

OFFICIAL STATEMENT DATED MARCH 19, 2013

REFUNDING ISSUE

MOODY'S RATING: Aa2

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including adjusted current earnings for purposes of computing the Federal alternative minimum tax imposed on corporations (as defined for federal income tax purposes). In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See "Form of Opinion of Bond Counsel and Tax Exemption" herein.

TOWN OF ESSEX, CONNECTICUT

\$7,170,000

GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2013

(BANK QUALIFIED)

Table with columns: DATED Date of Delivery, DUE August 1, 2014-27 as shown below. Rows include Due August 1, Principal Amount, Coupon, Yield, CUSIP, Due August 1, Principal Amount, Coupon, Yield, CUSIP for years 2014-2020.

*Priced assuming redemption on August 1, 2023; however redemption is at the election of the Town. See "Redemption" herein.

Interest on the Bonds will be payable on August 1, 2013 and semiannually thereafter on February 1 and August 1 in each year until maturity.

The Bonds are subject to redemption prior to maturity as more fully described herein.

The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. See "Book-Entry-Only Transfer System" herein.

The Bonds will be general obligations of the Town of Essex, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See "Security and Remedies" herein.

U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut will certify the Bonds and act as Registrar, Transfer Agent, Certifying Agent, Paying Agent and Escrow Agent for the Bonds.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to the Depository Trust Company, ("DTC") in New York, New York on or about April 2, 2013.

Underwriter
PiperJaffray.

This cover page contains certain information for quick reference only. It is NOT a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

1 Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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No dealer, broker, salesman or other person has been authorized by the Town of Essex, Connecticut (the “Town”) to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

BOND ISSUE SUMMARY

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	Town of Essex, Connecticut (the "Town").
Issue:	\$7,170,000 General Obligation Refunding Bonds, Issue of 2013 (the "Bonds").
Dated Date:	Date of Delivery.
Interest Due:	February 1 and August 1, in each year until maturity, commencing August 1, 2013.
Principal Due:	Serially August 1, 2014 through 2027, as detailed in this Official Statement.
Purpose and Authority:	The proceeds of the Bonds will be used to refund at or prior to maturity any or all of the principal amounts outstanding of the Town's General Obligation Bonds, Issue of 2007, including applicable interest and redemption premium, if any. See "Authorization and Purpose" and "Plan of Refunding" herein.
Redemption:	The Bonds are subject to redemption prior to maturity as more fully described herein.
Security:	The Bonds will be general obligations of the Town of Essex, Connecticut and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Town received a credit rating of "Aa2" from Moody's Investors Service, Inc. ("Moody's"), on the Bonds. See "Rating" herein.
Bond Insurance:	The Town does not expect to direct purchase a credit enhancement facility.
Tax Exemption:	See Appendix B, "Form of Opinion of Bond Counsel and Tax Exemption" herein.
Bank Qualification:	The Bonds shall be designated as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information, operating data and notices of certain events with respect to the Bonds within 10 days of the occurrence of such events, pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form of Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, Paying Agent and Escrow Agent:	U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23 rd Floor, Hartford, Connecticut.
Legal Opinion:	Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about April 2, 2013 against payment in Federal Funds .
Issuer Official:	Questions concerning the Official Statement should be directed to Mr. Robert B. Dixon, Treasurer, Town of Essex, 29 West Avenue, Essex, Connecticut 06426. Telephone: 860-767-4340.
Financial Advisor:	FirstSouthwest, 628 Hebron Avenue, Suite 306, Glastonbury, Connecticut 06033, attention: Janette J. Marcoux, Senior Vice President, Telephone: 860-290-3003.

I. BOND INFORMATION

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Essex, Connecticut (the “Town”) in connection with the issuance of \$7,170,000 General Obligation Refunding Bonds, Issue of 2013 (the “Bonds”), of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents, and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

First Southwest Company as Financial Advisor to the Town has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

An agreement between the Town and First Southwest Company has been entered into to conform to Municipal Securities Rulemaking Board (MSRB) Rule G-23.

Set forth in Appendix A “Basic Financial Statements” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing upon and does not assume responsibility for the sufficiency, accuracy or completeness of the statements made in this Official Statement (other than matters expressly set forth in its opinion in Appendix B (“Form of Opinion of Bond Counsel and Tax Exemption” herein) and it makes no representation that it has independently verified the same.

The Town considers this Official Statement to be “final” for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

DESCRIPTION OF THE BONDS

The Bonds will be dated as of the date of delivery. The Bonds will mature in annual installments on August 1 in each of the years and in the principal amounts set forth on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiples thereof. Interest on the Bonds will be payable on August 1, 2013 and semiannually thereafter on February 1 and August 1 in each year until maturity and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day. Interest will be calculated on the basis of a 360-day

year, consisting of twelve 30-day months. A book-entry-only transfer system will be employed evidencing ownership of the Bonds with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System” herein. The Certifying Agent, Paying Agent, Registrar, Transfer Agent, and Escrow Agent will be U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut (email: bhcorporatetrust@usbank.com). The legal opinion on the Bonds will be rendered by Joseph Fasi LLC, in substantially the form set forth in Appendix B to this Official Statement.

The Bonds are subject to redemption prior to maturity as more fully described herein.

REDEMPTION

The Bonds maturing on or before August 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after August 1, 2023, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid, to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 1, 2023 and thereafter	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner of such Bonds at the address of such registered owner as the name shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date. So long as Cede & Co., as nominee of the Depository Trust Company (“DTC”), is the registered owner of the Bonds, notice of redemption will be sent only to DTC (or a successor securities depository) or its successor nominee.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine, provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town or be the responsibility of, the Town, the Registrar or Paying Agent.

BOOK-ENTRY-ONLY TRANSFER SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the

Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds in an issue are being redeemed, DTC's practice is to determine by lot, the amount of interest for each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC PRACTICES

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

SECURITY AND REMEDIES

The Bonds will be general obligations of the Town of Essex, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue that the Town would have received except for the limitation upon its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds and notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such bonds and notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted by the Congress or the Connecticut General Assembly and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

QUALIFICATIONS FOR FINANCIAL INSTITUTIONS

The Bonds **shall** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

AVAILABILITY OF CONTINUING DISCLOSURE

The Town of Essex prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of annual audited financial statements, adopted budgets and other materials relating to its management and financial condition as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events within 10 days of the occurrence of such events, with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement with respect to the Bonds. The Underwriter's obligation to purchase the Bonds shall be conditional upon its receiving at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds or notes to provide annual financial information and event notices pursuant to Rule 15c2-12(b)(5). The Town has not defaulted in this obligation to provide annual information pursuant to Continuing Disclosure Agreements executed by the Town in connection with the sale of any bonds or notes, **except for:** 1) the failure to provide certain annual financial information for the fiscal year ending June 30, 2010. The delay in the completion was due to an inadvertent upload of the 2010 Supplemental Financial data twice, instead of uploading and filing the Supplemental Financial data and the 2010 Audited Financial Statements. On January 31, 2013, the Town corrected this operational error by uploading to EMMA and filing the 2010 Audited Financial Statements.

AUTHORIZATION AND PURPOSE

The Bonds are issued pursuant to the General Statutes of Connecticut, as amended and a resolution approved by the Town's Board of Selectmen on February 6, 2013 authorizing the issuance of refunding bonds in an amount not to exceed \$10,000,000.

The Bonds are being issued to advance refund all or any portion of the aggregate principal amount outstanding of certain Town of Essex General Obligation Bonds listed below (the “Refunded Bonds”). See “Plan of Refunding” herein.

PLAN OF REFUNDING

The Bonds are being issued to advance refund all or any portion of the aggregate principal amount outstanding of the Refunded Bonds, as set forth below:

Issue	Maturity Date	Interest Rate	Par Amount	Redemption Date	Redemption Price	CUSIP Number
8/1/2007	8/1/2017	4.125%	\$675,000	8/1/2016	100.0%	296731CU4
8/1/2007	8/1/2018	4.125%	675,000	8/1/2016	100.0%	296731CV2
8/1/2007	8/1/2019	4.125%	685,000	8/1/2016	100.0%	296731CW0
8/1/2007	8/1/2020	4.125%	685,000	8/1/2016	100.0%	296731CX8
8/1/2007	8/1/2021	4.250%	685,000	8/1/2016	100.0%	296731CY6
8/1/2007	8/1/2022	4.250%	650,000	8/1/2016	100.0%	296731CZ3
8/1/2007	8/1/2023	4.375%	575,000	8/1/2016	100.0%	296731DA7
8/1/2007	8/1/2024	4.375%	525,000	8/1/2016	100.0%	296731DB5
8/1/2007	8/1/2025	4.375%	525,000	8/1/2016	100.0%	296731DC3
8/1/2007	8/1/2026	4.375%	525,000	8/1/2016	100.0%	296731DD1
8/1/2007	8/1/2027	4.400%	525,000	8/1/2016	100.0%	296731DE9

The refunding is contingent upon delivery of the Bonds.

Upon delivery of the Bonds, a portion of proceeds of the Bonds will be placed in an irrevocable escrow fund (the “Escrow Deposit Fund”) established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under an Escrow Agreement (the “Escrow Agreement”) dated as of the date of delivery of the Bonds, between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of or obligations guaranteed by the government of the United States of America, including United States Treasury State and Local Government Series (“SLGS”) securities, Federal National Mortgage Association (“FNMA”) securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer of the securities (the “Escrow Securities”), the principal of and interest on which, when due, will provide amounts sufficient to pay the principal, interest and redemption premium on the Refunded Bonds to the redemption dates or maturity (the “Escrow Requirements”). All investment income on and maturing principal of the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest and redemption premium on the Refunded Bonds will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and Underwriter’s discount.

SOURCES AND USES OF BOND PROCEEDS

Sources of Funds

Par Amount of Bonds.....	\$7,170,000.00
Net Original Issue Premium.....	568,145.25
Total Sources	\$7,738,145.25

Uses of Funds

Deposit to Escrow Deposit Fund.....	\$7,634,703.53
Underwriter's Discount.....	31,189.50
Costs of Issuance.....	70,000.00
Contingency.....	2,252.22
Total Uses	\$7,738,145.25

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Escrow Securities, together with the interest income thereon and uninvested cash, if any, to pay when due, the principal of and interest income on the Refunded Bonds (ii) the yield on the Bonds and on the Escrow Securities for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, and (iii) net present value savings, will be verified by Grant Thornton LLP. Such verification will be based upon information and assumptions supplied by the Underwriter and the Town, and such verification, information and assumptions will be relied on by Bond Counsel in rendering its opinion described herein.

RATING

The Town received a credit rating of “Aa2” from Moody’s Investors Service, Inc. (“Moody’s”), on the Bonds.

The Town furnished to the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating will reflect only the views of the rating agency and an explanation of the significance of such rating may be obtained from Moody’s Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There is no assurance that the rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse affect on the marketability or market price of the Town’s bonds or notes, including the Bonds.

II. THE ISSUER



DESCRIPTION OF THE TOWN

The Town of Essex was incorporated in 1852 as Old Saybrook, taken from Saybrook, and permanently renamed in July of 1854. Essex, comprised of the three villages of Essex, Ivoryton, and Centerbrook, is located in Middlesex County and is traversed by State Highways 153, 154, and Route 9. The town covers an area of 11.8 square miles and is bordered on the north by Deep River, on the south by Old Saybrook and Westbrook, and on the east by the Connecticut River. Steeped in colonial maritime history as a shipping and whaling center, Essex, now known for naval lighting equipment and fluid control components for aerospace, still serves as a recreational marine resource with access to both the Connecticut River and Long Island Sound. The town is home to 6,697 residents as of 2011 and its equalized taxable base is set at \$1,562,802,546 for 2010.

FORM OF GOVERNMENT

The Town of Essex derives its power and privileges from the provisions of Connecticut General Statutes. The Town Meeting form of government includes a Board of Selectmen, composed of three elected members serving concurrent two-year terms, and a Board of Finance. The Board of Finance consists of six members elected to overlapping six year terms. The Town of Essex does not have a charter.

The General Statutes give the Board of Selectmen responsibility to prepare the annual budget which is then presented to the Board of Finance. It is the responsibility of the Board of Finance to establish the tax rate, ascertain the need for appropriations and transfer of monies to and from Town accounts and the publishing of the annual report.

The Board of Education is the policy-making body for grades kindergarten through six. Grades pre-kindergarten, and seven through twelve are serviced by Regional School District Number 4, composed of the Towns of Essex, Chester and Deep River. A member town may withdraw from the District, but such withdrawal does not affect the obligation of the member town to District bondholders.

PRINCIPAL TOWN OFFICIALS

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term of Office</u>	<u>Length of Service</u>
First Selectman.....	Norman M. Needleman	Elected	2 Years	9 Years
Selectman.....	Stacia Libby	Elected	2 Years	1 Year
Selectman.....	Joel Marzi	Elected	2 Years	10 Years
Town Treasurer.....	Robert B. Dixon	Elected	4 Years	10 Years
Chairman, Board of Finance.....	James Francis	Elected	6 Years	10 Years
Chairman, Board of Education.....	Lon Seidman	Elected	6 Years	10 Years
Superintendent of Schools.....	Ruth Levy	Appointed	Indefinite	3 Years

Source: First Selectman’s Office, Town of Essex.

SUMMARY OF MUNICIPAL SERVICES

Police: The Essex Police Department has a staff of eight, consisting of one full-time Resident State Trooper, three full-time officers and one part time officer, and three part-time Marine Auxiliary Officers. The department is under the direction of the Connecticut State Police, and between the State Police and the Town’s department, the citizens of Essex receive 24 hour service.

Fire: Fire protection is provided by the Town’s fifty-one volunteer firefighters. The department, headed by the chief, consists of a central headquarters and one additional station.

Emergency: Emergency services are provided by a non-profit volunteer Ambulance Association. The Association receives a minimal amount of funding from the Town. The Association has three emergency ambulances and responds to various types of emergencies.

Highway Department: The Highway Department’s goal is to keep the Town’s infrastructure intact by performing all the basic maintenance as well as new construction of the Town’s drainage and sidewalks. With its staff of four full-time workers supplemented by seasonal hires, the department also repairs and maintains town buildings.

Solid Waste: The Town has a transfer station and a regional recycling center where residents may directly bring and dispose of their garbage, recyclables and bulky waste, paying a fee for all non-ordinary items.

Effective November 16, 2012, the Town of Essex entered into a new Long-Term Municipal Solid Waste Management Agreement with Connecticut Resource Recovery Authority (“CRRA”). The agreement extends until June 30, 2027. The tipping fee for the municipal solid waste is \$61.00 per ton for the fiscal year 2012/2013.

The debt issuance for the Mid Connecticut Waste to Energy project is retired. The final bond payment was made November 15, 2012 and the Town of Essex payment obligation related to this bond is complete.

Parks and Recreation: The Town offers activities that include Youth Summer Program, outdoor summer concerts, tennis lessons, Youth Basketball Program, bus trips, etc. In addition to these activities, town properties/facilities include several parks, athletic fields, and tennis courts.

TOWN EMPLOYEES

The following table illustrates the full and part-time Town employees for the last five fiscal years:

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government....	24.02	23.15	23.46	22.53	26.10
Board of Education.....	65.08	64.58	64.88	65.65	67.40
Total ¹	89.10	87.73	88.34	88.18	93.50

¹ Full time equivalent figures.
Source: Town Officials.

MUNICIPAL EMPLOYEES BARGAINING UNITS

Bargaining Groups	Positions Covered ¹	Current Contract Expiration Date
General Government		
Public Works - Local 1183 - Council #4 American Federation of State, County & Municipal Employees AFL-CIO.....	4	June 30, 2016
Essex Police - IBPO Local 660.....	3	June 30, 2015
Board of Education		
Administrators - Essex Elementary Administrators Association CEA-NEA..	2	June 30, 2014
Teachers - Essex Elementary Education Association CEA-NEA.....	35	June 30, 2016
Para-Educators - Local 506 - Municipal Employees Union Ind. SEIU.....	19	June 30, 2014
Custodians, Secretaries, Network Technicians, and Registered Nurses - Local 1303-421 of Council #4, American Federation of State, County and Municipal Employees AFL-CIO.....	6	June 30, 2015

¹ Regular full time.
Source: Town of Essex.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel for all municipal bargaining groups considers prior negotiations between the parties, the interests and welfare of the employee group, existing employment conditions and wages, changes in the cost of living, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits. The statutes differ in the considerations to be reviewed in teacher contracts as compared to other municipal employee contracts by specifying a three year cost of living analysis and requiring that the panel take into account the terms of recent contract settlements and awards in collective bargaining.

EDUCATION SYSTEM

Regional School District Number 4 was organized in 1948 under provisions of the Connecticut General Statutes, Chapter 164, Section 10-45, after approval by the member towns of Essex, Chester, and Deep River. John Winthrop Middle School in Deep River accommodates grades 7 and 8, and Valley Regional High School, in Deep River, serves grades 9-12. Each member town maintains and funds its own school district which provides elementary education grades Pre K-6.

SCHOOL FACILITIES

School	Grades	Date of Construction/ Remodeling	Number of Classroom	(Essex) Enrollment 10/1/2012	Rated Capacity
Essex Elementary School...	Pre K-6	1953, 1966, 1989, 2007	34	494	625
John Winthrop Middle.....	7-8	1970, 1987, 2005	44	175	544
Valley Regional High	9-12	1950, 1957, 1981, 2005	48	290	640
Total				959	1,809

SCHOOL ENROLLMENT

<u>School Year</u>	<u>Elementary Pre K-6</u>	<u>Middle School 7-8</u>	<u>High School 9-12</u>	<u>Total</u>
<i>Historical</i>				
2008-2009	565	149	254	968
2009-2010	566	167	258	991
2010-2011	559	162	263	984
2011-2012	527	148	286	961
2012-2013	494	175	290	959
<i>Projected</i>				
2013-2014	468	166	273	907
2014-2015	427	147	298	872
2015-2016	375	152	284	811
2016-2017	358	167	287	812
2017-2018	352	146	287	785

III. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

Year	Population ¹	% Increase	Density ²
2011	6,697	0.2	568
2010	6,683	2.7	566
2000	6,505	10.2	551
1990	5,904	16.3	500
1980	5,078	3.0	430
1970	4,932	20.3	418

¹ 1970-2010 – U.S. Department of Commerce, Bureau of Census; FY 2011, U.S. Census Bureau, 2007-2011 American Community Survey.

² Per square mile: 11.8 square miles.

AGE DISTRIBUTION OF THE POPULATION

	Town of Essex		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	308	4.6%	203,168	5.7%
5 - 19.....	1,005	15.0%	717,785	20.2%
20 - 44.....	1,438	21.5%	1,136,836	32.0%
45 - 64.....	2,558	38.2%	1,000,909	28.1%
65 - 84.....	1,069	16.0%	415,578	11.7%
85 and over.....	319	4.8%	83,896	2.4%
Totals.....	6,697	100.0%	3,558,172	100.0%
Median Age (years)	49.2		39.8	

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

INCOME DISTRIBUTION

	Town of Essex		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	0	0.0%	28,077	3.1%
10,000 - 14,999.....	0	0.0%	18,909	2.1%
15,000 - 24,999.....	75	4.0%	46,077	5.1%
25,000 - 34,999.....	56	3.0%	56,404	6.2%
35,000 - 49,999.....	133	7.0%	89,046	9.8%
50,000 - 74,999.....	237	12.5%	149,535	16.5%
75,000 - 99,999.....	318	16.8%	138,055	15.2%
100,000 - 149,999..	375	19.8%	190,736	21.0%
150,000 - 199,999..	231	12.2%	87,410	9.6%
200,000 and more...	470	24.8%	104,575	11.5%
Totals.....	1,895	100.0%	908,824	100.0%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

INCOME LEVELS

	Town of Essex	State of Connecticut
Per Capita Income, 2011.....	\$61,309	\$37,627
Per Capita Income, 1999.....	\$42,806	\$28,776
Per Capita Income, 1989	\$26,590	\$20,189
Median Family Income, 2011.....	\$117,083	\$86,395
Median Family Income, 1999.....	\$88,888	\$65,521
Median Family Income, 1989.....	\$55,220	\$49,199
Percent Below Poverty Level 2011.	0.7%	6.7%

Source: U.S. Department of Commerce, Bureau of Census, 2000, 1990; U.S. Census Bureau, 2007-2011 American Community Survey.

EDUCATIONAL ATTAINMENT

Years of School Completed Age 25 and Over

	Town of Essex		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	40	0.8%	111,783	4.6%
9th to 12th grade.....	170	3.2%	164,150	6.8%
High School graduate.....	1,077	20.6%	678,997	28.1%
Some college, no degree.....	832	15.9%	420,489	17.4%
Associate's degree	319	6.1%	176,481	7.3%
Bachelor's degree.....	1,753	33.5%	486,109	20.1%
Graduate or professional degree..	1,044	19.9%	375,913	15.6%
Totals.....	5,235	100.0%	2,413,922	100.0%
Total high school graduate or higher (%).....		96.0%		88.6%
Total bachelor's degree or higher (%).....		53.4%		35.7%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

MAJOR EMPLOYERS

As of February 2013

Employer	Product	Estimated Number of Employees
Essex Meadows Lifecare.....	Nursing & Convalescent Homes	180
Underwater Construction.....	Underwater Construction	150
Middlesex Medical Hospital Lab.....	Hospital	147
Griswold Inn.....	Restaurant	125
Essex Elementary School.....	School	106
Leather Man LTD Inc.....	Manufacturer Belts & Suspenders	100
Valley Railroad Company.....	Tourist Trains	100
Oliver's Taverne.....	Restaurant	30

Source: Telephone Survey of Employers.

EMPLOYMENT BY INDUSTRY

Sector	Town of Essex		State of Connecticut	
	Families	Percent	Families	Percent
Agriculture, forestry, fishing and hunting, and mining.....	0	0.0%	6,490	0.4%
Construction.....	283	8.3%	107,614	6.1%
Manufacturing.....	515	15.2%	201,999	11.4%
Wholesale Trade.....	81	2.4%	45,358	2.6%
Retail Trade.....	427	12.6%	193,940	11.0%
Transportation and warehousing, and utilities.....	165	4.9%	67,041	3.8%
Information	87	2.6%	44,581	2.5%
Finance, insurance, real estate, and rental and leasing.....	292	8.6%	166,839	9.5%
Professional, scientific, management, administrative, and waste management services.....	364	10.7%	190,314	10.8%
Educational, health and social services.....	683	20.1%	451,766	25.6%
Arts, entertainment, recreation, accommodation and food services.....	156	4.6%	142,250	8.1%
Other services (except public administration).....	257	7.6%	79,787	4.5%
Public Administration	86	2.5%	66,776	3.8%
Total Labor Force, Employed.....	3,396	100.0%	1,764,755	100.0%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

EMPLOYMENT DATA

Period ¹	Town of Essex		Percentage Unemployed		
	Employed	Unemployed	Town of Essex	New Haven Labor Market	State of Connecticut
Annual Average					
2012.....	3,490	223	6.0%	8.7%	8.3%
2011.....	3,504	255	6.8	9.2	8.8
2010.....	3,477	260	7.0	9.5	9.3
2009.....	3,595	236	6.2	8.3	8.3
2008.....	3,657	158	4.1	5.8	5.6
2007.....	3,639	129	3.4	4.8	4.6
2006.....	3,616	120	3.2	4.6	4.4
2005.....	3,558	137	3.7	5.0	4.9
2004.....	3,552	136	3.7	4.9	4.9
2003.....	3,536	141	3.8	5.4	5.5

¹ Not seasonally adjusted

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

Year Built	Town of Essex		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	850	26.0%	346,215	23.3%
1940 to 1969.....	898	27.5%	535,273	36.1%
1970 to 1979.....	350	10.7%	202,757	13.7%
1980 to 1989.....	664	20.3%	191,545	12.9%
1990 to 1999.....	326	10.0%	109,329	7.4%
2000 or Later.....	181	5.5%	97,679	6.6%
Total housing units, 2011...	3,269	100.0%	1,482,798	100.0%
Percent Owner Occupied, 2011		81.2%		68.9%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

HOUSING INVENTORY

Type	Town of Essex		State of Connecticut	
	Units	Percent	Units	Percent
1 unit detached.....	2,565	78.5%	879,393	59.3%
1 unit attached.....	41	1.3%	77,315	5.2%
2 to 4 units.....	276	8.4%	251,147	16.9%
5 to 9 units.....	148	4.5%	80,575	5.4%
10 or more units.....	239	7.3%	181,314	12.2%
Mobile home, trailer, other..	0	0.0%	13,054	0.9%
Total Inventory.....	3,269	100.0%	1,482,798	100.0%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

OWNER-OCCUPIED HOUSING VALUES

Specified Owner-Occupied Units	Town of Essex		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	16	0.7%	15,295	1.6%
\$50,000 to \$99,999.....	29	1.2%	19,347	2.1%
\$100,000 to \$149,999.....	14	0.6%	56,379	6.0%
\$150,000 to \$199,999.....	79	3.3%	123,823	13.2%
\$200,000 to \$299,999.....	293	12.2%	271,204	28.9%
\$300,000 to \$499,999.....	992	41.3%	275,823	29.4%
\$500,000 to \$999,999.....	743	30.9%	129,633	13.8%
\$1,000,000 or more.....	237	9.9%	45,835	4.9%
Totals.....	2,403	100.0%	937,339	100.0%
Median Sales Price - 2000 ¹		\$235,200		\$166,900
Median Sales Price - 2011 ²		\$430,600		\$293,100

¹ U.S. Department of Commerce, Bureau of Census, 2000.

² U.S. Census Bureau, 2007-2011 American Community Survey.

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

BUILDING PERMITS

Fiscal Year Ending 6/30	Single Family		Condominiums		Commercial/Industrial		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
2012	493	\$7,713,226	6	\$96,713	124	\$2,995,864	623	\$10,805,803
2011	424	4,031,587	1	12,500	88	1,844,721	513	5,888,808
2010	358	7,742,847	3	15,000	82	1,783,690	443	9,541,537
2009	342	7,440,991	3	90,900	103	5,863,061	448	13,394,952
2008	480	20,119,400	6	172,800	123	3,598,614	609	23,890,814
2007	483	11,780,295	14	148,998	87	15,441,164	584	27,370,457
2006	534	9,755,602	13	802,450	91	8,267,900	638	18,825,952
2005	596	12,780,937	7	44,350	77	2,329,539	680	15,154,826
2004	567	13,227,281	12	171,400	72	4,199,576	651	17,598,257
2003	617	14,634,889	7	95,100	53	2,352,764	677	17,082,753

Source: Building Department, Town of Essex.

IV. TAX BASE DATA

ASSESSMENTS

The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town of Essex for inclusion onto the Grand List are the responsibilities of the Town's Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at seventy percent (70%) of the estimated market value at the time of the last general revaluation. The Town of Essex had a revaluation effective on the Grand List of October 1, 2008. Under Section 12-62 of the General Statutes, as amended, the Town must do a revaluation every five years and the assessor must fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building once every ten years. The Town's next revaluation will be October 1, 2013. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases or decreases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All business personal property (furniture, fixtures, equipment, machinery and leased equipment) is revalued annually. An assessor's check and audit is completed periodically. Assessments for personal property are computed at seventy percent (70%) of present value.

Motor vehicle lists are furnished to the Town by the State of Connecticut, and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule as recommended by the State of Connecticut Office of Policy and Management and the Assessor of the Town of Essex. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next July 31 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Motor vehicles purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at seventy percent (70%) of the annual appraisal of market value.

PROPERTY TAX COLLECTION PROCEDURE

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1 and January 1 except as provided hereafter. Real estate and personal property taxes of less than \$100 are due in full in July. Personal property taxes are payable in one installment on July 1 with motor vehicle supplemental bills payable on January 1. Payments not received by August 1 and February 1 become delinquent, with interest charged at the rate of 1.50% per month from the due date of the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

Section 12-24a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such a rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

Section 12-170v of the Connecticut General Statutes permits a municipality, upon approval of its legislative body, to freeze the real property taxes due for certain low income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of the total tax relief granted plus interest. The Town has enacted this provision.

COMPARATIVE ASSESSED VALUATIONS

Grand List of 10/1	Residential Real Property	Comm/Ind. Real Property	All Land	Personal Property	Motor Vehicle	Gross Taxable		Net Taxable	
						Grand List	Less Exemptions ¹	Grand List	% Growth
2012	78.1%	14.0%	0.0%	2.6%	5.3%	\$1,135,521,799	\$15,902,503	\$1,119,619,296	-0.05%
2011	77.2	13.8	0.0	3.4	5.6	1,135,512,936	15,323,900	1,120,189,036	0.32%
2010	78.4	14.0	0.0	2.7	5.0	1,128,835,826	12,247,050	1,116,588,776	0.59%
2009	77.6	14.0	0.0	3.4	5.1	1,121,964,688	11,896,270	1,110,068,418	-0.23%
2008 ²	77.5	14.0	0.0	3.3	5.2	1,122,923,833	10,272,804	1,112,651,029	8.06%
2007	76.9	13.4	0.0	3.7	6.0	1,039,307,754	9,613,210	1,029,694,544	1.38%
2006	77.4	13.3	0.0	3.4	5.9	1,024,601,648	8,913,513	1,015,688,135	0.85%
2005	74.8	12.8	3.5	3.1	5.8	1,015,388,132	8,245,180	1,007,142,952	0.88%
2004	77.5	13.4	0.1	3.1	5.9	1,006,434,204	8,098,130	998,336,074	1.48%
2003 ²	77.9	13.6	0.1	3.0	5.4	990,999,728	7,255,500	983,744,228	45.69%
2002	65.9	14.5	7.2	4.9	7.5	708,225,984	33,011,975	675,214,009	2.33%

¹ Connecticut General Statutes Section 12-81 (72) exempts new manufacturing equipment from property taxation by municipalities. The State of Connecticut will directly reimburse the Town for 80% of the foregone taxes effective for the Town's October 1, 2000 Grand List.

² Revaluation year.

Source: Assessor's Office, Town of Essex.

PROPERTY TAX LEVIES AND COLLECTIONS

Grand List of Oct. 1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$1,120,189,036	18.47	\$20,491,565	--In process of collection--		
2010	2012	1,116,588,776	17.98	20,061,358	99.0%	1.0%	1.0%
2009	2011	1,110,068,418	17.63	19,542,268	99.2%	0.8%	0.5%
2008	2010	1,112,651,029	16.95	18,791,825	98.8%	1.2%	0.2%
2007	2009	1,029,694,544	17.60	18,102,020	98.7%	1.3%	0.1%
2006	2008	1,015,688,135	16.90	17,156,725	98.9%	1.1%	0.0%
2005	2007	1,007,142,952	16.20	16,310,574	98.8%	1.2%	0.0%
2004	2006	998,336,074	15.50	15,418,114	99.0%	1.0%	0.0%
2003	2005	983,744,228	14.90	14,649,621	99.3%	0.7%	0.0%
2002	2004	675,214,009	20.00	13,439,559	98.8%	1.2%	0.2%

Source: Tax Collector's Office, Town of Essex.

TEN LARGEST TAXPAYERS¹

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List¹</u>
Essex Meadows, Inc.....	Assisted Living	\$ 24,672,600	2.20%
Lee Company.....	Manufacturer Plastic Components	14,064,780	1.26%
Connecticut Light & Power.....	Electric Utility	6,282,960	0.56%
The Griswold Inn LLC.....	Restaurant/Inn	3,849,980	0.34%
Cline Stephen R., Trustee.....	Real Estate	3,587,400	0.32%
Essex Savings Bank.....	Saving Bank	3,449,670	0.31%
Clark, Hebert T., III.....	Real Estate	3,002,240	0.27%
MacBeth Ventures LLC.....	Real Estate	2,870,000	0.26%
River Properties, Inc.....	Marina	2,790,170	0.25%
All Waste Inc.....	Refuse Hauler	2,658,270	0.24%
Total.....		<u>\$ 67,228,070</u>	<u>6.00%</u>

¹ Based on a 10/1/12 Net Taxable Grand List of \$1,119,619,296.
Source: Assessor's Office, Town of Essex.

EQUALIZED NET GRAND LIST

<u>Grand List of 10/1</u>	<u>Equalized Net Grand List</u>	<u>% Growth</u>
2010	\$1,562,802,546	-4.05%
2009	1,628,745,342	1.73%
2008	1,601,097,690	-8.72%
2007	1,754,140,000	-4.80%
2006	1,842,671,127	4.38%
2005	1,765,373,657	5.97%
2004	1,665,980,478	17.96%
2003	1,412,372,140	5.45%
2002	1,339,381,419	8.08%
2001	1,239,252,031	10.00%

Source: State of Connecticut, Office of Policy and Management.

V. FINANCIAL INFORMATION

FISCAL YEAR

The Town's fiscal year begins July 1 and ends June 30.

ACCOUNTING POLICIES

The financial statements of the Town of Essex, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town complied with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended June 30, 2003. Please refer to Appendix A "Basic Financial Statements" herein for compliance and implementation details.

The reporting model includes the following segments:

Management's Discussion and Analysis – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

Government-wide financial statements – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets, including infrastructure and long-term obligations are included along with current assets and liabilities.

Fund financial statements – provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting.

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A "Notes to the Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements as well as the fiduciary fund financial statements of the Town of Essex.

BUDGETARY PROCEDURES

The Town of Essex adheres to the following procedures in establishing the budgetary data included in the General Fund financial Statements.

- The Board of Selectmen and the Board of Finance prepare an operating budget for the fiscal year commencing July 1 which is presented at the annual Town meeting for approval or submitted to referendum. The operating budget includes proposed expenditures and the means of financing them.
- Expenditures are budgeted by function, department and object. The legal level of budget control is the department level. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects for amounts not exceeding \$20,000 or representing a second transfer to a department. Additional appropriations in excess of \$20,000 must be approved at a Town meeting.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and

proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

- All unexpended appropriations lapse at year-end, except those for capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

ANNUAL AUDIT

Pursuant to Connecticut law, the Town is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2012, the examination was conducted by the firm of Grant Thornton LLP, independent certified public accountants, of Glastonbury, Connecticut.

PENSION PLANS

The Town of Essex maintains three single-employer defined benefit plans: the Town of Essex, Connecticut Amended and Restated Retirement Plan (the "Employees' Retirement Plan"), the Town of Essex Merit Service Plan (the "Merit Service Plan") and the Town of Essex Employees' Pension Plan (the "Police Retirement Plan"). The Plans cover substantially all full time employees except professional personnel at the Board of Education who are covered by the State of Connecticut Teachers' Retirement System and/or any employees who are eligible to participate in any other plan contributed to by the Town. The Plans do not issue stand-alone financial statements and are part of the Town's financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

Employees' Retirement Plan: All regularly employed employees (elected, appointed or hired) of the Town, excluding part-time employees, temporary employees and teachers eligible for the State of Connecticut Teachers' Retirement System, are eligible to participate in the plan. Employees are eligible to participate provided they have attained age 21 and have completed three years of credited service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants are 1.25% to 1.4% of an employees' final average compensation multiplied by the number of years of credited service, to a maximum of 40 years.

Merit Service Plan: All volunteers of the Town of Essex Fire Engine Company #1 become participants in the plan as of July 1st following the date at which they have completed one year of eligible service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for service prior to July 1, 1993 is \$16.65 per month for each year of credited service up to a maximum of 15 years. Annual retirement for service after July 1, 1990 is \$16.65 per month for each year of credited service. Maximum past service plus future service is 30 years.

Police Retirement Plan: All regular full-time sworn employees of the Essex Police Department are eligible to participate. However, supernumeraries, school guards, dog wardens/animal control officers, auxiliary police, fire police and police boat drivers are not considered "regular members" and are not eligible to participate in this plan. An employee whose regular work week is less than 30 hours or whose regular period of employment is less than 12 months in the year shall not be considered a full-time employee. The normal retirement date will be the first day of the month following the earlier of the date on which the vested employee attains his or her 55th birthday or completes 20 years of credited service. Retirement is mandatory for all employees at age 60. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. The amount of pension for normal retirement is 2.5% of the monthly compensation base of the employee. For credited service beyond the original 20 years, 2% of compensation base of the employee is multiplied by the number of additional full years of the credit service of the employee per year and will be added to the full retirement percentage.

Three-Year Trend Information			
Year Ended	Annual Required Contribution (ARC)	Annual Contribution	% of ARC Contributed
<u>Employee Retirement Plan</u>			
2011	\$175,420	\$152,739	87.1%
2012	\$188,437	\$135,596	72.0%
2013	\$191,196	\$228,034	119.3%
<u>Merit Service Plan</u>			
2011	\$88,594	\$79,457	89.7%
2012	\$74,978	\$69,922	93.3%
2013	\$68,195	\$68,195	100.0%
<u>Police Retirement Plan</u>			
2011	\$59,877	\$53,702	89.7%
2012	\$71,154	\$71,154	100.0%
2013	\$78,761	\$78,761	100.0%

Note: The contributions for Fiscal Year 2013 are budgeted amounts.

Connecticut State Teachers' Retirement System: The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan.

For further information on the plans, please refer to Appendix A under the Town of Essex's "Notes to the Financial Statements, Note I", herein.

OTHER POST EMPLOYMENT BENEFITS ("OPEB")

Plan Descriptions

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

Teachers' OPEB Plan: The Town offers post-retirement medical and dental benefits to eligible retirees and their spouses through the Board of Education's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the union representing Town employees. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity. The Town finances the plan on a pay-as-you-go basis.

The Town has obtained an actuarial valuation of OPEB liability and costs under GASB 45 as of July 1, 2009:

GASB 45 Valuation	Town Employees	Board of Education Employees
Actuarial Accrued Liability (AAL).....	\$789,828	\$381,411
ARC for Fiscal Year Ended 6/30/12.....	39,112	44,819
Contributions Made.....	12,479	0
Increase in Net OPEB Obligation.....	\$26,633	\$44,819
Net OPEB Obligation as of June 30, 2011..	\$58,687	\$110,447
Net OPEB Obligation as of June 30, 2012..	\$85,320	\$155,266

Source: Audit 2012.

For further information on the plans, please refer to Appendix A under the Town of Essex's "Notes to the Financial Statements, Note J", herein.

INVESTMENT POLICIES AND PRACTICES

Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, and money market mutual funds.

The Town of Essex manages the investment of its funds in compliance with the Connecticut General Statutes.

GENERAL FUND REVENUES AND EXPENDITURES

Summary of Audited Revenues and Expenditures

(GAAP Basis)

	Budget 2012-13 ¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Property Taxes	\$20,691,565	\$20,147,562	\$19,684,655	\$18,908,813	\$18,093,636	\$17,239,184
Intergovernmental	782,897	1,259,999	1,203,424	1,320,694	1,564,130	2,684,878
Local Revenue	475,710	577,748	496,328	520,855	611,651	984,137
Interest Income	3,700	3,586	7,398	22,122	98,999	293,638
Capital Leases	0	166,692	0	0	28,063	0
Transfers in	136,246 ²	0	45,897	0	0	0
Total Revenues and Transfers In	\$22,090,118	\$22,155,587	\$21,437,702	\$20,772,484	\$20,396,479	\$21,201,837
EXPENDITURES:						
General Government	\$2,697,994	\$2,449,064	\$2,436,091	\$2,381,956	\$2,334,909	\$2,233,364
Public Safety	1,146,847	1,279,428	1,103,453	1,087,495	1,080,214	1,068,463
Health and Welfare	564,707	547,037	547,926	521,440	609,773	565,284
Libraries	365,000	365,000	349,000	349,000	346,000	302,000
Highways and Transportation	821,300	765,130	835,807	745,804	722,822	673,601
Education	15,236,478	15,259,930	14,686,263	14,400,640	13,831,806	14,444,605
Subrecipient Expenditures		0	0	0	75,000	16,864
Debt Service						
Principal Payments	460,000	503,783	477,741	246,756	277,025	477,726
Interest and Fiscal Charges	409,675	432,881	450,845	465,722	476,897	303,311
Capital Outlays	388,117	380,937	227,370	346,137	419,733	525,340
Transfers Out	0	169,886	159,373	272,300	305,201	214,498
Total Expenditures and Transfers Out	\$22,090,118	\$22,153,076	\$21,273,869	\$20,817,250	\$20,479,380	\$20,825,056
Results from Operations		\$2,511	\$163,833	(\$44,766)	(\$82,901)	\$376,781
Fund Balance, July 1		\$3,167,193	\$3,003,360³	\$2,881,950	\$2,964,851	\$2,588,070
Fund Balance, June 30		\$3,169,704	\$3,167,193	\$2,837,184	\$2,881,950	\$2,964,851

¹ Budgetary basis.

² Appropriated from prior years surplus.

³ Restated.

ANALYSIS OF GENERAL FUND EQUITY

(GAAP BASIS)

	Budget 2012-13	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
Nonspendable	N/A	12,934	132,065	31,387	16,817	23,266
Committed	N/A	216,186	191,176	31,667	150,000	0
Assigned	N/A	361,766	249,476	422,315	419,314	410,494
Unassigned	N/A	2,578,818	2,594,476	2,351,815	2,295,819	2,531,091
Total Fund Balance	N/A	3,169,704	3,167,193	2,837,184	2,881,950	2,964,851
Undesignated Fund Balance						
As % of Total Expenditures	N/A	11.64%	12.20%	11.30%	11.21%	12.15%

Source: Audit Reports 2008-2012; and Budget 2013.

VI. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS¹

As of April 2, 2013

(Pro Forma)

Long-Term Debt: Bonds

Date	Purpose	Rate %	Original Issue	Debt Outstanding As of 4/2/13	Date of Fiscal Year Maturity
<i>General Purpose</i>					
08/01/07	Open Space Acquisition.....	4.35%	\$535,000	\$195,000	2017
03/20/13	General Purpose Refunding Bonds..	This Issue	250,000	250,000	2022
	Total.....		\$785,000	\$445,000	
<i>Schools</i>					
08/01/07	School Renov. & Addition.....	4.35%	9,950,000	2,180,000	2017
03/20/13	School Refunding Bonds.....	This Issue	6,920,000	6,920,000	2028
	Total.....		\$16,870,000	\$9,100,000	
	Total Town Government Bonds¹		\$17,655,000	\$9,545,000	

¹ Excludes the Refunded Bonds.

Short-Term Debt:

None

Other Long-Term Commitments:

None

ANNUAL BONDED DEBT MATURITY SCHEDULE ^{1,2}

As of April 2, 2013

(Pro Forma)

Fiscal Year				Bonds	Cumulative
Ending 6/30	Principal ³	Interest	Total	This Issue	Percent Retired
2013	\$460,000	\$210,875	\$670,875		4.60
2014	550,000	397,600	947,600		10.09
2015	550,000	368,725	918,725	\$20,000	15.79
2016	600,000	345,350	945,350	50,000	22.29
2017	675,000	319,850	994,850	20,000	29.24
2018				735,000	36.58
2019				730,000	43.88
2020				740,000	51.27
2021				735,000	58.62
2022				730,000	65.92
2023				685,000	72.76
2024				605,000	78.81
2025				545,000	84.26
2026				535,000	89.61
2027				525,000	94.85
2028				515,000	100.00
Totals	\$2,835,000	\$1,642,400	\$4,477,400	\$7,170,000	

¹ Excludes capital lease obligations.

² Principal payments of \$460,000 have been made in the current 2012-2013 fiscal year.

³ Excludes the Refunded Bonds.

OVERLAPPING/UNDERLYING DEBT

The political subdivision with power to issue debt is the Town of Essex is Regional School District Number 4. The outstanding indebtedness of Regional School District Number 4 is considered overlapping debt of the Town of Essex.

District's Net Direct Indebtedness	Applicable to Town of Essex (44.61%)
\$14,277,000	\$6,368,970

Source: District Officials.

The Town of Essex has no underlying debt.

DEBT STATEMENT¹

As of April 2, 2013

(Pro Forma)

LONG TERM DEBT

Bonds: Including This Issue

General Purpose.....	\$445,000
Schools.....	9,100,000
TOTAL LONG TERM DEBT:	\$9,545,000

SHORT TERM DEBT:	\$0
DIRECT DEBT:	\$9,545,000

DIRECT NET DEBT	\$9,545,000
OVERLAPPING DEBT ²	6,368,970
NET DIRECT DEBT	\$15,913,970

¹ Excludes the Refunded Bonds.

² Represents Essex's share of Regional School District Number 4 Net Direct Indebtedness. The percentage of participation for the 2012-13 Fiscal Year is 44.61%.

NOTE: Does not include capital lease obligations and authorized but unissued debt.

CURRENT DEBT RATIOS

April 2, 2013

(Pro Forma)

Population ¹	6,697
Net Taxable Grand List - 10/1/12 @ 70% of full value	\$1,119,619,296
Estimated Full Value	\$1,599,456,137
Equalized Net Taxable Grand List - 2010 ²	\$1,562,802,546
Money Income per Capita - 2011 ³	\$61,309

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$9,545,000	\$9,545,000	\$15,913,970
Per Capita	\$1,425.27	\$1,425.27	\$2,376.28
Ratio to Net Taxable Grand List	0.85%	0.85%	1.42%
Ratio to Estimated Full Value	0.60%	0.60%	0.99%
Ratio to Equalized Grand List	0.61%	0.61%	1.02%
Debt per Capita to Money Income per Capita	2.32%	2.32%	3.88%

¹ U.S. Census Bureau, 2007-2011 American Community Survey.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey.

BOND AUTHORIZATION

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the Connecticut General Statutes ("CGS") subject to statutory debt limitations. The issuance of bonds and notes must be authorized by the Town Meeting upon the recommendations of the Board of Selectmen and Finance.

TEMPORARY FINANCING

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third year and for all subsequent years during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue

is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes may be funded beyond ten years from the initial borrowing if a written commitment exists for State and/or Federal grants, for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment.

Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

LIMITATION OF INDEBTEDNESS

Municipalities shall not incur indebtedness through the issuance of bonds or notes which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Pension Liability Purposes:	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation," (the "base,") are defined as total tax collections including interest, penalties and late payment of taxes and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The CGS also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

STATEMENT OF STATUTORY DEBT LIMITATION

As of April 2, 2013

(Pro Forma)

TOTAL TAX COLLECTIONS (including interest and lien fees).....	\$20,152,241
received by the Treasurer for the year ended June 30, 2012	
REIMBURSEMENT FOR REVENUE LOSS ON:	
Tax Relief for Elderly.....	32,500
BASE.....	<u>\$20,184,741</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Obligation</u>
DEBT LIMITATION:					
2¼ times base.....	\$45,415,667				
4½ times base.....		\$90,831,335			
3¾ times base.....			\$75,692,779		
3¼ times base.....				\$65,600,408	
3 times base.....					\$60,554,223
Total debt limitation.....	<u>\$45,415,667</u>	<u>\$90,831,335</u>	<u>\$75,692,779</u>	<u>\$65,600,408</u>	<u>\$60,554,223</u>
INDEBTEDNESS ^{1,2}:					
Bonds Payable.....	\$445,000	\$9,100,000	\$0	\$0	\$0
Overlapping Debt RSD #4.....	0	6,368,970	0	0	0
Authorized but Unissued Debt.....	<u>4,144,625</u>	<u>597,436 ³</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DIRECT INDEBTEDNESS:.....	<u>\$4,589,625</u>	<u>\$16,066,406</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL NET INDEBTEDNESS.....	<u>\$4,589,625</u>	<u>\$16,066,406</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT.....	<u>\$40,826,042</u>	<u>\$74,764,929</u>	<u>\$75,692,779</u>	<u>\$65,600,408</u>	<u>\$60,554,223</u>

¹ Excludes the Refunded Bonds, includes the Refunding Bonds.

² Excludes capital lease obligations.

³ It is anticipated that this project will qualify for State of Connecticut School Construction Grants.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$141,293,187.

AUTHORIZED BUT UNISSUED DEBT¹

As of April 2, 2013

(Pro Forma)

<u>Project</u>	<u>Authorized</u>	<u>Bonds Issued</u>	<u>Paydowns/ Grants</u>	<u>Debt Authorized but Unissued</u>		
				<u>General Purpose</u>	<u>Schools</u>	<u>Total</u>
Open Space Acquisition.....	\$5,000,000	\$535,000	\$320,375	\$4,144,625		\$4,144,625
Elementary School Renov. & Additions....	13,300,000	9,950,000	2,752,564		597,436	597,436 ¹
Totals	<u>\$18,300,000</u>	<u>\$10,485,000</u>	<u>\$3,072,939</u>	<u>\$4,144,625</u>	<u>\$597,436</u>	<u>\$4,742,061</u>

¹ It is anticipated that this project will qualify for State of Connecticut School Construction Grants.

Source: Town of Essex, Finance Office.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT

<u>Long-Term Debt</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Bonds	\$9,565,000	\$10,025,000	\$10,485,000	\$10,715,000	\$10,950,000
<u>Short-Term Debt</u>					
CWF Loan	0	4,544	12,324	19,950	27,425
Totals	<u>\$9,565,000</u>	<u>\$10,029,544</u>	<u>\$10,497,324</u>	<u>\$10,734,950</u>	<u>\$10,977,425</u>

Source: Annual Audited Financial Statements 2008-2012.

RATIO OF DIRECT OVERALL DEBT TO VALUATION, POPULATION AND INCOME

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population¹	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)²
2012	\$1,116,538,776	\$1,595,055,394	\$9,565,000	0.86%	0.60%	6,697	\$1,428.25	2.33%
2011	1,110,068,418	1,585,812,026	10,029,544	0.90%	0.63%	6,697	1,497.62	2.44%
2010	1,113,486,769	1,590,695,384	10,497,324	0.94%	0.66%	6,683	1,570.75	2.56%
2009	1,029,694,544	1,470,992,206	10,734,950	1.04%	0.73%	6,505	1,650.26	2.69%
2008	1,015,688,135	1,450,983,050	10,977,425	1.08%	0.76%	5,904	1,859.32	3.03%

¹ State of Connecticut, Department of Health Services Estimate FY 2008-2009; FY 2010 U.S. Census Bureau, 2010; FY 2011-2012 U.S. Census Bureau, 2007-2011 American Community Survey.

² Income per Capita: \$61,309 –U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL FUND EXPENDITURES

Fiscal Year Ended 6/30	Principal	Interest	Total	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2012	\$503,783	\$432,881	\$936,664	\$22,153,076	4.23%
2011	477,741	450,845	928,586	21,273,869	4.36%
2010	246,756	465,722	712,478	20,817,250	3.42%
2009	277,025	476,897	753,922	20,479,380	3.68%
2008	477,726	303,311	781,037	20,825,056	3.75%

Source: Annual Audited Financial Statements 2008-2012.

THE TOWN OF ESSEX HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

VII. LEGAL AND OTHER LITIGATION

LITIGATION

During the normal course of business, claims against the Town arise from personal injury suits, contract disputes, property damage claims, and other normal type claims related to a municipality. It is the opinion of the Town's Attorney that the ultimate liability of the Town for these cases currently pending will not have a material adverse effect upon the Town's financial position.

UNDERWRITER

Piper Jaffray & Co. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Town at a net aggregate purchase price of \$7,706,955.75 (consisting of the principal amount of \$7,170,000 plus original issue premium of \$568,145.25, less underwriter's discount of \$31,189.50). The Underwriter will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices stated on the cover page of this Official Statement, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Pershing LLC Distribution Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Pershing LLC Distribution Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

The Underwriter has entered into a distribution agreement (the "CS&Co. Distribution Agreement") with Charles Schwab & Co., Inc. for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS&Co. Distribution Agreement, CS&Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

TRANSCRIPT AND CLOSING DOCUMENTS

Upon the delivery of the Bonds, the Underwriter will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay the principal of and interest on the Bonds.
2. A Certificate on behalf of the Town signed by the First Selectman and Treasurer which will be dated the date of delivery of the Bonds and attached to a confirmed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the Bond Purchase Agreement for the Bonds was executed and as of the closing date, the descriptions and statements in the Official Statement relating to the Town of Essex and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.

5. An executed Continuing Disclosure Agreement for the Bonds substantially in the form of Appendix C attached hereto.
6. Such documents or certificates as set forth in the Bond Purchase Agreement entered into between the Town and the Underwriter.
7. The Town of Essex has prepared an Official Statement for this Bond Issue which is dated March 19, 2013. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(5), but it is subject to revision or amendment. The Town will make available to the Underwriter of the Bonds a reasonable number of copies of the Official Statement at the Town's expense within seven business days of the execution of the Bond Purchase Agreement.

A transcript of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the offices of U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut and will be available for examination upon reasonable request.

CONCLUDING STATEMENT

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

Information herein has been derived by the Town from various officials, departments and other sources and is believed by the Town to be reliable, but such information, other than that obtained from official records of the Town, has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or part for any other purpose.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

TOWN OF ESSEX

By: /s/ Norman M. Needleman
Norman M. Needleman, *First Selectman*

By: /s/ Robert B. Dixon
Robert B. Dixon, *Treasurer*

Dated as of March 19, 2013

APPENDIX A – BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Appendix A - Basic Financial Statements - is taken from the Annual Report of the Town of Essex for the Fiscal Year ended June 30, 2012 as presented by the Auditors and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Essex, Connecticut.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Finance
Town of Essex, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 established by the American Institute of Certified Public Accountants 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the schedules of funding progress on page 52 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. This required supplemental information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as listed in the table of contents.

Grant Thambor LLP

Glastonbury, Connecticut
December 28, 2012

Management's Discussion and Analysis

As management of the Town of Essex (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$16,602,488 (net assets). Of this amount, \$2,905,522 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$95,700 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,291,920, a decrease of \$27,515 in comparison with the prior year. Approximately 60.7% or \$1,999,829 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,578,818, or 11.7% of total General Fund expenditures and other financing sources (uses), net. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of general fund operating expenditures and net other financing uses.
- The Town's total long-term bonded debt decreased by \$460,000 or 4.8% during the current fiscal year due to scheduled repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 16 - 21 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 22 - 23 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 51 of this report.

Other Information

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 52 - 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

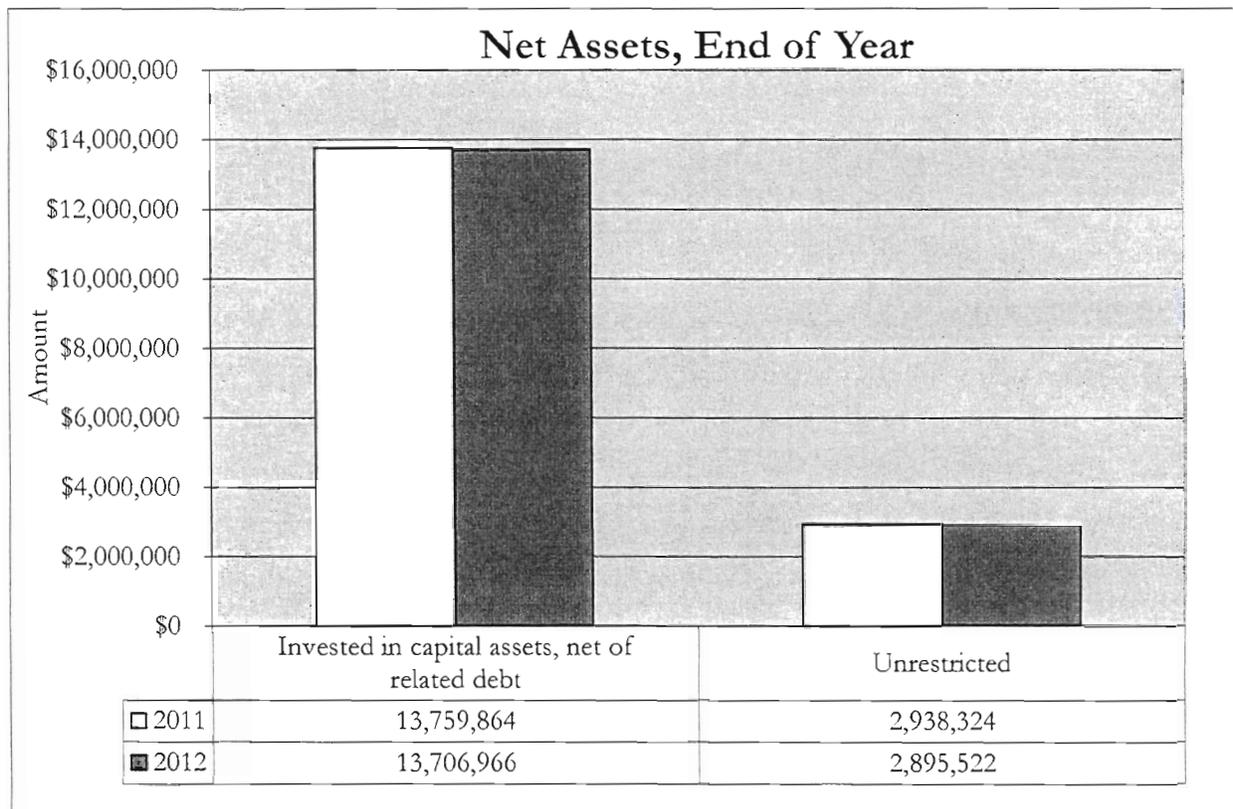
Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets of the Town totaled \$16,612,488 \$16,698,188 as of June 30, 2012 and 2011, respectively and are summarized as follows:

	Total	
	2012	2011
Current and other assets	\$ 3,995,105	\$ 3,995,950
Capital assets, net	23,438,247	23,837,398
Total assets	<u>27,433,352</u>	<u>27,833,348</u>
Long-term liabilities	9,615,035	9,904,362
Other liabilities	1,215,829	1,299,628
Total liabilities	<u>10,830,864</u>	<u>11,203,990</u>
Net assets:		
Invested in capital assets, net of related debt	13,706,966	13,759,864
Unrestricted	2,895,522	2,938,324
Total net assets	<u>\$ 16,602,488</u>	<u>\$ 16,698,188</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)



82.5% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remainder of the Town's net assets are considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net assets decreased by \$95,700 or 0.57% in comparison to the prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

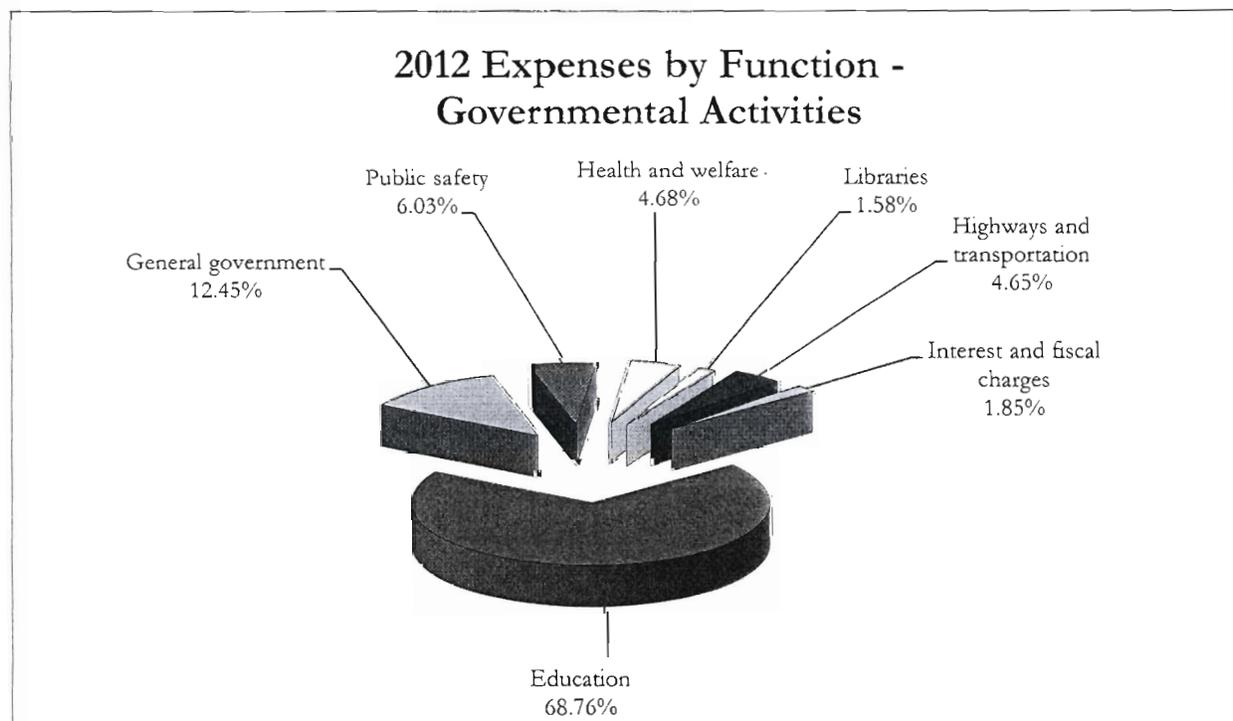
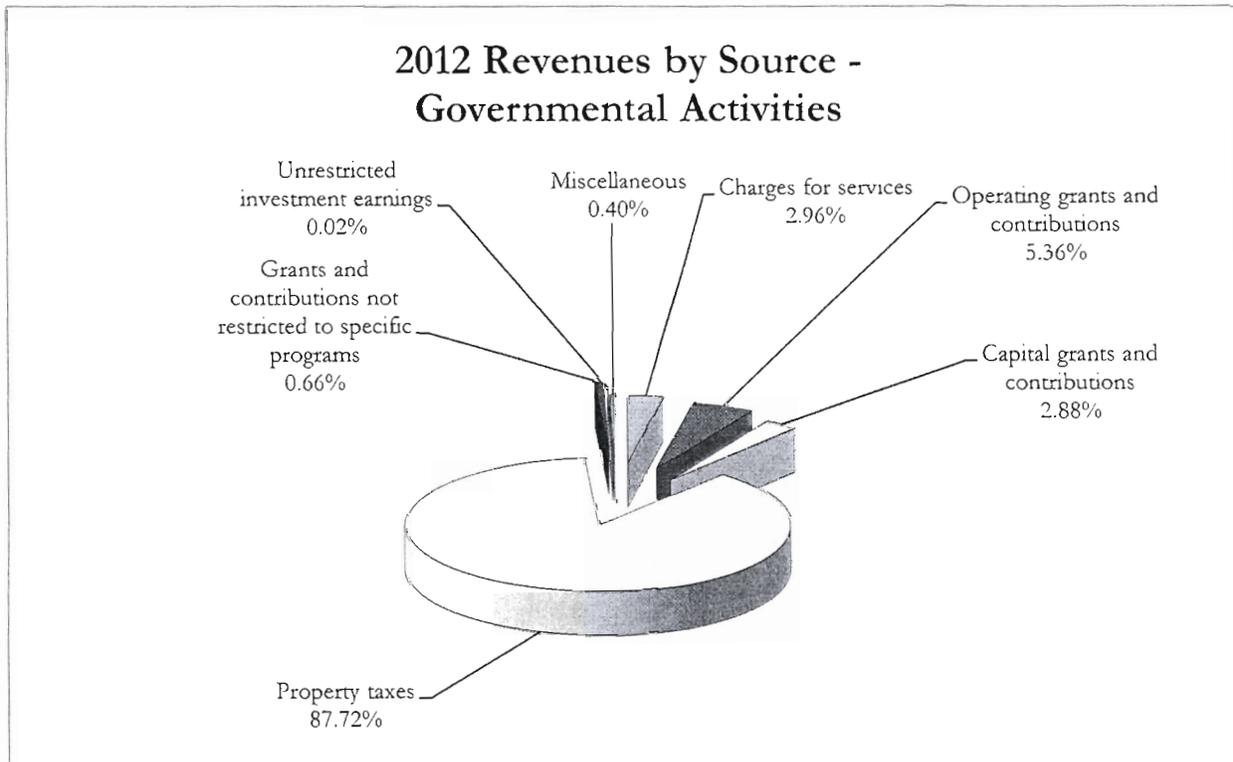
Changes in Net Assets

Changes in net assets for the years ended June 30, 2011 and 2010 are as follows:

	Total	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 681,234	\$ 694,770
Operating grants and contributions	1,233,967	1,261,339
Capital grants and contributions	664,009	372,799
General revenues:		
Property taxes	20,204,912	19,673,914
Grants and contributions not restricted to specific programs	152,001	215,540
Unrestricted investment earnings	3,761	8,128
Miscellaneous	91,644	26,477
Total revenues	<u>23,031,528</u>	<u>22,252,967</u>
Program expenses		
General government	2,878,526	2,879,767
Public safety	1,393,960	1,145,962
Health and welfare	1,083,276	657,228
Libraries	365,000	349,000
Highways and transportation	1,075,554	1,087,709
Interest and fiscal charges	428,084	447,119
Education	15,902,828	15,328,962
Total expenses	<u>23,127,228</u>	<u>21,895,747</u>
Change in net assets	<u>\$ (95,700)</u>	<u>\$ 357,220</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Governmental Activities

Governmental activities decreased the Town's net assets by \$95,700. Key elements of this decrease were increases in capital grants and contributions and property taxes offset by increases in expenditures for public safety and education.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,291,920, a decrease of \$27,515 in comparison with the prior year. Of this amount, \$1,999,829 constitutes unassigned fund balance which is available for spending at the Town's discretion. The remainder of fund balance is not available for new spending because it has already been assigned or committed to specific purposes.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,578,818, while total fund balance was \$3,169,704. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 11.7% of total General Fund expenditures and net other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of General Fund operating expenditures and net other financing uses.

The fund balance of the Town's General Fund increased by \$2,511 during the current fiscal year.

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

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$60,993 during the current fiscal year. This increase was due primarily to transfers received from the General Fund.

EES Renovation Project Fund

The EES Renovation Project Fund has a deficit fund balance which remained unchanged at \$575,529 as of June 30, 2012. This deficit is attributable to expenditures incurred in prior years for the renovation of the Essex Elementary School. The deficit is expected to be funded by State funds for reimbursable expenditures and the retainage held by the State which is expected to be released following the project audit.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were increases in expenditure appropriations of \$310,757 related to police overtime expenditures not originally budgeted. This supplemental appropriation was approved at an annual town meeting.

During the year, revenues exceeded budgetary estimates by \$189,250, while expenditures, prior to supplemental appropriations, were more than budgetary estimates by \$138,451. The net result of the supplemental appropriations and negative variances of revenues and expenditures was a \$109,779 decrease to fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2012 totaled \$23,438,247 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The Town's investment in capital assets decreased \$399,151 or 1.7%.

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

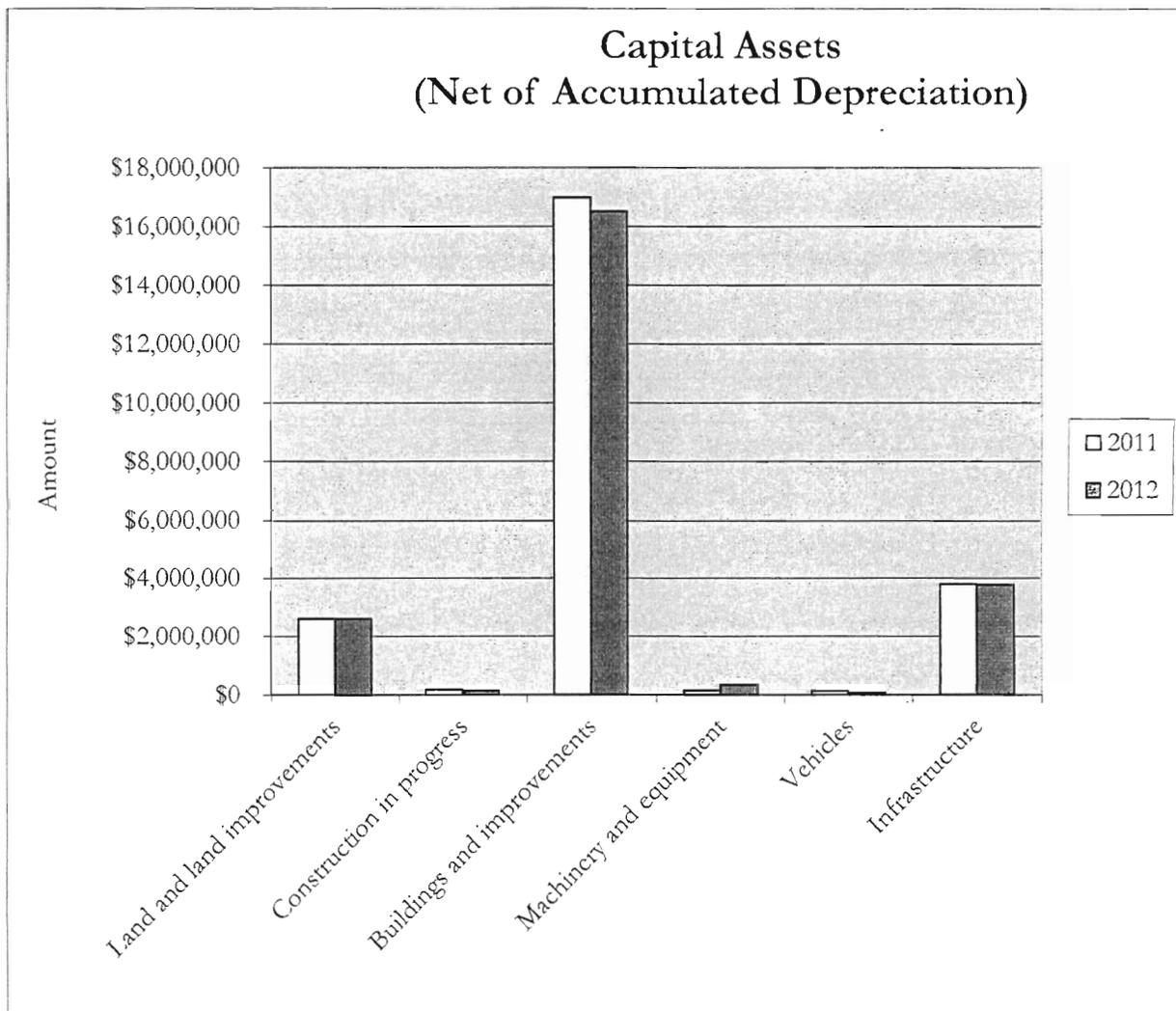
- A net increase of \$149,243 in construction in progress, primarily due to the boat launch project and EOC relocation.
- An increase of \$197,581 in infrastructure, due to the completion of the boat launch project improvements.
- An increase of \$248,144 in machinery and equipment, due to the highway machinery.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

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

	Total	
	2012	2011
Land and land improvements	\$ 2,601,759	\$ 2,596,107
Construction in progress	129,693	178,031
Buildings and improvements	16,512,645	16,986,575
Machinery and equipment	340,674	149,422
Vehicles	80,336	134,872
Infrastructure	3,773,140	3,792,391
Totals	\$ 23,438,247	\$ 23,837,398



Additional information on the Town's capital assets can be found in Note D on page 35 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

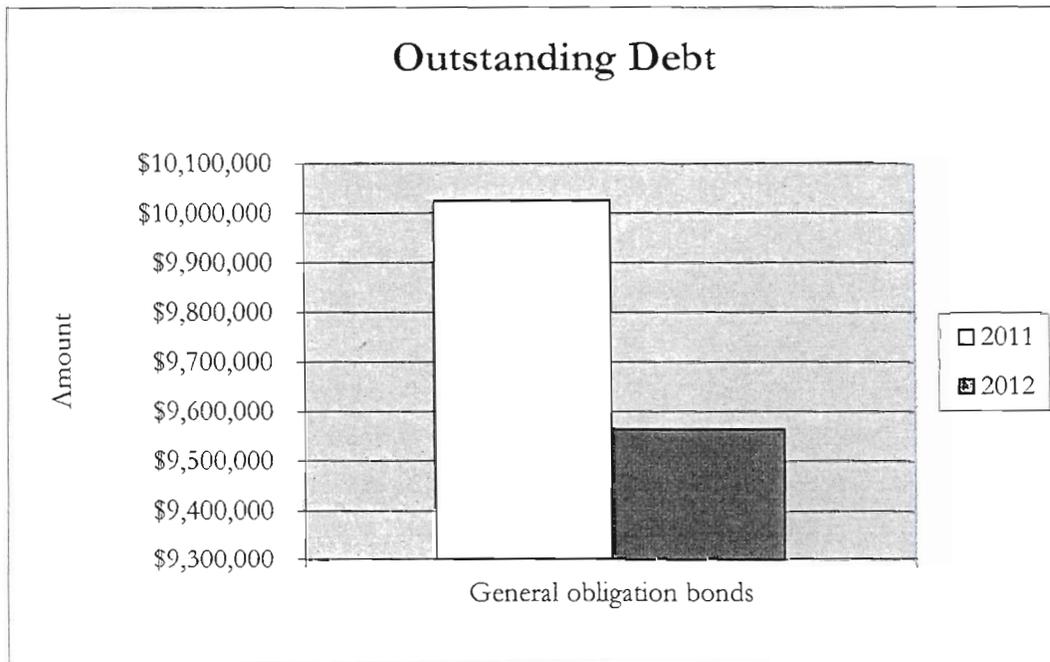
Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$9,565,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$460,000 or 4.6% during the current fiscal year due to scheduled debt service payments.

The Town maintains an "AA3" rating from Moody's Investor Service for general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$141,293,187, which is significantly in excess of the Town's outstanding general obligation debt.

The following is a two year comparison of long-term bonded debt:



Additional information on the Town's long-term debt can be found in Note G on pages 37 - 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Due to the current State budget crisis, the Town could experience a reduction in these revenues. Connecticut's economy moves in the same general cycle as the national economy.
- The unemployment rate for the Town is currently 6.3%, which is the same as in the prior year. This compares favorably to the state's average unemployment rate of 8.1% and the national unemployment rate of 8.2%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for fiscal year 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Treasurer, Town of Essex, 29 West Avenue, Essex, Connecticut 06426.

Basic
Financial
Statements

TOWN OF ESSEX, CONNECTICUT
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,459,253
Receivables:	
Property taxes, net of allowance for doubtful accounts of \$10,000	322,135
Interest	76,140
Grants and contracts receivable	92,080
Other	28,825
Prepaid items	13,591
Inventories	3,081
Capital assets:	
Non-depreciable	2,692,938
Depreciable, net	20,745,309
Total assets	<u>27,433,352</u>
LIABILITIES	
Accounts payable	268,511
Accrued interest payable	175,729
Other accrued liabilities	57,691
Unearned revenue	67,342
Noncurrent liabilities:	
Due within one year	646,556
Due in more than one year	9,615,035
Total liabilities	<u>10,830,864</u>
NET ASSETS	
Invested in capital assets, net of related debt	13,706,966
Unrestricted	2,895,522
Total net assets	<u>\$ 16,602,488</u>

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

TOWN OF ESSEX, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,110,366	\$ 976,488	\$ -	\$ 372,399	\$ 3,459,253
Receivables:					
Property taxes, net of allowance for uncollectible taxes of \$10,000	322,135	-	-	-	322,135
Grants and contracts	50,811	-	-	41,269	92,080
Other	12,243	-	-	16,582	28,825
Prepaid items	12,934	-	-	657	13,591
Due from other funds	1,271,699	-	-	116,135	1,387,834
Inventories	-	-	-	3,081	3,081
Total assets	<u>\$ 3,780,188</u>	<u>\$ 976,488</u>	<u>\$ -</u>	<u>\$ 550,123</u>	<u>\$ 5,306,799</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	\$ 229,739	\$ 500	\$ -	\$ 38,272	\$ 268,511
Other accrued liabilities	-	-	-	19,121	19,121
Due to other funds	105,468	440,478	575,529	266,359	1,387,834
Unearned/deferred revenue	275,277	-	-	64,136	339,413
Total liabilities	<u>610,484</u>	<u>440,978</u>	<u>575,529</u>	<u>387,888</u>	<u>2,014,879</u>
Fund Balances (Deficit):					
Nonspendable:					
Prepaid items	12,934	-	-	657	13,591
Inventories	-	-	-	3,081	3,081
Committed to:					
Assessor's revaluation	216,186	-	-	-	216,186
Capital projects	-	535,510	-	-	535,510
General government	-	-	-	106,465	106,465
Public safety	-	-	-	54,928	54,928
Health and welfare	-	-	-	564	564
Assigned to various purposes	361,766	-	-	-	361,766
Unassigned	2,578,818	-	(575,529)	(3,460)	1,999,829
Total fund balances (deficit)	<u>3,169,704</u>	<u>535,510</u>	<u>(575,529)</u>	<u>162,235</u>	<u>3,291,920</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,780,188</u>	<u>\$ 976,488</u>	<u>\$ -</u>	<u>\$ 550,123</u>	<u>\$ 5,306,799</u>

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

TOWN OF ESSEX, CONNECTICUT
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances for governmental funds		\$ 3,291,920
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land and land improvements	\$ 2,720,824	
Construction in progress	129,693	
Building and improvements	22,426,743	
Machinery and equipment	1,815,193	
Vehicles	717,243	
Infrastructure	8,596,409	
Less: accumulated depreciation and amortization	<u>(12,967,858)</u>	
Total capital assets, net		23,438,247
Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		272,071
Accrued interest on property taxes is not susceptible to accrual and therefore is not reported in the funds.		
		76,140
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.		
Long-term debt:		
Bonds and notes payable	\$ (9,565,000)	
Obligations under capital lease	(166,281)	
Accrued interest payable	(175,729)	
Other long-term liabilities:		
Compensated absences	(102,050)	
Retired employee obligations	(105,903)	
Claims payable	(38,570)	
Net pension obligation	(81,771)	
Net OPEB obligation	(240,586)	
Total long-term liabilities		<u>(10,475,890)</u>
Net assets of governmental activities		<u>\$ 16,602,488</u>

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 20,147,562	\$ -	\$ -	\$ -	\$ 20,147,562
Intergovernmental	1,259,999	-	-	687,667	1,947,666
Local revenue	577,748	-	-	263,680	841,428
Interest income	3,586	31	-	144	3,761
Total revenues	<u>21,988,895</u>	<u>31</u>	<u>-</u>	<u>951,491</u>	<u>22,940,417</u>
EXPENDITURES					
Current:					
General government	2,449,064	-	-	215,307	2,664,371
Public safety	1,279,428	-	-	106,168	1,385,596
Health and welfare	547,037	-	-	502,848	1,049,885
Libraries	365,000	-	-	-	365,000
Highways and transportation	765,130	-	-	-	765,130
Education	15,259,930	-	-	207,312	15,467,242
Debt service:					
Principal payments	503,783	-	-	13,111	516,894
Interest and fiscal charges	432,881	-	-	3,109	435,990
Capital outlays	380,937	73,488	-	30,091	484,516
Total expenditures	<u>21,983,190</u>	<u>73,488</u>	<u>-</u>	<u>1,077,946</u>	<u>23,134,624</u>
Excess (deficiency) of revenues over expenditures	5,705	(73,457)	-	(126,455)	(194,207)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	166,692	-	-	-	166,692
Transfers in	-	134,450	-	35,436	169,886
Transfers out	(169,886)	-	-	-	(169,886)
Total other financing sources (uses)	<u>(3,194)</u>	<u>134,450</u>	<u>-</u>	<u>35,436</u>	<u>166,692</u>
Net change in fund balances	2,511	60,993	-	(91,019)	(27,515)
Fund balances (deficit) - beginning	<u>3,167,193</u>	<u>474,517</u>	<u>(575,529)</u>	<u>253,254</u>	<u>3,319,435</u>
Fund balances (deficit) - ending	<u>\$ 3,169,704</u>	<u>\$ 535,510</u>	<u>\$ (575,529)</u>	<u>\$ 162,235</u>	<u>\$ 3,291,920</u>

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

TOWN OF ESSEX, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances for governmental funds \$ (27,515)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which capital outlays were offset by depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$	388,864	
Depreciation and amortization expense		<u>(821,776)</u>	
Net adjustment			(432,912)

Contributed capital assets to the Town increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 33,761

Interest on property taxes receivable are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds. 7,310

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows:

Debt issued or incurred:			
Capital lease financing	\$	(166,692)	
Principal repayments:			
Bonds and notes payable		464,544	
Obligations under capital lease		<u>52,945</u>	
Net adjustment			350,797

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

TOWN OF ESSEX, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATE OF ACTIVITIES *(Continued)*
YEAR ENDED JUNE 30, 2012

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect on such items is as follows:

Compensated absences	\$	1,961	
Retired employee obligations		38,916	
Accrued interest		7,906	
Claims payable		3,010	
Net OPEB obligation		(71,452)	
Net pension obligation		<u>(57,522)</u>	
	\$		(77,181)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue.

50,040

Change in Net Assets of Governmental Activities

\$ (95,700)

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 20,004,865	\$ 20,004,865	\$ 20,147,562	\$ 142,697
Intergovernmental	729,275	729,275	741,531	12,256
Local revenues	510,332	510,332	577,748	67,416
Interest income	36,705	36,705	3,586	(33,119)
Total revenues	<u>21,281,177</u>	<u>21,281,177</u>	<u>21,470,427</u>	<u>189,250</u>
EXPENDITURES				
Board of Selectmen	6,632,021	6,942,778	6,775,002	(167,776)
Education	14,809,734	14,809,734	14,805,204	(4,530)
Total expenditures	<u>21,441,755</u>	<u>21,752,512</u>	<u>21,580,206</u>	<u>(172,306)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (160,578)</u>	<u>\$ (471,335)</u>	(109,779)	<u>\$ (361,556)</u>
Fund balance - beginning			<u>2,726,544</u>	
Fund balance - ending			<u>\$ 2,616,765</u>	

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 226,715	\$ 163,817
Investments, at fair value	2,886,955	65,955
Interest and other receivables	11,340	-
Total assets	3,125,010	\$ 229,772
LIABILITIES		
Accounts Payable	-	3,041
Due to others	-	206,026
Due to student groups	-	20,705
Total liabilities	-	\$ 229,772
NET ASSETS		
Held in trust for pension benefits	\$ 3,125,010	

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2012

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 276,672
Plan members	53,715
Total contributions	<u>330,387</u>
Investment earnings:	
Net decrease in in the fair value of investments	(95,321)
Interest	82,101
Total investment earnings (loss)	<u>(13,220)</u>
Total additions	<u>317,167</u>
DEDUCTIONS	
Benefit payments	271,164
Administrative expenses	33,451
Total deductions	<u>304,615</u>
Change in net assets	12,552
Net assets - beginning	<u>3,112,458</u>
Net assets - ending	<u>\$ 3,125,010</u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

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

EES Renovation Project Fund - This capital projects fund is used to account for the revenues and expenditures associated with the renovation of the Essex Elementary School.

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

Pension Trust Funds - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plans. The Town utilizes these funds to account for activities of the following plans: Town of Essex, Connecticut Amended and Restated Retirement Plan, the Town of Essex Merit Service Plan and the Town of Essex Employee's Pension Plan. These plans are discussed more fully in Note I.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING *(Continued)*

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

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

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

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

Investments

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

The Town invests in the Cooperative Liquid Asset Security Systems Fund (CLASS), which is an investment pool managed by Cutwater Asset Management. CLASS operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, CLASS qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. CLASS is subject to regulatory oversight even though they are not registered by the SEC.

Inventories

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

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**ASSETS, LIABILITIES AND FUND EQUITY (Continued)****Capital Assets**

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

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

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

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

Unearned/Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Compensated Absences and Employee Retirement Obligations

It is the Town's policy to permit employees to accumulate unused vacation pay benefits subject to certain limits. The Board of Education allows employees to accumulate only unused sick pay. In addition, Board of Education personnel are eligible for certain retirement incentive amounts that are amortized over time upon acceptance of an Early Retirement Incentive Program.

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

Long-term Obligations

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

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

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

ASSETS, LIABILITIES AND FUND EQUITY (*Continued*)

Net Assets and Fund Balances

The statement of net assets presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. There were no restricted net assets as of June 30, 2012.

Unrestricted net assets - This category consists of net assets which do not meet the definition of the two preceding categories.

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

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

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

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

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

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

The Town does not have a formal policy over the use of fund balance. The Town will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

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

ASSETS, LIABILITIES AND FUND EQUITY *(Continued)*

INTERFUND ACTIVITIES

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

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

Interfund Transfers

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

Interfund Reimbursements

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

USE OF ESTIMATES

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

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY

BUDGETARY INFORMATION

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- The Board of Selectmen and the Board of Finance prepare an operating budget for the fiscal year commencing July 1 which is presented at the annual Town meeting for approval or submitted to referendum. The operating budget includes proposed expenditures and the means of financing them.
- Expenditures are budgeted by function, department and object. The legal level of budget control is the department level. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects for amounts not exceeding \$20,000 or representing a second transfer to a department. Additional appropriations in excess of \$20,000 must be approved at a Town meeting. During the year, the Board of Finance and Town meetings approved additional appropriations from fund balance of \$310,757.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2012:

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY *(Continued)*

BUDGETARY INFORMATION *(Continued)*

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 21,470,427	\$ 21,580,206	\$ -	\$ (109,779)
"On-behalf" payments - State Teachers Retirement Fund <i>(see Note I)</i>	498,155	498,155	-	-
Adjustment for encumbrances	-	(112,290)	-	112,290
Reimbursement for certain special education costs recorded as a reduction to expenditures for budgetary purposes	20,313	20,313	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(169,886)	(169,886)	-
Capital lease not recorded for budgetary purposes	-	166,692	166,692	-
GAAP basis	<u>\$ 21,988,895</u>	<u>\$ 21,983,190</u>	<u>\$ (3,194)</u>	<u>\$ 2,511</u>

DEFICIT FUND EQUITY

The EES Renovation Project Fund and the Grants Fund have deficit fund balances as of June 30, 2012 of \$575,529 and \$379 respectively, neither of which constitutes a violation of statutory provisions. The EES Renovation Fund Project deficit arose due to expenditures related to the renovation of the Essex Elementary School and the Grants Fund deficit arose due to the timing and nature of various other grant receipts and expenditures. These deficits are expected to be funded by State and Federal funds for reimbursable expenditures.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE C - CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2012:

Government-wide statement of net assets:

Cash deposits	\$ 186,259
Cash equivalents	3,272,994
	<u>3,459,253</u>

Statement of fiduciary net assets:

Cash deposits - Agency Funds	163,817
Cash equivalents - Pension Trust Funds	226,715
	<u>390,532</u>
	<u>\$ 3,849,785</u>

CASH DEPOSITS – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut general statutes, as described below. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2012, \$2,873,698 of the Town's bank balance of \$3,294,379 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,586,328
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	287,370
	<u>\$ 2,873,698</u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut general statutes. Under these statutes, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

NOTE C - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

As of June 30, 2012, the Town's investments consisted of the following:

Investment type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
Cooperative Liquid Asset Security System (CLASS)	\$ 455,670	\$ 455,670	\$ -	\$ -	\$ -
Bond mutual fund	1,040,044	1,040,044	-	-	-
Certificates of deposit	65,955	65,955	-	-	-
	<u>1,561,669</u>	<u>\$ 1,561,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other investments:					
Equity mutual funds	<u>2,073,626</u>				
Total	<u>\$ 3,635,295</u>				

Because the CLASS and bond mutual fund had weighted average maturities of less than 90 days, they were presented as investments with maturities of less than one year.

A reconciliation of the Town's investments as of June 30, 2012 is as follows:

Investments - Pension Trust and Agency Funds	\$ 2,952,910
Add cash equivalents considered investments under GASB Statement No. 40:	
Statement of net assets	455,670
Statement of fiduciary net assets	<u>226,715</u>
Total investments	<u>\$ 3,635,295</u>

Interest Rate Risk

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

Credit Risk

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

NOTE C - CASH DEPOSITS AND INVESTMENTS *(Continued)*INVESTMENTS *(Continued)*Credit Risk *(Continued)*

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

The Town's investments in debt securities were rated by Standard & Poor's as follows at June 30, 2012:

Debt Securities	Fair Value	AAA	Unrated
Cooperative Liquid Asset Security System (CLASS)	\$ 455,670	\$ 455,670	\$ -
Bond mutual fund	1,040,044	-	1,040,044
Certificates of deposit	65,955	-	65,955
	\$ 1,561,669	\$ 455,670	\$ 1,105,999

Custodial Credit Risk

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

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. The Town's investments consist solely of investments in an external investment pool and a bond mutual fund and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,563,245	\$ -	\$ -	\$ 2,563,245
Construction in progress	178,031	149,243	(197,581)	129,693
Total capital assets, not being depreciated	<u>2,741,276</u>	<u>149,243</u>	<u>(197,581)</u>	<u>2,692,938</u>
Capital assets, being depreciated:				
Land improvements	148,881	8,698	-	157,579
Buildings and improvements	22,410,203	16,540	-	22,426,743
Machinery and equipment	1,652,049	248,144	(85,000)	1,815,193
Vehicles	717,243	-	-	717,243
Infrastructure	8,398,828	197,581	-	8,596,409
Total capital assets, being depreciated	<u>33,327,204</u>	<u>470,963</u>	<u>(85,000)</u>	<u>33,713,167</u>
Less accumulated depreciation and amortization for:				
Land improvements	116,019	3,046	-	119,065
Buildings and improvements	5,423,628	490,470	-	5,914,098
Machinery and equipment	1,502,627	56,892	(85,000)	1,474,519
Vehicles	582,371	54,536	-	636,907
Infrastructure	4,606,437	216,832	-	4,823,269
Total accumulated depreciation and amortization	<u>12,231,082</u>	<u>821,776</u>	<u>(85,000)</u>	<u>12,967,858</u>
Total capital assets, being depreciated, net	<u>21,096,122</u>	<u>(350,813)</u>	<u>-</u>	<u>20,745,309</u>
Governmental activities capital assets, net	<u>\$ 23,837,398</u>	<u>\$ (201,570)</u>	<u>\$ (197,581)</u>	<u>\$ 23,438,247</u>

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

Governmental Activities:	
General government	\$ 86,282
Public safety	15,714
Highways and transportation	268,940
Education	429,798
Health and welfare	21,042
Total depreciation expense - governmental activities	<u>\$ 821,776</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	EES Renovation Project	\$ 575,529
	Capital and Nonrecurring Expenditures Fund	429,811
	Other Governmental Funds	266,359
		<u>1,271,699</u>
Other Governmental Funds	General Fund	105,468
	Capital and Nonrecurring Expenditures Fund	10,667
		<u>116,135</u>
Total interfund receivables/payables		<u><u>\$ 1,387,834</u></u>

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

NOTE F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 134,450
Other Governmental Funds	General Fund	<u>35,436</u>
Total transfers		<u><u>\$ 169,886</u></u>

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

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 10,025,000	\$ -	\$ (460,000)	\$ 9,565,000	\$ 460,000
Other liabilities:					
Note payable	4,544	-	(4,544)	-	-
Capital leases	52,534	166,692	(52,945)	166,281	53,641
Net pension obligation	24,249	57,522	-	81,771	-
Net OPEB obligation	169,134	71,452	-	240,586	-
Compensated absences	104,011	89,451	(91,412)	102,050	91,412
Retired employee obligations	144,819	-	(38,916)	105,903	41,503
	<u>\$ 10,524,291</u>	<u>\$ 385,117</u>	<u>\$ (647,817)</u>	<u>\$ 10,261,591</u>	<u>\$ 646,556</u>

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

GENERAL OBLIGATION BONDS AND NOTE PAYABLE

A summary of general obligation bonds outstanding at June 30, 2012 is as follows:

Purpose of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
Governmental Activities			
Bonds Payable			
General obligation bonds issued August 2007, original amount of \$10,485,000	8/1/2027	4.0% - 5.25%	<u>\$ 9,565,000</u>

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2012:

Year ending June 30:	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2013	\$ 460,000	\$ 409,676
2014	550,000	383,163
2015	550,000	357,038
2016	600,000	332,600
2017	675,000	302,975
2018-2022	3,405,000	1,080,168
2023-2027	2,800,000	408,218
2028-2032	525,000	11,550
	<u>\$ 9,565,000</u>	<u>\$ 3,285,388</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE G - LONG-TERM LIABILITIES (Continued)**GENERAL OBLIGATION BONDS AND NOTE PAYABLE (Continued)**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$141,293,187 as of June 30, 2012. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2012.

As of June 30, 2012, the Town has authorized, unissued bonds of \$7,494,625.

SHARED DEBT

The Town of Essex is a member of Regional School District #4 which also provides education for the Towns of Chester and Deep River. As of June 30, 2012, the outstanding indebtedness of the District was \$14,277,000. The Town of Essex's share will be approximately 47.83% of the total, or \$6,828,286. Such outstanding indebtedness represents general obligations of the Regional School District #4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net assets.

SCHOOL BOND REIMBURSEMENTS

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The Town did not receive any reimbursement for the year ended June 30, 2012; however reimbursements of principal and interest are expected to be received for the Essex Elementary School Project. Such amounts have not yet been determined by the State.

CAPITAL LEASES

A summary of assets acquired through capital leases is as follows as of June 30, 2012:

	Governmental Activities
Vehicles	\$ 70,294
Equipment	194,755
	<u>265,049</u>
Less: accumulated amortization	70,222
	<u>\$ 194,827</u>

Amortization expense relative to leased property under capital leases totaled \$33,696 for the year ended June 30, 2012 and is included in depreciation and amortization expense disclosed in Note D.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 are as follows:

Year ending June 30:	Governmental Activities
2013	\$ 60,263
2014	60,260
2015	36,295
2016	22,900
Total minimum lease payments	<u>179,718</u>
Less: amount representing interest	(13,437)
Present value of minimum lease payments	<u>\$ 166,281</u>

NOTE G - LONG-TERM LIABILITIES (Continued)

RETIRED EMPLOYEE OBLIGATIONS

Board of Education retirement obligations in the amount of \$105,903 represent payments owed to retired employees under terms of an Early Retirement Incentive Program. Such amount represents the total of future payments due to retirees who have accepted the terms of the Early Retirement Incentive Program as of June 30, 2012. The following is a summary of future annual payments as of June 30, 2012:

	<u>Governmental Activities</u>
Year Ending June 30:	
2013	\$ 41,503
2014	44,400
2015	20,000
	<u>\$ 105,903</u>

NOTE H - UNEARNED/DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 272,071	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	16,332
Park and Recreation program fees received in advance	-	50,810
Other program fees received in advance	-	200
	<u>\$ 272,071</u>	<u>\$ 67,342</u>

NOTE I - PENSION PLANS

DEFINED BENEFIT PLANS

The Town maintains three single-employer, defined benefit pension plans: the Town of Essex, Connecticut Amended and Restated Retirement Plan (the "Employees' Retirement Plan"), the Town of Essex Merit Service Plan (the "Merit Service Plan") and the Town of Essex Employees' Pension Plan (the "Police Retirement Plan"). The Plans cover substantially all full time employees except professional personnel at the Board of Education who are covered by the State of Connecticut Teacher's Retirement System. The Plans do not issue stand-alone financial statements and are part of the Town's financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

NOTE I - PENSION PLANS *(Continued)*DEFINED BENEFIT PLANS *(Continued)*

Plan Descriptions

Employees' Retirement Plan

All regularly employed employees (elected, appointed or hired) of the Town, excluding part-time employees, temporary employees and teachers eligible for the State of Connecticut Teachers' Retirement System, are eligible to participate in the plan. Employees are eligible to participate provided they have attained age 21 and have completed three years of credited service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants are 1.25% to 1.4% of an employees' final average compensation multiplied by the number of years of credited service, to a maximum of 40 years. Connecticut General Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town of Essex.

Merit Service Plan

All volunteers of the Town of Essex Fire Engine Company #1 become participants in the plan as of July 1st following the date at which they have completed one year of eligible service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for service prior to July 1, 1993 is \$15 per month for each year of credited service up to a maximum of 15 years. Annual retirement for service after July 1, 1990 is \$15 per month for each year of credited service. Maximum past service plus future service is 30 years. Connecticut General Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town of Essex.

Police Retirement Plan

All regular full-time sworn employees of the Essex Police Department are eligible to participate. However, supernumeraries, school guards, dog wardens/animal control officers, auxiliary police, fire police and police boat drivers are not considered "regular members" and are not eligible to participate in this plan. An employee whose regular work week is less than 30 hours or whose regular period of employment is less than 12 months in the year shall not be considered a full-time employee. The normal retirement date will be the first day of the month following the earlier of the date on which the vested employee attains his or her 55th birthday or completes 20 years of credited service. Retirement is mandatory for all employees at age 60. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. The amount of pension for normal retirement is 2.5% of the monthly compensation base of the employee. For credited service beyond the original 20 years, 2% of compensation base of the employee is multiplied by the number of additional full years of the credit service of the employee per year and will be added to the full retirement percentage. Connecticut General Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town of Essex.

Plan Membership

Membership of the Plans consisted of the following at the date of the latest actuarial valuations:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Retirees and beneficiaries receiving benefits	16	15	1
Terminated employees entitled to benefits but not yet receiving them	14	5	1
Active plan members	20	51	4
	<u>50</u>	<u>71</u>	<u>6</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE I - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Summary of Significant Accounting Policies

The Plans' are accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

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

Administrative costs of all plans are funded through investment earnings of the plans.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Board of Selectmen. The Town's funding policy provides for periodic employer contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rates for normal costs for all plans were actuarially determined.

For the year ended June 30, 2012, employer contributions to the Employees' Retirement Plan represented 12.6% of covered payroll.

For the year ended June 30, 2012, employer contributions to the Police Retirement Plan represented 24.2% of covered payroll.

Concentrations

The following investments represent five percent or more of each respective Plan's net assets:

	<u>Employees'</u> <u>Retirement Plan</u>	<u>Merit</u> <u>Service Plan</u>	<u>Police</u> <u>Retirement Plan</u>
Equity Mutual Funds:			
Columbia Select Large Cap Growth Fund	\$ 404,128	\$ 99,269	\$ 97,202
Columbia Mid Cap Growth Fund	-	31,329	-
Columbia Multi-Advisor International Fund	156,329	45,934	37,042
Columbia Dividend Income Fund	413,705	117,185	103,187
Money Market Funds	113,198	55,273	58,243
Bond Mutual Fund	689,943	206,326	152,399

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE I - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Funded Status

The funded status of each plan as of the most recent actuarial dates, is as follows:

	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Employees' Retirement Plan	\$ 1,980,857	\$ 2,508,919	\$ 528,062	79%	\$ 1,079,896	49%
Merit Service Plan	566,633	864,860	298,227	66%	N/A	N/A
Police Retirement Plan	435,585	788,036	352,451	55%	294,496	120%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Schedule of Employer Contributions

Year Ended June 30	Employees' Retirement Plan		Merit Service Plan		Police Retirement Plan	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2012	\$ 188,437	72%	\$ 74,978	93%	\$ 71,154	100%
2011	175,420	87%	88,594	90%	59,877	90%
2010	131,523	100%	68,656	100%	44,890	100%
2009	81,056	99%	63,671	99%	39,473	100%
2008	97,247	99%	62,934	99%	41,301	100%
2007	74,225	99%	63,087	99%	37,677	100%

*

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE I - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Additional Information and Actuarial Assumptions

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Valuation date	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar, closed	Level dollar, closed	Level percent, closed
Remaining amortization period	7	7	11
Asset valuation method	Average of book and market values	Market value of assets	Average of book and market values
Actuarial assumptions (includes inflation rate):			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases	4.50%	N/A	4.50%

Annual Pension Cost and Net Pension Obligation

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Annual required contribution	\$ 188,437	\$ 74,978	\$ 71,154
Interest on net pension obligation	1,065	370	494
Adjustment to annual required contribution	(2,368)	823	(759)
Annual pension cost	187,134	76,171	70,889
Contributions made	135,596	69,922	71,154
Change in net pension obligation	51,538	6,249	(265)
Net pension obligation, beginning of year	13,448	4,626	6,175
Net pension obligation, end of year	<u>\$ 64,986</u>	<u>\$ 10,875</u>	<u>\$ 5,910</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE I - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension (Asset) Obligation
Employees' Retirement Plan				
2010	\$ 132,411	\$ 131,523	99%	(10,191)
2011	176,378	152,739	87%	13,448
2012	187,134	135,596	72%	64,986
Merit Service Plan				
2010	\$ 69,090	\$ 68,656	99%	(4,979)
2011	89,062	79,457	89%	4,626
2012	76,171	69,922	92%	10,875
Police Retirement Plan				
2010	\$ 44,890	\$ 44,890	100%	-
2011	59,877	53,702	90%	6,175
2012	70,889	71,154	100%	5,910

Plan Financial Statements

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2012

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
ASSETS				
Cash equivalents	\$ 113,199	\$ 55,273	\$ 58,243	\$ 226,715
Investments, at fair value	1,894,597	552,955	439,403	2,886,955
Interest and other receivables	7,457	2,233	1,650	11,340
Total assets	<u>2,015,253</u>	<u>610,461</u>	<u>499,296</u>	<u>3,125,010</u>
NET ASSETS				
Held in trust for pension benefits (See Schedule of Funding Progress on page 52)	2,015,253	610,461	499,296	3,125,010
Total net assets	<u>\$ 2,015,253</u>	<u>\$ 610,461</u>	<u>\$ 499,296</u>	<u>\$ 3,125,010</u>

NOTE I - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Plan Financial Statements (Continued)

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
ADDITIONS				
Contributions:				
Employer	\$ 135,596	\$ 69,922	\$ 71,154	\$ 276,672
Plan members	-	-	53,715	53,715
Total contributions	<u>135,596</u>	<u>69,922</u>	<u>124,869</u>	<u>330,387</u>
Investment earnings:				
Net decrease in fair value of investments	(64,410)	(19,786)	(11,125)	(95,321)
Interest	53,868	16,263	11,970	82,101
Total investment earnings	<u>(10,542)</u>	<u>(3,523)</u>	<u>845</u>	<u>(13,220)</u>
Total additions	<u>125,054</u>	<u>66,399</u>	<u>125,714</u>	<u>317,167</u>
DEDUCTIONS				
Benefit payments	153,499	54,529	63,136	271,164
Administrative expenses	9,306	13,705	10,440	33,451
Total deductions	<u>162,805</u>	<u>68,234</u>	<u>73,576</u>	<u>304,615</u>
NET INCREASE (DECREASE)	(37,751)	(1,835)	52,138	12,552
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	<u>2,053,004</u>	<u>612,296</u>	<u>447,158</u>	<u>3,112,458</u>
End of year	<u>\$ 2,015,253</u>	<u>\$ 610,461</u>	<u>\$ 499,296</u>	<u>\$ 3,125,010</u>

NOTE I - PENSION PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2012, Town teachers contributed \$175,834 to the plan and covered payroll for the year was \$2,425,291.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$498,155 made by the State of Connecticut into the plan as intergovernmental revenues and related education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions

Employees' OPEB Plan

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

Teachers' OPEB Plan

The Town of Essex offers post-retirement medical and dental benefits to eligible retirees and their spouses through the Board of Education's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the union representing Town employees. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy

Employees' OPEB Plan

Contribution requirements of the Town are established in the plan provisions and may be amended by the Town. Currently, the Town contributes 100% percent of the cost of current-year premiums for eligible retired plan members. Plan members are not required to contribute. For fiscal year 2012, contributions totaled \$12,479. The Town finances the cost of these benefits on a pay-as-you-go basis.

Teachers' OPEB Plan

Contributions requirements of the plan members are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. Currently, plan members are required to contribute 100% of their healthcare premiums to the Town, less any reimbursements received by the Town from the State Retirement Board. The Town finances the plan on a pay-as-you-go-basis.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost is calculated based on the annual required contribution ("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 normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

	<u>Employees'</u> <u>OPEB Plan</u>	<u>Teachers'</u> <u>OPEB Plan</u>
Annual required contribution	\$ 39,613	\$ 45,762
Interest on net OPEB obligation	3,521	6,627
Adjustment to annual required contribution	<u>(4,022)</u>	<u>(7,570)</u>
Annual OPEB cost	39,112	44,819
Contributions made	<u>12,479</u>	<u>-</u>
Increase in net OPEB obligation	26,633	44,819
Net OPEB obligation, beginning of year	<u>58,687</u>	<u>110,447</u>
Net OPEB obligation, end of year	<u>\$ 85,320</u>	<u>\$ 155,266</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2010 through 2012 is as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Employees' OPEB Plan				
2010	\$ 32,917	\$ 12,304	37%	37,036
2011	33,994	12,343	36%	58,687
2012	39,112	12,479	32%	85,320
Teachers' OPEB Plan				
2010	\$ 37,497	\$ -	0%	70,771
2011	39,676	-	0%	110,447
2012	44,819	-	0%	155,266

Funded Status and Funding Progress

The funded status of both plans as of the date of the most recent actuarial valuations was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Employees' OPEB Plan					
\$ -	\$ 789,828	\$ 789,828	0.0%	N/A	N/A
Teachers' OPEB Plan					
\$ -	\$ 381,411	\$ 381,411	0.0%	N/A	N/A

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in 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 Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present 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.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	Employees' OPEB Plan	Teachers' OPEB Plan
Valuation date:	July 1, 2009	July 1, 2009
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level Dollar Amount	Level Dollar Amount
Remaining amortization period:	30 years, closed	30 years, closed
Asset valuation method:	N/A	N/A
Actuarial assumptions:		
Discount rate	6.0%	6.0%
Healthcare cost trend rate	4.0%	8.0%

NOTE K - COMMITMENTS AND CONTINGENCIES

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

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

As of June 30, 2012, the Town has recorded \$361,766 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2012.

NOTE L - RISK MANAGEMENT

The Town is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. eq. of Connecticut General Statutes, for workers compensation and employer liability coverage. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$750,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

NOTE L - RISK MANAGEMENT (Continued)

The Town is a member of CIRMA's liability-automobile-property pool, a risk-sharing pool, which was begun on July 1, 1986. The Town pays premiums to CIRMA for the provision of general liability, automobile liability, law enforcement liability, public official's liability, school leaders' liability, auto-physical damage, property, and boiler and machinery coverages. The premium is subject to audit after the close of the coverage period. Various deductibles applied to these coverages and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's pool retains \$750,000 for each insured liability/auto occurrence.

A liability is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, the claims liability is reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimated. The claims liability included in the accompanying statement of net assets totaled \$38,750 as of June 30, 2012.

NOTE M - RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB has issued several new accounting standards that will become effective in future years. Management is currently evaluating the effect implementation of these standards, as applicable, will have on its financial statements. A summary of recently issued accounting standards that will become effective in future years is as follows:

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 and early adoption is permitted.

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25*, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The provisions in GASB 67 are effective for financial statements for periods beginning after June 15, 2013 and early adoption is permitted.

NOTE M - RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

The GASB has issued Statement No. 66, *Technical Corrections – 2012*, which amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions in GASB 66 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

The GASB has issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of GASB 65 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

The GASB has issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB 63 also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The provisions of GASB 63 are effective for financial statements for periods beginning after December 15, 2011 and early adoption is permitted.

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The adoption of this standard has no retroactive or current impact on the Town's financial statements. The provisions of GASB 62 are effective for financial statements for periods beginning after December 15, 2011 and early adoption is permitted.

Required
Supplementary
Information

TOWN OF ESSEX, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS (UNAUDITED)
JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
DEFINED BENEFIT PLANS						
Employees' Retirement Plan						
July 1, 2010	\$ 1,980,857	\$ 2,508,819	\$ 527,962	79%	\$ 1,079,896	49%
July 1, 2009	1,873,460	2,383,936	509,476	79%	1,373,193	37%
July 1, 2008	1,899,517	2,219,269	319,752	86%	1,314,060	24%
July 1, 2007	1,885,401	1,996,206	110,805	94%	1,100,628	10%
July 1, 2006	1,691,603	1,827,486	135,883	93%	1,003,523	14%
July 1, 2005	1,556,254	1,628,479	72,225	96%	746,135	10%
Merit Service Plan						
July 1, 2010	\$ 566,633	\$ 864,860	298,227	66%	N/A	N/A
July 1, 2009	425,633	843,914	418,281	50%	N/A	N/A
July 1, 2008	500,946	824,956	324,010	61%	N/A	N/A
July 1, 2007	507,218	790,089	282,871	64%	N/A	N/A
July 1, 2006	429,655	742,655	313,000	58%	N/A	N/A
July 1, 2005	379,018	705,067	326,049	54%	N/A	N/A
Police Retirement Plan						
July 1, 2010	\$ 435,585	\$ 788,036	\$ 352,451	55%	\$ 294,496	120%
July 1, 2009	394,650	586,053	191,403	67%	326,850	59%
July 1, 2008	399,284	505,955	106,671	79%	312,776	34%
July 1, 2007	344,922	426,580	81,658	81%	327,473	25%
July 1, 2006	271,397	408,054	136,657	67%	237,894	57%
July 1, 2005	210,164	317,984	107,820	66%	258,055	42%
OTHER POST-EMPLOYMENT BENEFIT PLANS						
Employees' OPEB Plan						
July 1, 2009	\$ -	\$ 789,828	\$ 789,828	0%	N/A	N/A
July 1, 2008	-	339,212	339,212	0%	N/A	N/A
Teachers' OPEB Plan						
July 1, 2009	\$ -	\$ 381,411	\$ 381,411	0%	N/A	N/A
July 1, 2008	-	320,456	320,456	0%	N/A	N/A

APPENDIX B – FORM OF OPINION OF BOND COUNSEL

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

A T T O R N E Y S A T L A W

TELEPHONE (860)296-0510
FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL

Town of Essex
Essex, Connecticut

Ladies and Gentlemen:

We have represented the Town of Essex, Connecticut as bond counsel with respect to the issuance and sale of \$7,220,000* Town of Essex, Connecticut General Obligation Refunding Bonds, Issue of 2013, bearing a Dated Date of April 2, 2013 and an Original Issue Date of April 2, 2013 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated April 2, 2013 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are subject to redemption prior to maturity as therein provided. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the Town of Essex payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

*Preliminary. Subject to change.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the bonds is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, (ii) continuing compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters, and (iii) the material accuracy of the calculations of Grant Thornton LLP with respect to the yield on the bonds and on certain escrowed securities purchased with the bonds, and net present value savings to the Town as a result of issuance of the bonds.

We are further of the opinion that, under existing statutes, interest on the bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement. In addition, with respect to the Bonds, Bond Counsel will rely on the Verification Report of Grant Thornton LLP with respect to the yield on the bonds and on certain escrowed securities purchased with the bonds, and net present value savings to the Issuer as a result of issuance of the bonds.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

Ownership of the Bonds may also result in certain collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds.

ORIGINAL ISSUE DISCOUNT

The following is a general discussion of Original Issue Discount and not an opinion of Bond Counsel.

The initial public offering prices of certain maturities of the Bonds (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

In general, under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

ORIGINAL ISSUE PREMIUM

The following is a general discussion of Original Issue Premium and not an opinion of Bond Counsel.

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for state and federal income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

FUTURE EVENTS

The Federal tax treatment of municipal bonds, including the exclusion of interest paid thereon from gross income pursuant to section 103 of the Internal Revenue Code, is subject to legislation adopted by the Congress of the United States and enacted into law. Connecticut tax treatment of the Bonds is subject to laws adopted by the State of Connecticut Legislature and enacted into law. From time to time Federal laws are proposed, including introduced into Congress, which would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals, including pending or future proposals, may adversely affect the tax treatment of the interest paid on the Bonds, their sale or disposition, market price, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchasers and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

APPENDIX C – CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF ESSEX, CONNECTICUT

Dated As Of April 2, 2013

In Connection With The Issuance And Sale Of

\$7,220,000* Town Of Essex, Connecticut

General Obligation Refunding Bonds, Issue of 2013,

Dated April 2, 2013

WHEREAS, the Town of Essex, Connecticut (the "Issuer") has heretofore authorized the issuance of \$7,220,000* in aggregate principal amount of its General Obligation Refunding Bonds, Issue of 2013 (the "Bonds") to be dated April 2, 2013 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

*Preliminary. Subject to change.

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

1) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;

(g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;

(h) a statement of statutory debt limitations and debt margins;

(i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Report. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;

- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment

or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF ESSEX, CONNECTICUT

Dated As Of April 2, 2013

In Connection With The Issuance And Sale Of

\$7,220,000* Town Of Essex, Connecticut

General Obligation Refunding Bonds, Issue of 2013,

Dated April 2, 2013

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF ESSEX, CONNECTICUT

By _____
Norman M. Needleman
First Selectman

By _____
Robert B. Dixon
Treasurer

Financial Advisory Services
Provided By

