

**TOWN OF ESSEX,
CONNECTICUT**



**Basic
Financial Statements**

**For The Year Ended
June 30, 2009**

**TOWN OF ESSEX, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	20
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Notes to the Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Funding Progress	49
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Governmental Funds	
General Fund	
Schedule of Revenues - Budget and Actual - Budgetary Basis	50
Schedule of Expenditures - Budget and Actual - Budgetary Basis	51
Schedule of Property Taxes Levied, Collected and Outstanding	53
Schedule of Debt Limitation	54
Capital and Non-Recurring Expenditures Fund	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - by Project	55

**TOWN OF ESSEX, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS *(Continued)*

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES *(Continued)*

	<u>Page</u>
Governmental Funds <i>(Continued)</i>	
Combining Statements	
Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	57
Fiduciary Funds	
Pension Trust Funds and Agency Funds	
Combining Statement of Fiduciary Net Assets - Pension Trust Funds	58
Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	59
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	60
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	61

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Finance of the
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, 2009, which collectively comprise the Town's basic financial statements as listed in the accompanying 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2009, 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 January 27, 2010, 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 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.

The management's discussion and analysis presented on pages 3 through 12 and the schedules of funding progress on page 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CCR LLP

Glastonbury, Connecticut
January 27, 2010

Management's Discussion and Analysis

TOWN OF ESSEX, CONNECTICUT

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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$17,232,187 (net assets). Of this amount, \$3,174,205 (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 \$74,978 due primarily to a decline in revenues and the recognition of an OPEB liability for the first time in 2009, partially offset by a decrease in expenditures.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,166,541, a decrease of \$173,337 in comparison with the prior year. Approximately 81.4% or \$2,577,248 of this total amount is available for spending at the Town's discretion (unreserved and undesignated fund balance).
- At the end of the close of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$2,295,819, or 11.2% of total general fund expenditures and other financing sources (uses), net.
- The Town's total long-term bonded debt decreased by \$235,000 or 2.1% 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.

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 13 - 14 of this report.

TOWN OF ESSEX, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

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 ten 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 seven 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 15 - 20 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 21 - 22 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 48 of this report.

Other Information

Required supplementary information other than this management's discussion and analysis can be found on page 49 of this report. Combining and individual fund statements and schedules and other supplementary information can be found on pages 50 - 61 of this report.

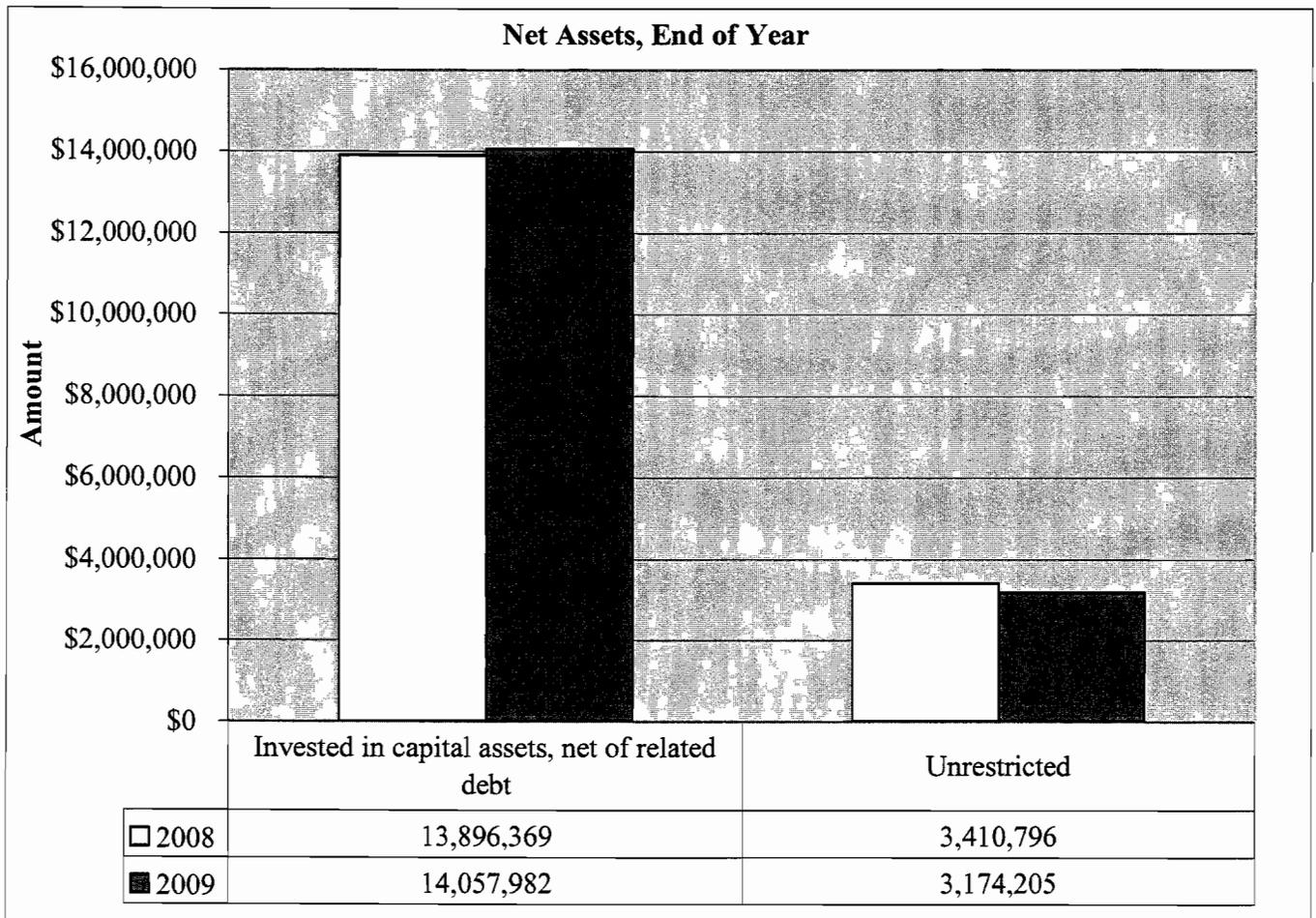
**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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 \$17,232,187 and \$17,307,165 as of June 30, 2009 and 2008, respectively and are summarized as follows:

	Total	
	2009	2008
Current and other assets	\$ 3,915,616	\$ 4,214,406
Capital assets, net	24,794,702	24,874,578
Total assets	<u>28,710,318</u>	<u>29,088,984</u>
Long-term liabilities	10,571,712	10,780,642
Other liabilities	906,419	1,001,177
Total liabilities	<u>11,478,131</u>	<u>11,781,819</u>
Net assets:		
Invested in capital assets, net of related debt	14,057,982	13,896,369
Unrestricted	3,174,205	3,410,796
Total net assets	<u>\$17,232,187</u>	<u>\$17,307,165</u>



**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)

81.6% 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 \$74,978 or .4% in comparison to the prior year.

Changes in Net Assets

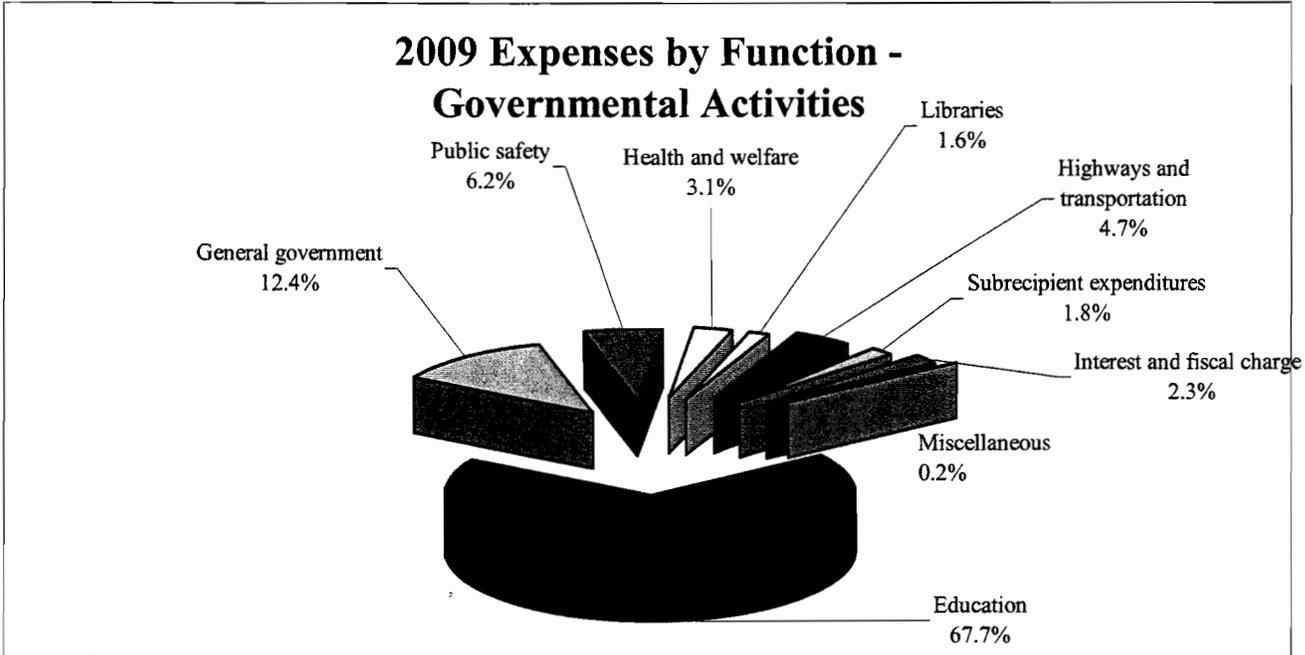
Changes in net assets for the years ended June 30, 2009 and 2008 are as follows:

	Total	
	2009	2008
Revenues		
Program revenues:		.
Charges for services	\$ 647,213	\$ 849,049
Operating grants and contributions	1,290,853	2,415,779
Capital grants and contributions	420,454	2,736,300
General revenues:		
Property taxes	18,145,906	17,266,826
Grants and contributions not restricted to specific programs	448,046	255,916
Unrestricted investment earnings	101,954	306,757
Miscellaneous	88,479	222,671
Total revenues	21,142,905	24,053,298
Program expenses		
General government	2,633,969	2,523,501
Public safety	1,318,681	1,410,563
Health and welfare	664,214	586,732
Libraries	346,000	302,000
Highways and transportation	1,001,561	1,019,083
Subrecipient expenditures	381,250	298,383
Interest and fiscal charges	473,373	487,584
Miscellaneous	31,249	52,320
Education	14,367,586	14,729,318
Total expenses	21,217,883	21,409,484
Change in net assets	\$ (74,978)	\$ 2,643,814

**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)



TOWN OF ESSEX, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (*Continued*)

Governmental Activities (*Continued*)

Governmental activities decreased the Town's net assets by \$74,968. Key elements of this decrease are as follows:

- An increase in property tax revenue of \$879,080 or 5.1% in comparison to the prior year due to an increase in the mill rate from 16.9 mills to 17.6 mills and an increase in the taxable grand list.
- A decrease in capital grants and contributions of \$2,315,846 or 84.6%. The decrease reflects the Essex Elementary School renovation that was substantially completed and reimbursed in fiscal year 2008.
- Education expenditures increased by approximately \$755,000 due primarily to an increase in the budgeted salaries, operating expenses and debt service paid to the Regional School District. This increase was offset by a large decrease in the amount of on-behalf pension payments recorded in the current year, which had no effect on the change in net assets, as the decrease is also seen in operating grants and contributions.

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, unreserved 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 \$3,166,541, a decrease of \$173,337 in comparison with the prior year. Of this amount, \$2,577,248 constitutes unreserved and undesignated fund balance which is available for spending at the Town's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed for specific purposes.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$2,295,819, while total fund balance was \$2,881,950. As a measure of the general fund's liquidity, it may be useful to compare unreserved and undesignated fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 11.2% of total general fund expenditures and net other financing uses. Expressed another way, unreserved and undesignated fund balance for the general fund was sufficient to cover 1.4 months of general fund operating expenditures and net other financing uses.

The fund balance of the Town's general fund decreased \$82,901 during the current fiscal year. The key factors in this reduction was a decrease in total revenues of \$833,420 or 3.9% due to an increase in property tax revenues offset by decreases in conveyance tax revenue, building permit fees and interest income. This was partially offset by a \$436,379 decrease in expenditures and transfers to other funds of \$305,201.

**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)**

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

Governmental Funds (*Continued*)

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund decreased by \$130,574 during the current fiscal year. This decrease was due primarily to capital outlays. This was partially offset by transfers received from the general fund.

EES Renovation Project Fund

The EES Renovation Project Fund has a deficit fund balance of \$532,164 as of June 30, 2009. This deficit is attributable to expenditures incurred 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 released following the project audit.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were an increase in expenditure appropriations of \$246,765 related to a Town Hall improvements project, appropriations the Essex Land Trust, and employee benefit expenditures not originally budgeted. Additionally, revenues and expenditures were simultaneously amended by \$211,300 to reflect supplemental grant revenue and related expenditures.

During the year, revenues fell short of budgetary estimates by \$186,503, while expenditures were less than budgetary estimates by \$191,549. The net result of the supplemental appropriations and shortfalls in revenue and expenditures was a \$241,719 draw upon fund balances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2009 totaled \$24,794,702 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The Town's investment in capital assets decreased by \$79,873 or .3%.

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

- Infrastructure additions for sidewalks totaling \$258,531.
- An increase of approximately \$105,000 in recorded depreciation due primarily to the reclassification of the Essex Elementary School renovation project expenditures from construction in progress to depreciable capital assets.

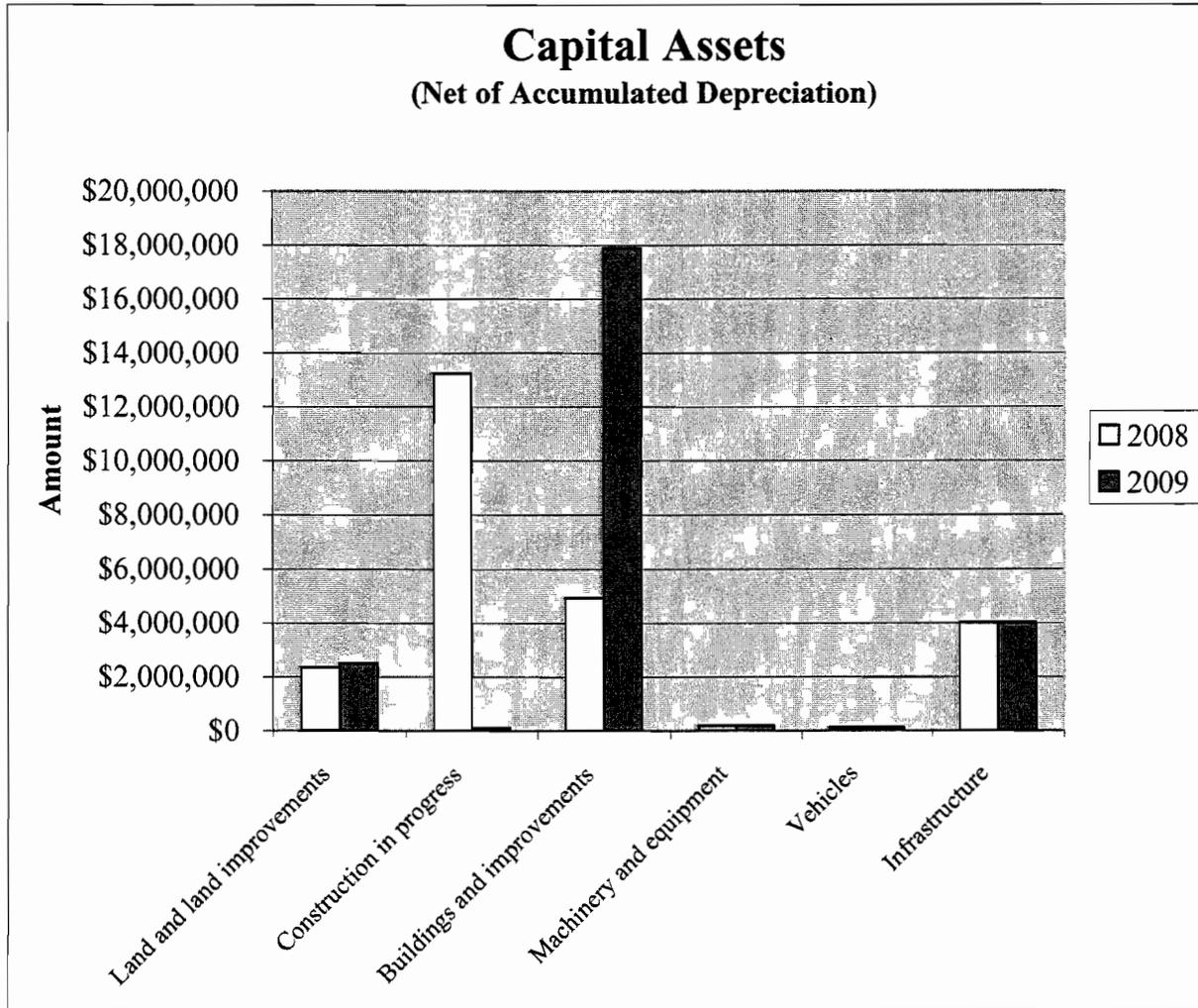
**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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	
	2009	2008
Land and land improvements	\$ 2,501,241	\$ 2,362,678
Construction in progress	88,443	13,241,331
Buildings and improvements	17,879,719	4,935,619
Machinery and equipment	185,011	186,626
Vehicles	133,007	131,127
Infrastructure	4,007,281	4,017,194
Totals	<u>\$24,794,702</u>	<u>\$24,874,575</u>



Additional information on the Town's capital assets can be found in Note 4 on page 33 of this report.

**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

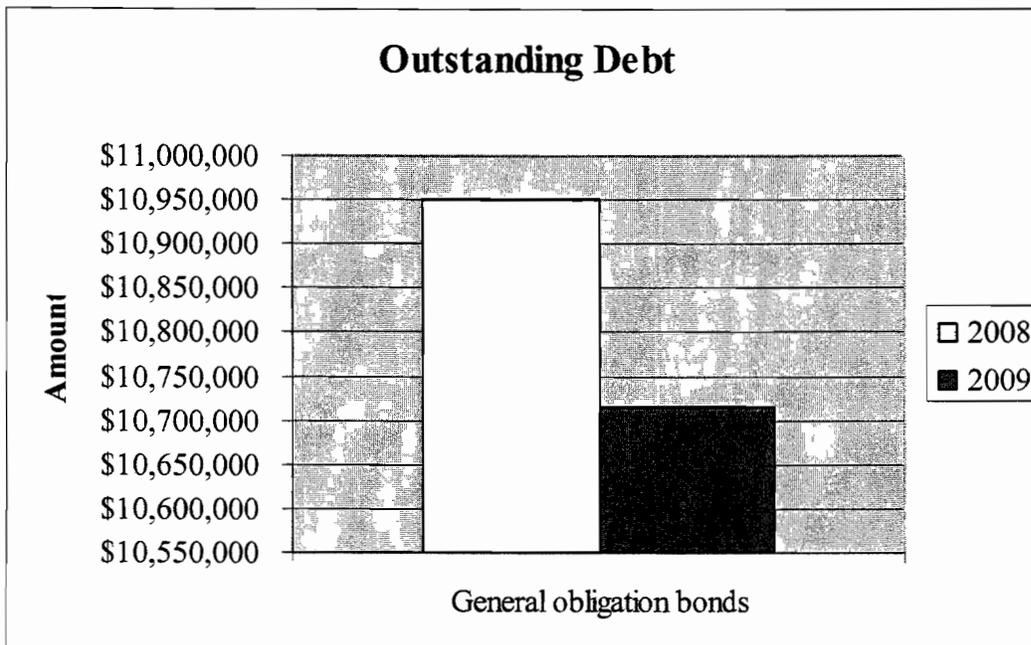
Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$10,715,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$235,000 or 2.1% 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 \$127,240,197, 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 7 on pages 35 - 37 of this report.

**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)***

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 6.2%, which is an increase from a rate of 4.4% in the prior year. This compares favorably to the state's average unemployment rate of 8.0% and the national unemployment rate of 9.5%.
- 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 2010.

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, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,354,982
Receivables:	
Property taxes, net of allowance for doubtful accounts of \$36,000	307,449
Interest, net of allowance for doubtful accounts of \$15,000	53,289
Grants and contracts receivable	156,446
Other	6,979
Prepaid items	16,917
Inventories	3,062
Net pension asset	16,492
Capital assets:	
Non-depreciable	2,551,889
Depreciable, net	22,242,813
Total assets	28,710,318
 LIABILITIES	
Accounts payable	288,815
Accrued interest payable	194,839
Other accrued liabilities	5,586
Unearned revenue	42,973
Claims payable	28,869
Noncurrent liabilities:	
Due within one year	345,337
Due in more than one year	10,571,712
Total liabilities	11,478,131
 NET ASSETS	
Invested in capital assets, net of related debt	14,057,982
Unrestricted	3,174,205
Total net assets	\$ 17,232,187

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

**TOWN OF ESSEX, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Board of Selectmen:				
General government	\$ 2,633,969	\$ 405,020	\$ 41,281	\$ (2,187,668)
Public safety	1,318,681	12,760	39,066	(1,266,855)
Health and welfare	664,214	131,905	362,847	(169,462)
Libraries	346,000	-	-	(346,000)
Highways and transportation	1,001,561	-	-	(759,346)
Subrecipient expenditures	381,250	-	-	(306,250)
Interest and fiscal charges	473,373	-	-	(473,373)
Miscellaneous	31,249	-	-	(31,249)
Education	14,367,586	97,528	847,659	103,239
Total governmental activities	\$ 21,217,883	\$ 647,213	\$ 1,290,853	\$ (18,859,363)
General revenues:				
Property taxes, levied for general purposes				18,145,906
Grants and contributions not restricted to specific programs				448,046
Unrestricted investment earnings				101,954
Miscellaneous				88,479
Total general revenues				18,784,385
Change in net assets				(74,978)
Net assets - beginning				17,307,165
Net assets - ending				\$ 17,232,187

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

TOWN OF ESSEX, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Capital and Nonrecurring Expenditures Fund</u>	<u>EES Renovation Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,266,972	\$ 830,547	\$ -	\$ 257,463	\$ 3,354,982
Receivables:					
Property taxes, net of allowance for uncollectible taxes of \$36,000	307,449	-	-	-	307,449
Grants and contracts	57,871	-	-	2,785	60,656
Other	5,378	-	-	1,601	6,979
Prepaid items	16,817	-	-	100	16,917
Due from other funds	813,285	-	-	77,675	890,960
Inventories	-	-	-	3,062	3,062
Total assets	<u>\$ 3,467,772</u>	<u>\$ 830,547</u>	<u>\$ -</u>	<u>\$ 342,686</u>	<u>\$ 4,641,005</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	\$ 282,049	\$ -	\$ -	\$ 6,766	\$ 288,815
Other accrued liabilities	-	-	-	5,586	5,586
Due to other funds	53,675	182,332	532,164	122,789	890,960
Unearned/deferred revenue	250,098	-	-	39,005	289,103
Total liabilities	<u>585,822</u>	<u>182,332</u>	<u>532,164</u>	<u>174,146</u>	<u>1,474,464</u>
Fund Balances (Deficit):					
Reserved for:					
Inventories	-	-	-	3,062	3,062
Encumbrances	419,314	-	-	-	419,314
Prepaid items	16,817	-	-	100	16,917
Unreserved	2,295,819	648,215	(532,164)	-	2,411,870
Unreserved, designated for capital projects	150,000	-	-	-	150,000
Unreserved, reported in nonmajor special revenue funds	-	-	-	165,378	165,378
Total fund balances (deficit)	<u>2,881,950</u>	<u>648,215</u>	<u>(532,164)</u>	<u>168,540</u>	<u>3,166,541</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,467,772</u>	<u>\$ 830,547</u>	<u>\$ -</u>	<u>\$ 342,686</u>	<u>\$ 4,641,005</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, 2009

Total fund balances for governmental funds \$ 3,166,541

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	\$ 2,612,326	
Construction in progress	88,443	
Building and improvements	22,325,124	
Machinery and equipment	1,611,285	
Motor vehicles	616,815	
Infrastructure	8,135,914	
Less: accumulated depreciation and amortization	<u>(10,595,205)</u>	
Total capital assets, net		24,794,702

The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds. 16,492

School construction grants receivable from the State of Connecticut are not available to pay current period expenditures, and therefore are deferred in the funds. 95,790

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. 246,130

Accrued interest on property taxes is not susceptible to accrual and therefore is not reported in the funds. 53,289

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	(10,734,950)	
Obligations under capital lease	(21,720)	
Accrued interest payable	(194,839)	

Other long-term liabilities:

Compensated absences	(110,682)	
Claims payable	(28,869)	
Net OPEB obligation	(49,697)	

Total long-term liabilities (11,140,757)

Net assets of governmental activities \$ 17,232,187

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
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 18,093,636	\$ -	\$ -	\$ -	\$ 18,093,636
Intergovernmental	1,564,130	-	99,433	327,853	1,991,416
Local revenue	611,651	800	-	218,951	831,402
Interest income	98,999	2,619	-	336	101,954
Total revenues	<u>20,368,416</u>	<u>3,419</u>	<u>99,433</u>	<u>547,140</u>	<u>21,018,408</u>
EXPENDITURES					
Current:					
General government	2,334,909	-	-	127,845	2,462,754
Public safety	1,080,214	-	-	7,100	1,087,314
Health and welfare	609,773	-	-	-	609,773
Libraries	346,000	-	-	-	346,000
Highways and transportation	722,822	-	-	-	722,822
Subrecipient expenditures	75,000	-	-	306,250	381,250
Education	13,831,806	-	-	125,992	13,957,798
Debt service:					
Principal payments	277,025	-	-	-	277,025
Interest and fiscal charges	476,897	-	-	-	476,897
Capital outlays	419,733	388,307	90,135	-	898,175
Total expenditures	<u>20,174,179</u>	<u>388,307</u>	<u>90,135</u>	<u>567,187</u>	<u>21,219,808</u>
Excess (deficiency) of revenues over expenditures	194,237	(384,888)	9,298	(20,047)	(201,400)
OTHER FINANCING SOURCES (USES)					
Capital lease	28,063	-	-	-	28,063
Transfers in	-	254,314	-	50,887	305,201
Transfers out	(305,201)	-	-	-	(305,201)
Total other financing sources (uses)	<u>(277,138)</u>	<u>254,314</u>	<u>-</u>	<u>50,887</u>	<u>28,063</u>
Net change in fund balances	(82,901)	(130,574)	9,298	30,840	(173,337)
Fund balances (deficit) - beginning	<u>2,964,851</u>	<u>778,789</u>	<u>(541,462)</u>	<u>137,700</u>	<u>3,339,878</u>
Fund balances (deficit) - ending	<u>\$ 2,881,950</u>	<u>\$ 648,215</u>	<u>\$ (532,164)</u>	<u>\$ 168,540</u>	<u>\$ 3,166,541</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
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances for governmental funds \$ (173,337)

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	\$	544,636	
Depreciation and amortization expense		(763,360)	
Net adjustment			(218,724)

Donated capital assets are accounted for at their fair value at date of donation in the statement of activities as revenue. 170,100

Sales of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. (31,249)

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 decreased revenues recognized in the funds. (17,671)

Intergovernmental revenue on school construction grants is not susceptible to accrual and therefore is only reported as revenue in the funds when the cash is received by the Town. The amount received from the State during the year reduced revenues recognized in the funds. (97,873)

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		(28,063)	
Principal repayments:			
Bonds and notes payable		242,475	
Obligations under capital lease		34,549	
Net adjustment			248,961

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 *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2009

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	\$	18,497	
Claims payable		3,771	
Accrued interest		3,525	
Net OPEB obligation		(49,697)	
Net pension asset		(1,222)	
			\$ (25,126)

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.

69,941

Change in Net Assets of Governmental Activities

\$ (74,978)

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
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 18,119,080	\$ 18,119,080	\$ 18,093,636	\$ (25,444)
Intergovernmental	898,414	1,109,714	1,127,338	17,624
Local revenues	756,777	756,777	644,095	(112,682)
Interest income	165,000	165,000	98,999	(66,001)
Total revenues	<u>19,939,271</u>	<u>20,150,571</u>	<u>19,964,068</u>	<u>(186,503)</u>
EXPENDITURES				
Board of Selectmen	6,403,734	6,861,799	6,698,161	(163,638)
Education	13,535,537	13,535,537	13,507,626	(27,911)
Total expenditures	<u>19,939,271</u>	<u>20,397,336</u>	<u>20,205,787</u>	<u>(191,549)</u>
Deficiency of revenues over expenditures	<u>\$ -</u>	<u>\$ (246,765)</u>	(241,719)	<u>\$ (5,046)</u>
Fund balance - beginning			<u>2,554,355</u>	
Fund balance - ending			<u>\$ 2,312,636</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, 2009

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 18,092	\$ 141,906
Investments	2,270,797	62,000
Interest and other receivables	2,938	-
Total assets	<u>2,291,827</u>	<u>\$ 203,906</u>
 LIABILITIES		
Due to others	-	185,407
Due to student groups	-	18,499
Total liabilities	<u>-</u>	<u>\$ 203,906</u>
 NET ASSETS		
Held in trust for pension benefits	<u>\$ 2,291,827</u>	.

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 184,200
Plan members	9,586
Total contributions	<u>193,786</u>
Investment earnings (losses):	
Net depreciation in the fair value of investments	(526,298)
Interest	70,450
Total investment earnings (losses)	<u>(455,848)</u>
Total additions	<u>(262,062)</u>
 DEDUCTIONS	
Benefit payments	174,192
Administrative expenses	10,578
Total deductions	<u>184,770</u>
Change in net assets	(446,832)
Net assets - beginning	<u>2,738,659</u>
Net assets - ending	<u>\$ 2,291,827</u>

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

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

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 nonexchange 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 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.

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

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

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 required to be accounted for in another fund.

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

EES Renovation Project Fund - This 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 9.

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

Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements (except for Agency Funds) are prepared using the economic resources measurement focus and the accrual basis of accounting. Agency Funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Governmental Fund Financial Statements

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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents as of June 30, 2009 consist of money market accounts and Cooperative Liquid Asset Security Systems Funds (CLASS) which totaled \$18,092 and \$488,301, respectively. CLASS is an investment pool managed by MBIA Municipal Investors Service Corp. The fair value of the Town's position in the pool is the same as the value of the pool shares.

Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Town presents all investments at fair value.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

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.

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:

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

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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Compensated Absences

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

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net 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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 fund balance reservation in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND ACTIVITIES (Continued)

Interfund Transfers

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

Interfund Reimbursements

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

USE OF ESTIMATES

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

NOTE 2 - 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 \$246,765 and budget amendments simultaneously increasing revenue and expenditures of \$211,300.
- 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY (Continued)

BUDGETARY INFORMATION (Continued)

- All unexpended appropriations lapse at year-end, except those for the Capital and Nonrecurring Expenditures Fund. 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, 2009:

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing</u> <u>Sources (Uses)</u>	<u>Net Change</u> <u>In Fund</u> <u>Balance</u>
Budgetary basis	\$ 19,964,068	\$ 20,205,787	\$ -	\$ (241,719)
"On-behalf" payments - State Teachers Retirement Fund (see Note 9)	373,306	373,306	-	-
Adjustment for encumbrances	-	(158,818)	-	158,818
Reimbursement for certain special education costs recorded as a reduction to expenditures for budgetary purposes	66,042	66,042	-	-
Certain transfers recorded as expenditures for budgetary purposes	(35,000)	(340,201)	(305,201)	-
Capital lease not recorded for budgetary purposes	-	28,063	28,063	-
GAAP basis	<u>\$ 20,368,416</u>	<u>\$ 20,174,179</u>	<u>\$ (277,138)</u>	<u>\$ (82,901)</u>

DEFICIT FUND EQUITY

The EES Renovation Project Fund has a deficit fund balance as of June 30, 2009 of \$532,164 which does not constitute a violation of statutory provisions. The deficit arose due to expenditures related to the renovation of the Essex Elementary School. The deficit is expected to be funded by State funds for reimbursable expenditures.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2009:

Government-wide statement of net assets:

Cash deposits	\$ 2,866,681
Cash equivalents	488,301
	3,354,982

Statement of fiduciary net assets:

Cash deposits - Agency Funds	141,906
Cash equivalents - Pension Trust Funds	18,092
	159,998
	\$ 3,514,980

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 state 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, 2009, \$2,778,658 of the Town's bank balance of \$3,154,282 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,475,792
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	302,866
	\$ 2,778,658

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

As of June 30, 2009, the Town's investments consisted of the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities:					
Cooperative Liquid Asset Security System (CLASS)	\$ 488,301	\$ 488,301	\$ -	\$ -	\$ -
Bond mutual fund	823,220	823,220	-	-	-
Certificates of deposit	62,000	62,000	-	-	-
	<u>1,373,521</u>	<u>\$ 1,373,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other investments:					
Equity mutual funds	<u>1,465,669</u>				
Total	<u>\$ 2,839,190</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, 2009 is as follows:

Total investments	\$ 2,839,190
Less cash equivalents considered investments under GASB Statement No. 40:	
Statement of net assets	488,301
Statement of fiduciary net assets	18,092
Investments - Pension Trust and Agency Funds	<u>\$ 2,332,797</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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Credit Risk

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

The Town's investment policy regarding credit risk is to limit investments to those specified in the Connecticut state 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 Fitch Ratings as follows at June 30, 2009:

<u>Debt Securities</u>	<u>Fair Value</u>	<u>AAA</u>	<u>Unrated</u>
Cooperative Liquid Asset Security System (CLASS)	\$ 488,301	\$ 488,301	\$ -
Bond mutual fund	823,220	-	823,220
Certificates of deposit	62,000	-	62,000
	<u>\$ 1,373,521</u>	<u>\$ 488,301</u>	<u>\$ 885,220</u>

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 solely 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 THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 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	\$ 2,322,415	\$ 170,100	\$ (29,070)	\$ 2,463,445
Construction in progress	13,241,331	215,324	(13,368,212)	88,443
Total capital assets, not being depreciated	<u>15,563,746</u>	<u>385,424</u>	<u>(13,397,282)</u>	<u>2,551,888</u>
Capital assets, being depreciated:				
Land improvements	148,881	-	-	148,881
Buildings and improvements	8,956,912	13,368,212	-	22,325,124
Machinery and equipment	1,583,221	28,064	-	1,611,285
Vehicles	574,098	42,717	-	616,815
Infrastructure	7,910,069	258,531	(32,686)	8,135,914
Total capital assets, being depreciated	<u>19,173,181</u>	<u>13,697,524</u>	<u>(32,686)</u>	<u>32,838,019</u>
Less accumulated depreciation and amortization for:				
Land improvements	108,618	2,467	-	111,085
Buildings and improvements	4,021,293	424,112	-	4,445,405
Machinery and equipment	1,396,595	29,679	-	1,426,274
Vehicles	442,971	40,837	-	483,808
Infrastructure	3,892,875	266,265	(30,507)	4,128,633
Total accumulated depreciation and amortization	<u>9,862,352</u>	<u>763,360</u>	<u>(30,507)</u>	<u>10,595,205</u>
Total capital assets, being depreciated, net	<u>9,310,829</u>	<u>12,934,164</u>	<u>(2,179)</u>	<u>22,242,814</u>
Governmental activities capital assets, net	<u>\$ 24,874,575</u>	<u>\$ 13,319,588</u>	<u>\$ (13,399,461)</u>	<u>\$ 24,794,702</u>

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

Governmental Activities:	
General government	\$ 66,224
Public safety	12,233
Highways and transportation	295,689
Education	373,380
Health and welfare	15,834
Total depreciation expense - governmental activities	<u>\$ 763,360</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	EES Renovation Project	\$ 532,164
	Capital and Nonrecurring Expenditures Fund	158,332
	Other Funds	122,789
		<u>813,285</u>
Other Funds	Capital and Nonrecurring Expenditures Fund	24,000
	General Fund	53,675
		<u>77,675</u>
		<u>890,960</u>
	Total interfund receivables/payables	<u>\$ 890,960</u>

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

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2009 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 254,314
Other Funds	General Fund	50,887
		<u>305,201</u>
	Total transfers	<u>\$ 305,201</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 unrestricted 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 THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 10,950,000	\$ -	\$ (235,000)	\$ 10,715,000	\$ 230,000
Other liabilities:					
Note payable	27,425	-	(7,475)	19,950	7,626
Capital leases	28,206	28,063	(34,549)	21,720	9,130
Net OPEB obligation	-	49,697	-	49,697	-
Compensated absences	129,179	113,546	(132,043)	110,682	98,581
	<u>\$ 11,134,810</u>	<u>\$ 191,306</u>	<u>\$ (409,067)</u>	<u>\$ 10,917,049</u>	<u>\$ 345,337</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, 2009 is as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities			
Bonds Payable			
School bonds issued December 1998, original amount \$2,890,000	8/15/09	3.3% - 4.1%	\$ 230,000
General obligation bonds issued August 2007, original amount of \$10,485,000	8/1/2027	4.0% - 5.25%	<u>10,485,000</u>
			10,715,000
Note Payable			
Clean Water Fund note payable issued 1992, original amount \$132,079	12/31/11	2.00%	<u>19,950</u>
			<u>\$ 10,734,950</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATIONS BONDS AND NOTE PAYABLE (Continued)

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2009:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 230,000	\$ 463,841	\$ 7,626	\$ 317	\$ 237,626	\$ 464,158
2011	460,000	449,926	7,779	164	467,779	450,090
2012	460,000	431,238	4,545	23	464,545	431,261
2013	460,000	409,675	-	-	460,000	409,675
2014	550,000	383,163	-	-	550,000	383,163
2015-2019	3,175,000	1,509,125	-	-	3,175,000	1,509,125
2020-2024	3,280,000	799,215	-	-	3,280,000	799,215
2025-2028	2,100,000	184,209	-	-	2,100,000	184,209
	<u>\$ 10,715,000</u>	<u>\$ 4,630,392</u>	<u>\$ 19,950</u>	<u>\$ 504</u>	<u>\$ 10,734,950</u>	<u>\$ 4,630,896</u>

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 \$127,240,197 as of June 30, 2009. 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, 2009.

As of June 30, 2009, 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, 2009, the outstanding indebtedness of the District was \$21,895,000. The Town of Essex's share will be approximately 41.31% of the total, or \$9,044,825. 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 amount of reimbursement for the year ended June 30, 2009 was \$101,680. Additional reimbursements of principal and interest aggregating \$97,061 are expected to be received through the applicable bonds' maturity dates. The Town has recorded a receivable of \$95,790 relating to the principal portion of these payments in the accompanying statement of net assets.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 7 - LONG-TERM LIABILITIES (Continued)

CAPITAL LEASES

A summary of assets acquired through capital leases is as follows as of June 30, 2009:

	Governmental Activities
Equipment	\$ 28,063
Less: accumulated amortization	7,795
	\$ 20,268

Amortization expense relative to leased property under capital leases totaled \$7,795 for the year ended June 30, 2009 and is included in depreciation and amortization expense disclosed in Note 4.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 are as follows:

	Governmental Activities
Year Ending June 30:	
2010	\$ 10,670
2011	10,670
2012	2,667
Total minimum lease payments	24,007
Less: amount representing interest	2,287
Present value of minimum lease payments	\$ 21,720

NOTE 8 - 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:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 246,130	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	3,968
Park and Recreation program fees	-	39,005
	\$ 246,130	\$ 42,973

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2009

NOTE 9 - 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.

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. The State of Connecticut 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. The State of Connecticut 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 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9 - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

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	12	13	-
Terminated employees entitled to benefits but not yet receiving them	11	5	1
Active plan members	24	46	5
	<u>47</u>	<u>64</u>	<u>6</u>

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, 2009, employer contributions to the Employees' Retirement Plan represented 7.4% of covered payroll.

For the year ended June 30, 2009, employer contributions to the Police Retirement Plan represented 12.1% of covered payroll.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9 - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Concentrations

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

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Equity Mutual Funds:			
Columbia Large Cap Value Fund	\$ 316,644	\$ 87,883	\$ 64,293
Columbia Multi-Advisor International	212,266	61,613	43,807
Columbia Large Cap Growth Fund	343,699	89,779	65,756
Bond mutual fund	561,255	150,088	111,876

Funded Status

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

	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)	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	\$ 1,855,401	\$ 1,996,206	\$ 140,805	93%	\$ 1,100,628	13%
Merit Service Plan	507,218	790,089	282,871	64%	N/A	N/A
Police Retirement Plan	344,922	426,580	81,658	81%	327,239	25%

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
2009	\$ 81,056	100%	\$ 63,671	100%	\$ 39,473	100%
2008	97,247	100%	62,934	100%	41,301	100%
2007	74,225	100%	63,087	100%	37,677	100%
2006	81,085	100%	60,452	100%	36,135	100%
2005	54,276	100%	54,713	100%	31,834	100%
2004	41,408	100%	50,991	100%	29,510	100%

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9 - 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, 2007	July 1, 2007	July 1, 2007
Actuarial cost method	Projected Unit Credit	Unit Credit	Projected Unit Credit
Amortization method	Level dollar, closed	Level dollar, closed	Level percent, closed
Remaining amortization period	8	8	12
Asset valuation method	Average of book and market values	Market value	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 Asset

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Annual required contribution	\$ 81,056	\$ 63,671	\$ 39,473
Interest on net pension obligation	(952)	(465)	-
Adjustment to annual required contribution	1,773	866	-
Annual pension cost	<u>81,877</u>	<u>64,072</u>	<u>39,473</u>
Contributions made	<u>81,056</u>	<u>63,671</u>	<u>39,473</u>
Decrease in net pension asset	821	401	-
Net pension asset, beginning of year	<u>(11,900)</u>	<u>(5,814)</u>	<u>-</u>
Net pension asset, end of year	<u><u>\$ (11,079)</u></u>	<u><u>\$ (5,413)</u></u>	<u><u>\$ -</u></u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9 - 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
Employees' Retirement Plan				
2007	\$ 74,929	\$ 74,225	99%	\$ (12,661)
2008	98,008	97,247	99%	(11,900)
2009	81,877	81,056	99%	(11,079)
Merit Service Plan				
2007	\$ 63,431	\$ 63,087	99%	\$ (6,186)
2008	63,306	62,934	99%	(5,814)
2009	64,072	63,671	99%	(5,413)
Police Retirement Plan				
2007	\$ 37,677	\$ 37,677	100%	\$ -
2008	41,301	41,301	100%	-
2009	39,473	39,473	100%	-

Plan Financial Statements

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2009

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
ASSETS				
Cash equivalents	\$ 11,925	\$ 2,693	\$ 3,474	\$ 18,092
Investments, at fair value	1,541,465	422,405	306,927	2,270,797
Interest and other receivables	2,004	535	399	2,938
Total assets	<u>1,555,394</u>	<u>425,633</u>	<u>310,800</u>	<u>2,291,827</u>
NET ASSETS				
Held in trust for pension benefits	1,555,394	425,633	310,800	2,291,827
Total net assets	<u>\$ 1,555,394</u>	<u>\$ 425,633</u>	<u>\$ 310,800</u>	<u>\$ 2,291,827</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9 - PENSION PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

Plan Financial Statements (Continued)

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
ADDITIONS				
Contributions:				
Employer	\$ 81,056	\$ 63,671	\$ 39,473	\$ 184,200
Plan members	-	-	9,586	9,586
Total contributions	<u>81,056</u>	<u>63,671</u>	<u>49,059</u>	<u>193,786</u>
Investment earnings (losses):				
Net depreciation in fair value of investments	(363,216)	(95,321)	(67,761)	(526,298)
Interest	47,521	13,373	9,556	70,450
Total investment earnings (losses)	<u>(315,695)</u>	<u>(81,948)</u>	<u>(58,205)</u>	<u>(455,848)</u>
Total additions	<u>(234,639)</u>	<u>(18,277)</u>	<u>(9,146)</u>	<u>(262,062)</u>
DEDUCTIONS				
Benefit payments	90,587	53,047	30,558	174,192
Administrative expenses	4,493	3,990	2,095	10,578
Total deductions	<u>95,080</u>	<u>57,037</u>	<u>32,653</u>	<u>184,770</u>
NET DECREASE	(329,719)	(75,314)	(41,799)	(446,832)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	<u>1,885,113</u>	<u>500,947</u>	<u>352,599</u>	<u>2,738,659</u>
End of year	<u>\$ 1,555,394</u>	<u>\$ 425,633</u>	<u>\$ 310,800</u>	<u>\$ 2,291,827</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9 - 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, 2009, Town teachers contributed \$175,290 to the plan and covered payroll for the year was \$2,417,788.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$373,306 made by the State of Connecticut into the plan as intergovernmental revenues and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE 10 - 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 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 plan is funded on a pay-as-you-go basis and no trust has been established to hold plan assets. Accordingly, the plan is not presented as a pension and other post employment benefits trust fund in the accompanying financial statements.

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 by the Town and the General Statutes of the State of Connecticut. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity. The plan is funded on a pay-as-you-go basis and no trust has been established to hold plan assets. Accordingly, the plan is not presented as a pension and other post employment benefits trust fund in the accompanying financial statements.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 10 - 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 2009, contributions totaled \$12,173. 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	\$ 28,596	\$ 33,274
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	<u>28,596</u>	<u>33,274</u>
Contributions made	<u>12,173</u>	<u>-</u>
Increase in net OPEB obligation	<u>16,423</u>	<u>33,274</u>
Net OPEB obligation, beginning of year	<u>-</u>	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ 16,423</u></u>	<u><u>\$ 33,274</u></u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB costs contributed to the Plans, and the net OPEB obligations for 2009 are as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Employees' OPEB Plan				
2009	\$ 28,596	\$ 12,173	43%	\$ 16,423
Teacher' OPEB Plan				
2009	\$ 33,274	-	0%	\$ 33,274

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)	(Overfunded) 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					
\$ -	\$ 298,492	\$ 298,492	0.0%	N/A	N/A
Teachers' OPEB Plan					
\$ -	\$ 250,644	\$ 250,644	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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 10 - 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, 2008	July 1, 2008
Actuarial cost method:	Projected Unit Credit	Projected Unit Credit
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 11 - 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.

NOTE 12 - 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.

TOWN OF ESSEX, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2009

NOTE 12 - 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 \$28,869 as of June 30, 2009.

**Required
Supplementary
Information**

**TOWN OF ESSEX, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) -	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						
July 1, 2007	\$ 1,855,401	\$ 1,996,206	\$ 140,805	93%	\$ 1,100,628	13%
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%
July 1, 2004	1,518,885	1,569,811	50,926	97%	868,343	6%
July 1, 2003	1,467,603	1,378,651	(88,952)	106%	731,567	-12%
July 1, 2002	1,489,326	1,250,943	(238,383)	119%	811,825	-29%
Merit Service Plan						
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
July 1, 2004	350,825	672,874	322,049	52%	N/A	N/A
July 1, 2003	297,814	599,088	301,274	50%	N/A	N/A
July 1, 2002	277,515	563,789	286,274	49%	N/A	N/A
Police Retirement Plan						
July 1, 2007	\$ 344,922	\$ 426,580	\$ 81,658	81%	\$ 327,239	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%
July 1, 2004	162,788	277,276	114,488	59%	269,402	42%
July 1, 2003	115,938	221,368	105,430	52%	238,051	44%
July 1, 2002	74,614	185,513	110,899	40%	227,381	49%
Employees' OPEB Plan						
July 1, 2008	\$ -	\$ 298,492	\$ 298,492	0%	N/A	N/A
Teachers' OPEB Plan						
July 1, 2008	\$ -	\$ 250,644	\$ 250,644	0%	N/A	N/A

Combining and Individual Fund Statements and Schedules

General Fund

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Property taxes	\$ 18,069,080	\$ 18,069,080	\$ 17,993,398	\$ (75,682)
Interest and lien fees	50,000	50,000	100,238	50,238
Total property taxes	<u>18,119,080</u>	<u>18,119,080</u>	<u>18,093,636</u>	<u>(25,444)</u>
INTERGOVERNMENTAL				
Veterans tax relief	3,853	3,853	4,013	160
School construction grant	101,679	101,679	101,684	5
Education cost sharing grant	359,820	359,820	384,834	25,014
Small town economic assistance program	-	166,300	166,300	-
Town aid road grant	109,233	109,233	109,012	(221)
LOCIP	41,938	41,938	41,903	(35)
PILOT grant	30,564	30,564	22,766	(7,798)
Homeowners tax relief	37,483	37,483	37,000	(483)
Boating registration	25,331	25,331	25,331	-
Transit district	1,743	1,743	2,390	647
Manufacturing equipment	101,523	101,523	108,768	7,245
Pequot grant	19,307	19,307	26,866	7,559
Pump out boat reimbursement	50,940	50,940	51,454	514
Miscellaneous State and Federal	15,000	60,000	45,017	(14,983)
Total intergovernmental	<u>898,414</u>	<u>1,109,714</u>	<u>1,127,338</u>	<u>17,624</u>
LOCAL REVENUES				
Miscellaneous permits	1,000	1,000	2,530	1,530
Phone "access line" tax share	49,472	49,472	45,817	(3,655)
Sanitary permits	60,000	60,000	65,653	5,653
Building permit fees	210,000	210,000	154,160	(55,840)
Circuit court fines	1,000	1,000	7,383	6,383
Gas tax refunds	805	805	849	44
Zoning permits	2,500	2,500	5,231	2,731
Zoning board of appeals	1,000	1,000	1,470	470
Planning commission receipts	500	500	2,830	2,330
Conveyance tax	180,000	180,000	82,597	(97,403)
Park and recreation	50,000	50,000	37,200	(12,800)
Miscellaneous receipts	17,000	17,000	88,047	71,047
Town clerk fees	145,000	145,000	107,649	(37,351)
Inland wetlands permits	1,000	1,000	486	(514)
Regional recycling fees	30,000	30,000	36,354	6,354
Health department fees	7,500	7,500	5,839	(1,661)
Total local revenues	<u>756,777</u>	<u>756,777</u>	<u>644,095</u>	<u>(112,682)</u>
INTEREST INCOME				
	<u>165,000</u>	<u>165,000</u>	<u>98,999</u>	<u>(66,001)</u>
Total revenues	<u>\$ 19,939,271</u>	<u>\$ 20,150,571</u>	<u>\$ 19,964,068</u>	<u>\$ (186,503)</u>

**TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 182,789	\$ 182,789	\$ 177,136	\$ (5,653)
Assessor	96,855	96,855	92,108	(4,747)
Central services	220,623	220,623	238,776	18,153
Elections	41,800	41,800	37,291	(4,509)
Probate court	7,550	7,550	1,940	(5,610)
Tax collector	100,636	100,636	99,836	(800)
Town clerk	167,400	167,400	162,322	(5,078)
Treasurer	106,232	106,232	105,973	(259)
Zoning enforcement agent	56,324	56,324	56,581	257
Fringe benefits	595,050	646,815	646,815	-
General insurance	150,765	150,765	145,959	(4,806)
Legal services	78,555	83,555	88,195	4,640
Public restroom facilities	13,700	13,700	12,778	(922)
Technology	115,720	115,720	131,501	15,781
Board of assessment appeals	2,994	2,994	2,751	(243)
Board of finance	113,700	70,920	50,962	(19,958)
Conservation commission	8,180	8,180	9,851	1,671
Economic development commission	2,000	2,000	442	(1,558)
IWWC commission	10,490	10,490	13,521	3,031
Parks and recreation	204,624	204,624	201,522	(3,102)
Planning commission	48,208	48,208	49,446	1,238
Tree committee	1,200	1,200	1,200	-
Zoning board of appeals	8,800	8,800	11,206	2,406
Zoning commission	43,196	43,196	34,042	(9,154)
Clean energy task force	4,000	4,000	800	(3,200)
Total general government	<u>2,381,391</u>	<u>2,395,376</u>	<u>2,372,954</u>	<u>(22,422)</u>
PUBLIC SAFETY				
Ambulance Association	20,967	20,967	20,967	-
Animal control	15,887	15,887	15,894	7
Building department	94,016	94,016	91,168	(2,848)
Emergency management	8,700	20,200	23,482	3,282
Emergency 911	84,814	84,814	84,814	-
Fire department	220,500	234,000	233,657	(343)
Fire marshal	49,579	49,579	44,693	(4,886)
Harbor patrol	26,106	26,106	24,636	(1,470)
Police services	319,480	319,480	335,914	16,434
Resident state trooper	96,560	96,560	95,729	(831)
Water	140,000	140,000	137,783	(2,217)
Total public safety	<u>1,076,609</u>	<u>1,101,609</u>	<u>1,108,737</u>	<u>7,128</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS -
GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
HEALTH AND WELFARE				
Director of health	\$ 20,000	\$ 20,000	\$ 17,538	\$ (2,462)
Estuary transit	7,080	11,546	11,546	-
Sanitarian	202,908	202,908	208,440	5,532
Sanitary waste commission	192,700	192,700	171,779	(20,921)
Social services	90,591	90,591	88,082	(2,509)
Visiting nurses	60,795	60,795	60,795	-
Pump out boat	50,939	50,939	46,078	(4,861)
Water pollution control	12,900	12,900	8,585	(4,315)
Total health and welfare	<u>637,913</u>	<u>642,379</u>	<u>612,843</u>	<u>(29,536)</u>
LIBRARIES	<u>346,000</u>	<u>346,000</u>	<u>346,000</u>	<u>-</u>
HIGHWAYS AND TRANSPORTATION				
Highways	758,995	758,995	729,865	(29,130)
Town garage	35,628	35,628	45,061	9,433
Total highways and transportation	<u>794,623</u>	<u>794,623</u>	<u>774,926</u>	<u>(19,697)</u>
DEBT SERVICE				
Principal payments	242,475	242,475	242,475	-
Interest and fiscal charges	473,723	473,723	473,723	-
Total debt service	<u>716,198</u>	<u>716,198</u>	<u>716,198</u>	<u>-</u>
CAPITAL OUTLAYS				
Grants and special appropriations	-	361,300	325,387	(35,913)
Capital and sinking funds	451,000	504,314	441,116	(63,198)
Total board of selectmen	<u>451,000</u>	<u>865,614</u>	<u>766,503</u>	<u>(99,111)</u>
	<u>6,403,734</u>	<u>6,861,799</u>	<u>6,698,161</u>	<u>(163,638)</u>
EDUCATION				
	<u>13,535,537</u>	<u>13,535,537</u>	<u>13,507,626</u>	<u>(27,911)</u>
Total expenditures	<u>\$ 19,939,271</u>	<u>\$ 20,397,336</u>	<u>\$ 20,205,787</u>	<u>\$ (191,549)</u>

**TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2009**

Grand List Year	Balance Uncollected June 30, 2008	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections			Lien Fees	Total	Balance Uncollected June 30, 2009
			Additions	Deductions			Taxes	Interest	Total			
2007	\$ -	\$ 18,138,991	\$ 27,873	\$ 64,844	\$ -	\$ 18,102,020	\$ 17,871,117	\$ 57,370	\$ 408	\$ 17,928,895	\$ 230,903	
2006	186,153	-	4,234	3,207	6,815	180,365	100,229	21,307	840	122,376	80,136	
2005	64,449	-	2,275	222	3,397	63,105	37,145	13,655	240	51,040	25,960	
2004	31,086	-	-	-	14,282	16,804	14,302	6,452	120	20,874	2,502	
2003	13,329	-	-	-	7,794	5,535	4,227	3,268	72	7,567	1,308	
2002	14,551	-	-	-	10,784	3,767	2,648	2,432	72	5,152	1,119	
2001	10,696	-	-	-	9,737	959	274	323	48	645	685	
2000	381	-	-	-	381	381	250	233	24	507	131	
1999	183	-	-	-	183	183	139	219	24	382	44	
1998 and prior	1,688	-	-	-	1,688	1,688	1,027	1,562	144	2,733	661	
	\$ 322,516	\$ 18,138,991	\$ 34,382	\$ 68,273	\$ 52,809	\$ 18,374,807	\$ 18,031,358	\$ 106,821	\$ 1,992	\$ 18,140,171	\$ 343,449	

**TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2009**

Total cash collections for the year ended
June 30, 2009:

Taxes	\$ 18,031,358
Interest and lien fees	<u>108,813</u>
	18,140,171

Reimbursement for revenue loss:
Tax relief for elderly (CGS 12-129d)

	37,000
	<u>\$ 18,177,171</u>

Base

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
	\$ 40,898,635	\$ -	\$ -	\$ -	\$ -
2-1/4 times base	-	81,797,270	-	-	-
4-1/2 times base	-	-	68,164,391	-	-
3-3/4 times base	-	-	-	59,075,806	-
3-1/4 times base	-	-	-	-	-
3 times base	-	-	-	-	54,531,513
Total debt limitation	<u>40,898,635</u>	<u>81,797,270</u>	<u>68,164,391</u>	<u>59,075,806</u>	<u>54,531,513</u>

Total debt limitation

Indebtedness:

Bonds payable	535,000
Shared debt - Regional School District No. 4	10,180,000
Note payable	9,044,825
Authorized, unissued bonds	-
Less: school building grants to be provided by State	19,950
	3,350,000
	95,790

Total indebtedness

	4,679,625
	<u>22,479,035</u>

Debt limitation in excess of outstanding
and authorized debt

	\$ 36,219,010	\$ 59,318,235	\$ 68,144,441	\$ 59,075,806	\$ 54,531,513
--	---------------	---------------	---------------	---------------	---------------

Total capacity of borrowing (7 times base)

	\$ 127,240,197
	<u>27,178,610</u>

Total present indebtedness

Margin for additional borrowing

	\$ 100,061,587
--	----------------

***Capital and Nonrecurring
Expenditures Fund***

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY PROJECT
CAPITAL AND NONRECURRING EXPENDITURES FUND
FOR THE YEAR ENDED JUNE 30, 2009

		Capital and Nonrecurring Expenditures Fund												
	Fire Truck	Truck and Equipment	Constable Cars	Assessor's Revaluation	Harbor Patrol	Wastewater Study	Parks and Recreation	Tree Committee	Veterans Memorial	Open Space	Essex Elementary	Grove Street Playground Project	Un-Appropriated	Total
REVENUES														
Local revenue	\$ 545	\$ 11	\$ 87	\$ 570	\$ 72	\$ 38	\$ 25	\$ 800	\$ -	\$ 101	\$ 883	\$ -	\$ -	\$ 800
Interest income	545	11	87	570	72	38	25	805	-	101	883	14	268	2,619
Total revenues														3,419
EXPENDITURES														
Capital outlays	223,014	-	42,717	74,576	-	-	-	1,450	-	-	-	-	46,550	388,307
Total expenditures	223,014	-	42,717	74,576	-	-	-	1,450	-	-	-	-	46,550	388,307
Excess (deficiency) of revenues over expenditures	(222,469)	11	(42,630)	(74,006)	72	38	25	(645)	-	101	883	14	(46,282)	(384,888)
OTHER FINANCING SOURCES														
Transfers in	110,000	-	23,314	25,000	3,000	-	3,000	-	-	25,000	20,000	-	45,000	254,314
Total other financing sources	110,000	-	23,314	25,000	3,000	-	3,000	-	-	25,000	20,000	-	45,000	254,314
Net change in fund balances	(112,469)	11	(19,316)	(49,006)	3,072	38	3,025	(645)	-	25,101	20,883	14	(1,282)	(130,574)
Fund balances - beginning	247,269	2,762	40,893	189,997	14,785	9,370	3,108	1,986	19	1	197,697	3,349	67,553	778,789
Fund balances - ending	\$ 134,800	\$ 2,773	\$ 21,577	\$ 140,991	\$ 17,857	\$ 9,408	\$ 6,133	\$ 1,341	\$ 19	\$ 25,102	\$ 218,580	\$ 3,363	\$ 66,271	\$ 648,215

*Nonmajor
Governmental
Funds*

**TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

Nonmajor Special Revenue Funds

	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Senior Housing Renovation	Historic Documents	Recreational Programs	Total
Cash and cash equivalents	\$ 115,937	\$ 7,501	\$ 52,834	\$ 69,306	\$ -	\$ 11,885	\$ -	\$ 257,463
Grants and contracts receivable	-	2,785	-	-	-	-	-	2,785
Other receivables	-	1,601	-	-	-	-	-	1,601
Due from other funds	-	-	24,000	-	-	895	52,780	77,675
Prepaid items	-	-	-	-	-	-	100	100
Inventories	-	3,062	-	-	-	-	-	3,062
Total assets	\$ 115,937	\$ 14,949	\$ 76,834	\$ 69,306	\$ -	\$ 12,780	\$ 52,880	\$ 342,686

ASSETS

Cash and cash equivalents
Grants and contracts receivable
Other receivables
Due from other funds
Prepaid items
Inventories
Total assets

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 267	\$ 2,977	\$ -	\$ -	\$ -	\$ -	\$ 3,522	\$ 6,766
Other accrued liabilities	4,291	1,295	-	-	-	-	-	5,586
Due to other funds	56,544	9,939	4,534	51,772	-	-	-	122,789
Unearned/deferred revenue	-	-	-	-	-	-	39,005	39,005
Total liabilities	61,102	14,211	4,534	51,772	-	-	42,527	174,146

Fund Balances:

Reserved for:

Inventories	-	3,062	-	-	-	-	-	3,062
Prepaid items	-	-	-	-	-	-	100	100
Unreserved:								
Special revenue funds	54,835	(2,324)	72,300	17,534	-	12,780	10,253	165,378
Total fund balances	54,835	738	72,300	17,534	-	12,780	10,353	168,540
Total liabilities and fund balances	\$ 115,937	\$ 14,949	\$ 76,834	\$ 69,306	\$ -	\$ 12,780	\$ 52,880	\$ 342,686

**TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

Nonmajor Special Revenue Funds										
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Senior Housing Renovation	Historic Documents	Recreational Programs	Total		
REVENUES										
Intergovernmental	\$ -	\$ 21,087	\$ -	\$ -	\$ 306,250	\$ -	\$ 516	\$ 327,853		
Local revenue	13,950	97,528	21,341	12,760	-	7,575	65,797	218,951		
Interest income	-	-	336	-	-	-	-	336		
Total revenues	<u>13,950</u>	<u>118,615</u>	<u>21,677</u>	<u>12,760</u>	<u>306,250</u>	<u>7,575</u>	<u>66,313</u>	<u>547,140</u>		
EXPENDITURES										
Current:										
General government	25,014	-	3,879	13,935	-	4,057	80,960	127,845		
Public safety	-	-	7,100	-	-	-	-	7,100		
Education	-	125,992	-	-	-	-	-	125,992		
Subrecipient expenditures	-	-	-	-	306,250	-	-	306,250		
Total expenditures	<u>25,014</u>	<u>125,992</u>	<u>10,979</u>	<u>13,935</u>	<u>306,250</u>	<u>4,057</u>	<u>80,960</u>	<u>567,187</u>		
Excess (deficiency) of revenues over expenditures	(11,064)	(7,377)	10,698	(1,175)	-	3,518	(14,647)	(20,047)		
OTHER FINANCING SOURCES										
Transfers in	15,887	-	10,000	-	-	-	25,000	50,887		
Total other financing sources	<u>15,887</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>50,887</u>		
Net change in fund balances	4,823	(7,377)	20,698	(1,175)	-	3,518	10,353	30,840		
Fund balances - beginning	50,012	8,115	51,602	18,709	-	9,262	-	137,700		
Fund balances - ending	<u>\$ 54,835</u>	<u>\$ 738</u>	<u>\$ 72,300</u>	<u>\$ 17,534</u>	<u>\$ -</u>	<u>\$ 12,780</u>	<u>\$ 10,353</u>	<u>\$ 168,540</u>		

***Fiduciary
Funds***

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
PENSION TRUST FUNDS
JUNE 30, 2009

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ASSETS				
Cash equivalents	\$ 11,925	\$ 2,693	\$ 3,474	\$ 18,092
Investments	1,541,465	422,405	306,927	2,270,797
Interest and other receivables	2,004	535	399	2,938
Total assets	<u>1,555,394</u>	<u>425,633</u>	<u>310,800</u>	<u>2,291,827</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 1,555,394</u>	<u>\$ 425,633</u>	<u>\$ 310,800</u>	<u>\$ 2,291,827</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Employees'</u> <u>Retirement</u> <u>Plan</u>	<u>Merit</u> <u>Service</u> <u>Plan</u>	<u>Police</u> <u>Retirement</u> <u>Plan</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 81,056	\$ 63,671	\$ 39,473	\$ 184,200
Plan members	-	-	9,586	9,586
Total contributions	<u>81,056</u>	<u>63,671</u>	<u>49,059</u>	<u>193,786</u>
Investment earnings (losses):				
Net depreciation in the fair value of investments	(363,216)	(95,321)	(67,761)	(526,298)
Interest	<u>47,521</u>	<u>13,373</u>	<u>9,556</u>	<u>70,450</u>
Total investment earnings (losses)	<u>(315,695)</u>	<u>(81,948)</u>	<u>(58,205)</u>	<u>(455,848)</u>
Total additions	<u>(234,639)</u>	<u>(18,277)</u>	<u>(9,146)</u>	<u>(262,062)</u>
DEDUCTIONS				
Benefit payments	90,587	53,047	30,558	174,192
Administrative expenses	<u>4,493</u>	<u>3,990</u>	<u>2,095</u>	<u>10,578</u>
Total deductions	<u>95,080</u>	<u>57,037</u>	<u>32,653</u>	<u>184,770</u>
Change in net assets	(329,719)	(75,314)	(41,799)	(446,832)
NET ASSETS HELD IN TRUST FOR				
PENSION BENEFITS				
Beginning of year	<u>1,885,113</u>	<u>500,947</u>	<u>352,599</u>	<u>2,738,659</u>
Ending of year	<u>\$ 1,555,394</u>	<u>\$ 425,633</u>	<u>\$ 310,800</u>	<u>\$ 2,291,827</u>

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009

	Elementary School Activities	Performance Bonds	Special Project Escrow Funds	Total Agency Funds
ASSETS				
Cash	\$ 18,499	\$ 106,645	\$ 16,762	\$ 141,906
Investments	-	62,000	-	62,000
Total assets	<u>\$ 18,499</u>	<u>\$ 168,645</u>	<u>\$ 16,762</u>	<u>\$ 203,906</u>
LIABILITIES				
Due to others	\$ -	\$ 168,645	\$ 16,762	\$ 185,407
Due to student groups	18,499	-	-	18,499
Total liabilities	<u>\$ 18,499</u>	<u>\$ 168,645</u>	<u>\$ 16,762</u>	<u>\$ 203,906</u>

**TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Balance, July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2009</u>
Elementary School Activities				
Assets				
Cash	\$ 14,040	\$ 17,115	\$ 12,656	\$ 18,499
Investments	-	-	-	-
Total assets	<u>\$ 14,040</u>	<u>\$ 17,115</u>	<u>\$ 12,656</u>	<u>\$ 18,499</u>
Liabilities				
Due to others	\$ -	\$ -	\$ -	\$ -
Due to student groups	14,040	17,115	12,656	18,499
Total liabilities	<u>\$ 14,040</u>	<u>\$ 17,115</u>	<u>\$ 12,656</u>	<u>\$ 18,499</u>
Performance Bonds				
Assets				
Cash	\$ 153,148	\$ 39,030	\$ 85,533	\$ 106,645
Investments	62,000	-	-	62,000
Total assets	<u>\$ 215,148</u>	<u>\$ 39,030</u>	<u>\$ 85,533</u>	<u>\$ 168,645</u>
Liabilities				
Due to others	\$ 215,148	\$ 39,030	\$ 85,533	\$ 168,645
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 215,148</u>	<u>\$ 39,030</u>	<u>\$ 85,533</u>	<u>\$ 168,645</u>
Special Project Escrow Funds				
Assets				
Cash	\$ 17,163	\$ 7,047	\$ 7,448	\$ 16,762
Investments	-	-	-	-
Total assets	<u>\$ 17,163</u>	<u>\$ 7,047</u>	<u>\$ 7,448</u>	<u>\$ 16,762</u>
Liabilities				
Due to others	\$ 17,163	\$ 7,047	\$ 7,448	\$ 16,762
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 17,163</u>	<u>\$ 7,047</u>	<u>\$ 7,448</u>	<u>\$ 16,762</u>
Total All Agency Funds				
Assets				
Cash	\$ 184,351	\$ 63,192	\$ 105,637	\$ 141,906
Investments	62,000	-	-	62,000
Total assets	<u>\$ 246,351</u>	<u>\$ 63,192</u>	<u>\$ 105,637</u>	<u>\$ 203,906</u>
Liabilities				
Due to others	\$ 232,311	\$ 46,077	\$ 92,981	\$ 185,407
Due to student groups	14,040	17,115	12,656	18,499
Total liabilities	<u>\$ 246,351</u>	<u>\$ 63,192</u>	<u>\$ 105,637</u>	<u>\$ 203,906</u>

