

Town of Essex, Connecticut

**Basic Financial Statements,
Supplementary Information and
Independent Auditor's Report**

June 30, 2013

Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to the Financial Statements	24
Required Supplementary Information:	
Schedules of Funding Progress (Unaudited)	53
Combining and Individual Fund Statements and Schedules:	
Governmental Funds	
General Fund:	
Schedule of Revenues - Budget and Actual - Budgetary Basis	54
Schedule of Expenditures - Budget and Actual - Budgetary Basis	55
Schedule of Property Taxes Levied, Collected and Outstanding	57
Schedule of Debt Limitation	58

Contents *(Continued)*

	Page
Combining and Individual Fund Statements and Schedules <i>(Continued)</i>:	
Governmental Funds <i>(Continued)</i>	
Capital and Non-Recurring Expenditures Fund:	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - by Project	59
Nonmajor Governmental Funds:	
Combining Balance Sheet	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	62
Fiduciary Funds	
Pension Trust Funds and Agency Funds:	
Combining Statement of Fiduciary Net Position - Pension Trust Funds	64
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	65
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	66
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	67

Independent Auditor's Report

To the Board of Finance
Town of Essex, Connecticut

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial 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 financial 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
December 30, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$17,286,918 (net position). Of this amount, \$3,712,592 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$684,430 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 \$3,995,533, an increase of \$703,613 in comparison with the prior year. Approximately 59.4% or \$2,372,824 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 \$2,736,618, or 11.9% 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 1.4 months of general fund operating expenditures and net other financing uses.
- The Town's total long-term bonded debt decreased by \$20,000 or 0.2% during the current fiscal year due to scheduled repayments and the issuance of general obligation refunding bonds.

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 position presents information on all of the Town's assets, deferred outflows of resources, and liabilities, with net position as the residual of these elements. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

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.

TOWN OF ESSEX, CONNECTICUT

Management's Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

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, the EES Renovation Project Fund, and the Grants 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.

TOWN OF ESSEX, CONNECTICUT

Management's Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

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 - 52 of this report.

Other Information

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 53 - 67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town totaled \$17,286,918 and \$16,602,488 as of June 30, 2013 and 2012, respectively and are summarized as follows:

	Total	
	2013	2012
Current and other assets	\$ 4,853,008	\$ 3,995,105
Capital assets, net	22,899,321	23,438,247
Total assets	<u>27,752,329</u>	<u>27,433,352</u>
Deferred outflows of resources	894,184	-
Long-term liabilities	10,770,427	10,261,591
Other liabilities	589,168	569,273
Total liabilities	<u>11,359,595</u>	<u>10,830,864</u>
Net position:		
Net investment in capital assets	13,574,326	13,706,966
Unrestricted	3,712,592	2,895,522
Total net position	<u>\$ 17,286,918</u>	<u>\$ 16,602,488</u>

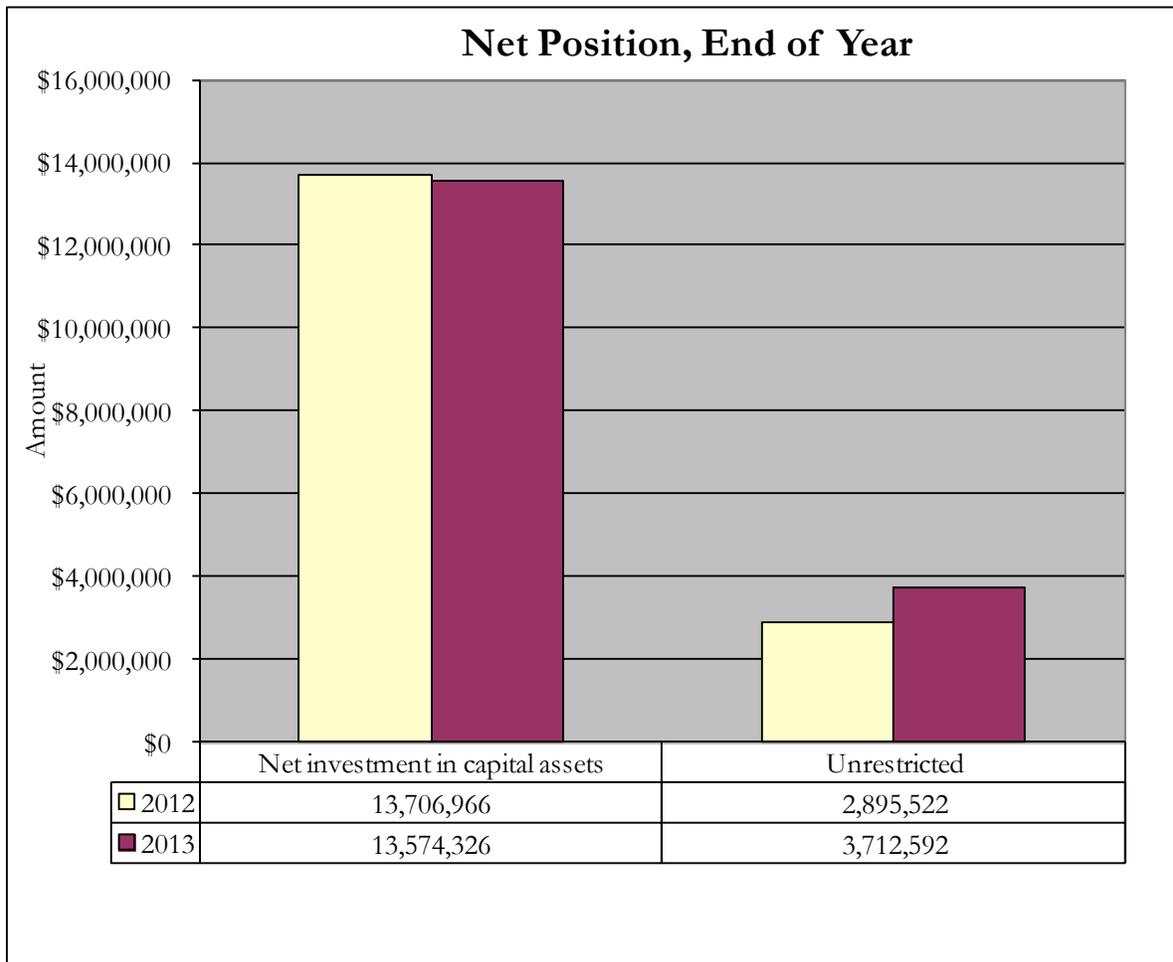
TOWN OF ESSEX, CONNECTICUT

Management’s Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*



Of the Town’s net position, 78.5% reflects 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 position is considered unrestricted and may be used to meet the Town’s ongoing obligations to citizens and creditors.

Overall, net position increased by \$684,430.

TOWN OF ESSEX, CONNECTICUTManagement's Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

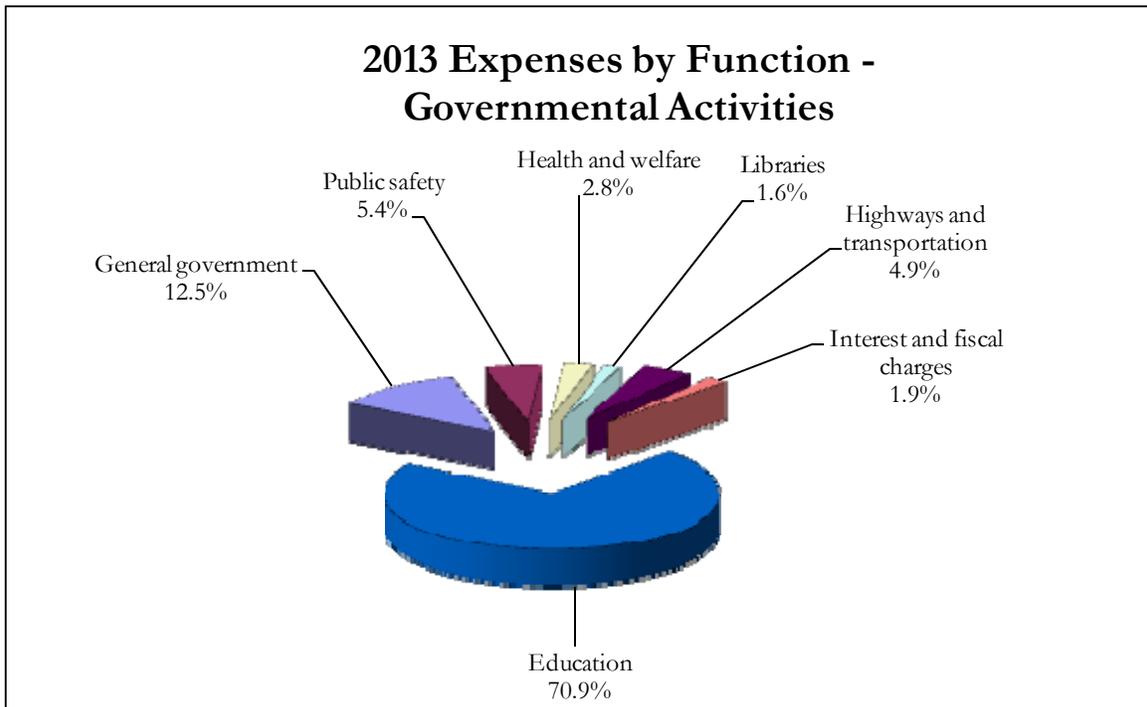
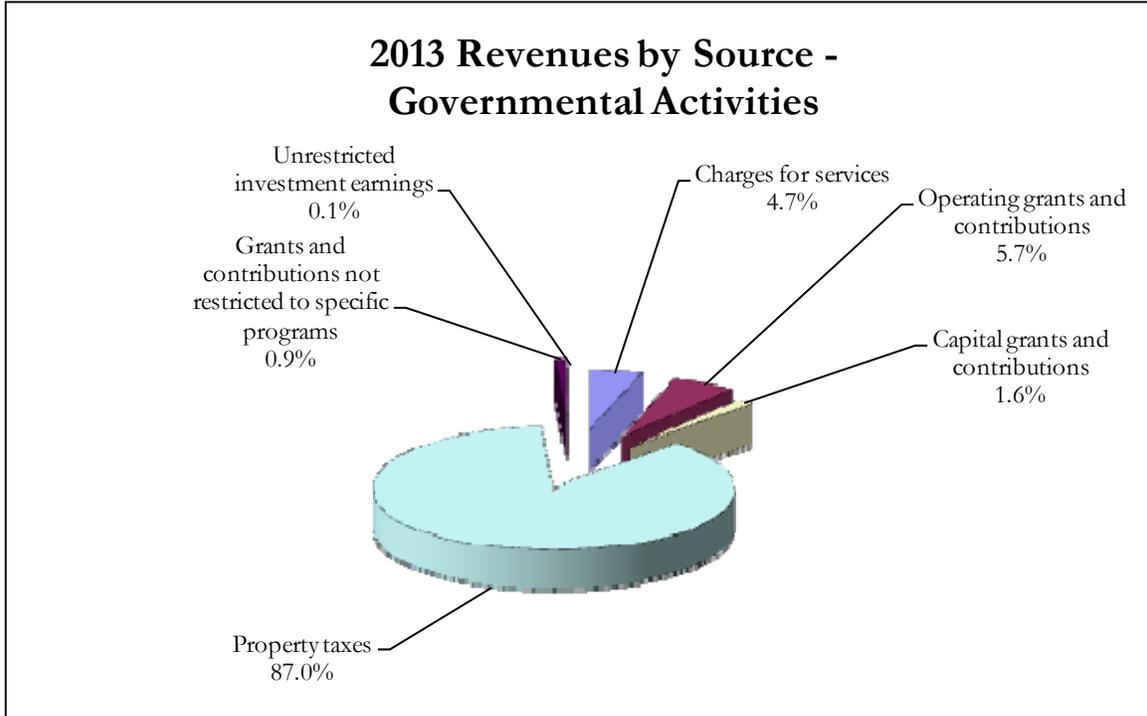
GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***Changes in Net Position**

Changes in net position for the years ended June 30, 2013 and 2012 are as follows:

	Total	
	2013	2012
Program revenues:		
Charges for services	\$ 1,127,957	\$ 681,234
Operating grants and contributions	1,377,471	1,233,967
Capital grants and contributions	382,247	664,009
General revenues:		
Property taxes	20,810,640	20,204,912
Grants and contributions not restricted to specific programs	229,934	152,001
Unrestricted investment earnings	5,115	3,761
Miscellaneous	-	91,644
Total revenues	<u>23,933,364</u>	<u>23,031,528</u>
Program expenses		
General government	2,914,991	2,878,526
Public safety	1,254,256	1,393,960
Health and welfare	639,638	1,083,276
Libraries	365,000	365,000
Highways and transportation	1,140,005	1,075,554
Interest and fiscal charges	451,234	428,084
Education	16,483,810	15,902,828
Total expenses	<u>23,248,934</u>	<u>23,127,228</u>
Change in net position	<u>\$ 684,430</u>	<u>\$ (95,700)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position *(Continued)*



TOWN OF ESSEX, CONNECTICUT

Management's Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Governmental Activities

Governmental activities increased the Town's net position by \$684,430. Revenues generated by the Town increased by approximately \$902,000, primarily due to an increase in tax revenue and miscellaneous charges for services. The increase in revenue was offset by an increase in expenses of approximately \$122,000 when compared to the prior year, due to an increase in education expenses of approximately \$581,000 due to increased budgetary appropriations and a decrease in health and welfare of approximately \$444,000 due to the completion of small cities grant in the prior fiscal year.

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 \$3,995,533, an increase of \$703,613 in comparison with the prior year. Of this amount, \$2,372,824 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 \$2,736,618, while total fund balance was \$3,250,997. 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 11.9% of total General Fund expenditures and net other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.4 months of General Fund operating expenditures and net other financing uses.

The fund balance of the Town's General Fund increased by \$81,293 during the current fiscal year.

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$412,720 during the current fiscal year. This increase was due primarily to transfers received from the General Fund.

TOWN OF ESSEX, CONNECTICUT

Management's Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

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

EES Renovation Project Fund

The EES Renovation Project Fund has a deficit fund balance of \$359,394 as of June 30, 2013, an increase of \$216,135 from the prior year. 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.

Grants Fund

The grants fund has a deficit fund balance of \$379. There was no change in fund balance from the prior year, as the fund primarily records activity related to cost reimbursement grants and contracts. Consequently, grant revenues equaled expenditures in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were increases in expenditure appropriations of \$307,241 related to police and highway overtime expenditures not originally budgeted, as well as an increase in transfers to the capital and nonrecurring expenditures fund for various capital projects. The supplemental appropriations were approved at various town meetings.

During the year, revenues exceeded budgetary estimates by \$487,808, as a result of unbudgeted municipal revenue sharing grant receipts and the CRRRA settlement received. Expenditures were \$131,950 less than budgeted. The net result of the supplemental appropriations and variances of revenues and expenditures was a \$177,271 increase 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, 2013 totaled \$22,899,321 (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 \$538,926 or 2.3%.

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

- An increase of \$110,039 in construction in progress, primarily due to Industrial Park and Ingham Hill Road construction.
- An increase to infrastructure of \$39,194 for various sidewalk construction.
- An increase of \$50,504 for the flooring in the B-wing of EES.
- An increase of \$35,000 in machinery and equipment, due to the purchase of a new tractor.
- A decrease due to depreciation expense of \$831,495.

TOWN OF ESSEX, CONNECTICUT

Management’s Discussion and Analysis (Unaudited) *(Continued)*

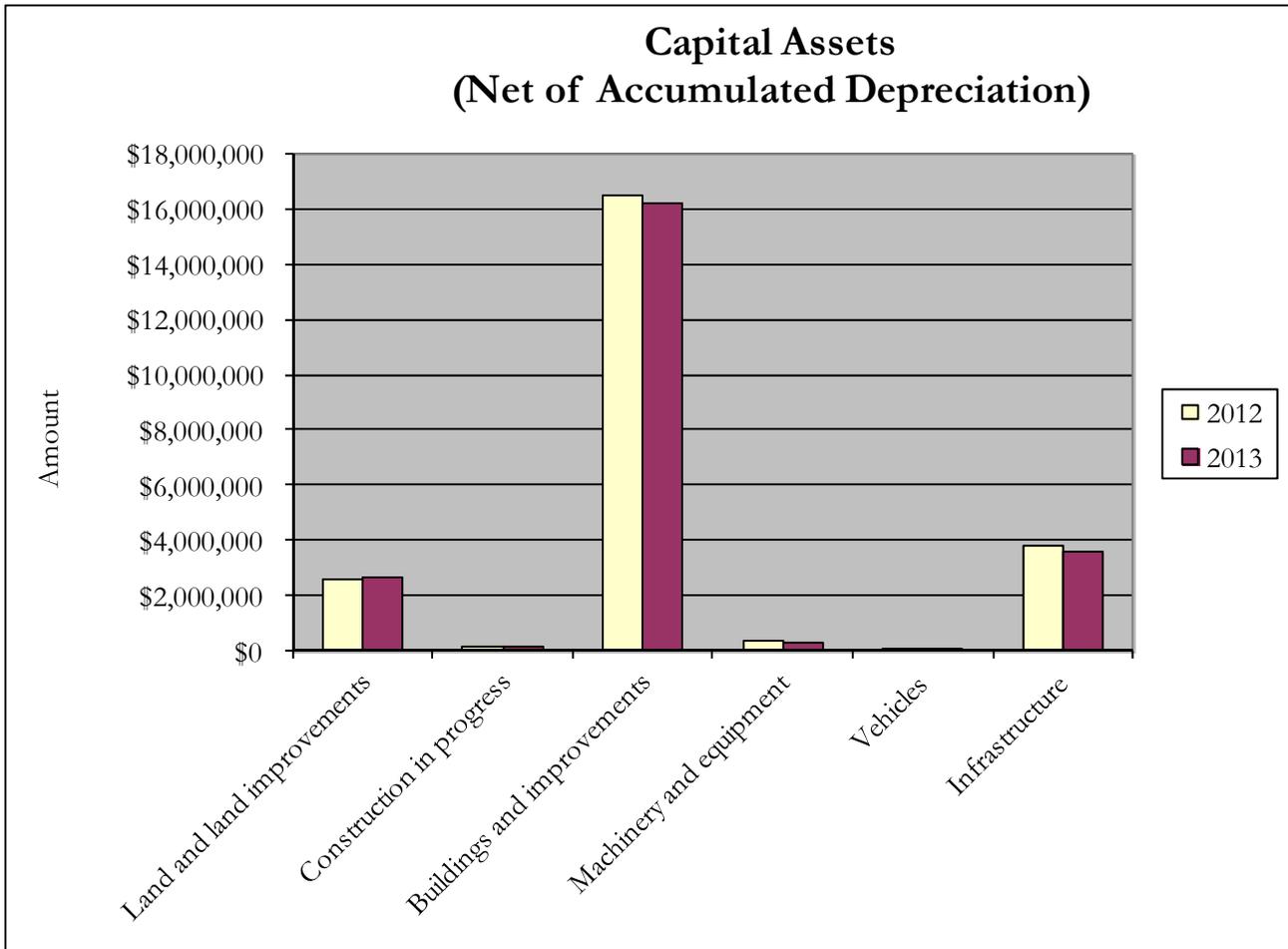
June 30, 2013

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	
	2013	2012
Land and land improvements	\$ 2,637,096	\$ 2,601,759
Construction in progress	135,179	129,693
Buildings and improvements	16,183,270	16,512,645
Machinery and equipment	309,930	340,674
Vehicles	43,390	80,336
Infrastructure	3,590,456	3,773,140
Totals	<u>\$ 22,899,321</u>	<u>\$ 23,438,247</u>



Additional information on the Town’s capital assets can be found in Note D on page 36 of this report.

TOWN OF ESSEX, CONNECTICUT

Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

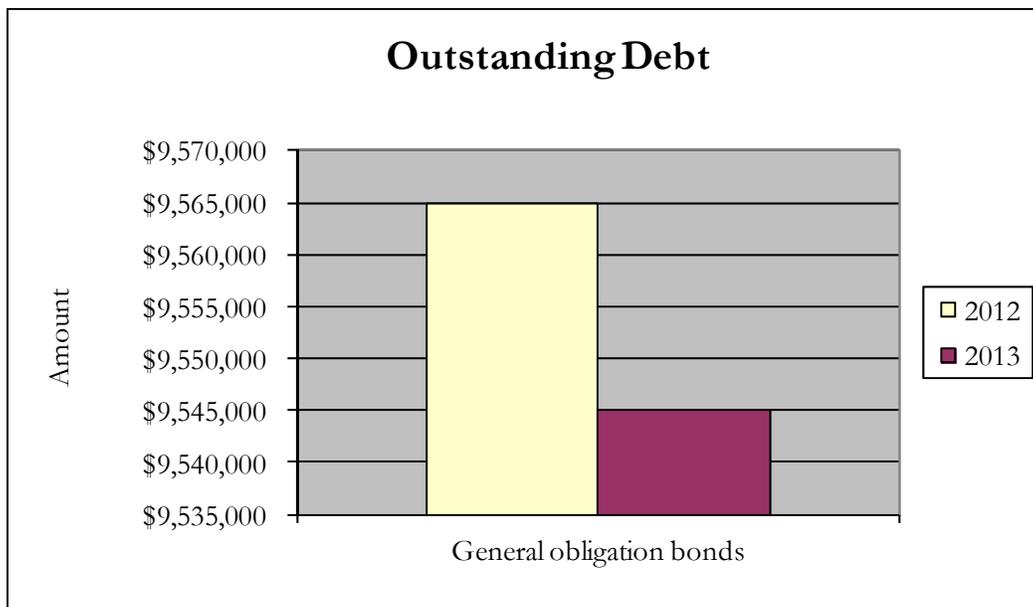
Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$9,545,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$20,000 or 0.2% during the current fiscal year due to scheduled debt service payments. In addition, this decrease was due to the general obligation refunding bonds issued in the current year, and repayment of prior year debt in connection with the refunding.

The Town maintains an "AA2" 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 \$145,270,223, 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 38 - 40 of this report.

TOWN OF ESSEX, CONNECTICUT

Management's Discussion and Analysis (Unaudited) *(Continued)*

June 30, 2013

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 5.9%, a decrease from 6.3% in the prior year. This compares favorably to the state's average unemployment rate of 8.0% and the national unemployment rate of 7.6%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for fiscal year 2014.

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 Director of Finance, Town of Essex, 29 West Avenue, Essex, Connecticut 06426.

BASIC FINANCIAL STATEMENTS

TOWN OF ESSEX, CONNECTICUT

Statement of Net Position

June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,183,386
Receivables:	
Property taxes, net of allowance for doubtful accounts of \$10,000	350,038
Interest	93,714
Grants and contracts receivable	164,889
Other	24,683
Prepaid items	32,418
Inventories	3,880
Capital assets:	
Non-depreciable	2,698,424
Depreciable, net	20,200,897
Total assets	<u>27,752,329</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>894,184</u>
LIABILITIES	
Accounts payable	286,122
Accrued interest payable	105,333
Other accrued liabilities	133,901
Due to funding source	2,870
Unearned revenue	60,942
Noncurrent liabilities:	
Due within one year	712,381
Due in more than one year	10,058,046
Total liabilities	<u>11,359,595</u>
NET POSITION	
Net investment in capital assets	13,574,326
Unrestricted	3,712,592
Total net position	<u>\$ 17,286,918</u>

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

TOWN OF ESSEX, CONNECTICUT

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Board of Selectmen:					
General government	\$ 2,914,991	\$ 958,653	\$ 54,590	\$ 3,940	\$ (1,897,808)
Public safety	1,254,256	28,667	128,142	-	(1,097,447)
Health and welfare	639,638	61,158	120,900	13,500	(444,080)
Libraries	365,000	-	-	-	(365,000)
Highways and transportation	1,140,005	-	-	147,022	(992,983)
Interest and fiscal charges	451,234	-	-	-	(451,234)
Education	16,483,810	79,479	1,073,839	217,785	(15,112,707)
Total governmental activities	<u>\$ 23,248,934</u>	<u>\$ 1,127,957</u>	<u>\$ 1,377,471</u>	<u>\$ 382,247</u>	<u>(20,361,259)</u>

General revenues:

Property taxes, levied for general purposes	20,810,640
Grants and contributions not restricted to specific programs	229,934
Unrestricted investment earnings	5,115
Total general revenues	<u>21,045,689</u>
Change in net position	684,430
Net position - beginning	16,602,488
Net position - ending	<u>\$ 17,286,918</u>

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

TOWN OF ESSEX, CONNECTICUT

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,821,837	\$ 952,976	\$ -	\$ 3,481	\$ 405,092	\$ 4,183,386
Receivables:						
Property taxes, net of allowance for uncollectible taxes of \$10,000	350,038	-	-	-	-	350,038
Grants and contracts	88,190	-	-	71,338	5,361	164,889
Other	22,966	-	-	-	1,717	24,683
Prepaid items	32,418	-	-	-	-	32,418
Due from other funds	658,056	30,994	-	-	100,351	789,401
Inventories	-	-	-	-	3,880	3,880
Total assets	<u>\$ 3,973,505</u>	<u>\$ 983,970</u>	<u>\$ -</u>	<u>\$ 74,819</u>	<u>\$ 516,401</u>	<u>\$ 5,548,695</u>
LIABILITIES						
Accounts payable	\$ 193,297	\$ 3,853	\$ -	\$ 55,793	\$ 33,179	\$ 286,122
Other accrued liabilities	106,670	-	-	-	3,500	110,170
Due to funding source	-	-	-	2,870	-	2,870
Due to other funds	115,678	15,667	359,394	13,054	285,608	789,401
Unearned revenue	3,206	16,220	-	3,481	38,035	60,942
Total liabilities	<u>418,851</u>	<u>35,740</u>	<u>359,394</u>	<u>75,198</u>	<u>360,322</u>	<u>1,249,505</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	303,657	-	-	-	-	303,657
FUND BALANCES (DEFICIT)						
Nonspendable:						
Prepaid items	32,418	-	-	-	-	32,418
Inventories	-	-	-	-	3,880	3,880
Committed to:						
Assessor's revaluation	198,950	-	-	-	-	198,950
General government	-	-	-	-	91,506	91,506
Public safety	-	-	-	-	63,755	63,755
Bond study	35,000	-	-	-	-	35,000
Health and welfare	-	-	-	-	959	959
Assigned to:						
Other purposes	248,011	948,230	-	-	-	1,196,241
Unassigned	2,736,618	-	(359,394)	(379)	(4,021)	2,372,824
Total fund balances (deficit)	<u>3,250,997</u>	<u>948,230</u>	<u>(359,394)</u>	<u>(379)</u>	<u>156,079</u>	<u>3,995,533</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,973,505</u>	<u>\$ 983,970</u>	<u>\$ -</u>	<u>\$ 74,819</u>	<u>\$ 516,401</u>	<u>\$ 5,548,695</u>

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

TOWN OF ESSEX, CONNECTICUT

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

June 30, 2013

Total fund balances for governmental funds		\$	3,995,533
Total net position reported for governmental activities in the statement of net position 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	\$	2,761,565	
Construction in progress		135,179	
Building and improvements		22,598,891	
Machinery and equipment		1,850,193	
Vehicles		717,243	
Infrastructure		8,635,603	
Less: accumulated depreciation and amortization		<u>(13,799,353)</u>	
Total capital assets, net			22,899,321
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 inflows of resources in the funds.			303,657
Accrued interest on property taxes is not susceptible to accrual and therefore is not reported in the funds.			93,714
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 position.			
Long-term debt:			
Bonds and notes payable		(9,545,000)	
Unamortized bond premium		(561,539)	
Deferred charges on refunding		894,184	
Obligations under capital lease		(112,640)	
Accrued interest payable		(105,333)	
Other long-term liabilities:			
Compensated absences		(125,543)	
Retired employee obligations		(69,395)	
Claims payable		(23,731)	
Net pension obligation		(46,295)	
Net OPEB obligation		(310,015)	
Total long-term liabilities			<u>(10,005,307)</u>
Net position of governmental activities		\$	<u>17,286,918</u>

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

TOWN OF ESSEX, CONNECTICUT

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

Year Ended June 30, 2013

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Grants Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 20,761,480	\$ -	\$ -	\$ -	\$ -	\$ 20,761,480
Intergovernmental	1,445,426	-	217,785	117,207	118,168	1,898,586
Local revenue	815,424	120,270	-	-	279,375	1,215,069
Interest income	4,974	50	-	-	105	5,129
Total revenues	<u>23,027,304</u>	<u>120,320</u>	<u>217,785</u>	<u>117,207</u>	<u>397,648</u>	<u>23,880,264</u>
EXPENDITURES						
Current:						
General government	2,611,284	-	1,650	12,275	196,752	2,821,961
Public safety	1,206,406	-	-	-	25,038	1,231,444
Health and welfare	547,344	-	-	11,927	58,995	618,266
Libraries	365,000	-	-	-	-	365,000
Highways and transportation	847,869	-	-	-	-	847,869
Education	15,818,277	-	-	79,505	141,814	16,039,596
Debt service:						
Principal payments	499,642	-	-	-	13,999	513,641
Interest and fiscal charges	515,495	-	-	-	2,221	517,716
Capital outlays	215,499	95,600	-	13,500	-	324,599
Total expenditures	<u>22,626,816</u>	<u>95,600</u>	<u>1,650</u>	<u>117,207</u>	<u>438,819</u>	<u>23,280,092</u>
Excess (deficiency) of revenues over expenditures	400,488	24,720	216,135	-	(41,171)	600,172
OTHER FINANCING SOURCES (USES)						
Proceeds from refunding bonds issued	7,170,000	-	-	-	-	7,170,000
Premium on refunding bonds issued	568,145	-	-	-	-	568,145
Payment to refunded bonds escrow agent	(7,634,704)	-	-	-	-	(7,634,704)
Transfers in	-	388,000	-	-	34,636	422,636
Transfers out	(422,636)	-	-	-	-	(422,636)
Total other financing sources (uses)	<u>(319,195)</u>	<u>388,000</u>	<u>-</u>	<u>-</u>	<u>34,636</u>	<u>103,441</u>
Net change in fund balances	81,293	412,720	216,135	-	(6,535)	703,613
Fund balances (deficit) - beginning	<u>3,169,704</u>	<u>535,510</u>	<u>(575,529)</u>	<u>(379)</u>	<u>162,614</u>	<u>3,291,920</u>
Fund balances (deficit) - ending	<u>\$ 3,250,997</u>	<u>\$ 948,230</u>	<u>\$ (359,394)</u>	<u>\$ (379)</u>	<u>\$ 156,079</u>	<u>\$ 3,995,533</u>

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

TOWN OF ESSEX, CONNECTICUT

Reconciliation of the Statement of Revenues, Expenditures and Changes
 In Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2013

Net change in fund balances for governmental funds \$ 703,613

Total change in net position 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	\$	288,629	
Depreciation and amortization expense		<u>(831,495)</u>	
Net adjustment			(542,866)

Contributed capital assets to the Town increases net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 3,940

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. 17,574

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 position. The net effect of these differences in the treatment of long-term debt is as follows:

Debt issued or incurred:			
General obligation refunding bonds		(7,170,000)	
Premium on bonds issued		(568,145)	
Deferred charges on refunding		904,704	
Principal repayments:			
Bonds and notes payable		460,000	
Payments to refunded bond escrow agent		6,730,000	
Obligations under capital lease		<u>53,641</u>	
Net adjustment			410,200

(Continued)

TOWN OF ESSEX, CONNECTICUT

Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities *(Continued)*
Year Ended June 30, 2013

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	\$	(23,493)	
Retired employee obligations		36,508	
Accrued interest		70,396	
Claims payable		14,839	
Net OPEB obligation		(69,429)	
Net pension obligation		35,476	
Amortization of bond premium		6,606	
Amortization of deferred charges on refunding		<u>(10,520)</u>	
	\$		60,383

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.

31,586

Change in Net Position of Governmental Activities

\$ 684,430

TOWN OF ESSEX, CONNECTICUT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Budgetary Basis - General Fund

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 20,691,565	\$ 20,691,565	\$ 20,761,480	\$ 69,915
Intergovernmental	782,897	782,897	894,632	111,735
Local revenues	475,710	475,710	780,608	304,898
Interest income	3,700	3,700	4,960	1,260
Total revenues	<u>21,953,872</u>	<u>21,953,872</u>	<u>22,441,680</u>	<u>487,808</u>
EXPENDITURES				
Board of Selectmen	6,853,640	7,160,881	7,028,317	(132,564)
Education	15,235,478	15,235,478	15,236,092	614
Total expenditures	<u>22,089,118</u>	<u>22,396,359</u>	<u>22,264,409</u>	<u>(131,950)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (135,246)</u>	<u>\$ (442,487)</u>	177,271	<u>\$ (619,758)</u>
Fund balance - beginning			<u>2,591,765</u>	
Fund balance - ending			<u>\$ 2,769,036</u>	

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

TOWN OF ESSEX, CONNECTICUT

Statement of Fiduciary Net Position

June 30, 2013

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 67,408	\$ 150,893
Investments, at fair value	3,490,154	65,997
Interest and other receivables	2,793	-
Total assets	<u>3,560,355</u>	<u>\$ 216,890</u>
LIABILITIES		
Accounts Payable	-	400
Due to others	-	196,226
Due to student groups	-	20,264
Total liabilities	<u>-</u>	<u>\$ 216,890</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 3,560,355</u>	

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

TOWN OF ESSEX, CONNECTICUT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 374,990
Plan members	6,549
Total contributions	<u>381,539</u>
Investment earnings:	
Net increase in in the fair value of investments	251,367
Interest	118,267
Total investment earnings	<u>369,634</u>
Total additions	<u>751,173</u>
 DEDUCTIONS	
Benefit payments	297,326
Administrative expenses	18,502
Total deductions	<u>315,828</u>
Change in net position	435,345
Net position - beginning	<u>3,125,010</u>
Net position - ending	<u><u>\$ 3,560,355</u></u>

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

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements

June 30, 2013

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 position 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.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Government-wide and Fund Financial Statements *(Continued)*

Fund Financial Statements *(Continued)*

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.

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.

Grants Fund - This special revenue fund is used to account for the proceeds of federal and state grants awarded to the Town.

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 Employees' Retirement Plan, the Town of Essex Merit Service Plan and the Town of Essex Police Retirement Plan. These plans are discussed more fully in Note H.

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. Agency Funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Measurement Focus and Basis of Accounting *(Continued)*

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.

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 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.

Adoption of New Accounting Standards

The Town has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective July 1, 2012. GASB Statement No. 63 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 results in the reclassification of certain financial statement line items on the statement of net position and balance sheet. In addition to reclassifications to these new categories, GASB No. 65 has also resulted in a change to the accounting treatment for certain items, including debt issuance costs.

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

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.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance *(Continued)*

Investments

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

Inventories

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

Property Taxes

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

Capital Assets

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

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

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

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

Unearned Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance *(Continued)*

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and as such, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences and Employee Retirement Obligations

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

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

Long-term Obligations

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

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.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance *(Continued)*

Net Position and Fund Balances

The statement of net position presents the Town's assets, deferred outflows of resources, and liabilities, with net position as the residual of these elements. Net position reported in three categories:

Net investment in capital assets - This component of net position 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 position - This component of net position consists of amounts 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 was no restricted net position as of June 30, 2013.

Unrestricted net position - This component of net position is the net amount of assets, liabilities, and deferred inflows/outflows of resources which do not meet the definition of the preceding two categories.

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

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

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

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

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

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

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance *(Continued)*

Net Position and Fund Balances *(Continued)*

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over the use of fund balance. In accordance with the applicable accounting guidance, when committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

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 Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Interfund Activities *(Continued)*

Interfund Transfers

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

Interfund Reimbursements

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

Use of Estimates

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

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE

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 \$307,241.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Budgetary Information *(Continued)*

- 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, 2013:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 22,441,680	\$ 22,264,409	\$ -	\$ 177,271
"On-behalf" payments - State Teachers Retirement Fund <i>(see Note H)</i>	504,784	504,784	-	-
Adjustment for encumbrances	-	113,755	-	(113,755)
Reserve for revaluation	14	17,237	-	(17,223)
Commitment for bond study	-	(35,000)	-	35,000
Reimbursement for certain grant costs recorded as a reduction to expenditures for budgetary purposes	80,826	80,826	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(422,636)	(422,636)	-
Bond proceeds and issuance costs not recorded for budgetary purposes	-	103,441	103,441	-
GAAP basis	<u>\$ 23,027,304</u>	<u>\$ 22,626,816</u>	<u>\$ (319,195)</u>	<u>\$ 81,293</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE (Continued)

Expenditures Which Exceed Appropriations

As discussed above, the legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2013, expenditures exceeded appropriations in the following amounts:

<u>Department</u>	<u>Amount</u>
Public Safety	\$ 6,225
Capital Outlays	736
Education	614

Deficit Fund Equity

The following funds have deficit fund balances as of June 30, 2013, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
EES Renovation Project	\$ (359,394)
Grants Fund	(379)
School Cafeteria	(141)

The EES Renovation Project Fund deficit arose due to expenditures related to the renovation of the Essex Elementary School. The School Cafeteria Fund and Grants Fund deficits 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 and transfers in from the General Fund.

NOTE C - CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2013:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 4,183,386
Statement of fiduciary net position:	
Cash and cash equivalents	<u>218,301</u>
	4,401,687
Add: certificates of deposit classified as investments	65,997
Less: cash equivalents considered investments under GASB Statement No. 40	<u>(67,408)</u>
	<u>\$ 4,400,276</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS (Continued)

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, 2013, \$4,197,897 of the Town's bank balance of \$4,649,332 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,778,107
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	419,790
	<u>\$ 4,197,897</u>

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

Investments

A reconciliation of the Town's investments as of June 30, 2013 is as follows:

Statement of fiduciary net position:	
Investments	\$ 3,556,151
Add: cash equivalents considered investments under GASB Statement No. 40	67,408
Less: certificates of deposit classified as investments	(65,997)
	<u>\$ 3,557,562</u>

As of June 30, 2013, the Town's investments consisted of the following:

Investment type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
Bond mutual funds	1,174,045	1,174,045	-	-	-
Money market mutual funds	67,408	67,408	-	-	-
	<u>1,241,453</u>	<u>\$ 1,241,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other investments:					
Equity mutual funds	2,316,109				
Total	<u>\$ 3,557,562</u>				

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Investments *(Continued)*

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.

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 unrated as of June 30, 2013.

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 various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

TOWN OF ESSEX, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 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	129,693	206,685	(201,199)	135,179
Total capital assets, not being depreciated	<u>2,692,938</u>	<u>206,685</u>	<u>(201,199)</u>	<u>2,698,424</u>
Capital assets, being depreciated:				
Land improvements	157,579	40,741	-	198,320
Buildings and improvements	22,426,743	172,148	-	22,598,891
Machinery and equipment	1,815,193	35,000	-	1,850,193
Vehicles	717,243	-	-	717,243
Infrastructure	8,596,409	39,194	-	8,635,603
Total capital assets, being depreciated	<u>33,713,167</u>	<u>287,083</u>	<u>-</u>	<u>34,000,250</u>
Less accumulated depreciation and amortization for:				
Land improvements	119,065	5,404	-	124,469
Buildings and improvements	5,914,098	501,523	-	6,415,621
Machinery and equipment	1,474,519	65,744	-	1,540,263
Vehicles	636,907	36,946	-	673,853
Infrastructure	4,823,269	221,878	-	5,045,147
Total accumulated depreciation and amortization	<u>12,967,858</u>	<u>831,495</u>	<u>-</u>	<u>13,799,353</u>
Total capital assets, being depreciated, net	<u>20,745,309</u>	<u>(544,412)</u>	<u>-</u>	<u>20,200,897</u>
Governmental activities capital assets, net	<u>\$ 23,438,247</u>	<u>\$ (337,727)</u>	<u>\$ (201,199)</u>	<u>\$ 22,899,321</u>

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

Governmental Activities:	
General government	\$ 90,935
Public safety	12,017
Highways and transportation	275,264
Education	437,737
Health and welfare	15,542
Total depreciation expense - governmental activities	<u>\$ 831,495</u>

TOWN OF ESSEX, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	EES Renovation Project	\$ 359,394
	Grants Fund	13,054
	Other Governmental Funds	<u>285,608</u>
		<u>658,056</u>
Capital and Nonrecurring Expenditures Fund	General Fund	<u>30,994</u>
Other Governmental Funds	Capital and Nonrecurring Expenditures Fund	15,667
	General Fund	<u>84,684</u>
		<u>100,351</u>
Total interfund receivables/payables		<u><u>\$ 789,401</u></u>

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

NOTE F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 388,000
Other Governmental Funds	General Fund	<u>34,636</u>
Total transfers		<u><u>\$ 422,636</u></u>

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

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 9,565,000	\$ 7,170,000	\$ (7,190,000)	\$ 9,545,000	\$ 550,000
Unamortized bond premium	-	568,145	(6,606)	561,539	-
Other liabilities:					
Capital leases	166,281	-	(53,641)	112,640	41,126
Net pension obligation	81,771	-	(35,476)	46,295	-
Net OPEB obligation	240,586	69,429	-	310,015	-
Compensated absences	102,050	95,353	(71,860)	125,543	71,860
Retired employee obligations	105,903	-	(36,508)	69,395	49,395
	<u>\$ 10,261,591</u>	<u>\$ 732,927</u>	<u>\$ (7,394,091)</u>	<u>\$ 10,770,427</u>	<u>\$ 712,381</u>

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

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2013 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	8/1/2017	4.0% - 5.25%	\$ 2,375,000
General obligation refunding bonds issued April 2013, original amount of \$7,170,000	8/1/2028	2.125% - 4.0%	7,170,000
			<u>\$ 9,545,000</u>

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2013:

Year ending	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
June 30:			
2014	\$ 550,000	\$ 274,579	\$ 824,579
2015	570,000	284,368	854,368
2016	650,000	258,882	908,882
2017	695,000	228,207	923,207
2018	735,000	200,007	935,007
2019-2023	3,620,000	644,505	4,264,505
2024-2028	2,725,000	180,541	2,905,541
	<u>\$ 9,545,000</u>	<u>\$ 2,071,089</u>	<u>\$ 11,616,089</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

General Obligation Bonds *(Continued)*

Refundings

On April 2, 2013, the Town issued \$7,170,000 in general obligation bonds with an average interest rate of 2.98% to refund \$6,730,000 in outstanding 2007 general obligation bonds outstanding bonds with an average rate of 4.25%. The transaction generated a cash flow savings of \$366,876 and an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$505,942. The reacquisition price exceeded the carrying value of the old debt by \$904,704. This amount is presented as a deferred outflow of resources and will be amortized over the life of the debt.

The net proceeds of \$7,634,704 (after payment of expenses of \$101,190) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by the United States of America, to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the statement of net position.

At June 30, 2013, there is approximately \$7.6 million of bonds related to this issuance that are considered defeased but still outstanding.

Legal Debt Limit

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 \$145,270,223 as of June 30, 2013. 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, 2013.

Authorized, Unissued Bonds

As of June 30, 2013, the Town had authorized but unissued bonds totaling \$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, 2013, the outstanding indebtedness of the District was \$14,355,000. The Town of Essex's share will be approximately 44.61% of the total, or \$6,403,766. 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 position.

School Bond Reimbursements

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The Town received \$217,785 during the year ended June 30, 2013. Additional 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.

TOWN OF ESSEX, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

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

A summary of assets acquired through capital leases is as follows as of June 30, 2013:

	Governmental Activities
Vehicles	\$ 70,294
Equipment	166,692
	<u>236,986</u>
Less: accumulated amortization	82,821
	<u><u>\$ 154,165</u></u>

Amortization expense relative to leased property under capital leases totaled \$40,663 for the year ended June 30, 2013 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, 2013 are as follows:

Year ending June 30:	Governmental Activities
2014	\$ 60,260
2015	36,295
2016	<u>22,900</u>
Total minimum lease payments	119,455
Less: amount representing interest	<u>(6,815)</u>
Present value of minimum lease payments	<u><u>\$ 112,640</u></u>

Retired Employee Obligations

Board of Education retirement obligations in the amount of \$69,395 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, 2013. The following is a summary of future annual payments as of June 30, 2013:

	Governmental Activities
Year Ending June 30:	
2014	\$ 49,395
2015	<u>20,000</u>
	<u><u>\$ 69,395</u></u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (*Continued*)

June 30, 2013

NOTE H - PENSION PLANS

Defined Benefit Plans

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

Plan Descriptions

Employees’ Retirement Plan

All regularly employed employees (elected, appointed or hired) of the Town, excluding part-time employees, temporary employees and teachers eligible for the State of Connecticut Teachers’ Retirement System, are eligible to participate in the plan. Employees are eligible to participate provided they have attained age 21 and have completed three years of credited service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants are 1.25% to 1.4% of an employees’ final average compensation multiplied by the number of years of credited service, to a maximum of 40 years. 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 \$16.65 per month for each year of credited service up to a maximum of 15 years. Annual retirement for service after July 1, 1990 is \$16.65 per month for each year of credited service. Maximum past service plus future service is 30 years. 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 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.

TOWN OF ESSEX, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE H - PENSION PLANS *(Continued)***Defined Benefit Plans *(Continued)*****Plan Membership**

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

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Retirees and beneficiaries receiving benefits	17	15	1
Terminated employees entitled to benefits but not yet receiving them	15	5	1
Active plan members	22	54	3
	<u>54</u>	<u>74</u>	<u>5</u>

Summary of Significant Accounting Policies

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

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

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

Funding Policy

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

For the year ended June 30, 2013, employer contributions to the Employees' Retirement Plan represented 15.0% of covered payroll.

For the year ended June 30, 2013, employer contributions to the Police Retirement Plan represented 30.8% of covered payroll.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE H - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Concentrations

The Plans' investments consist solely of investments in various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

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 (UAAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Employees' Retirement Plan	\$ 2,193,109	\$ 2,641,599	\$ 448,490	83%	\$ 1,133,418	40%
Merit Service Plan	682,217	898,050	215,833	76%	N/A	N/A
Police Retirement Plan	512,278	854,727	342,449	60%	255,273	134%

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

Schedule of Employer Contributions

Year Ended June 30	Employees' Retirement Plan		Merit Service Plan		Police Retirement Plan	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2013	\$ 144,850	117%	\$ 68,195	100%	\$ 78,761	100%
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%

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE H - 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, 2011	July 1, 2011	July 1, 2011
Actuarial cost method	Projected Unit Credit	Unit Credit	Projected Unit Credit
Amortization method	Level dollar, closed	Level dollar, closed	Level percent, closed
Remaining amortization period	6	6	10
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	\$ 144,850	\$ 68,195	\$ 78,761
Interest on net pension obligation	5,198	870	473
Adjustment to annual required contribution	<u>(14,068)</u>	<u>(2,352)</u>	<u>(828)</u>
Annual pension cost	135,980	66,713	78,406
Contributions made	<u>169,854</u>	<u>68,195</u>	<u>78,526</u>
Change in net pension obligation	(33,874)	(1,482)	(120)
Net pension obligation, beginning of year	<u>64,986</u>	<u>10,875</u>	<u>5,910</u>
Net pension obligation, end of year	<u><u>\$ 31,112</u></u>	<u><u>\$ 9,393</u></u>	<u><u>\$ 5,790</u></u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE H - 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				
2011	\$ 176,378	\$ 152,739	87%	\$ 13,448
2012	187,134	135,596	72%	64,986
2013	135,993	169,854	125%	31,112
Merit Service Plan				
2011	\$ 89,062	\$ 79,457	89%	\$ 4,626
2012	76,171	69,922	92%	10,875
2013	66,713	68,195	102%	9,393
Police Retirement Plan				
2011	\$ 59,877	\$ 53,702	90%	\$ 6,175
2012	70,889	71,154	100%	5,910
2013	78,406	78,526	100%	5,790

Plan Financial Statements

	Statement of Plan Net Position			
	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
ASSETS				
Cash equivalents	\$ 57,178	\$ 6,053	\$ 4,177	\$ 67,408
Investments, at fair value	2,273,589	676,817	539,748	3,490,154
Interest and other receivables	1,775	551	467	2,793
Total assets	<u>2,332,542</u>	<u>683,421</u>	<u>544,392</u>	<u>3,560,355</u>
NET POSITION				
Held in trust for pension benefits (See Schedule of Funding Progress on page 53)	2,332,542	683,421	544,392	3,560,355
Total net position	<u>\$ 2,332,542</u>	<u>\$ 683,421</u>	<u>\$ 544,392</u>	<u>\$ 3,560,355</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE H - PENSION PLANS *(Continued)*

Defined Benefit Plans (Continued)

Plan Financial Statements *(Continued)*

	Statement of Changes in Plan Net Position			
	Pension Trust Funds			Total
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	
ADDITIONS				
Contributions:				
Employer	\$ 228,034	\$ 68,195	\$ 78,761	\$ 374,990
Plan members	-	-	6,549	6,549
Total contributions	<u>228,034</u>	<u>68,195</u>	<u>85,310</u>	<u>381,539</u>
Investment earnings:				
Net increase in fair value of investments	166,625	47,638	37,104	251,367
Interest	76,410	21,994	19,863	118,267
Total investment earnings	<u>243,035</u>	<u>69,632</u>	<u>56,967</u>	<u>369,634</u>
Total additions	<u>471,069</u>	<u>137,827</u>	<u>142,277</u>	<u>751,173</u>
DEDUCTIONS				
Benefit payments	153,499	65,798	78,029	297,326
Administrative expenses	281	(931)	19,152	18,502
Total deductions	<u>153,780</u>	<u>64,867</u>	<u>97,181</u>	<u>315,828</u>
NET INCREASE	317,289	72,960	45,096	435,345
NET POSITION HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	<u>2,015,253</u>	<u>610,461</u>	<u>499,296</u>	<u>3,125,010</u>
End of year	<u>\$ 2,332,542</u>	<u>\$ 683,421</u>	<u>\$ 544,392</u>	<u>\$ 3,560,355</u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE H - 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, 2013, Town teachers contributed \$174,520 to the plan and covered payroll for the year was \$2,407,172.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$504,784 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 I - 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 supplemental healthcare insurance benefits for eligible retirees who have reached the age of 65 with 25 years of service. Benefits are provided through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established and can be amended by the Town. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Teachers' OPEB Plan

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

TOWN OF ESSEX, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE I - 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 2013, contributions totaled \$12,646. The Town finances the cost of these benefits on a pay-as-you-go basis.

Teachers' OPEB Plan

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

Annual OPEB Cost and Net OPEB Obligation

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

	<u>Employees'</u> <u>OPEB Plan</u>	<u>Teachers'</u> <u>OPEB Plan</u>
Annual required contribution	\$ 40,519	\$ 44,248
Interest on net OPEB obligation	5,119	9,316
Adjustment to annual required contribution	<u>(5,847)</u>	<u>(11,280)</u>
Annual OPEB cost	39,791	42,284
Contributions made	<u>12,646</u>	<u>-</u>
Increase in net OPEB obligation	27,145	42,284
Net OPEB obligation, beginning of year	<u>85,320</u>	<u>155,266</u>
Net OPEB obligation, end of year	<u><u>\$ 112,465</u></u>	<u><u>\$ 197,550</u></u>

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2011 through 2013 is as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Employees' OPEB Plan				
2011	\$ 33,994	\$ 12,343	36%	\$ 58,687
2012	39,112	12,479	32%	85,320
2013	39,791	12,646	32%	112,465
Teachers' OPEB Plan				
2011	\$ 39,676	-	0%	\$ 110,447
2012	44,819	-	0%	155,266
2013	42,284	-	0%	197,550

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					
\$ -	\$ 430,452	\$ 430,452	0.0%	N/A	N/A
Teachers' OPEB Plan					
\$ -	\$ 425,094	\$ 425,094	0.0%	N/A	N/A

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

TOWN OF ESSEX, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE I - 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, 2011	July 1, 2011
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 J - DEFERRED COMPENSATION PLAN

The Town's Board of Education offers all members of the Municipal Employee Union, SEIU Local 506 (paraprofessionals) who are eligible for benefits, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town's Board of Education is required to match employees' contributions up to a maximum of 5.0% of their base pay only, on a before-tax basis. The Town's Board of Education contribution totaled \$7,517 for the year ended June 30, 2013. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for exclusive benefit of the plan participants and their beneficiaries. In addition, it is the opinion of the Town's legal counsel that the Town has no liability for the losses under the plans. Therefore, the accounts of the deferred compensation plans are not reported in the basic financial statements of the Town.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond issues. The Town expects such amounts, if any, to be immaterial.

As of June 30, 2013, the Town has recorded \$248,011 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2013.

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.

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 position totaled \$23,731 as of June 30, 2013.

TOWN OF ESSEX, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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. 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 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ESSEX, CONNECTICUT

Schedules of Funding Progress (Unaudited)

June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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, 2011	\$ 2,193,109	\$ 2,641,599	\$ 448,490	83%	\$ 1,133,418	40%
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%
Merit Service Plan						
July 1, 2011	\$ 682,217	\$ 898,050	215,833	76%	N/A	N/A
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
Police Retirement Plan						
July 1, 2011	\$ 512,278	\$ 854,727	\$ 342,449	60%	\$ 255,273	134%
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%
OTHER POST-EMPLOYMENT BENEFIT PLANS						
Employees' OPEB Plan						
July 1, 2011	\$ -	\$ 430,452	\$ 430,452	0%	N/A	N/A
July 1, 2010	-	789,828	789,828	0%	N/A	N/A
July 1, 2009	-	339,212	339,212	0%	N/A	N/A
Teachers' OPEB Plan						
July 1, 2011	\$ -	\$ 425,094	\$ 425,094	0%	N/A	N/A
July 1, 2010	-	341,411	341,411	0%	N/A	N/A
July 1, 2009	-	320,456	320,456	0%	N/A	N/A

See accompanying Independent Auditor's Report

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Property taxes	\$ 20,641,565	\$ 20,641,565	\$ 20,652,286	\$ 10,721
Interest and lien fees	50,000	50,000	109,194	59,194
Total property taxes	<u>20,691,565</u>	<u>20,691,565</u>	<u>20,761,480</u>	<u>69,915</u>
INTERGOVERNMENTAL				
Totally disabled tax relief	-	-	178	178
Veterans tax relief	3,962	3,962	2,879	(1,083)
Access line tax share	45,817	45,817	29,315	(16,502)
State education grants	389,697	389,697	387,077	(2,620)
Town aid road grant	109,040	109,040	107,828	(1,212)
LOCIP	41,903	41,903	39,194	(2,709)
Circuit court fines	7,000	7,000	5,501	(1,499)
Gas tax refunds	805	805	-	(805)
PILOT grant	19,172	19,172	25,482	6,310
Homeowners tax relief	36,000	36,000	31,107	(4,893)
Boating registration	20,500	20,500	-	(20,500)
Transit district	1,970	1,970	1,257	(713)
Manufacturing equipment	80,825	80,825	-	(80,825)
Municipal revenue sharing	-	-	123,705	123,705
Pequot grant	11,206	11,206	11,767	561
Miscellaneous State and Federal	15,000	15,000	129,342	114,342
Total intergovernmental	<u>782,897</u>	<u>782,897</u>	<u>894,632</u>	<u>111,735</u>
LOCAL REVENUES				
Miscellaneous permits	2,000	2,000	6,309	4,309
Sanitary permits	70,000	70,000	61,158	(8,842)
Building permit fees	96,000	96,000	90,880	(5,120)
Zoning permits	7,100	7,100	10,356	3,256
Zoning books and maps	-	-	15	15
Zoning board of appeals	2,500	2,500	2,900	400
Planning commission receipts	2,500	2,500	-	(2,500)
Conveyance tax	90,000	90,000	118,182	28,182
Park and recreation	4,500	4,500	653	(3,847)
Miscellaneous receipts	15,000	15,000	293,550	278,550
Town clerk fees	110,000	110,000	133,691	23,691
Inland wetlands permits	1,110	1,110	2,180	1,070
Regional recycling fees	69,000	69,000	52,310	(16,690)
Health department fees	6,000	6,000	7,346	1,346
IRS recording fees	-	-	1,078	1,078
Total local revenues	<u>475,710</u>	<u>475,710</u>	<u>780,608</u>	<u>304,898</u>
INTEREST INCOME				
	<u>3,700</u>	<u>3,700</u>	<u>4,960</u>	<u>1,260</u>
Total revenues	<u>\$ 21,953,872</u>	<u>\$ 21,953,872</u>	<u>\$ 22,441,680</u>	<u>\$ 487,808</u>

See accompanying Independent Auditor's Report

TOWN OF ESSEX, CONNECTICUT

Schedule of Expenditures

Budget and Actual - Budgetary Basis - General Fund

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 182,681	\$ 182,681	\$ 179,144	\$ (3,537)
Assessor	111,255	111,255	105,359	(5,896)
Central services	209,992	214,992	217,737	2,745
Elections	50,675	50,675	47,535	(3,140)
Probate court	3,460	3,460	3,460	-
Tax collector	95,358	95,358	95,523	165
Town clerk	150,908	164,120	164,120	-
Treasurer	139,532	139,532	134,612	(4,920)
Zoning enforcement agent	59,052	59,052	59,318	266
Fringe benefits	861,210	871,210	845,365	(25,845)
General insurance	170,790	170,790	146,064	(24,726)
Legal services	72,305	98,153	88,253	(9,900)
Public restroom facilities	17,210	17,940	18,026	86
Technology	155,084	155,084	152,988	(2,096)
Board of assessment appeals	1,340	1,340	123	(1,217)
Board of finance	117,000	42,804	42,804	-
Conservation commission	9,900	9,900	1,774	(8,126)
Economic development commission	5,000	5,000	5,000	-
IWWC commission	8,810	8,810	4,996	(3,814)
Parks and recreation	174,681	180,746	180,746	-
Planning commission	62,366	62,366	63,832	1,466
Tree committee	1,200	1,200	1,200	-
Zoning board of appeals	6,300	6,300	6,541	241
Zoning commission	28,885	28,885	28,893	8
Clean energy task force	3,000	3,000	-	(3,000)
Total general government	<u>2,697,994</u>	<u>2,684,653</u>	<u>2,593,413</u>	<u>(91,240)</u>
PUBLIC SAFETY				
Ambulance Association	18,363	18,363	18,363	-
Animal control	10,000	10,000	10,000	-
Building department	79,373	79,373	73,827	(5,546)
Emergency management	14,400	14,400	27,766	13,366
Emergency 911	95,873	99,873	96,216	(3,657)
Fire department	281,250	302,984	302,984	-
Fire marshal	48,337	48,337	47,791	(546)
Harbor patrol	28,200	28,200	25,947	(2,253)
Police services	315,806	346,506	346,506	-
Resident state trooper	108,171	108,171	111,314	3,143
Water	147,074	147,074	148,792	1,718
Total public safety	<u>1,146,847</u>	<u>1,203,281</u>	<u>1,209,506</u>	<u>6,225</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT

Schedule of Expenditures

Budget and Actual - Budgetary Basis - General Fund *(Continued)*

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
HEALTH AND WELFARE				
Estuary transit	\$ 13,372	\$ 13,372	\$ 13,372	\$ -
Sanitarian	113,105	113,105	88,657	(24,448)
Transfer Station	270,664	270,664	257,758	(12,906)
Sanitary waste commission	1,900	1,900	200	(1,700)
Social services	101,229	101,229	101,355	126
Visiting nurses	60,795	60,795	60,795	-
Water pollution control	3,642	3,642	1,180	(2,462)
Total health and welfare	<u>564,707</u>	<u>564,707</u>	<u>523,317</u>	<u>(41,390)</u>
LIBRARIES	<u>365,000</u>	<u>365,000</u>	<u>365,000</u>	<u>-</u>
HIGHWAYS AND TRANSPORTATION				
Highways	778,600	835,748	835,748	-
Town garage	42,700	42,700	37,827	(4,873)
Total highways and transportation	<u>821,300</u>	<u>878,448</u>	<u>873,575</u>	<u>(4,873)</u>
DEBT SERVICE				
Principal payments	460,000	460,000	460,000	-
Interest and fiscal charges	409,675	409,675	407,653	(2,022)
Total debt service	<u>869,675</u>	<u>869,675</u>	<u>867,653</u>	<u>(2,022)</u>
CAPITAL OUTLAYS				
Grants and special appropriations	-	35,000	35,840	840
Capital and sinking funds	388,117	560,117	560,013	(104)
Total capital outlays	<u>388,117</u>	<u>595,117</u>	<u>595,853</u>	<u>736</u>
Total board of selectmen	<u>6,853,640</u>	<u>7,160,881</u>	<u>7,028,317</u>	<u>(132,564)</u>
EDUCATION				
	15,235,478	15,235,478	15,236,092	614
Total expenditures	<u>\$ 22,089,118</u>	<u>\$ 22,396,359</u>	<u>\$ 22,264,409</u>	<u>\$ (131,950)</u>

TOWN OF ESSEX, CONNECTICUT

Schedule of Property Taxes Levied, Collected and Outstanding

Year Ended June 30, 2013

Grand List Year	Balance Uncollected June 30, 2012	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2013
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2011	\$ -	\$ 20,711,716	\$ 13,735	\$ 30,897	\$ -	\$ 20,694,554	\$ 20,480,971	\$ 54,913	\$ 193	\$ 20,536,077	\$ 213,583
2010	195,557	-	6,756	3,213	-	199,100	98,876	24,291	576	123,743	100,224
2009	89,300	-	8,355	771	30,045	66,839	42,403	11,111	288	53,802	24,436
2008	28,782	-	-	258	-	28,524	15,405	7,930	168	23,503	13,119
2007	13,240	-	-	224	-	13,016	7,054	3,755	144	10,953	5,962
2006	3,336	-	-	-	-	3,336	2,542	2,245	24	4,811	794
2005	760	-	-	-	-	760	-	-	-	-	760
2004	729	-	-	-	-	729	-	-	-	-	729
2003	431	-	-	-	-	431	-	-	-	-	431
	<u>\$ 332,135</u>	<u>\$ 20,711,716</u>	<u>\$ 28,846</u>	<u>\$ 35,363</u>	<u>\$ 30,045</u>	<u>\$ 21,007,289</u>	<u>\$ 20,647,251</u>	<u>\$ 104,245</u>	<u>\$ 1,393</u>	<u>\$ 20,752,889</u>	<u>\$ 360,038</u>

See accompanying Independent Auditor's Report

TOWN OF ESSEX, CONNECTICUT

Schedule of Debt Limitation

Connecticut General Statutes, Section 7-374(b)

Year Ended June 30, 2013

Total cash collections for the year ended

June 30, 2013:

Taxes	\$ 20,647,251
Interest and lien fees	105,638
	<u>20,752,889</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	-
Base	<u>\$ 20,752,889</u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 46,694,000	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	93,388,001	-	-	-
3-3/4 times base	-	-	77,823,334	-	-
3-1/4 times base	-	-	-	67,446,889	-
3 times base	-	-	-	-	62,258,667
Total debt limitation	<u>46,694,000</u>	<u>93,388,001</u>	<u>77,823,334</u>	<u>67,446,889</u>	<u>62,258,667</u>
Indebtedness:					
Bonds payable	466,000	9,079,000	-	-	-
Shared debt - Regional School District No. 4	-	6,403,766	-	-	-
Authorized, unissued bonds	4,144,625	3,350,000	-	-	-
Total indebtedness	<u>4,610,625</u>	<u>18,832,766</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 42,083,375</u>	<u>\$ 74,555,235</u>	<u>\$ 77,823,334</u>	<u>\$ 67,446,889</u>	<u>\$ 62,258,667</u>
Total capacity of borrowing (7 times base)	\$ 145,270,223				
Total present indebtedness	<u>23,443,391</u>				
Margin for additional borrowing	<u>\$ 121,826,832</u>				

See accompanying Independent Auditor's Report

CAPITAL AND NON-RECURRING EXPENDITURES FUND

TOWN OF ESSEX, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - by Project
 Capital and Nonrecurring Expenditures Fund
 Year Ended June 30, 2013

	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	\$ 14	\$ -	\$ 1	\$ 1	\$ 10	\$ 3	\$ -	\$ 12	\$ 8	\$ 1	\$ 50
Local revenue	-	-	-	-	-	-	-	120,270	-	-	120,270
Total revenues	<u>14</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>10</u>	<u>3</u>	<u>-</u>	<u>120,282</u>	<u>8</u>	<u>1</u>	<u>120,320</u>
EXPENDITURES											
Capital outlays	8,400	-	7,700	-	-	4,981	-	-	54,244	20,275	95,600
Total expenditures	<u>8,400</u>	<u>-</u>	<u>7,700</u>	<u>-</u>	<u>-</u>	<u>4,981</u>	<u>-</u>	<u>-</u>	<u>54,244</u>	<u>20,275</u>	<u>95,600</u>
Excess (deficiency) of revenues over expenditures	(8,386)	-	(7,699)	1	10	(4,978)	-	120,282	(54,236)	(20,274)	24,720
OTHER FINANCING SOURCES (USES)											
Transfers in	200,000	-	15,000	3,000	25,000	30,000	-	20,000	20,000	75,000	388,000
Total other financing sources	<u>200,000</u>	<u>-</u>	<u>15,000</u>	<u>3,000</u>	<u>25,000</u>	<u>30,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>75,000</u>	<u>388,000</u>
Net change in fund balances	191,614	-	7,301	3,001	25,010	25,022	-	140,282	(34,236)	54,726	412,720
Fund balances - beginning	<u>150,851</u>	<u>2,778</u>	<u>36,637</u>	<u>26,896</u>	<u>618</u>	<u>26,493</u>	<u>20</u>	<u>80,199</u>	<u>193,729</u>	<u>17,289</u>	<u>535,510</u>
Fund balances - ending	<u>\$ 342,465</u>	<u>\$ 2,778</u>	<u>\$ 43,938</u>	<u>\$ 29,897</u>	<u>\$ 25,628</u>	<u>\$ 51,515</u>	<u>\$ 20</u>	<u>\$ 220,481</u>	<u>\$ 159,493</u>	<u>\$ 72,015</u>	<u>\$ 948,230</u>

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ESSEX, CONNECTICUT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	Nonmajor Special Revenue Funds				
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents
ASSETS					
Cash and cash equivalents	\$ 161,320	\$ 16,243	\$ 46,378	\$ 171,980	\$ 6,263
Grants and contracts receivable	-	5,361	-	-	-
Other receivables	-	215	-	-	-
Due from other funds	-	-	15,667	-	760
Inventories	-	3,880	-	-	-
Total assets	<u>\$ 161,320</u>	<u>\$ 25,699</u>	<u>\$ 62,045</u>	<u>\$ 171,980</u>	<u>\$ 7,023</u>
LIABILITIES					
Accounts payable	\$ 4,362	\$ 14,383	\$ -	\$ 1,235	\$ -
Other accrued liabilities	3,500	-	-	-	-
Due to other funds	105,116	11,457	4,003	165,032	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>112,978</u>	<u>25,840</u>	<u>4,003</u>	<u>166,267</u>	<u>-</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventories	-	3,880	-	-	-
Committed to:					
General government	48,342	-	-	-	7,023
Public safety	-	-	58,042	5,713	-
Health and welfare	-	-	-	-	-
Unassigned	-	(4,021)	-	-	-
Total fund balances (deficit)	<u>48,342</u>	<u>(141)</u>	<u>58,042</u>	<u>5,713</u>	<u>7,023</u>
Total liabilities and fund balances (deficit)	<u>\$ 161,320</u>	<u>\$ 25,699</u>	<u>\$ 62,045</u>	<u>\$ 171,980</u>	<u>\$ 7,023</u>

(Continued)

See accompanying Independent Auditor's Report

TOWN OF ESSEX, CONNECTICUT

Combining Balance Sheet

Nonmajor Governmental Funds *(Continued)*

June 30, 2013

	Nonmajor Special Revenue Funds			Total
	Recreational Programs	CVA Pump Out Boat	Tree Committee	
ASSETS				
Cash and cash equivalents	\$ 2,908	\$ -	\$ -	\$ 405,092
Grants and contracts receivable	-	-	-	5,361
Other receivables	1,502	-	-	1,717
Due from other funds	70,030	10,491	3,403	100,351
Inventories	-	-	-	3,880
Total assets	<u>\$ 74,440</u>	<u>\$ 10,491</u>	<u>\$ 3,403</u>	<u>\$ 516,401</u>
LIABILITIES				
Accounts payable	\$ 1,719	\$ 9,532	\$ 1,948	\$ 33,179
Other accrued liabilities	-	-	-	3,500
Due to other funds	-	-	-	285,608
Unearned revenue	38,035	-	-	38,035
Total liabilities	<u>39,754</u>	<u>9,532</u>	<u>1,948</u>	<u>360,322</u>
FUND BALANCES (DEFICIT)				
Nonspendable:				
Inventories	-	-	-	3,880
Committed to:				
General government	34,686	-	1,455	91,506
Public safety	-	-	-	63,755
Health and welfare	-	959	-	959
Unassigned	-	-	-	(4,021)
Total fund balances (deficit)	<u>34,686</u>	<u>959</u>	<u>1,455</u>	<u>156,079</u>
Total liabilities and fund balances (deficit)	<u>\$ 74,440</u>	<u>\$ 10,491</u>	<u>\$ 3,403</u>	<u>\$ 516,401</u>

See accompanying Independent Auditor's Report

TOWN OF ESSEX, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Nonmajor Special Revenue Funds				
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents
REVENUES					
Intergovernmental	\$ -	\$ 42,558	\$ -	\$ -	\$ -
Local revenue	13,301	79,479	20,900	28,667	8,755
Interest income	-	-	105	-	-
Total revenues	<u>13,301</u>	<u>122,037</u>	<u>21,005</u>	<u>28,667</u>	<u>8,755</u>
EXPENDITURES					
Current:					
General government	27,069	-	22,891	-	13,791
Public safety	-	-	-	25,038	-
Health and welfare	-	-	-	-	-
Education	-	141,814	-	-	-
Debt Service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>27,069</u>	<u>141,814</u>	<u>22,891</u>	<u>25,038</u>	<u>13,791</u>
Excess (deficiency) of revenues over expenditures	(13,768)	(19,777)	(1,886)	3,629	(5,036)
OTHER FINANCING SOURCES					
Transfers in	10,000	19,636	5,000	-	-
Total other financing sources	<u>10,000</u>	<u>19,636</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,768)	(141)	3,114	3,629	(5,036)
Fund balances (deficit) - beginning	<u>52,110</u>	<u>-</u>	<u>54,928</u>	<u>2,084</u>	<u>12,059</u>
Fund balances (deficit) - ending	<u>\$ 48,342</u>	<u>\$ (141)</u>	<u>\$ 58,042</u>	<u>\$ 5,713</u>	<u>\$ 7,023</u>

(Continued)

TOWN OF ESSEX, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)

Nonmajor Governmental Funds *(Continued)*

Year Ended June 30, 2013

	Nonmajor Special Revenue Funds			Total
	Recreational Programs	CVA Pump Out Boat	Tree Committee	
REVENUES				
Intergovernmental	\$ -	\$ 75,610	\$ -	\$ 118,168
Local revenue	126,073	-	2,200	279,375
Interest income	-	-	-	105
Total revenues	<u>126,073</u>	<u>75,610</u>	<u>2,200</u>	<u>397,648</u>
EXPENDITURES				
Current:				
General government	130,538	-	2,463	196,752
Public safety	-	-	-	25,038
Health and welfare	-	58,995	-	58,995
Education	-	-	-	141,814
Debt Service:				
Principal payments	-	13,999	-	13,999
Interest and fiscal charges	-	2,221	-	2,221
Total expenditures	<u>130,538</u>	<u>75,215</u>	<u>2,463</u>	<u>438,819</u>
Excess (deficiency) of revenues over expenditures	(4,465)	395	(263)	(41,171)
OTHER FINANCING SOURCES				
Transfers in	-	-	-	34,636
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,636</u>
Net change in fund balances	(4,465)	395	(263)	(6,535)
Fund balances (deficit) - beginning	<u>39,151</u>	<u>564</u>	<u>1,718</u>	<u>162,614</u>
Fund balances (deficit) - ending	<u>\$ 34,686</u>	<u>\$ 959</u>	<u>\$ 1,455</u>	<u>\$ 156,079</u>

See accompanying Independent Auditor's Report

FIDUCIARY FUNDS

TOWN OF ESSEX, CONNECTICUT
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2013

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ASSETS				
Cash equivalents	\$ 57,178	\$ 6,053	\$ 4,177	\$ 67,408
Investments, at fair value	2,273,589	676,817	539,748	3,490,154
Interest and other receivables	1,775	551	467	2,793
Total assets	<u>2,332,542</u>	<u>683,421</u>	<u>544,392</u>	<u>3,560,355</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 2,332,542</u>	<u>\$ 683,421</u>	<u>\$ 544,392</u>	<u>\$ 3,560,355</u>

TOWN OF ESSEX, CONNECTICUT

Combining Statement of Changes in Fiduciary Net Position

Pension Trust Funds

Year Ended June 30, 2013

	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 228,034	\$ 68,195	\$ 78,761	\$ 374,990
Plan members	-	-	6,549	6,549
Total contributions	<u>228,034</u>	<u>68,195</u>	<u>85,310</u>	<u>381,539</u>
Investment earnings:				
Net increase in the fair value of investments	166,625	47,638	37,104	251,367
Interest	76,410	21,994	19,863	118,267
Total investment earnings	<u>243,035</u>	<u>69,632</u>	<u>56,967</u>	<u>369,634</u>
Total additions	<u>471,069</u>	<u>137,827</u>	<u>142,277</u>	<u>751,173</u>
DEDUCTIONS				
Benefit payments	153,499	65,798	78,029	297,326
Administrative expenses	281	(931)	19,152	18,502
Total deductions	<u>153,780</u>	<u>64,867</u>	<u>97,181</u>	<u>315,828</u>
Change in net position	317,289	72,960	45,096	435,345
NET POSITION HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	<u>2,015,253</u>	<u>610,461</u>	<u>499,296</u>	<u>3,125,010</u>
Ending of year	<u>\$ 2,332,542</u>	<u>\$ 683,421</u>	<u>\$ 544,392</u>	<u>\$ 3,560,355</u>

See accompanying Independent Auditor's Report

TOWN OF ESSEX, CONNECTICUT

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2013

	<u>Elementary School Activities</u>	<u>Performance Bonds</u>	<u>Special Project Escrow Funds</u>	<u>Total Agency Funds</u>
ASSETS				
Cash	\$ 20,264	\$ 107,807	\$ 22,822	\$ 150,893
Investments	-	65,997	-	65,997
Total assets	<u>\$ 20,264</u>	<u>\$ 173,804</u>	<u>\$ 22,822</u>	<u>\$ 216,890</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 400	\$ 400
Due to others	-	173,804	22,422	196,226
Due to student groups	20,264	-	-	20,264
Total liabilities	<u>\$ 20,264</u>	<u>\$ 173,804</u>	<u>\$ 22,822</u>	<u>\$ 216,890</u>

TOWN OF ESSEX, CONNECTICUT

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2013

	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Elementary School Activities				
Assets				
Cash	\$ 20,705	\$ 6,581	\$ 7,022	\$ 20,264
Total assets	<u>\$ 20,705</u>	<u>\$ 6,581</u>	<u>\$ 7,022</u>	<u>\$ 20,264</u>
Liabilities				
Due to student groups	\$ 20,705	\$ 6,581	\$ 7,022	\$ 20,264
Total liabilities	<u>\$ 20,705</u>	<u>\$ 6,581</u>	<u>\$ 7,022</u>	<u>\$ 20,264</u>
Performance Bonds				
Assets				
Cash	\$ 118,399	\$ 17,207	\$ 27,799	\$ 107,807
Investments	65,955	42	-	65,997
Total assets	<u>\$ 184,354</u>	<u>\$ 17,249</u>	<u>\$ 27,799</u>	<u>\$ 173,804</u>
Liabilities				
Accounts Payable	\$ 3,041	\$ -	\$ 3,041	\$ -
Due to others	181,313	17,249	24,758	173,804
Total liabilities	<u>\$ 184,354</u>	<u>\$ 17,249</u>	<u>\$ 27,799</u>	<u>\$ 173,804</u>
Special Project Escrow Funds				
Assets				
Cash	\$ 24,713	\$ 87,400	\$ 89,291	\$ 22,822
Total assets	<u>\$ 24,713</u>	<u>\$ 87,400</u>	<u>\$ 89,291</u>	<u>\$ 22,822</u>
Liabilities				
Accounts payable	\$ -	\$ 400	\$ -	\$ 400
Due to others	24,713	87,000	89,291	22,422
Total liabilities	<u>\$ 24,713</u>	<u>\$ 87,400</u>	<u>\$ 89,291</u>	<u>\$ 22,822</u>
Total All Agency Funds				
Assets				
Cash	\$ 163,817	\$ 111,188	\$ 124,112	\$ 150,893
Investments	65,955	42	-	65,997
Total assets	<u>\$ 229,772</u>	<u>\$ 111,230</u>	<u>\$ 124,112</u>	<u>\$ 216,890</u>
Liabilities				
Accounts Payable	\$ 3,041	\$ 400	\$ 3,041	\$ 400
Due to others	206,026	104,249	114,049	196,226
Due to student groups	20,705	6,581	7,022	20,264
Total liabilities	<u>\$ 229,772</u>	<u>\$ 111,230</u>	<u>\$ 124,112</u>	<u>\$ 216,890</u>

See accompanying Independent Auditor's Report