

**TOWN OF ESSEX,  
CONNECTICUT**



**Basic  
Financial Statements**

**For The Year Ended  
June 30, 2010**



*Certified Public Accountants & Business Advisors*

**TOWN OF ESSEX, CONNECTICUT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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TOWN OF ESSEX, CONNECTICUT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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# **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, 2010, 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, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedules of funding progress on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

CCR LLP

Glastonbury, Connecticut  
December 14, 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, 2010.

## FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$16,340,968 (net assets). Of this amount, \$2,689,422 (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 \$891,219 due primarily to supplemental appropriations under the Selectmen's budget, continued depreciation of capital assets with only minimal additions and the continued growth of the OPEB liability. These were partially offset by stronger than expected revenue collections.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,001,215, a decrease of \$165,326 in comparison with the prior year. Approximately 83.5% or \$2,505,088 of this total amount is available for spending at the Town's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$2,351,815, or 11.3% of total general fund expenditures and other financing sources (uses), net. Expressed another way, unreserved fund balance for the general fund was sufficient to cover 1.4 months of general fund operating expenditures and net other financing uses.
- The Town's total long-term bonded debt decreased by \$230,000 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 eleven 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 eight 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 - 49 of this report.

### **Other Information**

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 50 - 62 of this report.

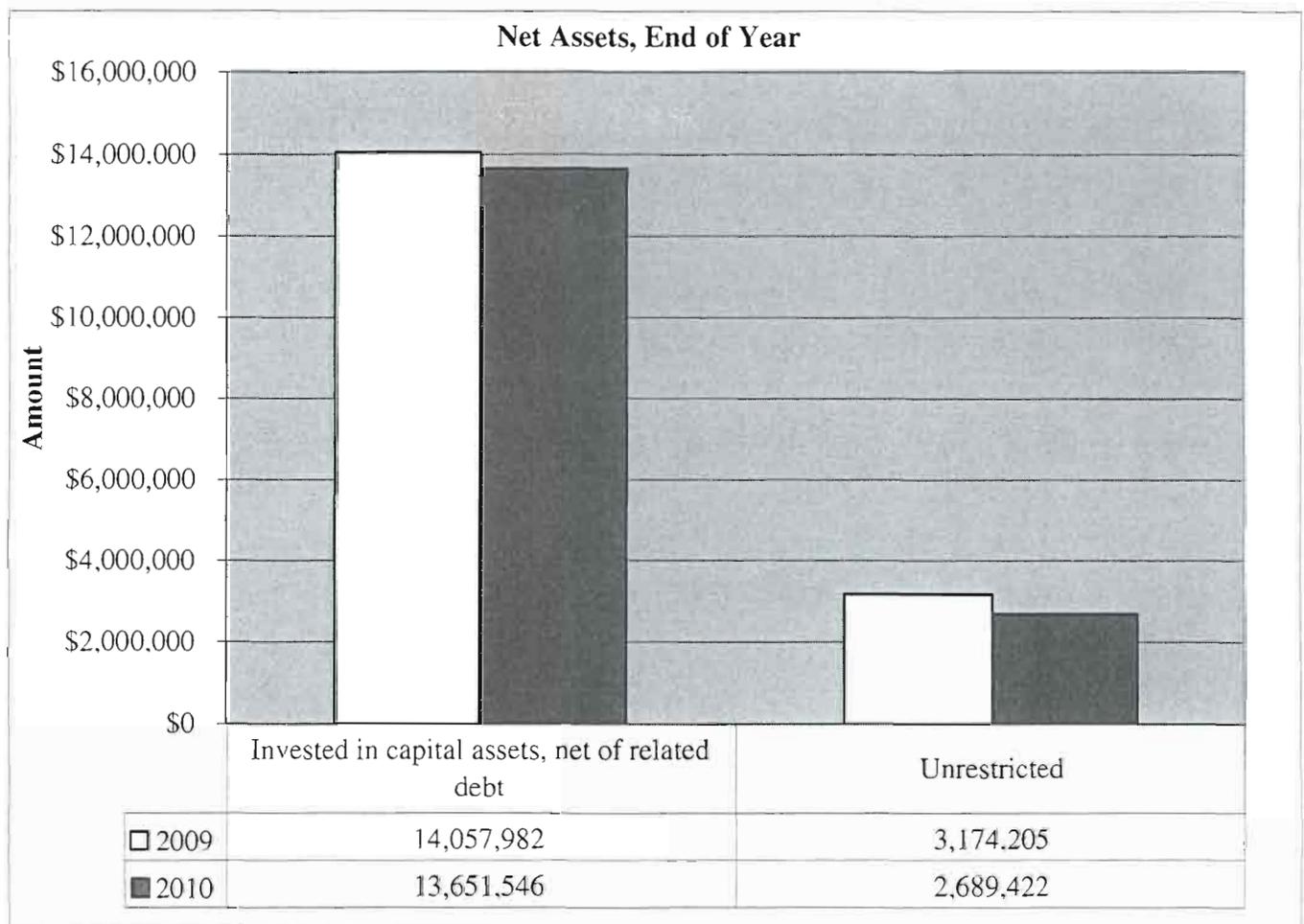
**TOWN OF ESSEX, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**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 \$16,340,968 and \$17,232,187 as of June 30, 2010 and 2009, respectively and are summarized as follows:

	Total	
	2010	2009
Current and other assets	\$ 3,653,400	\$ 3,915,616
Capital assets, net	24,211,320	24,794,702
Total assets	<u>27,864,720</u>	<u>28,710,318</u>
Long-term liabilities	10,338,986	10,571,712
Other liabilities	1,184,766	906,419
Total liabilities	<u>11,523,752</u>	<u>11,478,131</u>
Net assets:		
Invested in capital assets, net of related debt	13,651,546	14,057,982
Unrestricted	2,689,422	3,174,205
Total net assets	<u>\$16,340,968</u>	<u>\$17,232,187</u>



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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Assets (Continued)**

83.5% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Overall, net assets decreased by \$891,219 or 5.2% in comparison to the prior year.

**Changes in Net Assets**

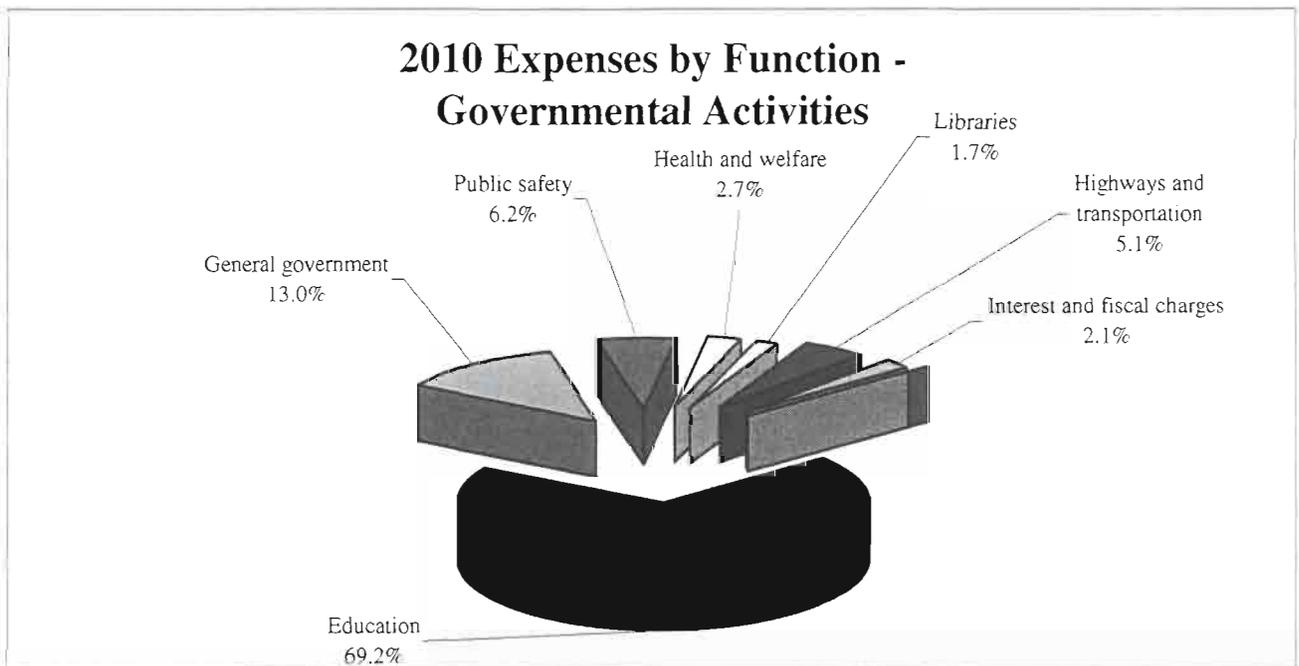
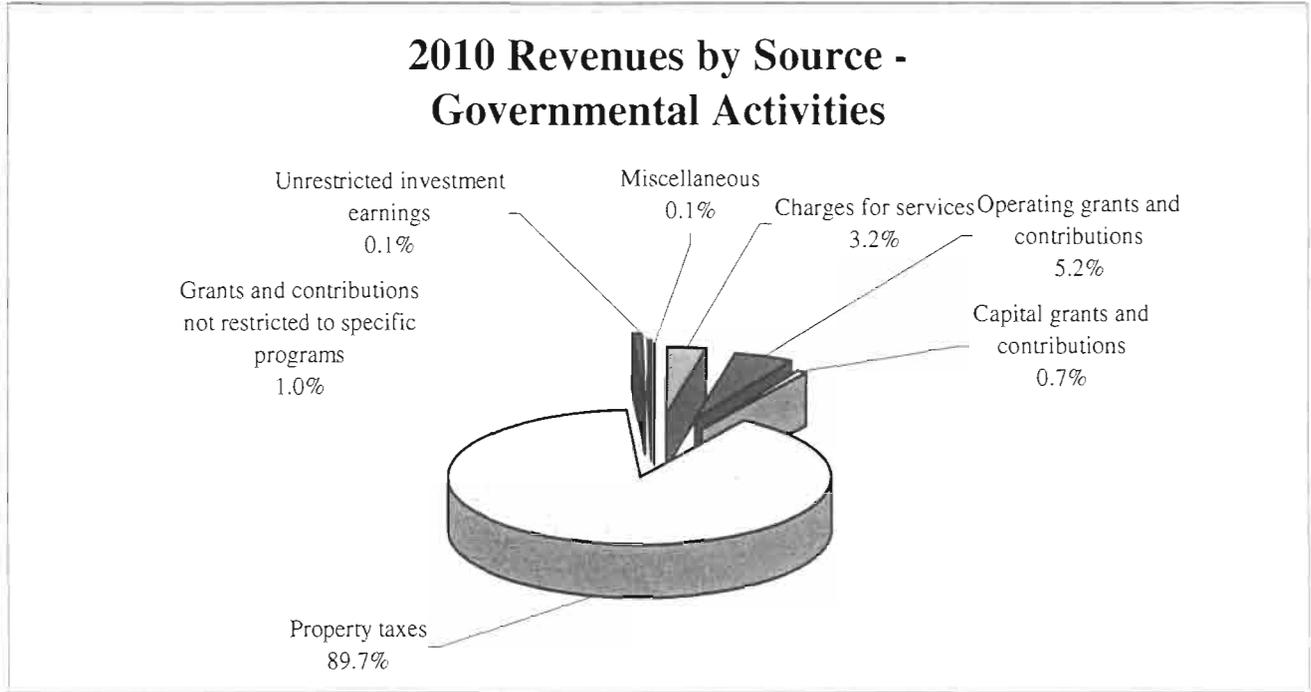
Changes in net assets for the years ended June 30, 2010 and 2009 are as follows:

	Total	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 681,286	\$ 647,213
Operating grants and contributions	1,096,930	1,290,853
Capital grants and contributions	151,540	420,454
General revenues:		
Property taxes	18,910,996	18,145,906
Grants and contributions not restricted to specific programs	220,790	448,046
Unrestricted investment earnings	23,110	101,954
Miscellaneous	13,403	88,479
Total revenues	21,098,055	21,142,905
Program expenses		
General government	2,866,835	2,633,969
Public safety	1,363,681	1,318,681
Health and welfare	580,911	664,214
Libraries	369,000	346,000
Highways and transportation	1,125,119	1,001,561
Interest and fiscal charges	462,185	473,373
Subrecipient expenditures	-	381,250
Miscellaneous	-	31,249
Education	15,221,543	14,367,586
Total expenses	21,989,274	21,217,883
Change in net assets	\$ (891,219)	\$ (74,978)

**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*

Governmental activities decreased the Town's net assets by \$891,219. Key elements of this decrease are as follows:

- An increase in total program expenses of \$771,391 or 3.6%. The increase is concentrated in Education which grew by \$853,957 or 5.9% and primarily reflects the inclusion of the Essex Elementary School renovation in depreciation expense for the first time and the recording of certain early retirement incentive obligations.
- A decrease in operating and capital grants and contributions of \$462,837 or 27% due to the completion of certain reimbursable projects in the prior year and a general decrease in assistance received.
- An increase in property tax revenue of \$765,090 or 4.2% in comparison to the prior year due to a \$83,998,019 increase in the taxable grand list as a result of a scheduled revaluation offset by a decrease in the mill rate from 17.6 mills to 16.95 mills.

## 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 \$3,001,215, a decrease of \$165,326 in comparison with the prior year. Of this amount, \$2,505,088 constitutes unreserved and undesignated fund balance which is available for spending at the Town's discretion. The remainder of fund balance is reserved 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 \$2,351,815, while total fund balance was \$2,837,184. 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 11.3% 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 \$44,766 during the current fiscal year. The key factors in this reduction were an increase in education expenditures of \$568,834 or 4.1% coupled with decreases in intergovernmental and local revenue and interest income. This was partially offset by an increase in property tax revenues of \$815,177 or 4.5%.

# **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 \$63,483 during the current fiscal year. This decrease was due primarily to capital outlays, which were partially offset by transfers received from the general fund.

#### ***EES Renovation Project Fund***

The EES Renovation Project Fund has a deficit fund balance which grew by \$43,365 to \$575,529 as of June 30, 2010. 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 increases in expenditure appropriations of \$176,719 related to town clerk permit fees, legal fees, police overtime and grant expenditures not originally budgeted. These supplemental appropriations were approved at an annual town meeting.

During the year, revenues exceeded budgetary estimates by \$105,649, while expenditures, prior to supplemental appropriations, were more than budgetary estimates by \$3,416. The net result of the supplemental appropriations and positive variance revenue was a \$102,233 addition to fund balance.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2010 totaled \$24,211,320 (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 \$583,382 or 2.4%.

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

- An increase of \$100,428 in vehicles, primarily due to the addition of a pump out boat.
- An increase of \$81,000 in land, due to certain open space acquired by the Town.
- An increase in recorded depreciation primarily due to an increase in depreciable capital assets.

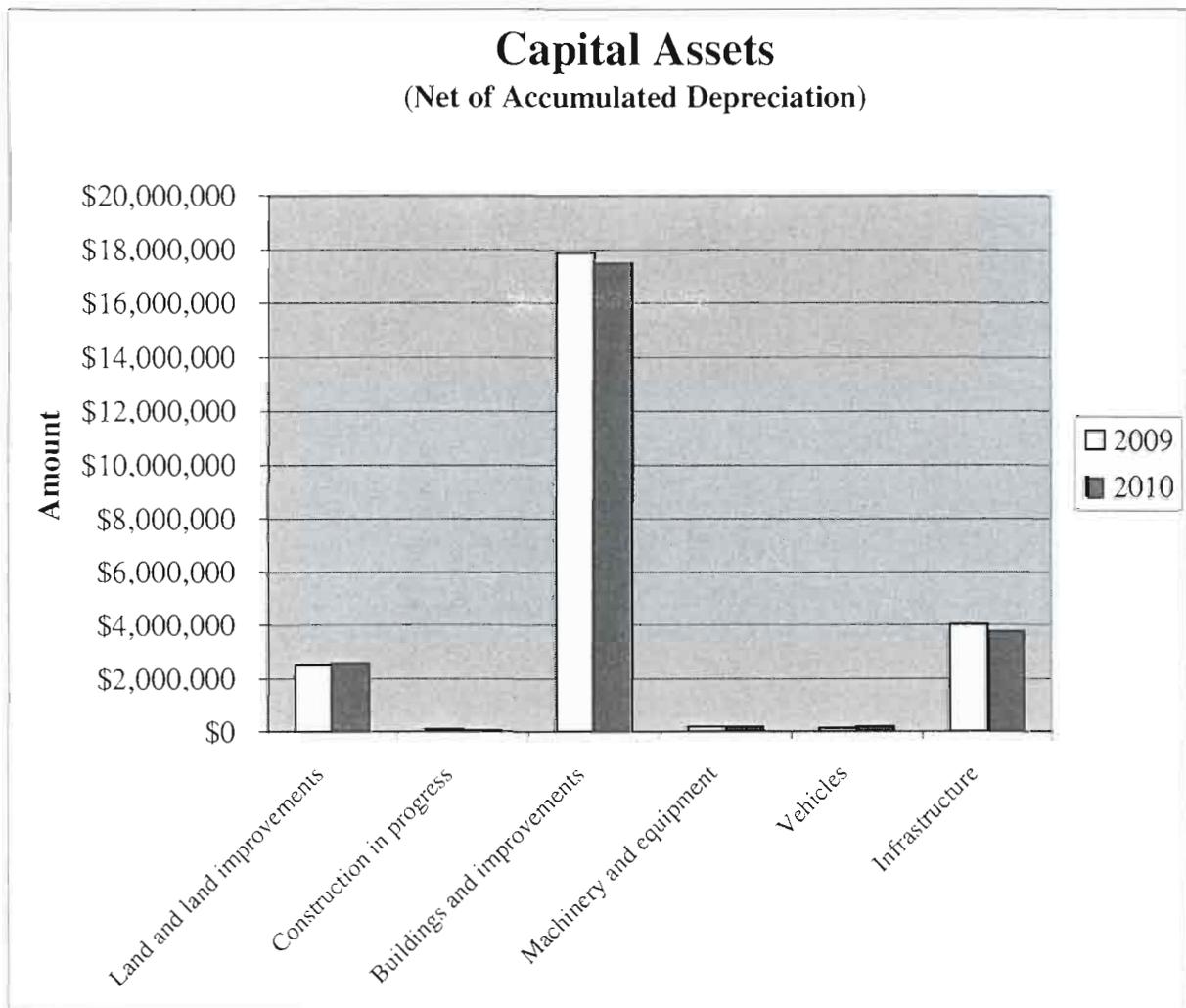
**TOWN OF ESSEX, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**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	
	2010	2009
Land and land improvements	\$ 2,579,774	\$ 2,501,241
Construction in progress	46,844	88,444
Buildings and improvements	17,476,813	17,879,719
Machinery and equipment	179,121	185,010
Vehicles	189,408	133,007
Infrastructure	3,739,360	4,007,281
Totals	\$24,211,320	\$24,794,702



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)**

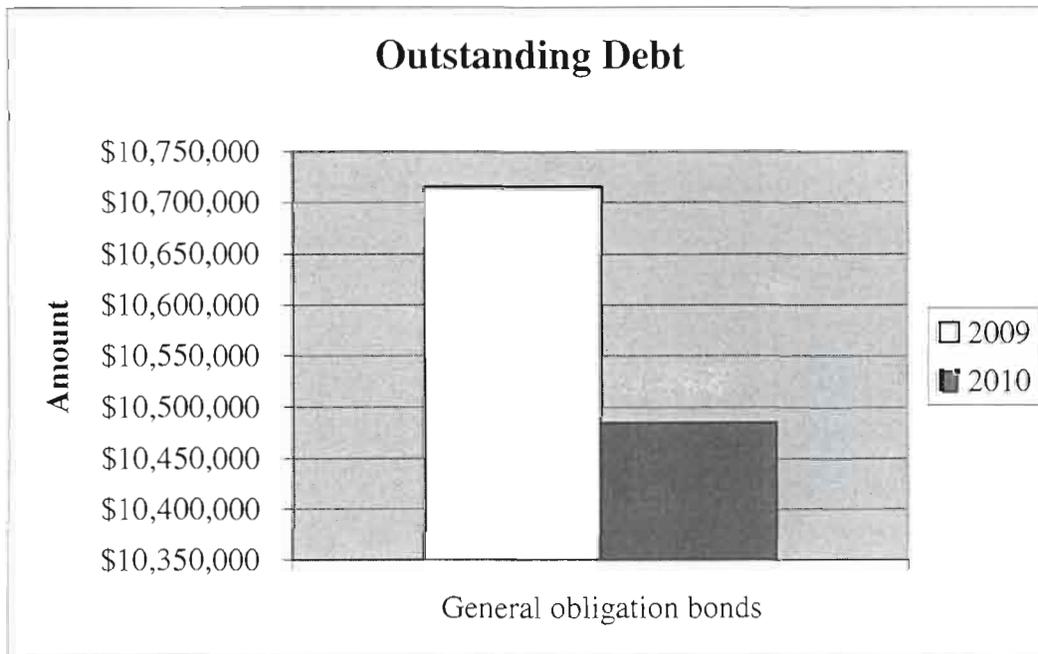
**Long-term Debt**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$10,485,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$230,000 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 \$132,136,396, 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 - 38 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 6.3%, which is a slight increase from a rate of 6.2% in the prior year. This compares favorably to the state's average unemployment rate of 8.9% and the national unemployment rate of 9.6%.
- 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 2011.

**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, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,039,370
Receivables:	
Property taxes, net of allowance for doubtful accounts of \$10,000	350,614
Interest, net of allowance for doubtful accounts of \$15,000	71,382
Grants and contracts receivable	131,041
Other	3,678
Prepaid items	36,583
Inventories	5,562
Net pension asset	15,170
Capital assets:	
Non-depreciable	2,591,289
Depreciable, net	21,620,031
Total assets	27,864,720
 <b>LIABILITIES</b>	
Accounts payable	228,377
Accrued interest payable	191,302
Other accrued liabilities	62,580
Unearned revenue	73,325
Noncurrent liabilities:	
Due within one year	629,182
Due in more than one year	10,338,986
Total liabilities	11,523,752
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,651,546
Unrestricted	2,689,422
Total net assets	\$ 16,340,968

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Board of Selectmen:					
General government	\$ 2,866,835	\$ 405,198	\$ 103,481	\$ 41,537	\$ (2,316,619)
Public safety	1,363,681	21,706	63,528	-	(1,278,447)
Health and welfare	580,911	160,140	57,664	-	(363,107)
Libraries	369,000	-	-	-	(369,000)
Highways and transportation	1,125,119	-	-	108,732	(1,016,387)
Interest and fiscal charges	462,185	-	-	-	(462,185)
Education	15,221,543	94,242	872,257	1,271	(14,253,773)
Total governmental activities	\$ 21,989,274	\$ 681,286	\$ 1,096,930	\$ 151,540	(20,059,518)
General revenues:					
Property taxes, levied for general purposes					18,910,996
Grants and contributions not restricted to specific programs					220,790
Unrestricted investment earnings					23,110
Miscellaneous					13,403
Total general revenues					19,168,299
Change in net assets					(891,219)
Net assets - beginning					17,232,187
Net assets - ending					\$ 16,340,968

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

**TOWN OF ESSEX, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,901,505	\$ 743,476	\$ -	\$ 394,389	\$ 3,039,370
Receivables:					
Property taxes, net of allowance for uncollectible taxes of \$10,000	350,614	-	-	-	350,614
Grants and contracts	86,521	-	-	44,520	131,041
Other	3,298	-	-	380	3,678
Prepaid items	31,387	-	-	5,196	36,583
Due from other funds	925,225	-	-	85,952	1,011,177
Advance to other fund	31,667	-	-	-	31,667
Inventories	-	-	-	5,562	5,562
Total assets	<u>\$ 3,330,217</u>	<u>\$ 743,476</u>	<u>\$ -</u>	<u>\$ 535,999</u>	<u>\$ 4,609,692</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 165,790	\$ 132	\$ -	\$ 62,455	\$ 228,377
Other accrued liabilities	-	-	-	33,711	33,711
Due to other funds	85,952	158,612	575,529	191,084	1,011,177
Unearned/deferred revenue	241,291	-	-	62,254	303,545
Advance from other fund	-	-	-	31,667	31,667
Total liabilities	<u>493,033</u>	<u>158,744</u>	<u>575,529</u>	<u>381,171</u>	<u>1,608,477</u>
Fund Balances (Deficit):					
Reserved for:					
Inventories	-	-	-	5,562	5,562
Encumbrances	422,315	-	-	-	422,315
Prepaid items	31,387	-	-	5,196	36,583
Advance to other fund	31,667	-	-	-	31,667
Unreserved	2,351,815	584,732	(575,529)	-	2,361,018
Unreserved, reported in nonmajor special revenue funds	-	-	-	144,070	144,070
Total fund balances (deficit)	<u>2,837,184</u>	<u>584,732</u>	<u>(575,529)</u>	<u>154,828</u>	<u>3,001,215</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,330,217</u>	<u>\$ 743,476</u>	<u>\$ -</u>	<u>\$ 535,999</u>	<u>\$ 4,609,692</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, 2010**

Total fund balances for governmental funds \$ 3,001,215

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	\$ 2,693,326	
Construction in progress	46,844	
Building and improvements	22,410,203	
Machinery and equipment	1,641,219	
Motor vehicles	717,243	
Infrastructure	8,135,914	
Less: accumulated depreciation and amortization	<u>(11,433,429)</u>	
Total capital assets, net		24,211,320

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. 15,170

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. 230,220

Accrued interest on property taxes is not susceptible to accrual and therefore is not reported in the funds. 71,382

Certain accrued expenses are not susceptible to accrual and therefore are not reported in the funds. (28,869)

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	(10,497,324)	
Obligations under capital lease	(74,774)	
Accrued interest payable	(191,302)	
Other long-term liabilities:		
Compensated absences	(106,838)	
Retired employee obligations	(181,425)	
Net OPEB obligation	(107,807)	
Total long-term liabilities		<u>(11,159,470)</u>

Net assets of governmental activities \$ 16,340,968

*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, 2010**

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 18,908.813	\$ -	\$ -	\$ -	\$ 18,908.813
Intergovernmental	1,320.694	-	-	140,158	1,460.852
Local revenue	520.855	3,110	-	274,922	798.887
Interest income	22.122	651	-	337	23,110
Total revenues	<u>20,772.484</u>	<u>3,761</u>	<u>-</u>	<u>415,417</u>	<u>21,191.662</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,381,956	-	-	191,834	2,573,790
Public safety	1,087,495	-	-	28,688	1,116,183
Health and welfare	521,440	-	-	44,612	566,052
Libraries	349,000	-	-	-	349,000
Highways and transportation	745,804	-	-	65,036	810,840
Education	14,400,640	-	-	177,089	14,577,729
Debt service:					
Principal payments	246,756	-	-	8,110	254,866
Interest and fiscal charges	465,722	-	-	-	465,722
Capital outlays	346,137	248,244	43,365	75,354	713,100
Total expenditures	<u>20,544,950</u>	<u>248,244</u>	<u>43,365</u>	<u>590,723</u>	<u>21,427,282</u>
Excess (deficiency) of revenues over expenditures	227,534	(244,483)	(43,365)	(175,306)	(235,620)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease	-	-	-	70,294	70,294
Transfers in	-	181,000	-	91,300	272,300
Transfers out	(272,300)	-	-	-	(272,300)
Total other financing sources (uses)	<u>(272,300)</u>	<u>181,000</u>	<u>-</u>	<u>161,594</u>	<u>70,294</u>
Net change in fund balances	(44,766)	(63,483)	(43,365)	(13,712)	(165,326)
Fund balances (deficit) - beginning	<u>2,881,950</u>	<u>648,215</u>	<u>(532,164)</u>	<u>168,540</u>	<u>3,166,541</u>
Fund balances (deficit) - ending	<u>\$ 2,837,184</u>	<u>\$ 584,732</u>	<u>\$ (575,529)</u>	<u>\$ 154,828</u>	<u>\$ 3,001,215</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, 2010**

Net change in fund balances for governmental funds \$ (165,326)

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	\$	254,842	
Depreciation and amortization expense		(838,224)	
Net adjustment			(583,382)

Interest on property taxes receivable are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds. 18,093

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. (95,790)

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		(70,294)	
Principal repayments:			
Bonds and notes payable		237,626	
Obligations under capital lease		17,240	
Net adjustment			184,572

*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, 2010**

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	\$ 3,844	
Retired employee obligations	(181,425)	
Accrued interest	3,537	
Net OPEB obligation	(58,110)	
Net pension asset	<u>(1,322)</u>	
		\$ (233,476)
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.		<u>(15,910)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (891,219)</u></u>

*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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 18,807,574	\$ 18,807,574	\$ 18,908,813	\$ 101,239
Intergovernmental	834,620	834,620	897,179	62,559
Local revenues	513,164	513,164	520,855	7,691
Interest income	87,962	87,962	22,122	(65,840)
Total revenues	<u>20,243,320</u>	<u>20,243,320</u>	<u>20,348,969</u>	<u>105,649</u>
<b>EXPENDITURES</b>				
Board of Selectmen	6,275,846	6,452,565	6,291,553	(161,012)
Education	13,967,474	13,967,474	13,955,183	(12,291)
Total expenditures	<u>20,243,320</u>	<u>20,420,039</u>	<u>20,246,736</u>	<u>(173,303)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ (176,719)</u>	102,233	<u>\$ (278,952)</u>
Fund balance - beginning			<u>2,312,636</u>	
Fund balance - ending			<u>\$ 2,414,869</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, 2010**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 164,393	\$ 158,448	
Investments	2,390,851	65,473	
Interest and other receivables	2,432	-	
Total assets	2,557,676	\$ 223,921	
<b>LIABILITIES</b>			
Due to others	-	206,815	
Due to student groups	-	17,106	
Total liabilities	-	\$ 223,921	
<b>NET ASSETS</b>			
Held in trust for pension benefits	\$ 2,557,676		

*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, 2010**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 245,069
Plan members	8,534
Total contributions	<u>253,603</u>
Investment earnings:	
Net appreciation in the fair value of investments	204,057
Interest	50,506
Total investment earnings	<u>254,563</u>
Total additions	<u>508,166</u>
 <b>DEDUCTIONS</b>	
Benefit payments	219,656
Administrative expenses	22,661
Total deductions	<u>242,317</u>
Change in net assets	265,849
Net assets - beginning	<u>2,291,827</u>
Net assets - ending	<u>\$ 2,557,676</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**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 transportation, 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. There were no restricted net assets as of June 30, 2010.

*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, 2010**

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**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, 2010**

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**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, 2010 consist of money market accounts and Cooperative Liquid Asset Security Systems Funds (CLASS) which totaled \$2,508,021 and \$484,706, 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, 2010**

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**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:

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

**Unearned/Deferred Revenue**

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND FUND EQUITY (Continued)**

**Compensated Absences and Employee Retirement Obligations**

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. In addition, Board of Education personnel are eligible for certain retirement incentive amounts that are amortized over time upon acceptance of an Early Retirement Incentive Program.

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

**Long-term Obligations**

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

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

**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, 2010**

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**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 \$176,719.
- 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, 2010**

**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, 2010:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 20,348,969	\$ 20,246,736	\$ -	\$ 102,233
"On-behalf" payments - State Teachers Retirement Fund (see Note 9)	388,391	388,391	-	-
Adjustment for encumbrances	-	146,999	-	(146,999)
Reimbursement for certain special education costs recorded as a reduction to expenditures for budgetary purposes	35,124	35,124	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(272,300)	(272,300)	-
GAAP basis	<u>\$ 20,772,484</u>	<u>\$ 20,544,950</u>	<u>\$ (272,300)</u>	<u>\$ (44,766)</u>

**DEFICIT FUND EQUITY**

The EES Renovation Project Fund and the Grants Fund have deficit fund balances as of June 30, 2010 of \$575,529 and \$56,343 respectively, neither of which constitutes a violation of statutory provisions. The deficits arose due to expenditures related to the renovation of the Essex Elementary School and the timing and nature of various other grant receipts and expenditures. These deficits are expected to be funded by State and Federal funds for reimbursable expenditures.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

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**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2010:

Government-wide statement of net assets:	
Cash deposits	\$ 211,036
Cash equivalents	2,828,334
	3,039,370
Statement of fiduciary net assets:	
Cash deposits - Agency Funds	158,448
Cash equivalents - Pension Trust Funds	164,393
	322,841
	\$ 3,362,211

**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, 2010, \$2,330,646 of the Town's bank balance of \$2,812,661 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,072,581
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	258,065
	\$ 2,330,646

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, 2010**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS**

As of June 30, 2010, 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>
<b>Debt Securities:</b>					
Cooperative Liquid Asset Security System (CLASS)	\$ 484,706	\$ 484,706	\$ -	\$ -	\$ -
Bond mutual fund	873,245	873,245	-	-	-
Certificates of deposit	65,473	65,473	-	-	-
	<u>1,423,424</u>	<u>\$ 1,423,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other investments:</b>					
Equity mutual funds	1,682,001				
<b>Total</b>	<u>\$ 3,105,425</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, 2010 is as follows:

Total investments	\$ 3,105,425
Less cash equivalents considered investments under GASB Statement No. 40:	
Statement of net assets	484,706
Statement of fiduciary net assets	164,393
Investments - Pension Trust and Agency Funds	<u>\$ 2,456,326</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, 2010**

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**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 Standard & Poor's as follows at June 30, 2010:

<u>Debt Securities</u>	<u>Fair Value</u>	<u>AAA</u>	<u>Unrated</u>
Cooperative Liquid Asset Security System (CLASS)	\$ 484,706	\$ 484,706	\$ -
Bond mutual fund	873,245	-	873,245
Certificates of deposit	65,473	-	65,473
	<u>\$ 1,423,424</u>	<u>\$ 484,706</u>	<u>\$ 938,718</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, 2010**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,463,445	\$ 81,000	\$ -	\$ 2,544,445
Construction in progress	88,443	56,135	(97,734)	46,844
Total capital assets, not being depreciated	<u>2,551,888</u>	<u>137,135</u>	<u>(97,734)</u>	<u>2,591,289</u>
Capital assets, being depreciated:				
Land improvements	148,881	-	-	148,881
Buildings and improvements	22,325,124	85,079	-	22,410,203
Machinery and equipment	1,611,285	29,934	-	1,641,219
Vehicles	616,815	100,428	-	717,243
Infrastructure	8,135,914	-	-	8,135,914
Total capital assets, being depreciated	<u>32,838,019</u>	<u>215,441</u>	<u>-</u>	<u>33,053,460</u>
Less accumulated depreciation and amortization for:				
Land improvements	111,085	2,467	-	113,552
Buildings and improvements	4,445,405	487,985	-	4,933,390
Machinery and equipment	1,426,274	35,824	-	1,462,098
Vehicles	483,808	44,027	-	527,835
Infrastructure	4,128,633	267,921	-	4,396,554
Total accumulated depreciation and amortization	<u>10,595,205</u>	<u>838,224</u>	<u>-</u>	<u>11,433,429</u>
Total capital assets, being depreciated, net	<u>22,242,814</u>	<u>(622,783)</u>	<u>-</u>	<u>21,620,031</u>
Governmental activities capital assets, net	<u>\$ 24,794,702</u>	<u>\$ (485,648)</u>	<u>\$ (97,734)</u>	<u>\$24,211,320</u>

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

Governmental Activities:	
General government	\$ 76,041
Public safety	17,895
Highways and transportation	305,611
Education	427,677
Health and welfare	11,000
Total depreciation expense - governmental activities	<u>\$ 838,224</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	EES Renovation Project	\$ 575,529
	Capital and Nonrecurring Expenditures Fund	158,612
	Other Governmental Funds	191,084
		<u>925,225</u>
Other Governmental Funds	General Fund	<u>85,952</u>
		<u>\$ 1,011,177</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.

It is anticipated that \$31,667 of amounts due to the General Fund from the Harbor Commission Fund will not be repaid within one year, and therefore, this balance due has been presented as advance to/from other fund in the accompanying governmental funds balance sheet.

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2010 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 181,000
Other Governmental Funds	General Fund	<u>91,300</u>
		<u>\$ 272,300</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, 2010**

**NOTE 7 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 10,715,000	\$ -	\$ (230,000)	\$ 10,485,000	\$ 460,000
Other liabilities:					
Note payable	19,950	-	(7,626)	12,324	7,780
Capital leases	21,720	70,294	(17,240)	74,774	22,240
Net OPEB obligation	49,697	58,110	-	107,807	-
Compensated absences	110,682	98,712	(102,556)	106,838	102,556
Retired employee obligations	-	181,425	-	181,425	36,606
	<u>\$ 10,917,049</u>	<u>\$ 408,541</u>	<u>\$ (357,422)</u>	<u>\$ 10,968,168</u>	<u>\$ 629,182</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, 2010 is as follows:

<b>Purpose of Bonds</b>	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>			
<b>Bonds Payable</b>			
General Obligation bonds issued August 2007, original amount of \$10,485,000	8/1/2027	4.0% - 5.25%	<u>\$ 10,485,000</u>
<b>Note Payable</b>			
Clean Water Fund note payable issued 1992, original amount \$132,079	12/31/11	2.00%	<u>12,324</u> <u>\$ 10,497,324</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

**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, 2010:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 460,000	\$ 449,926	\$ 7,780	\$ 163	\$ 467,780	\$ 450,089
2012	460,000	431,238	4,544	23	464,544	431,261
2013	460,000	409,675	-	-	460,000	409,675
2014	550,000	383,163	-	-	550,000	383,163
2015	550,000	357,038	-	-	550,000	357,038
2016-2020	3,310,000	1,368,371	-	-	3,310,000	1,368,371
2021-2025	3,120,000	663,453	-	-	3,120,000	663,453
2026-2028	1,575,000	103,687	-	-	1,575,000	103,687
	<u>\$ 10,485,000</u>	<u>\$ 4,166,551</u>	<u>\$ 12,324</u>	<u>\$ 186</u>	<u>\$ 10,497,324</u>	<u>\$ 4,166,737</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 \$132,136,396 as of June 30, 2010. 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, 2010.

As of June 30, 2010, 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, 2010, the outstanding indebtedness of the District was \$20,570,000. The Town of Essex's share will be approximately 41.89% of the total, or \$8,616,773. 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, 2010 was \$97,061. Additional reimbursements of principal and interest are expected to be received for the Essex Elementary School Project, but such amounts have not yet been determined by the State.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

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**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**CAPITAL LEASES**

A summary of assets acquired through capital leases is as follows as of June 30, 2010:

	<b>Governmental Activities</b>
Vehicles	\$ 70,294
Equipment	28,063
	98,357
Less: accumulated amortization	17,150
	\$ 81,207

Amortization expense relative to leased property under capital leases totaled \$9,355 for the year ended June 30, 2010 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, 2010 are as follows:

	<b>Governmental Activities</b>
Year Ending June 30:	
2011	\$ 26,889
2012	18,889
2013	16,220
2014	16,220
2015	8,109
Total minimum lease payments	86,327
Less: amount representing interest	11,553
Present value of minimum lease payments	\$ 74,774

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

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**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**RETIRED EMPLOYEE OBLIGATIONS**

Board of Education retirement obligations in the amount of \$181,425 represent payments owed to retired employees for termination benefits under terms of an Early Retirement Incentive Program. Such amount represents the total of future payments due to retirees who have accepted the terms of the Early Retirement Incentive Program as of June 30, 2010. The following is a summary of future annual payments as of June 30, 2010:

	<b>Governmental Activities</b>
Year Ending June 30:	
2011	\$ 36,606
2012	38,916
2013	41,503
2014	44,400
2015	20,000
	\$ 181,425

**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:

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property taxes receivable	\$ 230,220	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	3,968
Park and Recreation program fees received in advance	-	62,254
Other program fees received in advance	-	7,103
	\$ 230,220	\$ 73,325

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2010**

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**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 1<sup>st</sup> 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 55<sup>th</sup> 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, 2010**

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**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	14	-
Terminated employees entitled to benefits but not yet receiving them	13	5	1
Active plan members	25	47	5
	<u>50</u>	<u>66</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, 2010, employer contributions to the Employees' Retirement Plan represented 10.0% of covered payroll.

For the year ended June 30, 2010, employer contributions to the Police Retirement Plan represented 14.4% of covered payroll.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

**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	\$ 348,197	\$ 84,191	\$ 61,877
Columbia Multi-Advisor International	210,549	54,693	43,453
Columbia Large Cap Growth Fund	368,438	85,436	63,870
Bond mutual fund	600,603	152,922	119,720

**Funded Status**

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

	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Employees' Retirement Plan	\$ 1,899,517	\$ 2,219,269	\$ 319,752	86%	\$ 1,314,060	24%
Merit Service Plan	500,946	824,956	324,010	61%	N/A	N/A
Police Retirement Plan	399,284	505,955	106,671	79%	312,776	34%

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
2010	\$ 131,523	100%	\$ 68,656	100%	\$ 44,890	100%
2009	81,056	99%	63,671	99%	39,473	100%
2008	97,247	99%	62,934	99%	41,301	100%
2007	74,225	99%	63,087	99%	37,677	100%
2006	81,085	99%	60,452	99%	36,135	100%
2005	54,276	99%	54,713	99%	31,834	100%

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

**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, 2008	July 1, 2008	July 1, 2008
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	7	7	11
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	\$ 131,523	\$ 68,656	\$ 44,890
Interest on net pension obligation	(886)	(433)	-
Adjustment to annual required contribution	1,774	867	-
Annual pension cost	132,411	69,090	44,890
Contributions made	131,523	68,656	44,890
Decrease in net pension asset	888	434	-
Net pension asset, beginning of year	(11,079)	(5,413)	-
Net pension asset, end of year	\$ (10,191)	\$ (4,979)	\$ -

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

**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
<b>Employees' Retirement Plan</b>				
2008	\$ 98,008	\$ 97,247	99%	\$ (11,900)
2009	81,877	81,056	99%	(11,079)
2010	132,411	131,523	99%	(10,191)
<b>Merit Service Plan</b>				
2008	\$ 63,306	\$ 62,934	99%	\$ (5,814)
2009	64,072	63,671	99%	(5,413)
2010	69,090	68,656	99%	(4,979)
<b>Police Retirement Plan</b>				
2008	\$ 41,301	\$ 41,301	100%	\$ -
2009	39,473	39,473	100%	-
2010	44,890	44,890	100%	-

**Plan Financial Statements**

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF PLAN NET ASSETS**  
**JUNE 30, 2010**

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	
<b>ASSETS</b>				
Cash equivalents	\$ 50,348	\$ 70,464	\$ 43,581	\$ 164,393
Investments, at fair value	1,659,672	416,281	314,898	2,390,851
Interest and other receivables	1,665	431	336	2,432
Total assets	<u>1,711,685</u>	<u>487,176</u>	<u>358,815</u>	<u>2,557,676</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	1,711,685	487,176	358,815	2,557,676
Total net assets	<u>\$ 1,711,685</u>	<u>\$ 487,176</u>	<u>\$ 358,815</u>	<u>\$ 2,557,676</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

**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, 2010**

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 131,523	\$ 68,656	\$ 44,890	\$ 245,069
Plan members	-	-	8,534	8,534
Total contributions	<u>131,523</u>	<u>68,656</u>	<u>53,424</u>	<u>253,603</u>
Investment earnings:				
Net appreciation in fair value of investments	138,207	38,376	27,474	204,057
Interest	34,585	9,110	6,811	50,506
Total investment earnings	<u>172,792</u>	<u>47,486</u>	<u>34,285</u>	<u>254,563</u>
Total additions	<u>304,315</u>	<u>116,142</u>	<u>87,709</u>	<u>508,166</u>
<b>DEDUCTIONS</b>				
Benefit payments	131,939	51,047	36,670	219,656
Administrative expenses	16,085	3,552	3,024	22,661
Total deductions	<u>148,024</u>	<u>54,599</u>	<u>39,694</u>	<u>242,317</u>
NET INCREASE	156,291	61,543	48,015	265,849
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	<u>1,555,394</u>	<u>425,633</u>	<u>310,800</u>	<u>2,291,827</u>
End of year	<u>\$ 1,711,685</u>	<u>\$ 487,176</u>	<u>\$ 358,815</u>	<u>\$ 2,557,676</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2010**

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**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, 2010, Town teachers contributed \$182,019 to the plan and covered payroll for the year was \$2,510,607.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$388,391 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 lifetime healthcare insurance benefits for eligible retirees who have reached the age of 65 with 25 years of service. Benefits are provided through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established and can be amended by the Town. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

***Teachers' OPEB Plan***

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

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**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 2010, contributions totaled \$12,304. 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.

	Employees' OPEB Plan	Teachers' OPEB Plan
Annual required contribution	\$ 33,058	\$ 37,781
Interest on net OPEB obligation	985	1,996
Adjustment to annual required contribution	(1,126)	(2,280)
Annual OPEB cost	<u>32,917</u>	<u>37,497</u>
Contributions made	<u>12,304</u>	<u>-</u>
Increase in net OPEB obligation	20,613	37,497
Net OPEB obligation, beginning of year	<u>16,423</u>	<u>33,274</u>
Net OPEB obligation, end of year	<u><u>\$ 37,036</u></u>	<u><u>\$ 70,771</u></u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2010**

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2010 and 2009 (the only available years) is as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>Employees' OPEB Plan</b>				
2009	\$ 28,596	\$ 12,173	43%	\$ 16,423
2010	32,917	12,304	37%	37,036
<b>Teacher' OPEB Plan</b>				
2009	\$ 33,274	-	0%	\$ 33,274
2010	37,497	-	0%	70,771

**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)
<b>Employees' OPEB Plan</b>					
\$ -	\$ 320,943	\$ 320,943	0.0%	N/A	N/A
<b>Teachers' OPEB Plan</b>					
\$ -	\$ 284,000	\$ 284,000	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, 2010**

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**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, 2010**

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**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, 2010.

**NOTE 13 - PRONOUNCEMENT ISSUED BUT NOT YET EFFECTIVE**

The Town has not completed the process of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Town is therefore unable to disclose the impact that adopting this statement will have on its financial position when such statement is implemented. GASB Statement No. 54 establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds, and clarifies existing governmental fund type definitions. GASB Statement No. 54 is effective for fiscal periods beginning after June 15, 2010.

**Required  
Supplementary  
Information**

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULES OF FUNDING PROGRESS  
JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>Employees' Retirement Plan</b>						
July 1, 2008	\$ 1,899,517	\$ 2,219,269	\$ 319,752	86%	\$ 1,314,060	24%
July 1, 2007	1,885,401	1,996,206	110,805	94%	1,100,628	10%
July 1, 2006	1,691,603	1,827,486	135,883	93%	1,003,523	14%
July 1, 2005	1,556,254	1,628,479	72,225	96%	746,135	10%
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%
<b>Merit Service Plan</b>						
July 1, 2008	\$ 500,946	\$ 824,956	\$ 324,010	61%	N/A	N/A
July 1, 2007	507,218	790,089	282,871	64%	N/A	N/A
July 1, 2006	429,655	742,655	313,000	58%	N/A	N/A
July 1, 2005	379,018	705,067	326,049	54%	N/A	N/A
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
<b>Police Retirement Plan</b>						
July 1, 2008	\$ 399,284	\$ 505,955	\$ 106,671	79%	\$ 312,776	34%
July 1, 2007	344,922	426,580	81,658	81%	327,473	25%
July 1, 2006	271,397	408,054	136,657	67%	237,894	57%
July 1, 2005	210,164	317,984	107,820	66%	258,055	42%
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%
<b>Employees' OPEB Plan</b>						
July 1, 2008	\$ -	\$ 320,943	\$ 320,943	0%	N/A	N/A
July 1, 2008	-	298,492	298,492	0%	N/A	N/A
<b>Teachers' OPEB Plan</b>						
July 1, 2008	\$ -	\$ 284,000	\$ 284,000	0%	N/A	N/A
July 1, 2008	-	250,644	250,664	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, 2010**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>PROPERTY TAXES</b>				
Property taxes	\$ 18,757,574	\$ 18,757,574	\$ 18,807,341	\$ 49,767
Interest and lien fees	50,000	50,000	101,472	51,472
Total property taxes	<u>18,807,574</u>	<u>18,807,574</u>	<u>18,908,813</u>	<u>101,239</u>
<b>INTERGOVERNMENTAL</b>				
Veterans tax relief	4,013	4,013	3,962	(51)
School construction grant	96,000	96,000	97,061	1,061
Education cost sharing grant	389,697	389,697	380,862	(8,835)
Town aid road grant	79,942	79,942	108,732	28,790
LOCIP	41,875	41,875	41,537	(338)
PILOT grant	19,185	19,185	19,048	(137)
Homeowners tax relief	37,000	37,000	36,059	(941)
Boating registration	25,331	25,331	12,979	(12,352)
Transit district	1,743	1,743	1,337	(406)
Manufacturing equipment	108,768	108,768	99,083	(9,685)
Pequot grant	16,066	16,066	11,390	(4,676)
Miscellaneous State and Federal	15,000	15,000	85,128	70,128
Total intergovernmental	<u>834,620</u>	<u>834,620</u>	<u>897,179</u>	<u>62,559</u>
<b>LOCAL REVENUES</b>				
Miscellaneous permits	1,500	1,500	2,745	1,245
Phone "access line" tax share	49,472	49,472	31,454	(18,018)
Sanitary permits	60,000	60,000	73,082	13,082
Building permit fees	146,216	146,216	93,195	(53,021)
Circuit court fines	7,000	7,000	6,815	(186)
Gas tax refunds	805	805	-	(805)
Zoning permits	5,000	5,000	6,835	1,835
Zoning board of appeals	1,000	1,000	1,719	719
Planning commission receipts	500	500	3,422	2,922
Conveyance tax	112,671	112,671	117,019	4,348
Miscellaneous receipts	17,000	17,000	13,404	(3,596)
Town clerk fees	70,000	70,000	130,215	60,215
Inland wetlands permits	1,000	1,000	1,566	566
Regional recycling fees	35,000	35,000	33,324	(1,676)
Health department fees	6,000	6,000	6,061	61
Total local revenues	<u>513,164</u>	<u>513,164</u>	<u>520,855</u>	<u>7,691</u>
<b>INTEREST INCOME</b>				
	<u>87,962</u>	<u>87,962</u>	<u>22,122</u>	<u>(65,840)</u>
Total revenues	<u>\$ 20,243,320</u>	<u>\$ 20,243,320</u>	<u>\$ 20,348,969</u>	<u>\$ 105,649</u>

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>BOARD OF SELECTMEN</b>				
<b>GENERAL GOVERNMENT</b>				
Selectmen	\$ 173,949	\$ 173,949	\$ 173,428	\$ (521)
Assessor	105,148	105,148	99,804	(5,344)
Central services	217,480	254,420	254,420	-
Elections	41,250	41,250	27,567	(13,683)
Probate court	2,750	2,750	1,765	(985)
Tax collector	102,528	107,961	107,961	-
Town clerk	145,636	179,432	179,432	-
Treasurer	107,221	107,221	105,853	(1,368)
Zoning enforcement agent	57,431	57,431	52,899	(4,532)
Fringe benefits	710,999	710,999	683,547	(27,452)
General insurance	162,100	162,100	140,744	(21,356)
Legal services	84,555	126,201	126,201	-
Public restroom facilities	17,210	17,210	18,570	1,360
Technology	115,420	115,420	113,400	(2,020)
Board of assessment appeals	1,695	1,695	1,504	(191)
Board of finance	167,400	45,820	43,753	(2,067)
Conservation commission	11,714	11,714	11,145	(569)
Economic development commission	1,816	1,816	618	(1,198)
IWWC commission	10,911	10,911	11,461	550
Parks and recreation	167,262	177,262	174,993	(2,269)
Planning commission	60,878	60,878	55,408	(5,470)
Tree committee	1,200	1,200	1,200	-
Zoning board of appeals	9,430	15,558	15,558	-
Zoning commission	42,868	42,868	39,653	(3,215)
Clean energy task force	3,600	3,600	782	(2,818)
Total general government	<u>2,522,451</u>	<u>2,534,814</u>	<u>2,441,666</u>	<u>(93,148)</u>
<b>PUBLIC SAFETY</b>				
Ambulance Association	20,136	20,136	19,936	(200)
Animal control	16,400	16,400	16,400	-
Building department	62,529	74,766	74,766	-
Emergency management	9,050	9,050	9,943	893
Emergency 911	89,169	93,169	93,169	-
Fire department	247,150	251,250	251,250	-
Fire marshal	44,112	36,112	34,737	(1,375)
Harbor patrol	26,106	26,106	27,494	1,388
Police services	302,516	370,978	370,978	-
Resident state trooper	119,743	119,743	67,446	(52,297)
Water	140,000	140,000	138,586	(1,414)
Total public safety	<u>1,076,911</u>	<u>1,157,710</u>	<u>1,104,705</u>	<u>(53,005)</u>

(Continued)

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS -**  
**GENERAL FUND (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>HEALTH AND WELFARE</b>				
Director of health	\$ 20.000	\$ 20.000	\$ 20.000	\$ -
Estuary transit	11.628	11.628	11.628	-
Sanitarian	159.674	159.674	149.089	(10.585)
Sanitary waste commission	185.690	185.690	181.272	(4,418)
Social services	93.591	93,591	91.164	(2,427)
Visiting nurses	60.795	60,795	60.795	-
Water pollution control	3.128	3.128	1.663	(1.465)
Total health and welfare	<u>534.506</u>	<u>534.506</u>	<u>515.611</u>	<u>(18.895)</u>
<b>LIBRARIES</b>	<u>349.000</u>	<u>349.000</u>	<u>349.000</u>	<u>-</u>
<b>HIGHWAYS AND TRANSPORTATION</b>				
Highways	720.027	737.807	737.807	-
Town garage	35.168	38.797	41.096	2,299
Total highways and transportation	<u>755.195</u>	<u>776.604</u>	<u>778.903</u>	<u>2,299</u>
<b>DEBT SERVICE</b>				
Principal payments	237,626	237.626	237.626	-
Interest and fiscal charges	464.157	464.157	464.182	25
Total debt service	<u>701.783</u>	<u>701.783</u>	<u>701.808</u>	<u>25</u>
<b>CAPITAL OUTLAYS</b>				
Grants and special appropriations	20.000	52.815	52.815	-
Capital and sinking funds	316.000	345.333	347.045	1,712
Total capital outlays	<u>336.000</u>	<u>398.148</u>	<u>399.860</u>	<u>1,712</u>
Total board of selectmen	<u>6.275.846</u>	<u>6.452.565</u>	<u>6.291.553</u>	<u>(161.012)</u>
<b>EDUCATION</b>				
Total expenditures	<u>\$ 20.243.320</u>	<u>\$ 20.420.039</u>	<u>\$ 20.246.736</u>	<u>\$ (173.303)</u>

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING  
FOR THE YEAR ENDED JUNE 30, 2010**

Grand List Year	Balance Uncollected June 30, 2009	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections			Lien Fees	Total	Balance Uncollected June 30, 2010
			Additions	Deductions			Taxes	Interest	Fees			
2008	\$ -	\$ 18,813,546	\$ 48,130	\$ 69,851	\$ -	\$ 18,791,825	\$ 18,567,871	\$ 53,307	\$ 30	\$ 18,621,208	\$ -	223,954
2007	230,903	-	20,252	12,188	-	238,967	139,146	28,369	816	168,331	-	99,821
2006	80,136	-	15,509	9,414	24,380	61,851	32,127	12,450	216	44,793	-	29,724
2005	25,960	-	109	466	15,642	9,961	4,007	1,114	72	5,193	-	5,954
2004	2,502	-	-	-	1,295	1,207	478	77	-	555	-	729
2003	1,308	-	-	-	608	700	268	221	-	489	-	432
2002	1,119	-	-	-	1,119	-	-	-	-	-	-	-
2001	685	-	-	-	685	-	-	-	-	-	-	-
2000	131	-	-	-	131	-	-	-	-	-	-	-
1999 and prior	705	-	-	-	705	-	-	-	-	-	-	-
	\$ 343,449	\$ 18,813,546	\$ 84,000	\$ 91,919	\$ 44,565	\$ 19,104,511	\$ 18,743,897	\$ 95,538	\$ 1,134	\$ 18,840,569	\$ -	360,614

**TOWN OF ESSEX, CONNECTICUT  
 SCHEDULE OF DEBT LIMITATION  
 CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)  
 FOR THE YEAR ENDED JUNE 30, 2010**

Total cash collections for the year ended  
 June 30, 2010:

Taxes	\$ 18,743,897
Interest and lien fees	96,672
	18,840,569

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

	36,059
	\$ 18,876,628

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 42,472,413	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	84,944,826	-	-	-
3-3/4 times base	-	-	70,787,355	-	-
3-1/4 times base	-	-	-	61,349,041	-
3 times base	-	-	-	-	56,629,884
	42,472,413	84,944,826	70,787,355	61,349,041	56,629,884

Indebtedness:  
 Bonds payable  
 Shared debt - Regional School District No. 4  
 Note payable  
 Authorized, unissued bonds

	535,000	9,950,000	-	-	-
	-	8,616,773	-	-	-
	-	-	12,324	-	-
	4,144,625	3,350,000	-	-	-

Total indebtedness  
 Debt limitation in excess of outstanding  
 and authorized debt

	4,679,625	21,916,773	12,324	-	-
	\$ 37,792,788	\$ 63,028,053	\$ 70,775,031	\$ 61,349,041	\$ 56,629,884

Total capacity of borrowing (7 times base)  
 Total present indebtedness  
 Margin for additional borrowing

	132,136,396	26,608,722	\$ 105,527,674
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*Capital and Nonrecurring  
Expenditures Fund*

*Nonmajor  
Governmental  
Funds*

**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, 2010**

		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
<b>REVENUES</b>															
	Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,110
	Interest income	1	3	35	185	23	10	10	2	1	56	255	-	70	651
	Total revenues	1	3	35	185	23	10	10	3,112	1	56	255	-	70	3,761
<b>EXPENDITURES</b>															
	Capital outlays	234,000	-	-	-	-	-	-	2,630	-	-	-	3,363	8,251	348,244
	Total expenditures	234,000	-	-	-	-	-	-	2,630	-	-	-	3,363	8,251	348,244
	Excess (deficiency) of revenues over expenditures	(233,999)	3	35	185	23	10	10	482	1	56	255	(3,363)	(8,181)	(244,483)
<b>OTHER FINANCING SOURCES</b>															
	Transfers in	100,000	-	10,000	25,000	3,000	-	3,000	-	-	25,000	10,000	-	5,000	181,000
	Total other financing sources	100,000	-	10,000	25,000	3,000	-	3,000	-	-	25,000	10,000	-	5,000	181,000
	Net change in fund balances	(133,999)	3	10,035	25,185	3,023	10	3,010	482	1	25,056	10,255	(3,363)	(3,181)	(63,483)
	Fund balances - beginning	134,800	2,773	21,577	140,901	17,857	9,408	6,133	1,341	19	25,102	218,580	3,363	66,271	648,215
	Fund balances - ending	\$ 801	\$ 2,776	\$ 31,612	\$ 166,176	\$ 20,880	\$ 9,418	\$ 9,143	\$ 1,823	\$ 20	\$ 50,158	\$ 228,835	\$ -	\$ 63,090	\$ 584,732

**TOWN OF ESSEX, CONNECTICUT  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

Nonmajor Special Revenue Funds

	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents	Recreational Programs	Grants	CVA Pump Out Boat	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 124,492	\$ 13,721	\$ 152,449	\$ 91,012	\$ 12,715	\$ -	\$ -	\$ -	\$ 394,389
Grants and contracts receivable	-	3,774	-	-	-	-	40,746	-	44,520
Other receivables	-	380	-	-	-	-	-	-	380
Due from other funds	-	-	-	-	630	79,622	-	5,700	85,952
Prepaid items	-	-	-	-	-	5,196	-	-	5,196
Inventories	-	5,562	-	-	-	-	-	-	5,562
Total assets	\$ 124,492	\$ 23,437	\$ 152,449	\$ 91,012	\$ 13,345	\$ 84,818	\$ 40,746	\$ 5,700	\$ 535,999
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Liabilities:									
Accounts payable	\$ 198	\$ 2,195	\$ -	\$ 2,469	\$ -	\$ 1,725	\$ 51,340	\$ 4,528	\$ 62,455
Other accrued liabilities	4,298	3,299	-	-	-	-	26,114	-	33,711
Due to other funds	66,005	17,943	4,534	82,967	-	-	19,635	-	191,084
Advance from other fund	-	-	31,667	-	-	-	-	-	31,667
Unearned/deferred revenue	-	-	-	-	-	62,254	-	-	62,254
Total liabilities	70,501	23,437	36,201	85,436	-	63,979	97,089	4,528	381,171
Fund Balances (Deficit):									
Reserved for:									
Inventories	-	5,562	-	-	-	-	-	-	5,562
Prepaid items	-	-	-	-	-	5,196	-	-	5,196
Unreserved and undesignated:									
Special revenue funds	53,991	(5,562)	116,248	5,576	13,345	15,643	(56,343)	1,172	144,070
Total fund balances (deficit)	53,991	-	116,248	5,576	13,345	20,839	(56,343)	1,172	154,828
Total liabilities and fund balances (deficit)	\$ 124,492	\$ 23,437	\$ 152,449	\$ 91,012	\$ 13,345	\$ 84,818	\$ 40,746	\$ 5,700	\$ 535,999

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Nonmajor Special Revenue Funds										
Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents	Recreational Programs	Grants	CVA Pump Out Boat	Total		
	\$ 29,871	\$ -	\$ -	\$ -	\$ 140	\$ 57,571	\$ 52,576	\$ 140,158		
Intergovernmental	94,242	35,812	21,706	8,060	90,828	10,318	-	274,922		
Local revenue	-	337	-	-	-	-	-	337		
Interest income	124,113	36,149	21,706	8,060	90,968	67,889	52,576	415,417		
Total revenues										
<b>EXPENDITURES</b>										
General government	-	3,746	33,664	7,495	105,482	15,307	-	191,834		
Public safety	-	7,788	-	-	-	20,900	-	28,688		
Health and welfare	-	-	-	-	-	1,318	43,294	44,612		
Education	-	140,418	-	-	-	36,671	-	177,089		
Highway and transportation	-	-	-	-	-	65,036	-	65,036		
Debt Service:										
Principal payments	-	-	-	-	-	-	8,110	8,110		
Capital outlays	5,060	-	-	-	-	-	70,294	75,354		
Total expenditures	140,418	11,534	33,664	7,495	105,482	139,232	121,698	590,723		
	(17,244)	(16,305)	(11,958)	565	(14,514)	(71,343)	(69,122)	(175,306)		
Excess (deficiency) of revenues over expenditures										
<b>OTHER FINANCING SOURCES</b>										
Capital lease	-	-	-	-	-	-	70,294	70,294		
Transfers in	16,400	15,567	19,333	-	25,000	15,000	-	91,300		
Total other financing sources	16,400	15,567	19,333	-	25,000	15,000	70,294	161,594		
Net change in fund balances	(844)	(738)	43,948	(11,958)	10,486	(56,343)	1,172	(13,712)		
Fund balances - beginning	54,835	738	72,300	17,534	10,353	-	-	168,540		
Fund balances (deficit) - ending	\$ 53,991	\$ -	\$ 116,248	\$ 5,576	\$ 20,839	\$ (56,343)	\$ 1,172	\$ 154,828		

*Fiduciary  
Funds*

**TOWN OF ESSEX, CONNECTICUT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -  
 PENSION TRUST FUNDS  
 JUNE 30, 2010**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash equivalents	\$ 50,348	\$ 70,464	\$ 43,581	\$ 164,393
Investments	1,659,672	416,281	314,898	2,390,851
Interest and other receivables	1,665	431	336	2,432
Total assets	<u>1,711,685</u>	<u>487,176</u>	<u>358,815</u>	<u>2,557,676</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	<u>\$ 1,711,685</u>	<u>\$ 487,176</u>	<u>\$ 358,815</u>	<u>\$ 2,557,676</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<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>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 131,523	\$ 68,656	\$ 44,890	\$ 245,069
Plan members	-	-	8,534	8,534
Total contributions	<u>131,523</u>	<u>68,656</u>	<u>53,424</u>	<u>253,603</u>
Investment earnings:				
Net appreciation in the fair value of investments	138,207	38,376	27,474	204,057
Interest	34,585	9,110	6,811	50,506
Total investment earnings	<u>172,792</u>	<u>47,486</u>	<u>34,285</u>	<u>254,563</u>
Total additions	<u>304,315</u>	<u>116,142</u>	<u>87,709</u>	<u>508,166</u>
<b>DEDUCTIONS</b>				
Benefit payments	131,939	51,047	36,670	219,656
Administrative expenses	16,085	3,552	3,024	22,661
Total deductions	<u>148,024</u>	<u>54,599</u>	<u>39,694</u>	<u>242,317</u>
Change in net assets	156,291	61,543	48,015	265,849
<b>NET ASSETS HELD IN TRUST FOR</b>				
<b>PENSION BENEFITS</b>				
Beginning of year	<u>1,555,394</u>	<u>425,633</u>	<u>310,800</u>	<u>2,291,827</u>
Ending of year	<u>\$ 1,711,685</u>	<u>\$ 487,176</u>	<u>\$ 358,815</u>	<u>\$ 2,557,676</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2010**

	<u>Elementary School Activities</u>	<u>Performance Bonds</u>	<u>Special Project Escrow Funds</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>				
Cash	\$ 17,106	\$ 116,448	\$ 24,894	\$ 158,448
Investments	-	65,473	-	65,473
Total assets	<u>\$ 17,106</u>	<u>\$ 181,921</u>	<u>\$ 24,894</u>	<u>\$ 223,921</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 181,921	\$ 24,894	\$ 206,815
Due to student groups	17,106	-	-	17,106
Total liabilities	<u>\$ 17,106</u>	<u>\$ 181,921</u>	<u>\$ 24,894</u>	<u>\$ 223,921</u>

**TOWN OF ESSEX, CONNECTICUT  
COMBINING STATEMENT OF CHANGES IN  
FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Balance, July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2010</u>
<b>Elementary School Activities</b>				
Assets				
Cash	\$ 18,499	\$ 15,460	\$ 16,853	\$ 17,106
Investments	-	-	-	-
Total assets	<u>\$ 18,499</u>	<u>\$ 15,460</u>	<u>\$ 16,853</u>	<u>\$ 17,106</u>
Liabilities				
Due to others	\$ -	\$ -	\$ -	\$ -
Due to student groups	18,499	15,460	16,853	17,106
Total liabilities	<u>\$ 18,499</u>	<u>\$ 15,460</u>	<u>\$ 16,853</u>	<u>\$ 17,106</u>
<b>Performance Bonds</b>				
Assets				
Cash	\$ 106,645	\$ 35,700	\$ 25,897	\$ 116,448
Investments	62,000	3,473	-	65,473
Total assets	<u>\$ 168,645</u>	<u>\$ 39,173</u>	<u>\$ 25,897</u>	<u>\$ 181,921</u>
Liabilities				
Due to others	\$ 168,645	\$ 39,173	\$ 25,897	\$ 181,921
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 168,645</u>	<u>\$ 39,173</u>	<u>\$ 25,897</u>	<u>\$ 181,921</u>
<b>Special Project Escrow Funds</b>				
Assets				
Cash	\$ 16,762	\$ 19,367	\$ 11,235	\$ 24,894
Investments	-	-	-	-
Total assets	<u>\$ 16,762</u>	<u>\$ 19,367</u>	<u>\$ 11,235</u>	<u>\$ 24,894</u>
Liabilities				
Due to others	\$ 16,762	\$ 19,367	\$ 11,235	\$ 24,894
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 16,762</u>	<u>\$ 19,367</u>	<u>\$ 11,235</u>	<u>\$ 24,894</u>
<b>Total All Agency Funds</b>				
Assets				
Cash	\$ 141,906	\$ 70,527	\$ 53,985	\$ 158,448
Investments	62,000	3,473	-	65,473
Total assets	<u>\$ 203,906</u>	<u>\$ 74,000</u>	<u>\$ 53,985</u>	<u>\$ 223,921</u>
Liabilities				
Due to others	\$ 185,407	\$ 58,540	\$ 37,132	\$ 206,815
Due to student groups	18,499	15,460	16,853	17,106
Total liabilities	<u>\$ 203,906</u>	<u>\$ 74,000</u>	<u>\$ 53,985</u>	<u>\$ 223,921</u>