678	2,087,546	2,970,256	3,885,238	4,182,478	4,732,730
Total general fund.....	\$ 2,842,677	\$ 3,074,714	\$ 2,111,217	\$ 1,800,741	\$ 2,037,484	\$ 2,753,566	\$ 3,648,704	\$ 4,625,747	\$ 4,868,715	\$ 6,166,064
All Other Governmental Funds										
Reserved.....	\$ 443,920	\$ 282,122	\$ 294,892	\$ 303,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	1,517,100	1,410,677	1,921,152	1,938,456	-	-	-	-	-	-
Capital projects funds.....	38,240	112,809	78,779	(2,140,895)	-	-	-	-	-	-
Permanent funds.....	301,986	318,700	70,024	45,113	-	-	-	-	-	-
Nonspendable.....	-	-	-	-	300,579	306,882	314,551	330,078	355,628	367,678
Restricted.....	-	-	-	-	1,652,393	1,671,544	1,412,867	4,238,683	3,611,381	3,635,099
Total all other governmental funds.....	\$ 2,301,246	\$ 2,124,308	\$ 2,364,847	\$ 145,871	\$ 1,952,972	\$ 1,978,426	\$ 1,727,418	\$ 4,568,761	\$ 3,967,009	\$ 4,002,777

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

Changes in Fund Balances, Governmental Funds

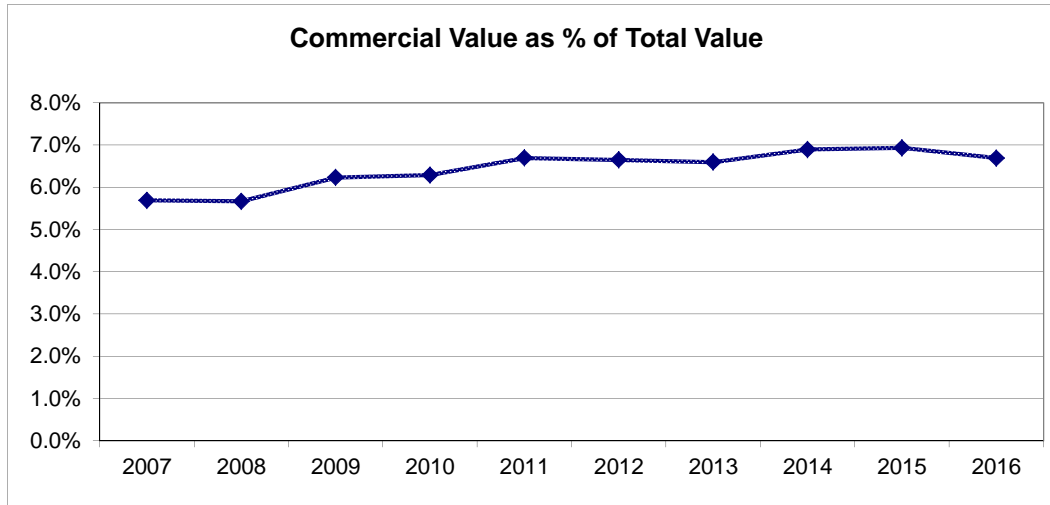
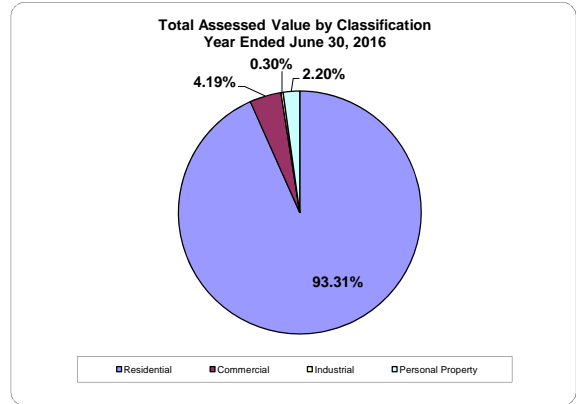
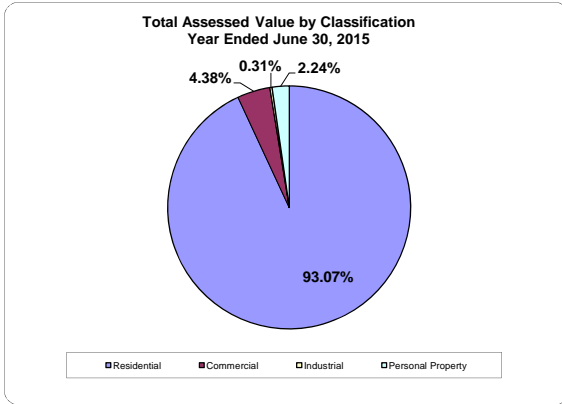
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 15,343,742	\$ 16,412,141	\$ 17,951,372	\$ 18,673,753	\$ 19,308,193	\$ 21,283,665	\$ 21,944,077	\$ 22,414,504	\$ 23,427,308	\$ 24,766,875
Motor vehicle and other excise taxes.....	854,756	864,865	807,854	787,524	788,114	841,862	821,077	997,267	1,052,007	1,075,413
Community preservation taxes.....	135,836	71,889	78,412	43,454	254,067	279,406	289,976	329,948	627,379	332,909
Charges for services.....	863,602	956,560	221,957	201,675	279,018	179,650	237,222	510,104	462,978	438,929
Penalties and interest on taxes.....	62,324	94,756	45,134	72,592	51,958	79,059	79,953	98,419	71,308	93,459
Intergovernmental.....	2,011,472	1,308,929	1,848,305	1,254,840	1,488,581	1,366,364	1,200,515	1,253,657	1,105,660	1,156,289
Departmental and other.....	731,835	781,343	1,255,730	1,618,796	1,549,944	1,764,167	2,012,530	1,857,044	1,946,132	2,108,224
Contributions.....	254,853	242,975	325,554	301,121	296,642	396,182	306,359	152,417	160,050	178,454
Investment income.....	217,592	113,323	55,996	51,075	43,643	26,441	19,050	17,587	36,330	187,639
Total Revenues.....	20,476,012	20,846,781	22,590,314	23,004,830	24,060,160	26,216,796	26,910,759	27,630,947	28,889,152	30,338,191
Expenditures:										
General government.....	1,130,160	1,059,967	1,192,779	3,336,689	1,111,340	1,171,377	1,397,416	1,213,873	2,552,316	1,685,127
Public safety.....	2,722,788	2,895,450	2,860,275	3,137,433	3,327,123	3,558,589	3,502,865	3,454,630	3,704,191	3,906,006
Education.....	9,736,302	10,111,285	11,211,645	11,683,547	12,366,672	12,381,121	12,576,122	13,023,589	13,442,173	14,496,087
Public works.....	2,515,114	2,154,066	2,581,009	1,950,901	2,222,771	1,937,077	2,600,598	2,173,789	3,063,488	2,210,430
Environmental.....	-	-	-	-	-	42,603	51,858	61,135	62,107	62,998
Human services.....	229,578	251,598	259,522	259,674	261,688	279,126	271,447	281,247	271,111	285,385
Community preservation.....	102,634	227,838	125,750	99,125	111,500	424,988	121,902	261,423	223,376	643,448
Library and recreation.....	799,007	756,019	818,956	830,626	894,001	938,162	1,317,814	1,205,962	1,120,910	1,212,740
Pension benefits.....	-	-	1,335,184	1,305,558	1,340,294	1,326,219	1,407,431	1,362,589	1,396,859	945,454
Property and liability insurance.....	-	-	87,953	86,204	89,736	92,337	94,835	107,441	120,508	105,425
Employee benefits.....	1,842,746	2,013,346	1,474,387	1,564,994	1,779,742	1,863,773	1,710,844	2,018,521	1,758,738	1,823,119
State and county charges.....	112,096	115,707	140,375	148,394	148,399	146,622	153,319	153,976	156,371	158,300
Debt service:										
Principal.....	829,900	827,400	822,700	808,300	803,600	924,900	904,200	924,500	1,142,800	1,082,100
Interest.....	351,360	340,179	309,062	278,994	321,081	314,344	245,182	239,517	228,250	200,739
Total Expenditures.....	20,371,685	20,752,855	23,219,597	25,490,439	24,777,947	25,401,238	26,355,833	26,482,192	29,243,198	28,817,358
Excess (deficiency) of revenues over (under) expenditures.....	104,327	93,926	(629,283)	(2,485,609)	(717,787)	815,558	554,926	1,148,755	(354,046)	1,520,833
Other Financing Sources (Uses):										
Issuance of refunding debt.....	-	-	-	-	2,861,000	-	2,095,000	-	-	-
Issuance of bonds and notes.....	-	-	-	-	-	-	-	2,461,000	-	-
Premium from issuance of bonds.....	-	-	-	-	-	-	-	57,423	-	-
Premium from issuance of refunding bonds.....	-	-	-	-	-	-	92,836	-	-	-
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	(2,168,820)	-	-	-
Capital lease financing.....	-	-	122,295	-	-	-	-	-	-	-
Transfers in.....	1,019,677	1,126,672	718,183	835,943	869,509	743,460	904,581	485,488	801,466	653,799
Transfers out.....	(950,336)	(1,165,439)	(934,213)	(879,786)	(968,878)	(815,482)	(834,393)	(334,280)	(976,204)	(841,515)
Total other financing sources (uses).....	69,341	(38,767)	(93,735)	(43,843)	2,761,631	(72,022)	89,204	2,669,631	(174,738)	(187,716)
Net change in fund balance.....	\$ 173,668	\$ 55,159	\$ (723,018)	\$ (2,529,452)	\$ 2,043,844	\$ 743,536	\$ 644,130	\$ 3,818,386	\$ (528,784)	\$ 1,333,117
Debt service as a percentage of noncapital expenditures.....	5.80%	5.63%	5.08%	4.44%	4.66%	5.13%	4.55%	4.56%	4.83%	4.67%
Percentage increase (decrease) of real estate and personal property taxes, net of tax refunds.....	3.92%	6.96%	9.38%	4.02%	3.40%	10.23%	3.10%	2.14%	4.52%	5.72%

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								Total Town Value
	Residential Value	Residential & Personal Property Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	
2007	\$2,019,465,720	\$7.29	\$89,420,596	\$6,062,550	\$26,351,140	\$121,834,286	\$7.29	\$7.29	\$2,141,300,006
2008	\$2,030,991,345	\$7.53	\$88,568,648	\$6,342,050	\$27,124,570	\$122,035,268	\$7.53	\$7.53	\$2,153,026,613
2009 (1)	\$2,059,975,505	\$8.25	\$91,046,836	\$6,306,000	\$39,517,900	\$136,870,736	\$8.25	\$8.25	\$2,196,846,241
2010	\$2,161,387,030	\$8.14	\$88,761,973	\$6,595,750	\$49,653,670	\$145,011,393	\$8.14	\$8.14	\$2,306,398,423
2011	\$2,016,626,930	\$9.04	\$85,892,569	\$6,528,400	\$52,259,680	\$144,680,649	\$9.04	\$9.04	\$2,161,307,579
2012 (1)	\$1,949,895,980	\$10.11	\$84,497,921	\$6,677,800	\$47,687,130	\$138,862,851	\$10.11	\$10.11	\$2,088,758,831
2013	\$1,951,832,430	\$10.51	\$84,294,302	\$6,689,600	\$46,798,640	\$137,782,542	\$10.51	\$10.51	\$2,089,614,972
2014	\$2,012,976,160	\$10.45	\$95,458,145	\$6,717,750	\$46,811,320	\$148,987,215	\$10.45	\$10.45	\$2,161,963,375
2015 (1)	\$2,027,420,125	\$10.84	\$95,509,329	\$6,717,150	\$48,748,980	\$150,975,459	\$10.84	\$10.84	\$2,178,395,584
2016	\$2,095,470,865	\$11.07	\$94,052,039	\$6,705,900	\$49,426,790	\$150,184,729	\$11.07	\$11.07	\$2,245,655,594



(1) Revaluation year.

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

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

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

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers

Current Year and Nine Years Ago

Name	Nature of Business	2016			2003 (1)		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Mass. Electric Co.	Utility	\$27,979,460	1	1.28%	\$9,222,640	5	0.43%
Essex Country Club	Golf Course	\$20,883,680	2	0.96%	\$16,040,000	2	0.75%
Sea Rock Estates (Colburn)	Residence/Apts.	\$19,149,770	3	0.88%	\$16,371,100	1	0.76%
Moore, Stuart (Eaglis)	Residence	\$16,797,800	4	0.77%	\$8,887,000	7	0.42%
Von Metzsch, Ernst	Residence	\$16,722,100	5	0.77%	-	-	-
Melden, Kurt A.	Residence	\$12,648,900	6	0.58%	-	-	-
Algonquin Gas	Gas Line	\$12,054,600	7	0.55%	-	-	-
Warren/Paumier	Residence	\$11,522,490	8	0.53%	-	-	-
Bousquet, Dawna	Residence	\$11,429,100	9	0.52%	\$8,105,600	9	0.38%
Kaneb, Gary	Residence	\$10,902,920	10	0.50%	\$7,759,810	10	0.36%
Nathanson, Alvin	Residence	-	-	-	\$11,013,500	3	0.51%
Lastavica, Dr.	Residence	-	-	-	\$9,445,700	4	0.44%
Smith Pt. Realty Tr.	Residence	-	-	-	\$9,057,250	6	0.42%
Skates, Ronald L.	Residence	-	-	-	\$8,211,400	8	0.38%
	Totals	<u>\$160,090,820</u>		<u>7.35%</u>	<u>\$104,114,000</u>		<u>4.86%</u>

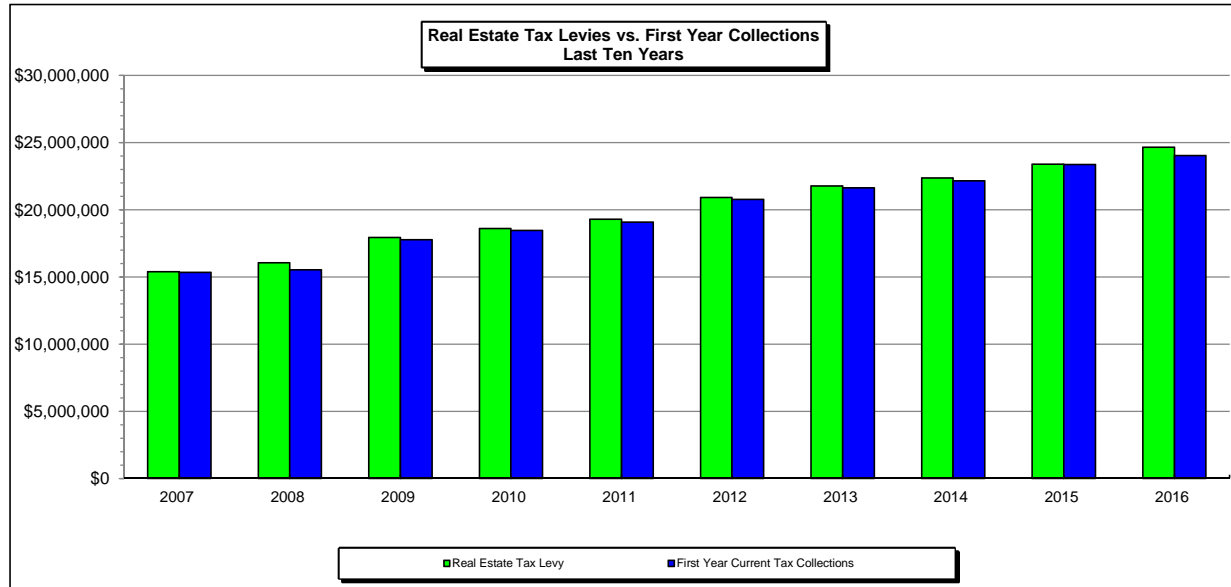
Source: Debt Offering Statements

(1) Information for 2007 is unavailable.

Property Tax Levies and Collections

Last Ten Years

Year	(2) Total Tax Levy	Less Reserve for Abatements & Exemptions	(2) Net Tax Levy	Net as % of Total	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy (3)
2007	\$15,610,077	\$215,072	\$15,395,005	98.62%	\$15,351,382	99.72%	\$247,852	\$15,599,234	101.33%
2008	\$16,212,291	\$149,989	\$16,062,302	99.07%	\$15,526,421	96.66%	\$521,692	\$16,048,113	99.91%
2009 (1)	\$18,123,982	\$194,429	\$17,929,553	98.93%	\$17,761,402	99.06%	\$6,054	\$17,767,456	99.10%
2010	\$18,774,083	\$163,876	\$18,610,207	99.13%	\$18,458,862	99.19%	\$86,193	\$18,545,055	99.65%
2011	\$19,538,221	\$245,499	\$19,292,722	98.74%	\$19,074,571	98.87%	\$98,255	\$19,172,826	99.38%
2012 (1)	\$21,117,352	\$193,715	\$20,923,637	99.08%	\$20,777,559	99.30%	\$63,362	\$20,840,921	99.60%
2013	\$21,961,853	\$191,978	\$21,769,875	99.13%	\$21,634,483	99.38%	\$32,941	\$21,667,424	99.53%
2014	\$22,592,517	\$230,286	\$22,362,231	98.98%	\$22,160,572	99.10%	\$104,593	\$22,265,165	99.57%
2015 (1)	\$23,613,808	\$214,272	\$23,399,536	99.09%	\$23,360,761	99.83%	\$150,675	\$23,511,436	100.48%
2016	\$24,859,407	\$200,408	\$24,658,999	99.19%	\$24,036,215	97.47%	\$0	\$24,036,215	97.47%



(1) Revaluation year.

(2) Includes tax liens.

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

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

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt		General Bonded Debt Ratios		
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	5,370	\$348,035,070	\$2,141,300,006	\$8,804,900	\$0	\$2,632	4.06%	0.66%
2008	5,335	\$458,713,970	\$2,153,026,613	\$7,977,500	\$0	\$2,398	2.79%	0.59%
2009	5,290	\$502,856,820	\$2,196,846,241	\$7,154,800	\$62,295	\$2,165	2.28%	0.52%
2010	5,265	\$564,144,750	\$2,306,398,423	\$6,346,500	\$0	\$1,922	1.79%	0.44%
2011	5,260	\$708,890,200	\$2,161,307,579	\$8,403,900	\$0	\$2,227	1.65%	0.54%
2012	5,205	\$577,567,620	\$2,088,758,831	\$7,479,000	\$0	\$1,981	1.79%	0.49%
2013	5,249	\$374,666,064	\$2,089,614,972	\$6,564,800	\$0	\$1,696	2.38%	0.43%
2014	5,249	\$496,445,760	\$2,161,963,375	\$8,101,300	\$0	\$1,929	2.04%	0.47%
2015	5,249	\$517,651,488	\$2,178,395,584	\$6,958,500	\$0	\$1,606	1.63%	0.39%
2016	5,700	\$672,560,100	\$2,245,655,594	\$5,876,400	\$0	\$1,188	1.01%	0.30%

Year	Business-type Activities		Primary Government	Total Outstanding Debt Ratios		
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	\$5,326,985	\$0	\$14,131,885	\$2,632	4.06%	0.66%
2008	\$4,818,246	\$0	\$12,795,746	\$2,398	2.79%	0.59%
2009	\$4,299,053	\$0	\$11,516,148	\$2,177	2.29%	0.52%
2010	\$3,774,227	\$0	\$10,120,727	\$1,922	1.79%	0.44%
2011	\$3,308,496	\$0	\$11,712,396	\$2,227	1.65%	0.54%
2012	\$2,832,120	\$0	\$10,311,120	\$1,981	1.79%	0.49%
2013	\$2,339,393	\$0	\$8,904,193	\$1,696	2.38%	0.43%
2014	\$2,024,971	\$0	\$10,126,271	\$1,929	2.04%	0.47%
2015	\$1,470,081	\$0	\$8,428,581	\$1,606	1.63%	0.39%
2016	\$897,227	\$0	\$6,773,627	\$1,188	1.01%	0.30%

Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016

	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Overlapping debt:			
Manchester-Essex Regional School District.....	\$ 21,700,000	66.35%	\$ 14,397,309
Town direct debt.....			<u>5,876,400</u>
Total direct and overlapping debt.....			\$ <u><u>20,273,709</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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Equalized Valuation.....	\$ <u>2,124,611</u>	\$ <u>2,346,551</u>	\$ <u>2,346,551</u>	\$ <u>2,434,992</u>	\$ <u>2,434,992</u>	\$ <u>2,242,768</u>	\$ <u>2,242,768</u>	\$ <u>2,276,186</u>	\$ <u>2,276,186</u>	\$ <u>2,394,763</u>
Debt Limit -5% of Equalized Valuation.....	\$ 106,231	\$ 117,328	\$ 117,328	\$ 121,750	\$ 121,750	\$ 112,138	\$ 112,138	\$ 113,809	\$ 113,809	\$ 119,738
Less:										
Outstanding debt applicable to limit.....	7,495	6,760	6,015	5,269	7,443	6,620	5,789	5,764	4,735	3,739
Authorized and unissued debt applicable to limit.....	<u>-</u>	<u>40</u>	<u>2,440</u>	<u>2,931</u>	<u>-</u>	<u>-</u>	<u>2,661</u>	<u>-</u>	<u>-</u>	<u>4,194</u>
Legal debt margin.....	\$ <u>98,736</u>	\$ <u>110,528</u>	\$ <u>108,873</u>	\$ <u>113,550</u>	\$ <u>114,307</u>	\$ <u>105,518</u>	\$ <u>103,688</u>	\$ <u>108,045</u>	\$ <u>109,074</u>	\$ <u>111,805</u>
Total debt applicable to the limit as a percentage of debt limit.....	7.06%	5.80%	7.21%	6.74%	6.11%	5.90%	7.54%	5.06%	4.16%	6.63%

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
2007	5,370	\$ 348,035,070	\$ 64,811	43.7	(A) 750	3.3%
2008	5,335	\$ 458,713,970	\$ 85,982	43.7	736	4.9%
2009	5,290	\$ 502,856,820	\$ 95,058	43.7	781	6.0%
2010	5,265	\$ 564,144,750	\$ 107,150	45.8	817	5.9%
2011	5,260	\$ 708,890,200	\$ 134,770	45.8	888	4.8%
2012	5,205	\$ 577,567,620	\$ 110,964	45.8	902	5.6%
2013	5,136	\$ 374,666,064	\$ 72,949	45.8	892	4.9%
2014	5,136	\$ 496,445,760	\$ 96,660	45.8	896	3.7%
2015	5,216	\$ 517,651,488	\$ 99,243	45.8	863	3.2%
2016	5,700	\$ 672,560,100	\$ 117,993	45.8	(A) 875	3.0%

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

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2016 (1)			2003		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Brookwood School	Education	100	1	3.67%	-	-	-
Crosby's Marketplace	Supermarket	50	2	1.84%	50	2	1.81%
Essex Country Club	Golf/Tennis	50	3	1.84%	30	4	1.09%
Family Medicine Associates	Medical Center	50	4	1.84%	-	-	-
Landmark School	Education	50	5	1.84%	-	-	-
Manchester Athletic Club	Athletic Club	50	6	1.84%	90	1	3.26%
Coldwell Banker	Real Estate	20	7	0.73%	-	-	-
Crocker's Boat Yard	Boat Yard	20	8	0.73%	-	-	-
Gurley Eye Care	Medical Center	20	9	0.73%	-	-	-
Landing at Seven Central	Restaurant	20	10	0.73%	10	8	0.36%
Oakwood Nursing Home	Nursing Home	-	-	-	45	3	1.63%
Cricket Press, Inc.	Printing	-	-	-	28	5	1.01%
Hall & Emslie	Landscaping	-	-	-	20	6	0.72%
Circolo	Restaurant	-	-	-	15	7	0.54%
Kitchen Witch Eatery	Restaurant	-	-	-	10	9	0.36%
Totals		<u>390</u>		<u>14.32%</u>	<u>170</u>		<u>6.16%</u>

Source: Massachusetts Department of Employment and Training and Official Statements

(1) Actual employment figures were not provided, only a range for the number of employees. Estimates were used based on the range provided. Information for 2007 is unavailable.

Full-time Equivalent Town Employees by Function

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function										
General government.....	8	9	10	12	11	10	10	9	11	9
Public safety.....	37	37	37	37	36	36	35	36	35	35
Public works.....	15	14	13	13	13	12	13	11	10	9
Environmental.....	1	1	1	1	2	1	1	1	1	1
Human services.....	2	2	2	2	2	2	2	2	3	3
Culture and recreation.....	5	6	6	6	7	6	6	7	7	6
Water and sewer enterprise.....	8	7	7	7	7	6	8	6	8	8
Total	<u>76</u>	<u>76</u>	<u>76</u>	<u>78</u>	<u>78</u>	<u>73</u>	<u>75</u>	<u>72</u>	<u>75</u>	<u>71</u>

Source: Various Town Departments

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fire & Rescue										
Fire related calls.....	1,023	943	893	955	955	1,007	891	975	962	996
Rescue/EMS.....	489	458	435	469	410	436	400	513	485	481
Permits and inspections.....	353	419	669	666	811	715	1,117	1,329	1,191	239
Animal Control										
Calls for service.....	n/a	249	323	337	323	312	345	404	438	376
Council on Aging										
Units of transportation provided.....	n/a	n/a	1,272	1,008	1,196	1,250	960	975	3,300	4,200
Units of outreach service provided.....	n/a	n/a	215	237	256	274	278	283	375	390
Meals delivered by Meals on Wheels.....	3,500	3,200	3,000	2,700	2,400	2,200	2,275	2,633	3,336	3,453
Inspectional Services Department										
Number of building permits issued.....	250	242	209	208	228	229	259	249	280	326
Number of electrical permits.....	225	223	197	144	192	174	158	208	189	204
Number of plumbing.....	196	196	193	172	200	196	172	176	211	211
Number of gas permits.....	221	239	203	177	175	206	152	165	209	177
Water/Sewer										
Drinking water use (in gallons).....	n/a	230,000,000	230,000,000	225,000,000	303,000,000	268,000,000	265,000,000	288,000,000	n/a	n/a
Drinking water supplied to.....	n/a	n/a	n/a	n/a	n/a	2,000	2,000	2,000	2,000	2,000
Annual flow of wastewater (in gallons).....	n/a	146,000,000	151,000,000	212,000,000	171,000,000	206,000,000	128,000,000	153,000,000	n/a	n/a
Recreation										
Number of participants after school program.....	n/a	n/a	45	45	85	102	102	108	85	91
Number of participants winter basketball.....	n/a	n/a	238	248	292	279	283	296	283	267
Number of participants summer playground.....	n/a	n/a	273	272	269	376	371	314	312	209
Parking Clerk										
Beach and residence stickers issued.....	3,466	3,418	3,502	3,466	3,617	3,662	3,689	3,561	3,700	3,778
Police Department										
Calls for service.....	6,503	7,127	7,946	7,923	7,902	9,374	11,061	12,157	13,130	13,676
Arrests.....	n/a	152	172	n/a	129	111	142	129	136	178
Traffic citations.....	n/a	545	610	709	673	561	579	588	587	581
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.....	823	852	895	915	913	923	940	909	973	915
Manchester Public Library										
Number of visitors.....	n/a	38,740	37,000	49,000	45,855	46,820	50,000	50,000	43,500	50,630
Registered borrowers.....	n/a	n/a	4,620	4,900	4,512	4,550	4,726	5,200	4,613	5,694
Number of circulated items.....	n/a	n/a	n/a	75,000	n/a	73,315	67,300	63,000	65,577	62,763
Borrowed from other MVLC libraries.....	n/a	n/a	n/a	n/a	n/a	12,000	14,000	12,000	10,887	11,195
Items lent to other MVLC libraries.....	n/a	n/a	n/a	n/a	n/a	29,000	17,250	15,660	16,626	17,931
Answered reference questions.....	2,547	3,275	3,500	4,000	3,500	n/a	2,400	1,444	1,395	2,183
Titles owned.....	n/a	n/a	50,900	57,300	54,363	81,674	53,700	59,443	54,386	59,443
Number of programs held.....	220	227	237	215	196	212	240	244	226	n/a

Note- 2016 information not available.

Source: Various Town Departments

n/a - not available

Capital Asset Statistics by Function/Program

Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Town Hall.....	1	1	1	1	1	1	1	1	1	1
Seaside One Building.....	1	1	1	1	1	1	1	1	1	1
Police										
Police Station at Town Hall.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Sewer Treatment Plant.....	1	1	1	1	1	1	1	1	1	1
Water Treatment Plant.....	1	1	1	1	1	1	1	1	1	1
Public Works Garage.....	1	1	1	1	1	1	1	1	1	1
Cemetery.....	1	1	1	1	1	1	1	1	1	1
Transfer Station.....	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Tuck's Point.....	1	1	1	1	1	1	1	1	1	1
Rotunda at Tuck's Point.....	1	1	1	1	1	1	1	1	1	1
Tuck's Point Chowder House.....	1	1	1	1	1	1	1	1	1	1
Singing Beach.....	1	1	1	1	1	1	1	1	1	1
Masconomo Park.....	1	1	1	1	1	1	1	1	1	1
Libraries.....	1	1	1	1	1	1	1	1	1	1
Crowell Chapel.....	1	1	1	1	1	1	1	1	1	1
Black Beach.....	1	1	1	1	1	1	1	1	1	1
Coach Field Playground.....	1	1	1	1	1	1	1	1	1	1
Magnolia Beach.....	1	1	1	1	1	1	1	1	1	1
Surf Park.....	1	1	1	1	1	1	1	1	1	1
Sweeney Park.....	1	1	1	1	1	1	1	1	1	1
West Manchester Beach.....	1	1	1	1	1	1	1	1	1	1
White Beach.....	1	1	1	1	1	1	1	1	1	1

Source: Various Town Departments