Basic Financial Statements and Report of Independent Certified Public Accountants

Town of Essex, Connecticut

June 30, 2012

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Finance
Town of Essex, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the schedules of funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplemental information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Grant Thornton LLP

Glastonbury, Connecticut
December 28, 2012

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $16,602,488 (net assets). Of this amount, $2,905,522 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

- The Town's total net assets decreased by $95,700 during the current fiscal year.

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $3,291,920, a decrease of $27,515 in comparison with the prior year. Approximately 60.7% or $1,999,829 of this total amount is available for spending at the Town's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,578,818, or 11.7% of total General Fund expenditures and other financing sources (uses), net. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of general fund operating expenditures and net other financing uses.

- The Town's total long-term bonded debt decreased by $460,000 or 4.8% during the current fiscal year due to scheduled repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

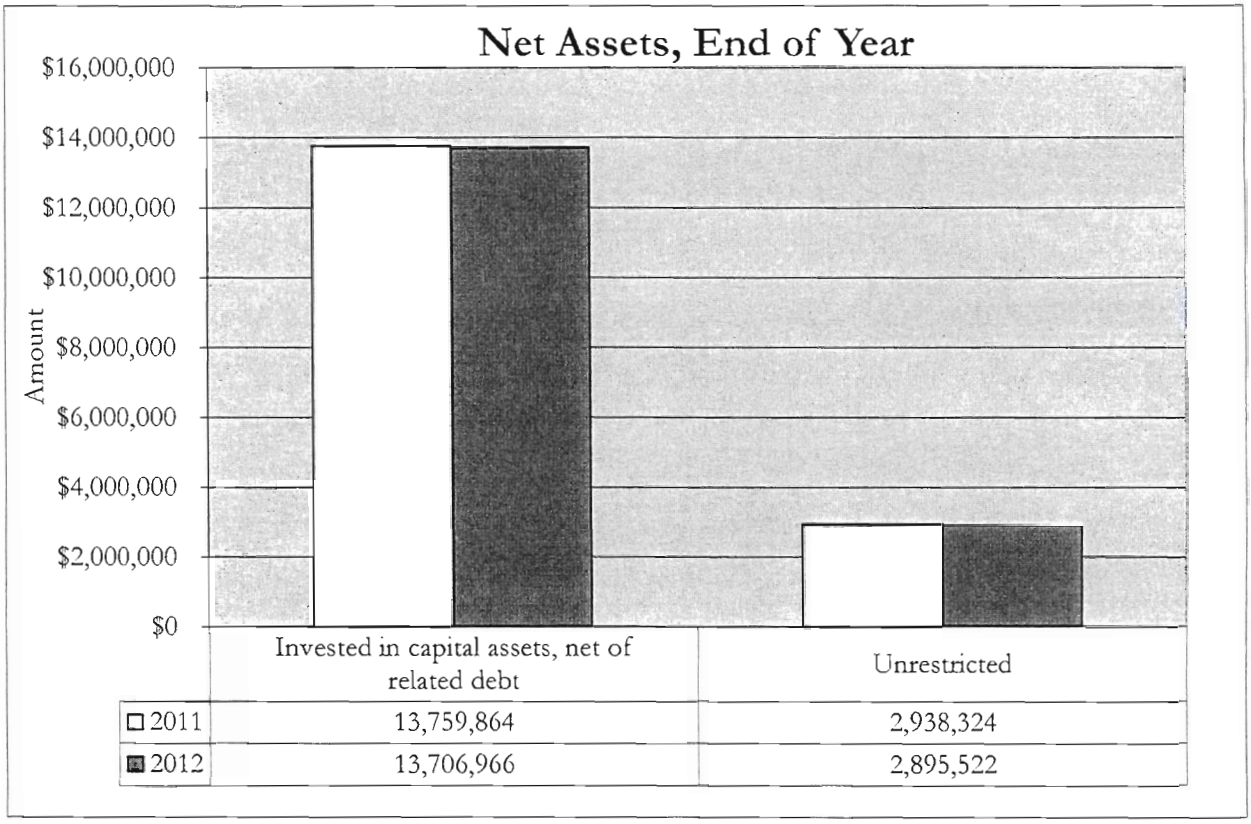
Net Assets

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Assets *(Continued)*



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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

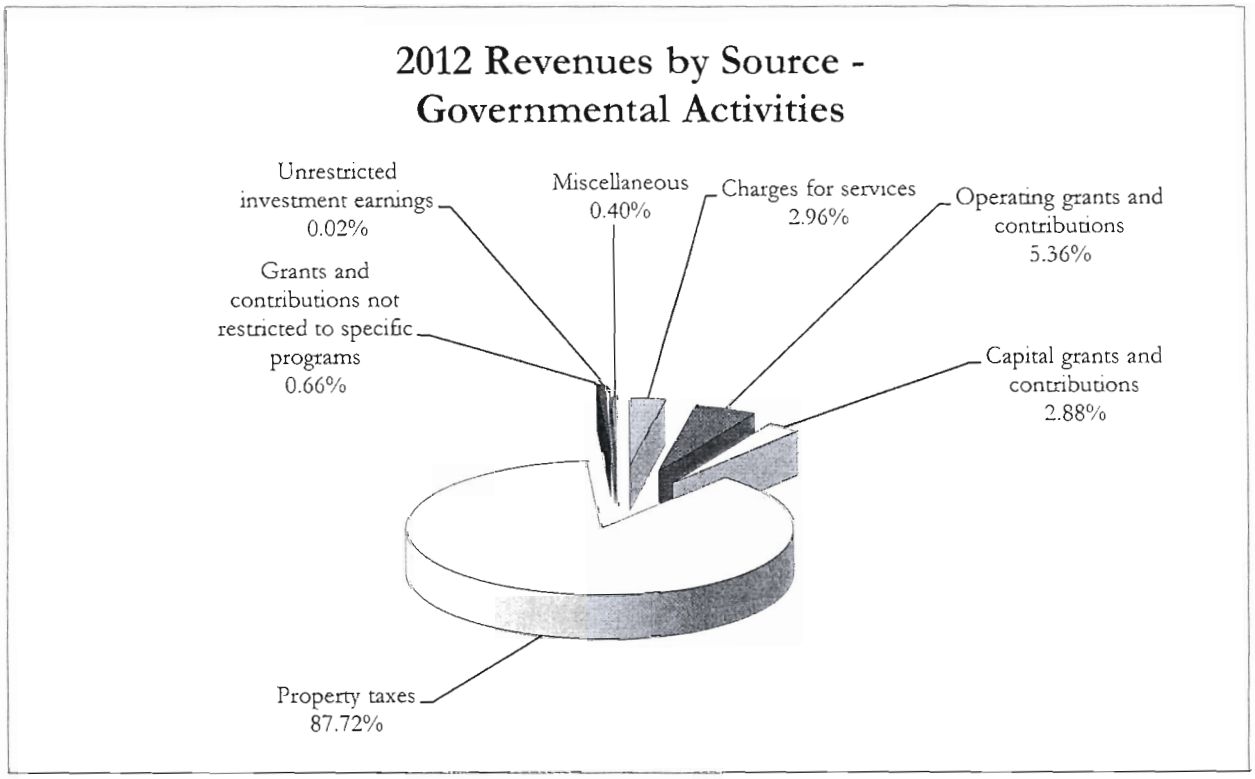
Changes in Net Assets

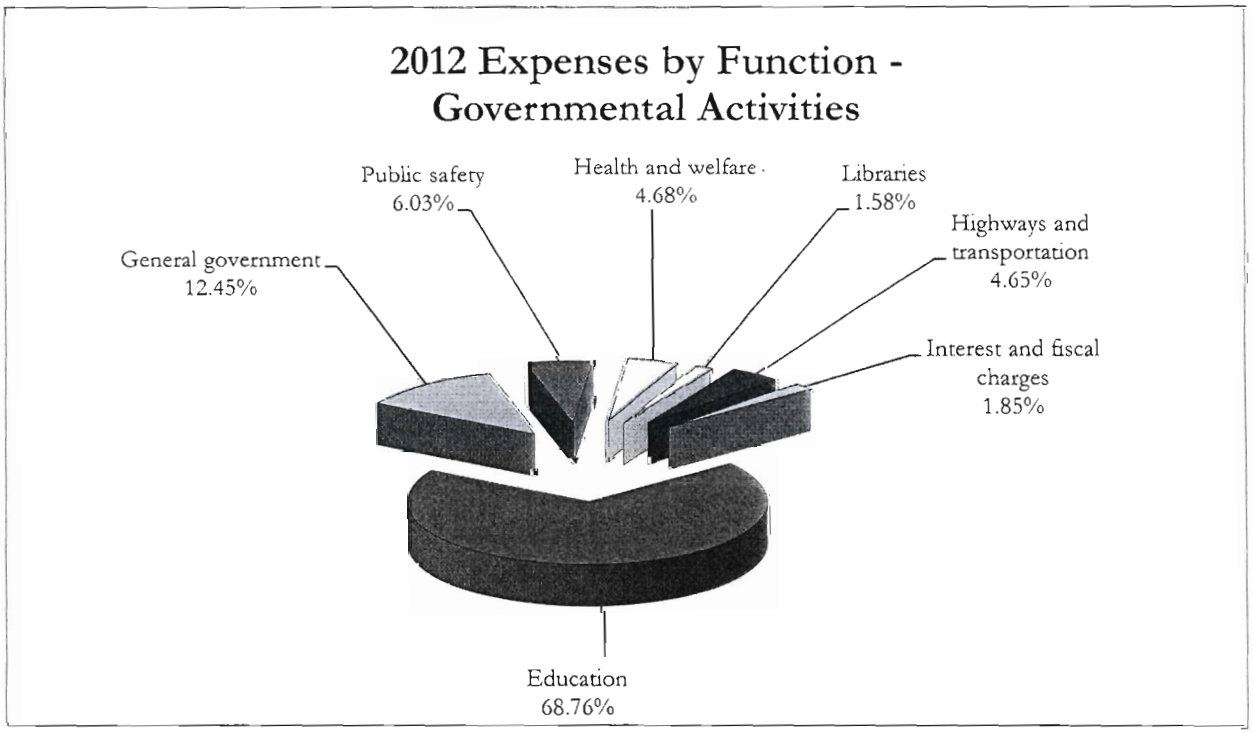
Changes in net assets for the years ended June 30, 2011 and 2010 are as follows:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Assets *(Continued)*





GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Governmental Activities

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

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

General Fund

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

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

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

Capital and Nonrecurring Expenditures Fund

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

EES Renovation Project Fund

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

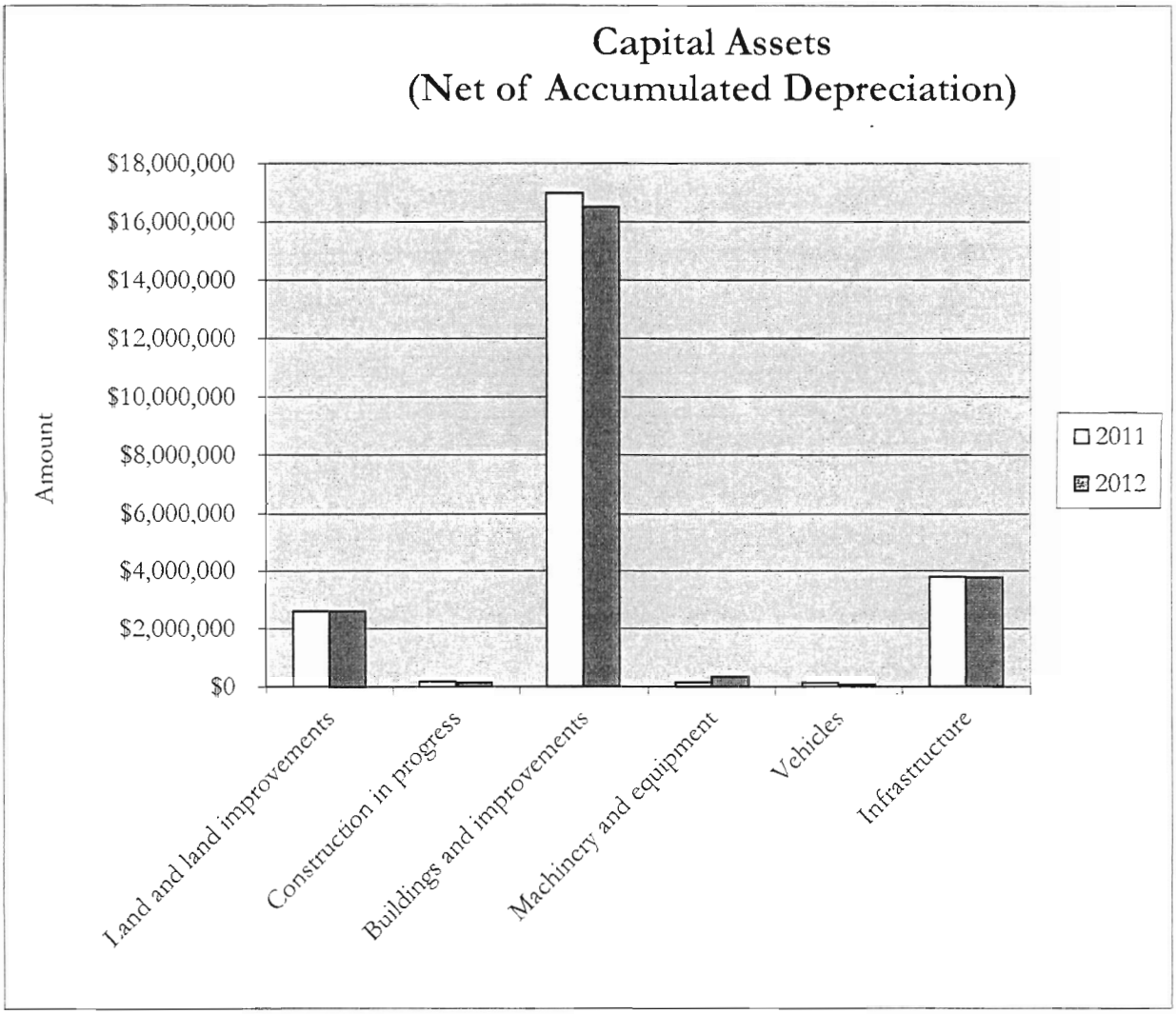
- A net increase of $149,243 in construction in progress, primarily due to the boat launch project and EOC relocation.
- An increase of $197,581 in infrastructure, due to the completion of the boat launch project improvements.
- An increase of $248,144 in machinery and equipment, due to the highway machinery.

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*

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

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



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

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

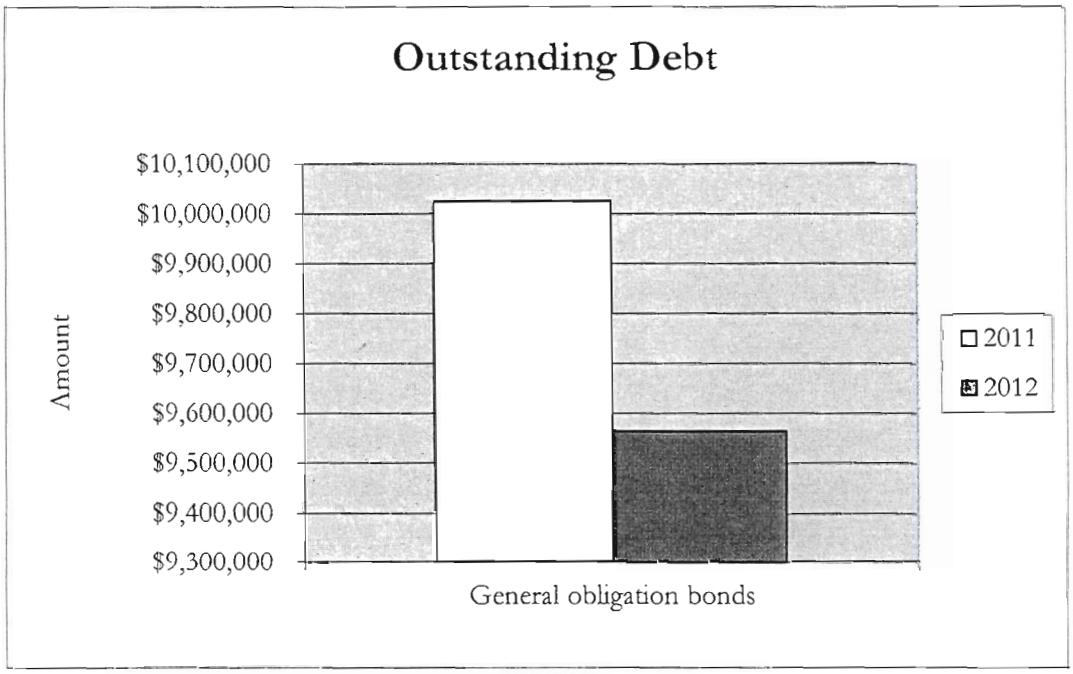
Long-term Debt

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

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

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

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



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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The Town receives intergovernmental revenues from the State of Connecticut. Due to the current State budget crisis, the Town could experience a reduction in these revenues. Connecticut's economy moves in the same general cycle as the national economy.

- The unemployment rate for the Town is currently 6.3%, which is the same as in the prior year. This compares favorably to the state's average unemployment rate of 8.1% and the national unemployment rate of 8.2%.

- Inflationary trends in the region compare favorably to national indices.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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

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

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
Governmental activities:					
Board of Selectmen:					
General government	$ 2,878,526	$ 515,337	$ 64,079	$ 40,613	$ (2,258,497)
Public safety	1,393,960	15,541	86,933	30,091	(1,261,395)
Health and welfare	1,083,276	63,575	67,979	450,683	(501,039)
Libraries	365,000	-	-	-	(365,000)
Highways and transportation	1,075,554	-	-	108,861	(966,693)
Interest and fiscal charges	428,084	-	-	-	(428,084)
Education	15,902,828	86,781	1,014,976	33,761	(14,767,310)
Total governmental activities	$ 23,127,228	$ 681,234	$ 1,233,967	$ 664,009	(20,548,018)

General revenues:	
Property taxes, levied for general purposes	20,204,912
Grants and contributions not restricted to specific programs	152,001
Unrestricted investment earnings	3,761
Miscellaneous	91,644
Total general revenues	20,452,318
Change in net assets	(95,700)
Net assets - beginning	16,698,188
Net assets - ending	$ 16,602,488

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

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

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

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

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

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

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

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

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

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

TOWN OF ESSEX, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balances for governmental funds			$ (27,515)
Total change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which capital outlays were offset by depreciation and amortization in the current period is as follows:			
Expenditures for capital assets	$ 388,864		
Depreciation and amortization expense	(821,776)		
Net adjustment			(432,912)
Contributed capital assets to the Town increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.			33,761
Interest on property taxes receivable are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds.			7,310
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows:			
Debt issued or incurred:			
Capital lease financing	$ (166,692)		
Principal repayments:			
Bonds and notes payable	464,544		
Obligations under capital lease	52,945		
Net adjustment			350,797

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

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

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

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue. 50,040

Change in Net Assets of Governmental Activities $ (95,700)

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

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

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

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

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

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

Fund Financial Statements *(Continued)*

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

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING *(Continued)*

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

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

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

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

Investments

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

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

Inventories

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

Property Taxes

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

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

ASSETS, LIABILITIES AND FUND EQUITY *(Continued)*

Capital Assets

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

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

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

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

Unearned/Deferred Revenue

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

Compensated Absences and Employee Retirement Obligations

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

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

Long-term Obligations

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

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

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

ASSETS, LIABILITIES AND FUND EQUITY *(Continued)*

Net Assets and Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

ASSETS, LIABILITIES AND FUND EQUITY *(Continued)*

INTERFUND ACTIVITIES

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

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

Interfund Transfers

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

Interfund Reimbursements

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

USE OF ESTIMATES

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

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY

BUDGETARY INFORMATION

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

- The Board of Selectmen and the Board of Finance prepare an operating budget for the fiscal year commencing July 1 which is presented at the annual Town meeting for approval or submitted to referendum. The operating budget includes proposed expenditures and the means of financing them.

- Expenditures are budgeted by function, department and object. The legal level of budget control is the department level. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects for amounts not exceeding $20,000 or representing a second transfer to a department. Additional appropriations in excess of $20,000 must be approved at a Town meeting. During the year, the Board of Finance and Town meetings approved additional appropriations from fund balance of $310,757.

- Formal budgetary integration is employed as a management control device during the year.

- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

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

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

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

BUDGETARY INFORMATION *(Continued)*

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

DEFICIT FUND EQUITY

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

NOTE C - CASH DEPOSITS AND INVESTMENTS

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

Government-wide statement of net assets:	
Cash deposits	$ 186,259
Cash equivalents	3,272,994
	3,459,253
Statement of fiduciary net assets:	
Cash deposits - Agency Funds	163,817
Cash equivalents - Pension Trust Funds	226,715
	390,532
	$ 3,849,785

CASH DEPOSITS – CUSTODIAL CREDIT RISK

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

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

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

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

INVESTMENTS

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

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

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

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

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

Interest Rate Risk

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

Credit Risk

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

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

INVESTMENTS *(Continued)*

Credit Risk *(Continued)*

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

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

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

Custodial Credit Risk

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

Concentrations of Credit Risk

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

NOTE D - CAPITAL ASSETS

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

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

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

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

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

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

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

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

NOTE F - INTERFUND TRANSFERS

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

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

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

NOTE G - LONG-TERM LIABILITIES

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

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

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

GENERAL OBLIGATION BONDS AND NOTE PAYABLE

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

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

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

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

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

GENERAL OBLIGATION BONDS AND NOTE PAYABLE *(Continued)*

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

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

SHARED DEBT

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

SCHOOL BOND REIMBURSEMENTS

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

CAPITAL LEASES

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

	Governmental Activities
Vehicles	$ 70,294
Equipment	194,755
	265,049
Less: accumulated amortization	70,222
	$ 194,827

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

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

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

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

RETIRED EMPLOYEE OBLIGATIONS

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

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

NOTE H - UNEARNED/DEFERRED REVENUE

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

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

NOTE I - PENSION PLANS

DEFINED BENEFIT PLANS

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

NOTE I - PENSION PLANS *(Continued)*

DEFINED BENEFIT PLANS *(Continued)*

Plan Descriptions

Employees' Retirement Plan

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

Merit Service Plan

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

Police Retirement Plan

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

Plan Membership

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

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

NOTE I - PENSION PLANS *(Continued)*

DEFINED BENEFIT PLANS *(Continued)*

Summary of Significant Accounting Policies

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

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

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

Funding Policy

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

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

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

Concentrations

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

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

NOTE I - PENSION PLANS *(Continued)*

DEFINED BENEFIT PLANS *(Continued)*

Funded Status

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

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

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

Schedule of Employer Contributions

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

NOTE I - PENSION PLANS *(Continued)*

DEFINED BENEFIT PLANS *(Continued)*

Additional Information and Actuarial Assumptions

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

Annual Pension Cost and Net Pension Obligation

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

NOTE I - PENSION PLANS *(Continued)*

DEFINED BENEFIT PLANS *(Continued)*

Three-Year Trend Information

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

Plan Financial Statements

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

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

NOTE I - PENSION PLANS *(Continued)*

DEFINED BENEFIT PLANS *(Continued)*

Plan Financial Statements *(Continued)*

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

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

NOTE I - PENSION PLANS *(Continued)*

TEACHERS' RETIREMENT SYSTEM

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

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

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

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions

Employees' OPEB Plan

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

Teachers' OPEB Plan

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

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

Funding Policy

Employees' OPEB Plan

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

Teachers' OPEB Plan

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

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

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

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

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

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

Funded Status and Funding Progress

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

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Actuarial Methods and Assumptions

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

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

NOTE K - COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE L - RISK MANAGEMENT

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

NOTE L - RISK MANAGEMENT *(Continued)*

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

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

NOTE M - RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

Required Supplementary Information

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

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

Combining and Individual Fund Statements and Schedules

General Fund

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
PROPERTY TAXES				
Property taxes	$ 19,979,865	$ 19,979,865	$ 20,042,422	$ 62,557
Interest and lien fees	25,000	25,000	105,140	80,140
Total property taxes	20,004,865	20,004,865	20,147,562	142,697
INTERGOVERNMENTAL				
Totally disabled tax relief	-	-	198	198
Veterans tax relief	3,962	3,962	3,391	(571)
State education grants	389,697	389,697	390,366	669
Town aid road grant	109,040	109,040	108,861	(179)
LOCIP	41,903	41,903	40,613	(1,290)
PILOT grant	19,172	19,172	26,346	7,174
Homeowners tax relief	36,000	36,000	32,500	(3,500)
Boating registration	20,500	20,500	-	(20,500)
Transit district	1,970	1,970	1,047	(923)
Manufacturing equipment	80,825	80,825	-	(80,825)
Municipal revenue sharing	-	-	39,007	39,007
Pequot grant	11,206	11,206	12,009	803
Miscellaneous State and Federal	15,000	15,000	87,193	72,193
Total intergovernmental	729,275	729,275	741,531	12,256
LOCAL REVENUES				
Miscellaneous permits	2,000	2,000	2,862	862
Phone "access line" tax share	45,817	45,817	32,175	(13,642)
Sanitary permits	70,000	70,000	63,575	(6,425)
Building permit fees	96,000	96,000	94,503	(1,497)
Circuit court fines	7,000	7,000	6,375	(625)
Gas tax refunds	805	805	-	(805)
Zoning permits	7,100	7,100	8,364	1,264
Zoning board of appeals	2,500	2,500	2,800	300
Planning commission receipts	500	500	3,060	2,560
Conveyance tax	110,000	110,000	96,257	(13,743)
Park and recreation	3,500	3,500	4,590	1,090
Miscellaneous receipts	15,000	15,000	91,644	76,644
Town clerk fees	110,000	110,000	129,845	19,845
Inland wetlands permits	1,110	1,110	3,830	2,720
Regional recycling fees	33,000	33,000	30,000	(3,000)
Health department fees	6,000	6,000	6,225	225
IRS recording fees	-	-	1,643	1,643
Total local revenues	510,332	510,332	577,748	67,416
INTEREST INCOME	36,705	36,705	3,586	(33,119)
Total revenues	$ 21,281,177	$ 21,281,177	$ 21,470,427	$ 189,250

See accompanying report of Independent Certified Public Accountants.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	$ 180,578	$ 180,578	$ 174,903	$ (5,675)
Assessor	108,891	108,891	103,588	(5,303)
Central services	220,519	220,519	211,652	(8,867)
Elections	50,648	50,648	37,557	(13,091)
Probate court	2,000	3,460	3,460	-
Tax collector	93,464	93,464	91,470	(1,994)
Town clerk	151,095	169,573	169,574	1
Treasurer	112,540	114,940	114,794	(146)
Zoning enforcement agent	56,224	56,224	56,085	(139)
Fringe benefits	831,204	831,204	815,106	(16,098)
General insurance	157,500	158,045	158,045	-
Legal services	71,055	71,055	68,274	(2,781)
Public restroom facilities	17,210	18,447	18,447	-
Technology	148,461	157,461	144,021	(13,440)
Board of assessment appeals	1,340	1,379	1,379	-
Board of finance	117,000	44,891	39,125	(5,766)
Conservation commission	10,800	10,800	8,033	(2,767)
Economic development commission	1,100	1,100	426	(674)
IWWC commission	9,600	9,600	7,220	(2,380)
Parks and recreation	158,305	166,414	166,414	-
Planning commission	58,620	65,521	65,520	(1)
Tree committee	1,200	1,200	1,200	-
Zoning board of appeals	7,050	7,050	6,640	(410)
Zoning commission	45,343	45,343	26,170	(19,173)
Clean energy task force	3,600	3,600	638	(2,962)
Total general government	2,615,347	2,591,407	2,489,741	(101,666)
PUBLIC SAFETY				
Ambulance Association	15,273	15,273	15,273	-
Animal control	10,000	10,000	10,000	-
Building department	75,820	75,820	71,293	(4,527)
Emergency management	10,550	125,733	125,733	-
Emergency 911	95,869	97,264	97,264	-
Fire department	281,250	281,250	281,250	-
Fire marshal	45,762	47,285	47,285	-
Harbor patrol	26,606	26,606	15,526	(11,080)
Police services	333,554	440,128	440,125	(3)
Resident state trooper	106,316	108,717	108,717	-
Water	144,269	144,873	144,873	-
Total public safety	1,145,269	1,372,949	1,357,339	(15,610)

(Continued)

See accompanying report of Independent Certified Public Accountants.

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
HEALTH AND WELFARE				
Director of health	$ 20,000	$ 20,000	$ 14,079	$ (5,921)
Estuary transit	10,965	11,628	11,628	-
Sanitarian	164,130	166,168	166,167	(1)
Sanitary waste commission	189,010	200,295	198,223	(2,072)
Social services	99,192	99,192	98,148	(1,044)
Visiting nurses	60,795	60,795	60,795	-
Water pollution control	3,217	3,217	1,186	(2,031)
Total health and welfare	547,309	561,295	550,226	(11,069)
LIBRARIES	365,000	365,000	365,000	-
HIGHWAYS AND TRANSPORTATION				
Highways	760,236	760,236	747,126	(13,110)
Town garage	42,200	46,203	46,202	(1)
Total highways and transportation	802,436	806,439	793,328	(13,111)
DEBT SERVICE				
Principal payments	490,949	490,949	486,849	(4,100)
Interest and fiscal charges	431,261	431,289	431,290	1
Total debt service	922,210	922,238	918,139	(4,099)
CAPITAL OUTLAYS				
Grants and special appropriations	-	50,000	50,000	-
Capital and sinking funds	234,450	273,450	251,229	(22,221)
Total capital outlays	234,450	323,450	301,229	(22,221)
Total board of selectmen	6,632,021	6,942,778	6,775,002	(167,776)
EDUCATION	14,809,734	14,809,734	14,805,204	(4,530)
Total expenditures	$ 21,441,755	$ 21,752,512	$ 21,580,206	$ (172,306)

See accompanying report of Independent Certified Public Accountants.

TOWN OF ESSEX, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

YEAR ENDED JUNE 30, 2012

Grand List Year	Balance Uncollected June 30, 2011	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2012
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2010	$ -	$ 20,071,668	$ 26,616	$ 36,926	$ -	$ 20,061,358	$ 19,865,801	$ 58,700	$ 96	$ 19,924,597	$ 195,557
2009	163,962	-	49,121	3,672	-	209,411	120,111	18,123	456	138,690	89,300
2008	83,341	-	8,024	1,325	23,617	66,423	37,641	11,769	168	49,578	28,782
2007	25,254	-	-	132	-	25,122	11,882	6,134	96	18,112	13,240
2006	12,906	-	275	-	-	13,181	9,845	7,025	48	16,918	3,336
2005	4,739	-	164	-	-	4,903	4,143	179	24	4,346	760
2004	407	-	322	-	-	729	-	-	-	-	729
2003	153	-	278	-	-	431	-	-	-	-	431
	$ 290,762	$ 20,071,668	$ 84,800	$ 42,055	$ 23,617	$ 20,381,558	$ 20,049,423	$ 101,930	$ 888	$ 20,152,241	$ 332,135

See accompanying report of Independent Certified Public Accountants.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
YEAR ENDED JUNE 30, 2012

Total cash collections for the year ended June 30, 2012:	
Taxes	$ 20,049,423
Interest and lien fees	102,818
	20,152,241
Reimbursement for revenue loss:	
Tax relief for elderly (CGS 12-129d)	32,500
Base	$ 20,184,741

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	$ 45,415,667	$ -	$ -	$ -	$ -
4-1/2 times base	-	90,831,335	-	-	-
3-3/4 times base	-	-	75,692,779	-	-
3-1/4 times base	-	-	-	65,600,408	-
3 times base	-	-	-	-	60,554,223
Total debt limitation	45,415,667	90,831,335	75,692,779	65,600,408	60,554,223
Indebtedness:					
Bonds payable	489,000	9,076,000	-	-	-
Shared debt - Regional School District No. 4	-	6,828,286	-	-	-
Authorized, unissued bonds	4,144,625	3,350,000	-	-	-
Total indebtedness	4,633,625	19,254,286	-	-	-
Debt limitation in excess of outstanding and authorized debt	$ 40,782,042	$ 71,577,049	$ 75,692,779	$ 65,600,408	$ 60,554,223

Total capacity of borrowing (7 times base)	$ 141,293,187
Total present indebtedness	23,887,911
Margin for additional borrowing	$ 117,405,276

See accompanying report of Independent Certified Public Accountants.

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
YEAR ENDED JUNE 30, 2012

	Capital and Nonrecurring Expenditures Fund										
	Fire Truck	Truck and Equipment	Constable Cars	Harbor Patrol	Wastewater Study	Parks and Recreation	Veterans Memorial	Open Space	Essex Elementary	Other	Total
REVENUES											
Interest income	$ 7	$ -	$ 4	$ 2	$ -	$ 3	$ -	$ 4	$ 10	$ 1	$ 31
Total revenues	7	-	4	2	-	3	-	4	10	1	31
EXPENDITURES											
Capital outlays	-	-	-	-	11,990	2,110	-	-	59,388	-	73,488
Total expenditures	-	-	-	-	11,990	2,110	-	-	59,388	-	73,488
Excess (deficiency) of revenues over expenditures	7	-	4	2	(11,990)	(2,107)	-	4	(59,378)	1	(73,457)
OTHER FINANCING SOURCES											
Transfers in	75,000	-	-	3,000	-	16,450	-	15,000	20,000	5,000	134,450
Total other financing sources	75,000	-	-	3,000	-	16,450	-	15,000	20,000	5,000	134,450
Net change in fund balances	75,007	-	4	3,002	(11,990)	14,343	-	15,004	(39,378)	5,001	60,993
Fund balances - beginning	75,844	2,778	36,633	23,894	12,608	12,150	20	65,195	233,107	12,288	474,517
Fund balances - ending	$ 150,851	$ 2,778	$ 36,637	$ 26,896	$ 618	$ 26,493	$ 20	$ 80,199	$ 193,729	$ 17,289	$ 535,510

See accompanying report of Independent Certified Public Accountants.

Nonmajor Governmental Funds

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

	Nonmajor Special Revenue Funds				
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents
ASSETS					
Cash and cash equivalents	$ 147,977	$ 16,127	$ 48,795	$ 143,313	$ 11,454
Grants and contracts receivable	-	4,116	-	-	-
Other receivables	-	3,257	-	-	-
Due from other funds	-	-	10,667	-	605
Prepaid items	-	-	-	-	-
Inventories	-	3,081	-	-	-
Total assets	$ 147,977	$ 26,581	$ 59,462	$ 143,313	$ 12,059
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	$ 531	$ 2,500	$ -	$ 2,825	$ -
Other accrued liabilities	3,753	1,019	-	-	-
Due to other funds	91,583	23,062	4,534	138,404	-
Unearned/deferred revenue	-	-	-	-	-
Total liabilities	95,867	26,581	4,534	141,229	-
Fund Balances (Deficit):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Inventories	-	3,081	-	-	-
Committed to:					
General government	52,110	-	-	2,084	12,059
Public safety	-	-	54,928	-	-
Health and welfare	-	-	-	-	-
Unassigned	-	(3,081)	-	-	-
Total fund balances (deficit)	52,110	-	54,928	2,084	12,059
Total liabilities and fund balances (deficit)	$ 147,977	$ 26,581	$ 59,462	$ 143,313	$ 12,059

See accompanying report of Independent Certified Public Accountants.

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

	Nonmajor Special Revenue Funds				
	Recreational Programs	Grants Fund	CVA Pump Out Boat	Tree Committee	Total
ASSETS					
Cash and cash equivalents	$ -	$ 4,733	$ -	$ -	$ 372,399
Grants and contracts receivable	-	37,153	-	-	41,269
Other receivables	-	13,325	-	-	16,582
Due from other funds	91,020	-	8,250	5,593	116,135
Prepaid items	657	-	-	-	657
Inventories	-	-	-	-	3,081
Total assets	$ 91,677	$ 55,211	$ 8,250	$ 5,593	$ 550,123
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	$ 1,716	$ 19,139	$ 7,686	$ 3,875	$ 38,272
Other accrued liabilities	-	14,349	-	-	19,121
Due to other funds	-	8,776	-	-	266,359
Unearned/deferred revenue	50,810	13,326	-	-	64,136
Total liabilities	52,526	55,590	7,686	3,875	387,888
Fund Balances (Deficit):					
Nonspendable:					
Prepaid items	657	-		-	657
Inventories	-	-		-	3,081
Committed to:					
General government	38,494	-		1,718	106,465
Public safety	-	-	-	-	54,928
Health and welfare	-	-	564	-	564
Unassigned	-	(379)	-	-	(3,460)
Total fund balances (deficit)	39,151	(379)	564	1,718	162,235
Total liabilities and fund balances (deficit)	$ 91,677	$ 55,211	$ 8,250	$ 5,593	$ 550,123

See accompanying report of Independent Certified Public Accountants.

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

	Nonmajor Special Revenue Funds				
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents
REVENUES					
Intergovernmental	$ -	$ 34,333	$ -	$ -	$ -
Local revenue	13,631	86,781	23,422	14,191	8,555
Interest income	-	-	144	-	-
Total revenues	13,631	121,114	23,566	14,191	8,555
EXPENDITURES					
Current:					
General government	25,588	-	5,075	21,525	8,937
Public safety	-	-	106,168	-	-
Health and welfare	-	-	-	-	-
Education	-	136,550	-	-	-
Debt Service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlays	-	-	-	-	-
Total expenditures	25,588	136,550	111,243	21,525	8,937
Excess (deficiency) of revenues over expenditures	(11,957)	(15,436)	(87,677)	(7,334)	(382)
OTHER FINANCING SOURCES					
Transfers in	10,000	15,436	10,000	-	-
Total other financing sources	10,000	15,436	10,000	-	-
Net change in fund balances	(1,957)	-	(77,677)	(7,334)	(382)
Fund balances (deficit) - beginning	54,067	-	132,605	9,418	12,441
Fund balances (deficit) - ending	$ 52,110	$ -	$ 54,928	$ 2,084	$ 12,059

See accompanying report of Independent Certified Public Accountants.

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

	Nonmajor Special Revenue Funds				
	Recreational Programs	Grants Fund	CVA Pump Out Boat	Tree Committee	Total
REVENUES					
Intergovernmental	$ -	$ 583,445	$ 67,939	$ 1,950	$ 687,667
Local revenue	113,980	1,350	-	1,770	263,680
Interest income	-	-	-	-	144
Total revenues	113,980	584,795	67,939	3,720	951,491
EXPENDITURES					
Current:					
General government	118,667	31,640	-	3,875	215,307
Public safety	-	-	-	-	106,168
Health and welfare	-	450,682	52,166	-	502,848
Education	-	70,762	-	-	207,312
Debt Service:					
Principal payments	-	-	13,111	-	13,111
Interest and fiscal charges	-	-	3,109	-	3,109
Capital outlays	-	30,091	-	-	30,091
Total expenditures	118,667	583,175	68,386	3,875	1,077,946
Excess (deficiency) of revenues over expenditures	(4,687)	1,620	(447)	(155)	(126,455)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	35,436
Total other financing sources	-	-	-	-	35,436
Net change in fund balances	(4,687)	1,620	(447)	(155)	(91,019)
Fund balances (deficit) - beginning	43,838	(1,999)	1,011	1,873	253,254
Fund balances (deficit) - ending	$ 39,151	$ (379)	$ 564	$ 1,718	$ 162,235

See accompanying report of Independent Certified Public Accountants.

Fiduciary Funds

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

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ASSETS				
Cash equivalents	$ 113,199	$ 55,273	$ 58,243	$ 226,715
Investments, at fair value	1,894,597	552,955	439,403	2,886,955
Interest and other receivables	7,457	2,233	1,650	11,340
Total assets	2,015,253	610,461	499,296	3,125,010
NET ASSETS				
Held in trust for pension benefits	$ 2,015,253	$ 610,461	$ 499,296	$ 3,125,010

See accompanying report of Independent Certified Public Accountants.

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

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

See accompanying report of Independent Certified Public Accountants.

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	Elementary School Activities	Performance Bonds	Special Project Escrow Funds	Total Agency Funds
ASSETS				
Cash	$ 20,705	$ 118,399	$ 24,713	$ 163,817
Investments	-	65,955	-	65,955
Total assets	$ 20,705	$ 184,354	$ 24,713	$ 229,772
LIABILITIES				
Accounts Payable	$ -	$ 3,041	$ -	$ 3,041
Due to others	-	181,313	24,713	206,026
Due to student groups	20,705	-	-	20,705
Total liabilities	$ 20,705	$ 184,354	$ 24,713	$ 229,772

See accompanying report of Independent Certified Public Accountants.

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

	Balance, July 1, 2011	Additions	Deletions	Balance, June 30, 2012
Elementary School Activities				
Assets				
Cash	$ 17,098	$ 19,721	$ 16,114	$ 20,705
Total assets	$ 17,098	$ 19,721	$ 16,114	$ 20,705
Liabilities				
Due to student groups	$ 17,098	$ 19,721	$ 16,114	$ 20,705
Total liabilities	$ 17,098	$ 19,721	$ 16,114	$ 20,705
Performance Bonds				
Assets				
Cash	$ 117,583	$ 29,492	$ 28,676	$ 118,399
Investments	65,789	166	-	65,955
Total assets	$ 183,372	$ 29,658	$ 28,676	$ 184,354
Liabilities				
Accounts Payable	$ -	$ 3,041	$ -	$ 3,041
Due to others	183,372	26,617	28,676	181,313
Total liabilities	$ 183,372	$ 29,658	$ 28,676	$ 184,354
Special Project Escrow Funds				
Assets				
Cash	$ 29,017	$ 63,994	$ 68,298	$ 24,713
Total assets	$ 29,017	$ 63,994	$ 68,298	$ 24,713
Liabilities				
Due to others	$ 29,017	$ 63,994	$ 68,298	$ 24,713
Total liabilities	$ 29,017	$ 63,994	$ 68,298	$ 24,713
Total All Agency Funds				
Assets				
Cash	$ 163,698	$ 113,207	$ 113,088	$ 163,817
Investments	65,789	166	-	65,955
Total assets	$ 229,487	$ 113,373	$ 113,088	$ 229,772
Liabilities				
Accounts Payable	$ -	$ 3,041	$ -	$ 3,041
Due to others	212,389	90,611	96,974	206,026
Due to student groups	17,098	19,721	16,114	20,705
Total liabilities	$ 229,487	$ 113,373	$ 113,088	$ 229,772

See accompanying report of Independent Certified Public Accountants.