

# TOWN OF ESSEX, CONNECTICUT



## Basic Financial Statements

For The Year Ended  
June 30, 2008



*Certified Public Accountants & Business Advisors*

**TOWN OF ESSEX, CONNECTICUT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**TOWN OF ESSEX, CONNECTICUT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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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, 2008, 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, 2008, 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 23, 2008, 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 important for assessing the results of our audit.

The management's discussion and analysis presented on pages 3 through 12 and the schedules of funding progress on page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CCR LLP

Glastonbury, Connecticut  
December 23, 2008

# **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, 2008.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$17,307,165 (net assets). Of this amount, \$3,410,796 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$2,643,811 due primarily to increases in property tax revenue and operating and capital grants and contributions, both of which were offset by increases in education expenses and interest and fiscal charges.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,339,878, an increase of \$888,588 in comparison with the prior year. Approximately 87% or \$2,901,661 of this total amount is available for spending at the Town's discretion (unreserved fund balance).
- At the end of the close of the current fiscal year, unreserved fund balance for the general fund was \$2,531,091, or 12% of total general fund expenditures.
- The Town's total long-term bonded debt increased by \$8,260,000 or 307% during the current fiscal year due to the issuance of \$10,485,000 in general obligation bonds, offset by scheduled repayments of \$2,225,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

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

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

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

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

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

The government-wide financial statements can be found on pages 13 - 14 of this report.



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

## **OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

### **Fund Financial Statements**

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

#### ***Governmental Funds***

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

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

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

The basic governmental fund financial statements can be found on pages 15 - 20 of this report.

#### ***Fiduciary Funds***

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

The basic fiduciary fund financial statements can be found on pages 21 - 22 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 45 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found on page 46 of this report. Combining and individual fund statements and schedules and other supplementary information can be found on pages 47 - 58 of this report.

# TOWN OF ESSEX, CONNECTICUT

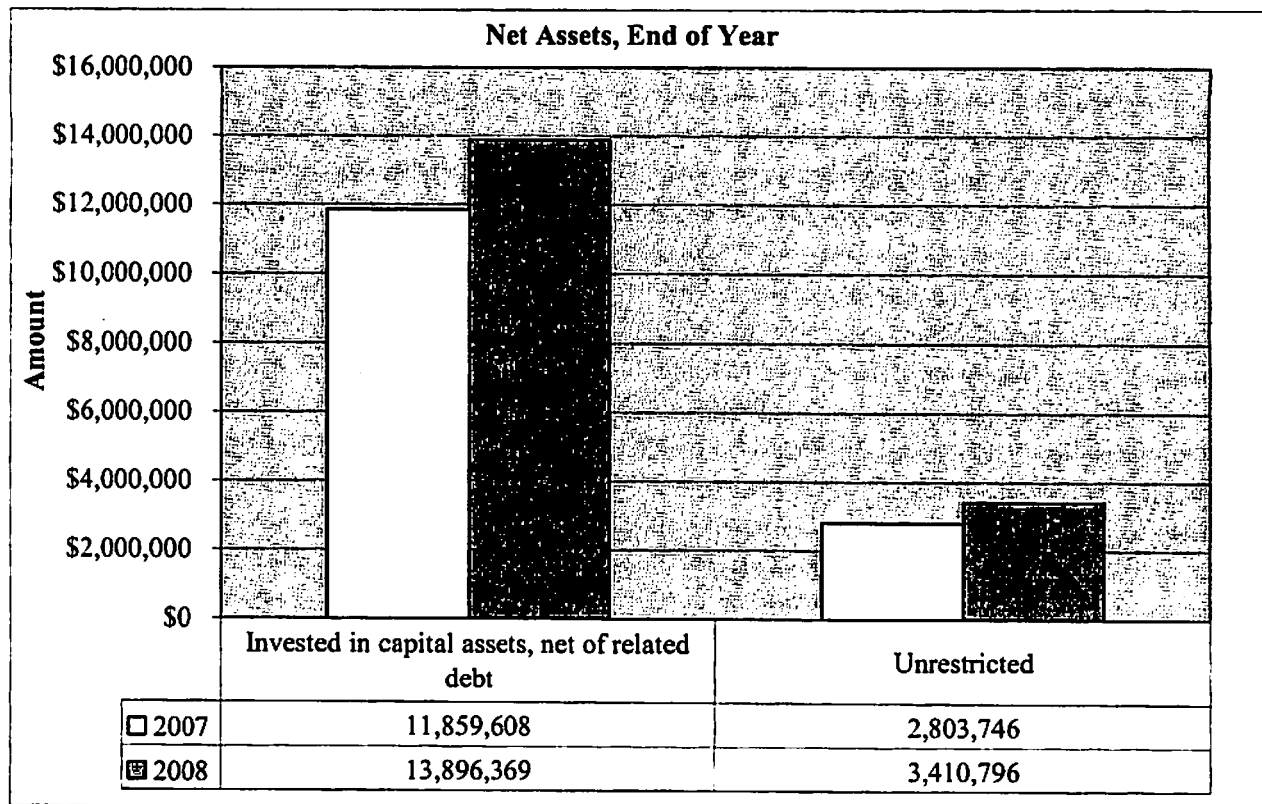
## MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets of the Town totaled \$17,307,165 and \$14,663,354 (as restated) as of June 30, 2008 and 2007, respectively and are summarized as follows:

	Total	
	2008	2007 (As Restated)
Current and other assets	\$ 4,214,409	\$ 5,060,959
Capital assets, net	24,874,575	14,608,213
Total assets	<u>29,088,984</u>	<u>19,669,172</u>
Long-term liabilities	10,780,642	525,083
Other liabilities	1,001,177	4,480,735
Total liabilities	<u>11,781,819</u>	<u>5,005,818</u>
Net assets:		
Invested in capital assets, net of related debt	13,896,369	11,859,608
Unrestricted	3,410,796	2,803,746
Total net assets	<u>\$17,307,165</u>	<u>\$14,663,354</u>



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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Net Assets (Continued)

80% 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 increased by \$2,643,811 or 18% in comparison to the prior year.

### Changes in Net Assets

Changes in net assets for the years ended June 30, 2008 and 2007 are as follows:

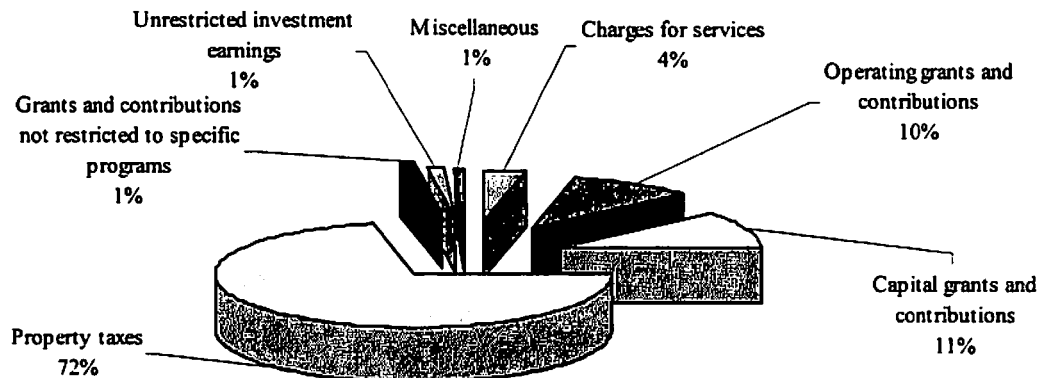
	Total	
	2008	2007 (As Restated)
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 849,049	\$ 840,684
Operating grants and contributions	2,415,776	722,362
Capital grants and contributions	2,736,300	672,977
General revenues:		
Property taxes	17,266,826	16,340,681
Grants and contributions not restricted to specific programs	255,916	260,868
Unrestricted investment earnings	306,757	305,588
Miscellaneous	222,671	51,693
Total revenues	<u>24,053,295</u>	<u>19,194,853</u>
<b>Program expenses</b>		
General government	2,523,501	2,177,289
Public safety	1,410,563	962,229
Health and welfare	586,732	567,131
Libraries	302,000	269,000
Highways and transportation	1,019,083	891,179
Interest and fiscal charges	487,584	93,971
Subrecipient expenditures	298,383	-
Miscellaneous	52,320	12,231
Education	14,729,318	12,572,717
Total expenses	<u>21,409,484</u>	<u>17,545,747</u>
<b>Change in net assets</b>	<u>\$ 2,643,811</u>	<u>\$ 1,649,106</u>

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

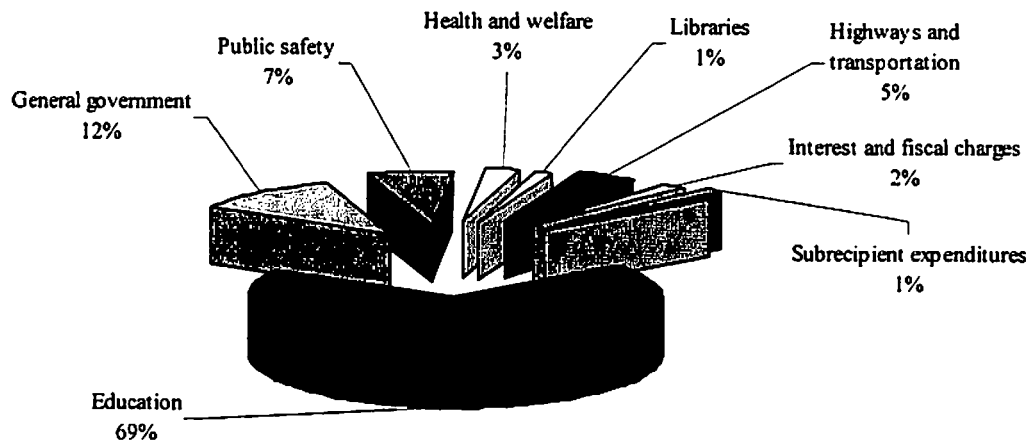
## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Changes in Net Assets (Continued)

**2008 Revenues by Source -  
Governmental Activities**



**2008 Expenses by Function -  
Governmental Activities**



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

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

### **Governmental Activities**

Governmental activities increased the Town's net assets by \$2,643,811. Key elements of this increase are as follows:

- An increase in property tax revenue of \$926,145 or 5% in comparison to the prior year due to an increase in the mill rate from 16.2 mills to 16.9 mills and an increase in the taxable grand list.
- An increase in miscellaneous revenues of \$170,978 or 331%, due primarily to a gain on the settlement of a class action lawsuit against the Connecticut Resources Recovery Authority in the amount of \$159,118 received in the current year.
- Education expenses increased by \$2,156,601 or 17% in comparison to the prior year. This increase was due primarily to increased salaries and benefits and additional debt service for new facilities paid to the regional school district. The increase was partially offset by an increase in related grant revenue.

### **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 \$3,339,878, an increase of \$888,588 in comparison with the prior year. Of this amount, \$2,901,661 constitutes unreserved 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 fund balance of the general fund was \$2,531,091, while total fund balance was \$2,964,851. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The fund balance of the Town's general fund increased \$376,781 during the current fiscal year. The key factors in this growth was an overall increase in total revenues of \$2,089,617 or 11% due to increases in property tax revenues, miscellaneous receipts and building permit fees. These factors more than offset normal budgeted increases in education and other expenditures.

# **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 \$117,873 during the current fiscal year. This decrease was due primarily to capital outlay expenditures, offset by transfers received from the general fund.

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

The EES Renovation Project Fund has a deficit fund balance of \$541,462 as of June 30, 2008. This deficit is attributable to expenditures incurred for the renovation of the Essex Elementary School. The deficit is expected to be funded by State grant funds for reimbursable expenditures. The Town has submitted requests for reimbursement subsequent to year end.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were an increase in appropriations of \$292,463 related to a Town Hall improvements project, as well as additional legal, central services, police services and debt service expenditures not originally budgeted.

During the year, however, revenues exceeded budgetary estimates by \$460,884, while expenditures were less than budgetary estimates by \$251,073, thus eliminating the need to draw upon additional fund balances.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2008 totaled \$24,874,575 (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 total increase in the Town's investment in capital assets was \$10,266,362 or 70%.

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

- An increase in construction in progress of \$10,719,640, primarily due to expenditures incurred in connection with the ongoing renovation of the Essex Elementary School.
- A net increase in infrastructure of \$559,519 primarily due to expenditures incurred in connection with completed projects for Town Center improvements.

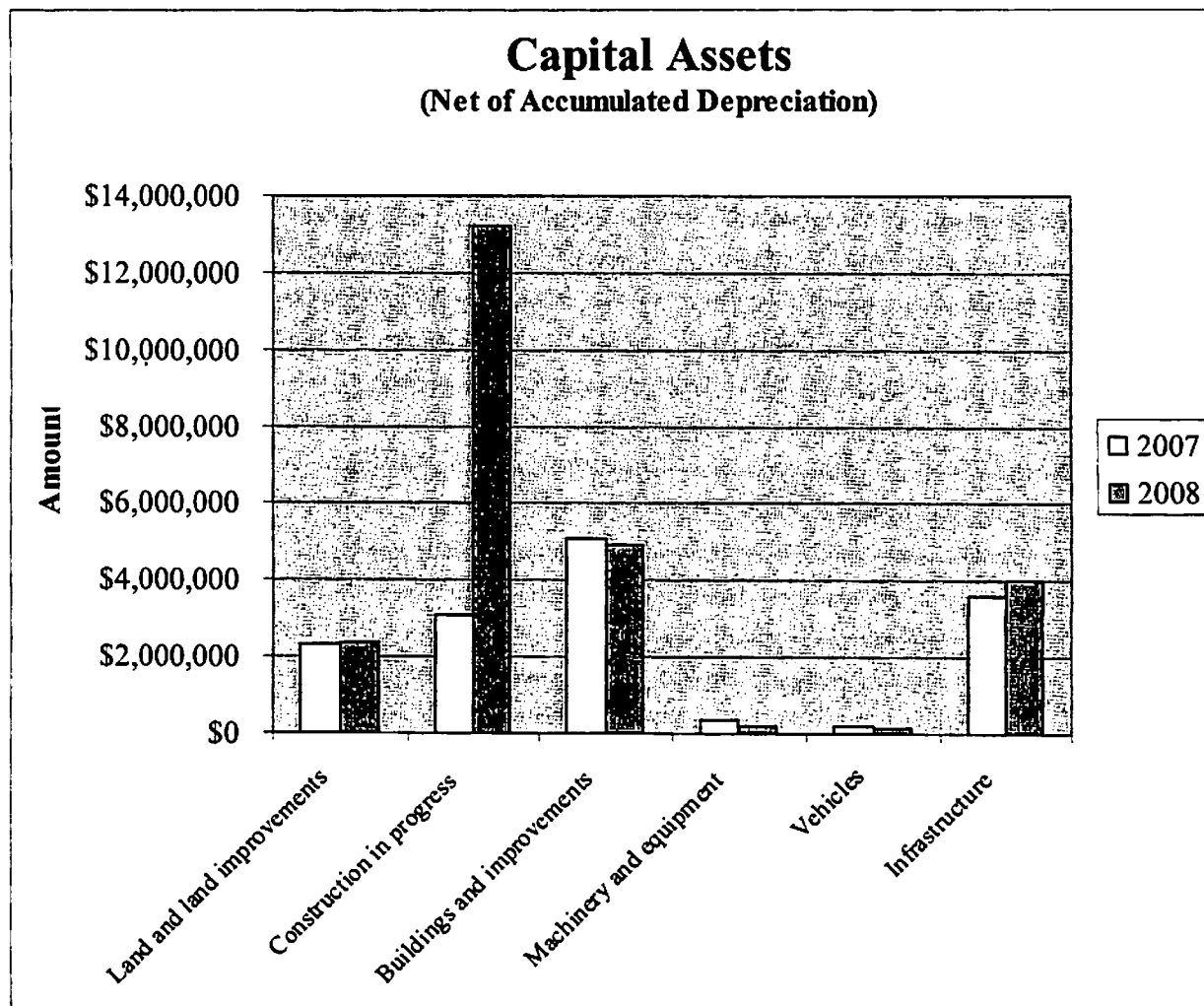
# TOWN OF ESSEX, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## 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	
	2008	2007
Land and land improvements	\$ 2,362,678	\$ 2,329,296
Construction in progress	13,241,331	3,083,421
Buildings and improvements	4,935,619	5,085,797
Machinery and equipment	186,626	343,240
Vehicles	131,127	183,304
Infrastructure	4,017,194	3,583,155
Totals	<u>\$24,874,575</u>	<u>\$14,608,213</u>



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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

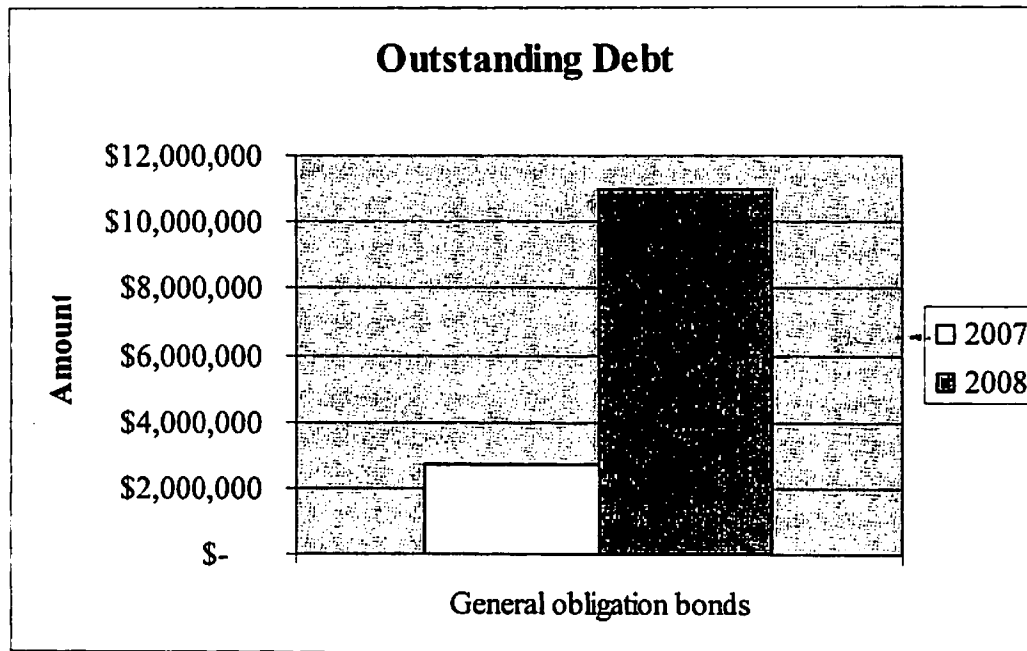
### **Long-term Debt**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$10,950,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt increased by \$8,260,000 or 307% during the current fiscal year due to the issuance of \$10,485,000 of general obligation bonds in August 2007, offset by principal payments on bonds of \$440,000 and the retirement of a bond anticipation note payable totaling \$1,785,000.

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 \$120,843,072, 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 8 on pages 35 - 37 of this report.



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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy.
- The unemployment rate for the Town is currently 4.4%, which is an increase from a rate of 2.8% in the prior year. This compares favorably to the state's average unemployment rate of 6.5% and the national unemployment rate of 6.5%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for fiscal year 2009.

## **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, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,571,444
Receivables:	
Property taxes, net of allowance for doubtful accounts of \$36,000	286,516
Interest, net of allowance for doubtful accounts of \$24,000	70,960
Grants and contracts receivable	120,220
Other	24,041
Prepaid items	23,266
Inventories	4,457
Grants and contracts receivable, long-term portion	95,791
Net pension asset	17,714
Capital assets:	
Non-depreciable	15,563,746
Depreciable, net	9,310,829
Total assets	<u>29,088,984</u>
 <b>LIABILITIES</b>	
Accounts payable	374,373
Accrued interest payable	198,364
Other accrued liabilities	4,470
Unearned revenue	37,162
Claims payable	32,640
Noncurrent liabilities:	
Due within one year	354,168
Due in more than one year	10,780,642
Total liabilities	<u>11,781,819</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,896,369
Unrestricted	3,410,796
Total net assets	<u>\$ 17,307,165</u>

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

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	\$ 2,523,501	\$ 610,081	\$ 38,000	\$ -	\$ (1,875,420)
Public safety	1,410,563	9,750	33,275	16,864	(1,350,674)
Health and welfare	586,732	123,649	326,682	-	(136,401)
Libraries	302,000	-	-	-	(302,000)
Highways and transportation	1,019,083	-	-	150,676	(868,407)
Subrecipient expenditures	487,584	-	-	-	(487,584)
Interest and fiscal charges	298,383	-	-	-	(298,383)
Miscellaneous	52,320	-	-	-	(52,320)
Education	14,729,318	105,569	2,017,819	2,568,760	(10,037,170)
Total governmental activities	<u>\$ 21,409,484</u>	<u>\$ 849,049</u>	<u>\$ 2,415,776</u>	<u>\$ 2,736,300</u>	<u>(15,408,359)</u>

General revenues:

Property taxes, levied for general purposes	17,266,826
Grants and contributions not restricted to specific programs	255,916
Unrestricted investment earnings	306,757
Gain on settlement	159,118
Miscellaneous	63,553
Total general revenues	<u>18,052,170</u>
Change in net assets	2,643,811
Net assets - beginning, as originally reported	14,547,147
Adjustment (see Note 10)	116,207
Net assets - beginning, as adjusted	<u>14,663,354</u>
Net assets - ending	<u>\$ 17,307,165</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,486,903	\$ 879,593	\$ -	\$ 204,949	\$ 3,571,444
Receivables:					
Property taxes, net of allowance for doubtful accounts of \$36,000	286,516	-	-	-	286,516
Grants and contracts	18,300	-	-	4,047	22,347
Other	23,727	-	-	314	24,041
Prepaid items	23,266	-	-	-	23,266
Due from other funds	671,062	-	-	46,639	717,701
Inventories	-	-	-	4,457	4,457
Total assets	<u>\$ 3,509,774</u>	<u>\$ 879,593</u>	<u>\$ -</u>	<u>\$ 260,406</u>	<u>\$ 4,649,773</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 332,048	\$ -	\$ 34,859	\$ 7,466	\$ 374,373
Other accrued liabilities	-	-	-	4,470	4,470
Due to other funds	32,639	100,804	506,603	77,655	717,701
Unearned/deferred revenue	180,236	-	-	33,115	213,351
Total liabilities	<u>544,923</u>	<u>100,804</u>	<u>541,462</u>	<u>122,706</u>	<u>1,309,895</u>
Fund Balances (Deficit):					
Reserved for:					
Inventories	-	-	-	4,457	4,457
Encumbrances	410,494	-	-	-	410,494
Prepaid items	23,266	-	-	-	23,266
Unreserved	2,531,091	778,789	(541,462)	-	2,768,418
Unreserved, reported in nonmajor special revenue funds	-	-	-	133,243	133,243
Total fund balances (deficit)	<u>2,964,851</u>	<u>778,789</u>	<u>(541,462)</u>	<u>137,700</u>	<u>3,339,878</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,509,774</u>	<u>\$ 879,593</u>	<u>\$ -</u>	<u>\$ 260,406</u>	<u>\$ 4,649,773</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, 2008**

Total fund balances for governmental funds \$ 3,339,878

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	\$ 2,471,296	
Construction in progress	13,241,331	
Building and improvements	8,956,912	
Machinery and equipment	1,583,221	
Vehicles	574,098	
Infrastructure	7,910,069	
Less: accumulated depreciation and amortization	<u>(9,862,352)</u>	
Total capital assets, net		24,874,575

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. 17,714

School construction grants receivable from the State of Connecticut are not available to pay current period expenditures, and therefore are deferred in the funds. 193,663

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. 176,189

Accrued interest on property taxes is not susceptible to accrual and therefore is not reported in the funds. 70,960

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	(10,977,425)	
Obligations under capital lease	(28,206)	
Accrued interest payable	(198,364)	
Other long-term liabilities:		
Compensated absences	(129,179)	
Claims payable	<u>(32,640)</u>	
Total long-term liabilities		<u>(11,365,814)</u>

Net assets of governmental activities \$ 17,307,165

*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, 2008**

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 17,239,184	\$ -	\$ -	\$ -	\$ 17,239,184
Intergovernmental	2,684,878	-	2,435,346	308,051	5,428,275
Local revenue	984,137	-	-	169,338	1,153,475
Interest income	293,638	9,640	-	3,480	306,758
Total revenues	<u>21,201,837</u>	<u>9,640</u>	<u>2,435,346</u>	<u>480,869</u>	<u>24,127,692</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,233,364	-	-	69,096	2,302,460
Public safety	1,068,463	-	-	106,515	1,174,978
Health and welfare	565,284	-	-	-	565,284
Libraries	302,000	-	-	-	302,000
Highways and transportation	673,601	-	-	-	673,601
Subrecipient expenditures	16,864	-	-	281,519	298,383
Education	14,444,605	-	-	136,712	14,581,317
Debt service:					
Principal payments	477,726	-	-	-	477,726
Interest and fiscal charges	303,311	-	-	-	303,311
Capital outlays	525,340	309,029	10,425,675	-	11,260,044
Total expenditures	<u>20,610,558</u>	<u>309,029</u>	<u>10,425,675</u>	<u>593,842</u>	<u>31,939,104</u>
Excess (deficiency) of revenues over expenditures	591,279	(299,389)	(7,990,329)	(112,973)	(7,811,412)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from general obligation bond	-	535,000	9,950,000	-	10,485,000
Repayment of bond anticipation note	-	(535,000)	(1,250,000)	-	(1,785,000)
Transfers in	-	181,516	-	32,982	214,498
Transfers out	(214,498)	-	-	-	(214,498)
Total other financing sources (uses)	<u>(214,498)</u>	<u>181,516</u>	<u>8,700,000</u>	<u>32,982</u>	<u>8,700,000</u>
Net change in fund balances	376,781	(117,873)	709,671	(79,991)	888,588
Fund balances (deficit) - beginning	<u>2,588,070</u>	<u>896,662</u>	<u>(1,251,133)</u>	<u>217,691</u>	<u>2,451,290</u>
Fund balances (deficit) - ending	<u>\$ 2,964,851</u>	<u>\$ 778,789</u>	<u>\$ (541,462)</u>	<u>\$ 137,700</u>	<u>\$ 3,339,878</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, 2008**

Net change in fund balances for governmental funds \$ 888,588

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 exceeded depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$ 10,977,040	
Depreciation and amortization expense	<u>(658,358)</u>	
Net adjustment		10,318,682

Sales of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. (52,320)

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. 5,799

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 change in the receivable served to reduce revenue recognized in the funds. (102,038)

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:		
General obligation bond	(10,485,000)	
Principal repayments:		
Bonds and notes payable	447,327	
Bond anticipation notes payable	1,785,000	
Obligations under capital lease	<u>30,399</u>	
Net adjustment		(8,222,274)

*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, 2008**

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	\$ (15,396)	
Claims payable	(13,667)	
Accrued interest	(184,273)	
Net pension asset	<u>(1,133)</u>	
		\$ (214,469)

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.

21,843

Change in Net Assets of Governmental Activities

\$ 2,643,811

*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, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 16,969,601	\$ 16,969,601	\$ 17,239,184	\$ 269,583
Intergovernmental	942,985	942,985	919,922	(23,063)
Local revenues	770,411	770,411	984,137	213,726
Interest income	293,000	293,000	293,638	638
Total revenues	<u>18,975,997</u>	<u>18,975,997</u>	<u>19,436,881</u>	<u>460,884</u>
<b>EXPENDITURES</b>				
Board of Selectmen	6,162,263	6,454,726	6,264,975	(189,751)
Education	12,813,734	12,813,734	12,752,411	(61,323)
Total expenditures	<u>18,975,997</u>	<u>19,268,460</u>	<u>19,017,387</u>	<u>(251,073)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ (292,463)</u>	419,494	<u>\$ (711,957)</u>
Fund balance - beginning			<u>2,134,861</u>	
Fund balance - ending			<u>\$ 2,554,355</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, 2008**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,859	\$ 184,351
Investments:		
Equity mutual funds	1,766,473	-
Bond mutual funds	945,469	-
Certificates of deposit	-	62,000
Interest and other receivables	3,858	-
Total assets	<u>2,738,659</u>	<u>\$ 246,351</u>
<b>LIABILITIES</b>		
Due to others	-	232,311
Due to student groups	-	14,040
Total liabilities	<u>-</u>	<u>\$ 246,351</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 2,738,659</u>	

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

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 201,482
Plan members	11,403
Total contributions	<u>212,885</u>
Investment earnings (losses):	
Net depreciation in the fair value of investments	(324,139)
Interest	210,376
Total investment earnings (losses)	<u>(113,763)</u>
Total additions	<u>99,122</u>
 <b>DEDUCTIONS</b>	
Benefit payments	132,493
Administrative expenses	8,113
Total deductions	<u>140,606</u>
 Change in net assets	(41,484)
 Net assets - beginning	<u>2,780,143</u>
 Net assets - ending	<u><u>\$ 2,738,659</u></u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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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 streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

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

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

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

*Restricted net assets* - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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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 11.

**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, 2008**

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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, 2008 consist of money market accounts and Cooperative Liquid Asset Security Systems Funds (CLASS) which totaled \$22,859 and \$483,608, 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, 2008**

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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, 2008**

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

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

**Compensated Absences**

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

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

**Long-term Obligations**

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

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

**Fund Equity**

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

**INTERFUND ACTIVITIES**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reservation in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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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. 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 \$292,463.
- 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, 2008**

**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, 2008:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses)	Net Change In Fund Balance
Budgetary basis	\$ 19,436,881	\$ 19,017,387	\$ -	\$ 419,494
"On-behalf" payments - State Teachers Retirement Fund (see Note 11)	1,720,214	1,720,214	-	-
Adjustment for encumbrances	-	42,713	-	(42,713)
Reimbursement for certain special education costs recorded as a reduction to expenditures for budgetary purposes	2,878	2,878	-	-
Certain grants for subrecipients not recorded for budgetary purposes	41,864	41,864	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(214,498)	(214,498)	-
GAAP basis	<u>\$ 21,201,837</u>	<u>\$ 20,610,558</u>	<u>\$ (214,498)</u>	<u>\$ 376,781</u>

**DEFICIT FUND EQUITY**

The EES Renovation Project Fund has a deficit fund balance as of June 30, 2008 of \$541,462 which does not constitute a violation of statutory provisions. The deficit arose due to expenditures related to the renovation of the Essex Elementary School. The Town has submitted requests for grant reimbursements from the State of Connecticut to fund this deficit.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2008:

Government-wide statement of net assets:

Cash deposits	\$ 3,087,836
Cash equivalents	483,608
	<u>3,571,444</u>

Statement of fiduciary net assets:

Cash deposits - Agency Funds	184,351
Cash equivalents - Pension Trust Funds	22,859
	<u>207,210</u>
	<u>\$ 3,778,654</u>

**CASH DEPOSITS – CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut 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, 2008, \$3,186,954 of the Town's bank balance of \$3,400,321 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,858,259
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	328,695
	<u>\$ 3,186,954</u>

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, 2008**

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

**INVESTMENTS**

As of June 30, 2008, the Town's investments consisted of the following:

Investment type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities:</b>					
Cooperative Liquid Asset Security System (CLASS)	\$ 483,608	\$ 483,608	\$ -	\$ -	\$ -
Bond mutual fund	945,469	945,469	-	-	-
Certificates of deposit	62,000	62,000	-	-	-
	<u>1,491,077</u>	<u>\$ 1,491,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other investments:</b>					
Equity mutual funds	<u>1,789,332</u>				
<b>Total</b>	<u><u>\$ 3,280,409</u></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, 2008 is as follows:

Total investments	\$ 3,280,409
Less cash equivalents considered investments under GASB Statement No. 40:	
Statement of net assets	483,608
Statement of fiduciary net assets	<u>22,859</u>
Investments - Pension Trust and Agency Funds	<u><u>\$ 2,773,942</u></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, 2008**

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

**INVESTMENTS (Continued)**

**Credit Risk**

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

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

The Town's investments in debt securities were rated by Fitch Ratings as follows at June 30, 2008:

<u>Debt Securities</u>	<u>Fair Value</u>	<u>AA</u>	<u>Unrated</u>
Cooperative Liquid Asset Security System (CLASS)	\$ 483,608	\$ 483,608	\$ -
Bond mutual fund	945,469	-	945,469
Certificates of deposit	62,000	-	62,000
	<u>\$ 1,491,077</u>	<u>\$ 483,608</u>	<u>\$ 1,007,469</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, 2008**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 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	\$ 2,322,415	\$ -	\$ -	\$ 2,322,415
Construction in progress	3,083,421	10,719,640	(561,730)	13,241,331
Total capital assets, not being depreciated	<u>5,405,836</u>	<u>10,719,640</u>	<u>(561,730)</u>	<u>15,563,746</u>
Capital assets, being depreciated:				
Land improvements	112,542	36,339	-	148,881
Buildings and improvements	8,956,912	-	-	8,956,912
Machinery and equipment	1,545,221	38,000	-	1,583,221
Vehicles	574,098	-	-	574,098
Infrastructure	7,350,550	744,791	(185,272)	7,910,069
Total capital assets, being depreciated	<u>18,539,323</u>	<u>819,130</u>	<u>(185,272)</u>	<u>19,173,181</u>
Less accumulated depreciation and amortization for:				
Land improvements	105,661	2,957	-	108,618
Buildings and improvements	3,871,115	150,178	-	4,021,293
Machinery and equipment	1,201,981	194,614	-	1,396,595
Vehicles	390,794	52,177	-	442,971
Infrastructure	3,767,395	258,432	(132,952)	3,892,875
Total accumulated depreciation and amortization	<u>9,336,946</u>	<u>658,358</u>	<u>(132,952)</u>	<u>9,862,352</u>
Total capital assets, being depreciated, net	<u>9,202,377</u>	<u>160,772</u>	<u>(52,320)</u>	<u>9,310,829</u>
Governmental activities capital assets, net	<u>\$ 14,608,213</u>	<u>\$ 10,880,412</u>	<u>\$ (614,050)</u>	<u>\$24,874,575</u>

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

<b>Governmental Activities:</b>	
General government	\$ 102,532
Public safety	46,818
Highways and transportation	338,429
Education	147,881
Health and welfare	22,698
Total depreciation expense - governmental activities	<u>\$ 658,358</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	EES Renovation Project	\$ 506,603
	Capital and Nonrecurring	
	Expenditures Fund	86,804
	Other Funds	77,655
		<u>671,062</u>
Other Funds	Capital and Nonrecurring	
	Expenditures Fund	14,000
	General Fund	32,639
		<u>46,639</u>
Total interfund receivables/payables		<u>\$ 717,701</u>

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

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2008 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	\$ 181,516
Other Funds	General Fund	32,982
Total transfers		<u>\$ 214,498</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, 2008**

**NOTE 7 - SHORT-TERM DEBT**

During 2008, the Town retired its existing bond anticipation note payable through a final principal payment. The purpose of the bond anticipation note payable was to provide interim financing until general obligation bonds are issued. The following is a summary of changes in short-term debt for the year ended June 30, 2008:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bond anticipation note payable	\$ 35,000	\$ -	\$ (35,000)	\$ -

**NOTE 8 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

<b>Governmental Activities</b>	<b>Beginning Balance, as restated (see Note 10)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 905,000	\$ 10,485,000	\$ (440,000)	\$ 10,950,000	\$ 235,000
Bond anticipation note payable	1,785,000	-	(1,785,000)	-	-
Other liabilities:					
Note payable	34,752	-	(7,327)	27,425	7,474
Capital leases	58,605	-	(30,399)	28,206	28,206
Compensated absences	113,783	98,884	(83,488)	129,179	83,488
	<u>\$ 2,897,140</u>	<u>\$ 10,583,884</u>	<u>\$ (2,346,214)</u>	<u>\$ 11,134,810</u>	<u>\$ 354,168</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, 2008 is as follows:

<b>Purpose of Bonds</b>	<b>Maturity Dates</b>	<b>Rates</b>	<b>Outstanding</b>
<b>Governmental Activities</b>			
<b>Bonds Payable</b>			
School bonds issued December 1998, original amount of \$2,890,000	8/15/09	3.3% - 4.1%	\$ 465,000
General obligation bonds issued August 2008, original amount of \$10,485,000	8/1/27	4.0% - 5.25%	10,485,000
			<u>10,950,000</u>
<b>Note Payable</b>			
Clean Water Fund note payable issued 1992, original amount of \$132,079	12/31/11	2.00%	27,425
			<u>\$ 10,977,425</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 8 - 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, 2008:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 235,000	\$ 473,256	\$ 7,474	\$ 469	\$ 242,474	\$ 473,725
2010	230,000	463,841	7,626	317	237,626	464,158
2011	460,000	449,926	7,780	164	467,780	450,090
2012	460,000	431,238	4,545	23	464,545	431,261
2013	460,000	409,675	-	-	460,000	409,675
2014 - 2018	3,050,000	1,647,954	-	-	3,050,000	1,647,954
2019 - 2023	3,380,000	938,965	-	-	3,380,000	938,965
2024 - 2028	2,675,000	288,793	-	-	2,675,000	288,793
	<u>\$ 10,950,000</u>	<u>\$ 5,103,648</u>	<u>\$ 27,425</u>	<u>\$ 973</u>	<u>\$ 10,977,425</u>	<u>\$ 5,104,621</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 \$120,843,072 as of June 30, 2008. 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, 2008.

As of June 30, 2008, 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, 2008, the outstanding indebtedness of the District was \$24,960,000. The Town of Essex's share will be approximately 41.04% of the total, or \$10,243,584. 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, 2008 was \$108,414. Additional reimbursements of principal and interest aggregating \$198,740 are expected to be received through the applicable bonds' maturity dates. The Town has recorded a receivable of \$193,663 relating to the principal portion of these payments in the accompanying statement of net assets. The long term portion of \$95,791 will be realized by the Town through fiscal year 2010.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 8 - LONG-TERM LIABILITIES (Continued)**

**CAPITAL LEASES**

A summary of assets acquired through capital leases is as follows as of June 30, 2008:

	<b>Governmental Activities</b>
Vehicles	\$ 84,698
Less: accumulated amortization	21,175
	<u>\$ 63,523</u>

Amortization expense relative to leased property under capital leases totaled \$12,100 for the year ended June 30, 2008 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, 2008 are as follows:

	<b>Governmental Activities</b>
Year Ending June 30:	
2009	\$ 29,722
Less: amount representing interest	1,516
Present value of minimum lease payments	<u>\$ 28,206</u>

**NOTE 9 - 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	\$ 176,189	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	5,289
Park and Recreation program fees	-	31,873
	<u>\$ 176,189</u>	<u>\$ 37,162</u>

**NOTE 10 - ADJUSTMENT**

Net assets in the government-wide financial statements as of July 1, 2007 have been increased to properly reflect compensated absence balances as of that date. The effect of the adjustment on the change in the net assets for the year ended June 30, 2007 is not readily determinable.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2008**

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**NOTE 11 - 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, 2008**

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**NOTE 11 - 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	11	-
Terminated employees entitled to benefits but not yet receiving them	11	7	1
Active plan members	23	43	3
	<u>46</u>	<u>61</u>	<u>4</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. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Town, with the assistance of a valuation service. 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, 2008, employer contributions to the Employees' Retirement Plan represented 9.7% of covered payroll.

For the year ended June 30, 2008, employer contributions to the Police Retirement Plan represented 17.4% of covered payroll.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 11 - 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	\$ 368,309	\$ 98,509	\$ 66,344
Columbia Multi-Advisor International	171,225	45,492	30,850
Columbia Large Cap Growth Fund	479,962	119,155	87,229
Bond mutual fund	649,521	176,502	119,446

**Funded Status**

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

	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (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	\$ 1,691,603	\$ 1,827,486	\$ 135,883	93%	\$ 1,003,523	14%
Merit Service Plan	429,655	742,655	313,000	58%	N/A	N/A
Police Retirement Plan	271,397	408,054	136,657	67%	237,894	57%

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
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%
2004	41,408	100%	50,991	100%	29,510	100%
2003	15,401	100%	41,713	100%	28,591	100%

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 11 - 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, 2006	July 1, 2006	July 1, 2006
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	9	9	13
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	\$ 97,247	\$ 62,934	\$ 41,301
Interest on net pension obligation	(1,013)	(495)	-
Adjustment to annual required contribution	1,774	867	-
Annual pension cost	98,008	63,306	41,301
Contributions made	97,247	62,934	41,301
Decrease in net pension asset	761	372	-
Net pension asset, beginning of year	(12,661)	(6,186)	-
Net pension asset, end of year	\$ (11,900)	\$ (5,814)	\$ -

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 11 - 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>				
2006	\$ 81,737	\$ 81,085	99%	\$ (13,365)
2007	74,929	74,225	99%	(12,661)
2008	98,008	97,247	99%	(11,900)
<b>Merit Service Plan</b>				
2006	\$ 60,771	\$ 60,452	99%	\$ (6,530)
2007	63,431	63,087	99%	(6,186)
2008	63,306	62,934	99%	(5,814)
<b>Police Retirement Plan</b>				
2006	\$ 36,135	\$ 36,135	100%	\$ -
2007	37,677	37,677	100%	-
2008	41,301	41,301	100%	-

**Plan Financial Statements**

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF PLAN NET ASSETS**  
**JUNE 30, 2008**

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
<b>ASSETS</b>				
Cash equivalents	\$ 7,516	\$ 4,934	\$ 10,409	\$ 22,859
Investments, at fair value:				
Equity mutual funds	1,225,442	318,789	222,242	1,766,473
Bond mutual funds	649,521	176,502	119,446	945,469
Interest and other receivables	2,634	722	502	3,858
Total assets	1,885,113	500,947	352,599	2,738,659
<b>NET ASSETS</b>				
Held in trust for pension benefits	1,885,113	500,947	352,599	2,738,659
Total net assets	\$ 1,885,113	\$ 500,947	\$ 352,599	\$ 2,738,659



**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 11 - 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, 2008**

	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 97,247	\$ 62,934	\$ 41,301	\$ 201,482
Plan members	-	-	11,403	11,403
Total contributions	97,247	62,934	52,704	212,885
Investment earnings (losses):				
Net depreciation in fair value of investments	(227,336)	(59,284)	(37,519)	(324,139)
Interest	148,166	38,079	24,131	210,376
Total investment earnings (losses)	(79,170)	(21,205)	(13,388)	(113,763)
Total additions	18,077	41,729	39,316	99,122
<b>DEDUCTIONS</b>				
Benefit payments	87,598	44,895	-	132,493
Administrative expenses	3,123	3,105	1,885	8,113
Total deductions	90,721	48,000	1,885	140,606
<b>NET (DECREASE) INCREASE</b>	(72,644)	(6,271)	37,431	(41,484)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	1,957,757	507,218	315,168	2,780,143
End of year	\$ 1,885,113	\$ 500,947	\$ 352,599	\$ 2,738,659

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 11 - 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, 2008, Town teachers contributed \$168,535 to the plan and covered payroll for the year was \$2,324,614.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$1,720,214 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 12 - OTHER POST-EMPLOYMENT BENEFITS**

Employees covered under various union contracts are eligible to receive post-retirement benefits. Employees are only eligible to receive these benefits after having been employed with the Town for twenty-five years and after having attained age sixty-five.

As of June 30, 2008, there were three retired employees receiving benefits and one other employee that is eligible for these benefits. The Town finances the plan on a pay-as-you-go basis. For the year ended June 30, 2008, the Town recorded \$12,003 in expenditures for these benefits.

**NOTE 13 - 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 14 - 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, 2008**

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**NOTE 14 - 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 \$32,640 as of June 30, 2008.

**NOTE 15 - PRONOUNCEMENT ISSUED BUT NOT YET EFFECTIVE**

The Town has not completed the process of implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Town is therefore unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statements are adopted. GASB Statement No. 45 is effective for the Town for fiscal periods beginning after December 15, 2008.

# **Required Supplementary Information**

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULES OF FUNDING PROGRESS  
JUNE 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded 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, 2006	\$ 1,691,603	\$ 1,827,486	\$ 135,883	93%	\$ 1,003,523	14%
July 1, 2005	1,556,254	1,628,479	72,225	96%	746,135	10%
July 1, 2004	1,518,885	1,569,811	50,926	97%	868,343	6%
July 1, 2003	1,467,603	1,378,651	(88,952)	106%	731,567	-12%
July 1, 2002	1,489,326	1,250,943	(238,383)	119%	811,825	-29%
July 1, 2001	1,548,745	1,157,667	(391,078)	134%	749,512	-52%
<b>Merit Service Plan</b>						
July 1, 2006	\$ 429,655	\$ 742,655	\$ 313,000	58%	N/A	N/A
July 1, 2005	379,018	705,067	326,049	54%	N/A	N/A
July 1, 2004	350,825	672,874	322,049	52%	N/A	N/A
July 1, 2003	297,814	599,088	301,274	50%	N/A	N/A
July 1, 2002	277,515	563,789	286,274	49%	N/A	N/A
July 1, 2001	272,564	505,056	232,492	54%	N/A	N/A
<b>Police Retirement Plan</b>						
July 1, 2006	\$ 271,397	\$ 408,054	\$ 136,657	67%	\$ 237,894	57%
July 1, 2005	210,164	317,984	107,820	66%	258,055	42%
July 1, 2004	162,788	277,276	114,488	59%	269,402	42%
July 1, 2003	115,938	221,368	105,430	52%	238,051	44%
July 1, 2002	74,614	185,513	110,899	40%	227,381	49%
July 1, 2001	38,493	148,320	109,827	26%	228,816	48%

# **Combining and Individual Fund Statements and Schedules**

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PROPERTY TAXES</b>				
Property taxes	\$ 16,919,601	\$ 16,919,601	\$ 17,142,105	\$ 222,504
Interest and lien fees	50,000	50,000	97,079	47,079
Total property taxes	<u>16,969,601</u>	<u>16,969,601</u>	<u>17,239,184</u>	<u>269,583</u>
<b>INTERGOVERNMENTAL</b>				
Veterans tax relief	3,888	3,888	3,428	(460)
School construction grant	124,727	124,727	108,414	(16,313)
Education cost sharing grant	414,547	414,547	375,549	(38,998)
Town aid road grant	80,104	80,104	109,040	28,936
LOCIP	41,938	41,938	41,636	(302)
PILOT grant	28,359	28,359	21,977	(6,382)
Homeowners tax relief	39,023	39,023	34,905	(4,118)
Boating registration	25,331	25,331	25,331	-
Transit district	1,743	1,743	1,684	(59)
Manufacturing equipment	88,007	88,007	92,042	4,035
Pequot grant	18,166	18,166	26,478	8,312
Pump out boat reimbursement	50,952	50,952	44,210	(6,742)
Miscellaneous State and Federal grants	26,200	26,200	35,228	9,028
Total intergovernmental	<u>942,985</u>	<u>942,985</u>	<u>919,922</u>	<u>(23,063)</u>
<b>LOCAL REVENUES</b>				
Miscellaneous permits	1,000	1,000	3,340	2,340
Phone "access line" tax share	47,757	47,757	45,545	(2,212)
Sanitary permits	60,000	60,000	69,961	9,961
Building permit fees	150,000	150,000	236,940	86,940
Circuit court fines	1,500	1,500	6,210	4,710
Gas tax refunds	805	805	530	(275)
Zoning permits	4,000	4,000	6,513	2,513
Zoning Board of Appeals	1,000	1,000	2,130	1,130
Planning commission receipts	500	500	1,560	1,060
Conveyance tax	200,000	200,000	184,189	(15,811)
Park and recreation	54,149	54,149	53,688	(461)
Miscellaneous receipts	19,000	19,000	215,680	196,680
Town clerk fees	192,700	192,700	113,981	(78,719)
Inland wetlands permits	1,000	1,000	1,620	620
Regional recycling fees	30,000	30,000	30,000	-
Health department fees	7,000	7,000	12,250	5,250
Total local revenues	<u>770,411</u>	<u>770,411</u>	<u>984,137</u>	<u>213,726</u>
<b>INTEREST INCOME</b>	<u>293,000</u>	<u>293,000</u>	<u>293,638</u>	<u>638</u>
<b>Total revenues</b>	<u>\$ 18,975,997</u>	<u>\$ 18,975,997</u>	<u>\$ 19,436,881</u>	<u>\$ 460,884</u>

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 158,105	\$ 165,730	\$ 164,673	\$ (1,057)
Assessor	95,677	97,533	97,533	-
Central services	204,124	256,783	256,783	-
Elections	35,350	41,180	41,180	-
Probate court	2,750	3,096	3,096	-
Tax collector	90,319	90,978	90,978	-
Town clerk	186,579	186,579	180,316	(6,263)
Treasurer	90,021	97,396	96,752	(644)
Zoning enforcement agent	54,186	54,186	54,101	(85)
Fringe benefits	570,706	555,706	539,299	(16,407)
General insurance	138,928	149,295	149,295	-
Legal services	59,555	80,225	80,225	-
Public restroom facilities	23,087	23,087	21,093	(1,994)
Technology	92,912	104,528	104,528	-
Board of Assessment Appeals	1,695	1,695	1,471	(224)
Board of Finance	103,700	48,122	45,815	(2,307)
Conservation Commission	8,150	8,150	6,912	(1,238)
Economic Development Commission	3,550	3,550	491	(3,059)
IWWC Commission	7,805	13,051	13,051	-
Parks and recreation	194,373	194,373	193,108	(1,265)
Planning Commission	44,666	44,666	43,845	(821)
Tree Committee	1,200	1,200	1,200	-
Zoning Board of Appeals	8,400	10,583	10,583	-
Zoning Commission	36,884	37,181	37,181	-
Clean energy task force	4,000	4,000	953	(3,047)
Total general government	2,216,722	2,272,873	2,234,462	(38,411)
PUBLIC SAFETY				
Ambulance Association	16,605	16,605	16,605	-
Animal control	18,982	18,982	18,982	-
Building department	87,589	91,719	91,719	-
Emergency management	4,250	4,371	4,371	-
Emergency 911	81,339	81,339	81,339	-
Fire department	234,133	234,133	203,860	(30,273)
Fire marshal	46,711	46,711	44,388	(2,323)
Harbor patrol	26,106	26,106	20,681	(5,425)
Police services	292,474	398,142	398,142	-
Resident state trooper	74,483	84,305	84,305	-
Water	134,298	134,298	127,091	(7,207)
Total public safety	1,016,970	1,136,711	1,091,483	(45,228)

(Continued)



**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS -**  
**GENERAL FUND (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
HEALTH AND WELFARE				
Director of health	\$ 40,806	\$ 40,806	\$ 3,000	\$ (37,806)
Estuary transit	6,555	6,555	6,555	-
Sanitarian	193,887	193,887	190,033	(3,854)
Sanitary waste commission	186,200	186,200	178,873	(7,327)
Social services	81,188	84,293	84,293	-
Visiting nurses	60,795	60,795	60,795	-
Pump out boat	50,952	50,952	32,271	(18,681)
Water pollution control	12,900	12,900	9,425	(3,475)
Total health and welfare	<u>633,283</u>	<u>636,388</u>	<u>565,245</u>	<u>(71,143)</u>
LIBRARIES	<u>302,000</u>	<u>302,000</u>	<u>302,000</u>	<u>-</u>
HIGHWAYS AND TRANSPORTATION				
Highways	731,108	731,108	699,039	(32,069)
Town garage	35,484	35,484	32,726	(2,758)
Total highways and transportation	<u>766,592</u>	<u>766,592</u>	<u>731,765</u>	<u>(34,827)</u>
DEBT SERVICE				
Principal payments	447,327	447,327	447,327	-
Interest and fiscal charges	276,869	300,335	300,335	-
Total debt service	<u>724,196</u>	<u>747,662</u>	<u>747,662</u>	<u>-</u>
CAPITAL AND SINKING FUNDS	<u>502,500</u>	<u>592,500</u>	<u>592,359</u>	<u>(142)</u>
Total Board of Selectmen	<u>6,162,263</u>	<u>6,454,726</u>	<u>6,264,975</u>	<u>(189,751)</u>
EDUCATION	<u>12,813,734</u>	<u>12,813,734</u>	<u>12,752,411</u>	<u>(61,323)</u>
Total expenditures	<u>\$ 18,975,997</u>	<u>\$ 19,268,460</u>	<u>\$ 19,017,387</u>	<u>\$ (251,073)</u>

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Total cash collections for the year ended

June 30, 2008:

Taxes	\$ 17,131,317
Interest and lien fees	96,905
	<u>17,228,222</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	35,074
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Base	<u>\$ 17,263,296</u>
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	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 38,842,416	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	77,684,832	-	-	-
3-3/4 times base	-	-	64,737,360	-	-
3-1/4 times base	-	-	-	56,105,712	-
3 times base	-	-	-	-	51,789,888
Total debt limitation	<u>38,842,416</u>	<u>77,684,832</u>	<u>64,737,360</u>	<u>56,105,712</u>	<u>51,789,888</u>
Indebtedness:					
Bonds payable	535,000	10,415,000	-	-	-
Shared debt - Regional School District No. 4	-	10,243,584	-	-	-
Note payable	-	-	27,425	-	-
Authorized, unissued bonds	4,144,625	3,350,000	-	-	-
Less: school building grants to be provided by State	-	193,663	-	-	-
Total indebtedness	<u>4,679,625</u>	<u>23,814,921</u>	<u>27,425</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 34,162,791</u>	<u>\$ 53,869,911</u>	<u>\$ 64,709,935</u>	<u>\$ 56,105,712</u>	<u>\$ 51,789,888</u>
Total capacity of borrowing (7 times base)	\$ 120,843,072				
Total present indebtedness	<u>28,521,971</u>				
Margin for additional borrowing	<u>\$ 92,321,101</u>				

***Capital and Nonrecurring  
Expenditures Fund***

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BY PROJECT**  
**CAPITAL AND NONRECURRING EXPENDITURES FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Capital and Nonrecurring Expenditures Fund													
	Fire Truck	Truck and Equipment	Countable Cars	Assessor's Revaluation	Harbor Paid	Wastewater Study	Parks and Recreation	Tree Committee	Veterans Memorial	Open Space	Exes Elementary	Grove Street Playground Project	Un-Appropriated
<b>REVENUES</b>													
Interest Income	\$ 2,649	\$ 34	\$ 506	\$ 2,352	\$ 183	\$ 116	\$ 38	\$ 25	\$ -	\$ -	\$ 2,447	\$ 41	\$ 1,248
Total revenues	2,649	34	506	2,352	183	116	38	25	-	-	2,447	41	1,248
<b>EXPENDITURES</b>													
Capital outlays	181,709	-	-	23,624	-	-	-	-	-	54,478	-	-	49,219
Total expenditures	181,709	-	-	23,624	-	-	-	-	-	54,478	-	-	49,219
Excess (deficiency) of revenues over expenditures	(179,060)	34	506	(21,272)	183	116	38	25	-	(54,478)	2,447	41	(47,971)
<b>OTHER FINANCING SOURCES (USES)</b>													
Proceeds from general obligation bond	-	-	-	-	-	-	-	-	-	533,000	-	-	-
Repayment of bond obligation bond	-	-	-	-	-	-	-	-	-	(533,000)	-	-	-
Transfers in	100,000	-	13,000	20,000	3,000	-	3,000	-	-	5,000	20,000	-	15,516
Total other financing sources (uses)	100,000	-	13,000	20,000	3,000	-	3,000	-	-	5,000	20,000	-	15,516
Net change in fund balances	(79,060)	34	15,506	(1,272)	3,183	116	3,038	25	-	(49,477)	22,447	41	(32,455)
Fund balances - beginning	356,219	2,728	25,387	191,269	11,602	9,254	70	1,961	19	49,478	175,250	3,307	100,008
Fund balances - ending	\$ 247,269	\$ 2,762	\$ 40,893	\$ 189,997	\$ 14,785	\$ 9,370	\$ 3,108	\$ 1,986	\$ 19	\$ 1	\$ 197,697	\$ 3,348	\$ 67,553
													\$ 778,789

***Nonmajor  
Governmental  
Funds***

**TOWN OF ESSEX, CONNECTICUT  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

<b>Nonmajor Special Revenue Funds</b>								
	<b>Dog Fund</b>	<b>School Cafeteria</b>	<b>Harbor Commission</b>	<b>Constable Private Duty</b>	<b>Senior Housing Renovation</b>	<b>Historic Documents</b>	<b>Recreational Programs</b>	<b>Total</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 86,083	\$ 11,481	\$ 42,136	\$ 54,986	\$ 1,766	\$ 8,497	\$ -	\$ 204,949
Grants and contracts receivable	-	4,047	-	-	-	-	-	4,047
Other receivables	-	314	-	-	-	-	-	314
Due from other funds	-	-	14,000	-	-	765	31,874	46,639
Inventories	-	4,457	-	-	-	-	-	4,457
Total assets	<u>\$ 86,083</u>	<u>\$ 20,299</u>	<u>\$ 56,136</u>	<u>\$ 54,986</u>	<u>\$ 1,766</u>	<u>\$ 9,262</u>	<u>\$ 31,874</u>	<u>\$ 260,406</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 121	\$ 5,922	\$ -	\$ 898	\$ 525	\$ -	\$ -	\$ 7,466
Due to State of Connecticut	4,470	-	-	-	-	-	-	4,470
Due to other funds	31,480	6,262	4,534	35,379	-	-	-	77,655
Unearned/deferred revenue	-	-	-	-	1,241	-	31,874	33,115
Total liabilities	<u>36,071</u>	<u>12,184</u>	<u>4,534</u>	<u>36,277</u>	<u>1,766</u>	<u>-</u>	<u>31,874</u>	<u>122,706</u>
<b>Fund Balances:</b>								
Reserved for inventories	-	4,457	-	-	-	-	-	4,457
<b>Unreserved and undesignated:</b>								
Special revenue funds	50,012	3,658	51,602	18,709	-	9,262	-	133,243
Total fund balances	<u>50,012</u>	<u>8,115</u>	<u>51,602</u>	<u>18,709</u>	<u>-</u>	<u>9,262</u>	<u>-</u>	<u>137,700</u>
Total liabilities and fund balances	<u>\$ 86,083</u>	<u>\$ 20,299</u>	<u>\$ 56,136</u>	<u>\$ 54,986</u>	<u>\$ 1,766</u>	<u>\$ 9,262</u>	<u>\$ 31,874</u>	<u>\$ 260,406</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Nonmajor Special Revenue Funds								
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Senior Housing Renovation	Historic Documents	Recreational Programs	Total
REVENUES								
Intergovernmental	\$ -	\$ 19,532	\$ -	\$ -	\$ 281,519	\$ 7,000	\$ -	\$ 308,051
Local revenue	14,499	105,569	30,710	9,750	-	8,810	-	169,338
Interest income	-	-	3,480	-	-	-	-	3,480
Total revenues	14,499	125,101	34,190	9,750	281,519	15,810	-	480,869
EXPENDITURES								
General government	26,142	-	7,456	16,338	-	19,160	-	69,096
Public safety	-	-	106,515	-	-	-	-	106,515
Subrecipient expenditures	-	-	-	-	281,519	-	-	281,519
Education	-	136,712	-	-	-	-	-	136,712
Total expenditures	26,142	136,712	113,971	16,338	281,519	19,160	-	593,842
Deficiency of revenues over expenditures	(11,643)	(11,611)	(79,781)	(6,588)	-	(3,350)	-	(112,973)
OTHER FINANCING SOURCES								
Transfers in	18,982	-	14,000	-	-	-	-	32,982
Total other financing sources	18,982	-	14,000	-	-	-	-	32,982
Net change in fund balances	7,339	(11,611)	(65,781)	(6,588)	-	(3,350)	-	(79,991)
Fund balances - beginning	42,673	19,726	117,383	25,297	-	12,612	-	217,691
Fund balances - ending	\$ 50,012	\$ 8,115	\$ 51,602	\$ 18,709	\$ -	\$ 9,262	\$ -	\$ 137,700

***Fiduciary  
Funds***



**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2008**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash equivalents	\$ 7,516	\$ 4,934	\$ 10,409	\$ 22,859
Investments:				
Equity mutual funds	1,225,442	318,789	222,242	1,766,473
Bond mutual funds	649,521	176,502	119,446	945,469
Interest and other receivables	2,634	722	502	3,858
Total assets	<u>1,885,113</u>	<u>500,947</u>	<u>352,599</u>	<u>2,738,659</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	<u>\$ 1,885,113</u>	<u>\$ 500,947</u>	<u>\$ 352,599</u>	<u>\$ 2,738,659</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 97,247	\$ 62,934	\$ 41,301	\$ 201,482
Plan members	-	-	11,403	11,403
Total contributions	<u>97,247</u>	<u>62,934</u>	<u>52,704</u>	<u>212,885</u>
Investment earnings (losses):				
Net depreciation in the fair value of investments	(227,336)	(59,284)	(37,519)	(324,139)
Interest	<u>148,166</u>	<u>38,079</u>	<u>24,131</u>	<u>210,376</u>
Total investment earnings (losses)	<u>(79,170)</u>	<u>(21,205)</u>	<u>(13,388)</u>	<u>(113,763)</u>
Total additions	<u>18,077</u>	<u>41,729</u>	<u>39,316</u>	<u>99,122</u>
<b>DEDUCTIONS</b>				
Benefit payments	87,598	44,895	-	132,493
Administrative expenses	<u>3,123</u>	<u>3,105</u>	<u>1,885</u>	<u>8,113</u>
Total deductions	<u>90,721</u>	<u>48,000</u>	<u>1,885</u>	<u>140,606</u>
Change in net assets	(72,644)	(6,271)	37,431	(41,484)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	<u>1,957,757</u>	<u>507,218</u>	<u>315,168</u>	<u>2,780,143</u>
Ending of year	<u>\$ 1,885,113</u>	<u>\$ 500,947</u>	<u>\$ 352,599</u>	<u>\$ 2,738,659</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2008**

	<b>Elementary School Activities</b>	<b>Performance Bonds</b>	<b>Special Project Escrow Funds</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>				
Cash	\$ 14,040	\$ 153,148	\$ 17,163	\$ 184,351
Investments	-	62,000	-	62,000
Total assets	<u>\$ 14,040</u>	<u>\$ 215,148</u>	<u>\$ 17,163</u>	<u>\$ 246,351</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 215,148	\$ 17,163	\$ 232,311
Due to student groups	14,040	-	-	14,040
Total liabilities	<u>\$ 14,040</u>	<u>\$ 215,148</u>	<u>\$ 17,163</u>	<u>\$ 246,351</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN**  
**FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
<b>Elementary School Activities</b>				
<b>Assets</b>				
Cash	\$ 12,948	\$ 9,565	\$ 8,473	\$ 14,040
Investments	-	-	-	-
Total assets	<u>\$ 12,948</u>	<u>\$ 9,565</u>	<u>\$ 8,473</u>	<u>\$ 14,040</u>
<b>Liabilities</b>				
Due to others	\$ -	\$ -	\$ -	\$ -
Due to student groups	12,948	9,565	8,473	14,040
Total liabilities	<u>\$ 12,948</u>	<u>\$ 9,565</u>	<u>\$ 8,473</u>	<u>\$ 14,040</u>
<b>Performance Bonds</b>				
<b>Assets</b>				
Cash	\$ 56,900	\$ 129,188	\$ 32,940	\$ 153,148
Investments	7,000	62,000	7,000	62,000
Total assets	<u>\$ 63,900</u>	<u>\$ 191,188</u>	<u>\$ 39,940</u>	<u>\$ 215,148</u>
<b>Liabilities</b>				
Due to others	\$ 63,900	\$ 191,188	\$ 39,940	\$ 215,148
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 63,900</u>	<u>\$ 191,188</u>	<u>\$ 39,940</u>	<u>\$ 215,148</u>
<b>Special Project Escrow Funds</b>				
<b>Assets</b>				
Cash	\$ 17,138	\$ 7,739	\$ 7,714	\$ 17,163
Investments	-	-	-	-
Total assets	<u>\$ 17,138</u>	<u>\$ 7,739</u>	<u>\$ 7,714</u>	<u>\$ 17,163</u>
<b>Liabilities</b>				
Due to others	\$ 17,138	\$ 7,739	\$ 7,714	\$ 17,163
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 17,138</u>	<u>\$ 7,739</u>	<u>\$ 7,714</u>	<u>\$ 17,163</u>
<b>Total All Agency Funds</b>				
<b>Assets</b>				
Cash	\$ 86,986	\$ 146,492	\$ 49,127	\$ 184,351
Investments	7,000	62,000	7,000	62,000
Total assets	<u>\$ 93,986</u>	<u>\$ 208,492</u>	<u>\$ 56,127</u>	<u>\$ 246,351</u>
<b>Liabilities</b>				
Due to others	\$ 81,038	\$ 198,927	\$ 47,654	\$ 232,311
Due to student groups	12,948	9,565	8,473	14,040
Total liabilities	<u>\$ 93,986</u>	<u>\$ 208,492</u>	<u>\$ 56,127</u>	<u>\$ 246,351</u>