

**TOWN OF ESSEX, CONNECTICUT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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## 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, 2016, 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, 2016, 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 the Town's pension plans and other post-employment benefit plans on pages 57 through 64 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 on pages 65 through 76 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 28, 2016, 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.



Glastonbury, Connecticut  
December 28, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2016**

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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, 2016.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,544,512 (net position). Of this amount, \$1,306,880 represents unrestricted net position.
- The Town's total net position increased by \$639,566 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 \$2,310,668, a decrease of \$924,436 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,979,005 or 12.6% of total General Fund expenditures and transfers out. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of General Fund operating expenditures and transfers out.
- The Town's total capital assets increased by \$1,637,583 or 6.8% during the current year due to Town approved capital projects that will be financed through future bonding.
- The Town's total long-term bonded debt decreased by \$650,000 or 7.7% during the current fiscal year due to scheduled repayments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is 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/inflows 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.



**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

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

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.

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 and 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 funds 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 Bonded Capital Projects 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 through 21 of this report.

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

**Fund Financial Statements (Continued)**

***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 government-wide financial statements.

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

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 56 of this report.

**Other Information**

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 57 through 76 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

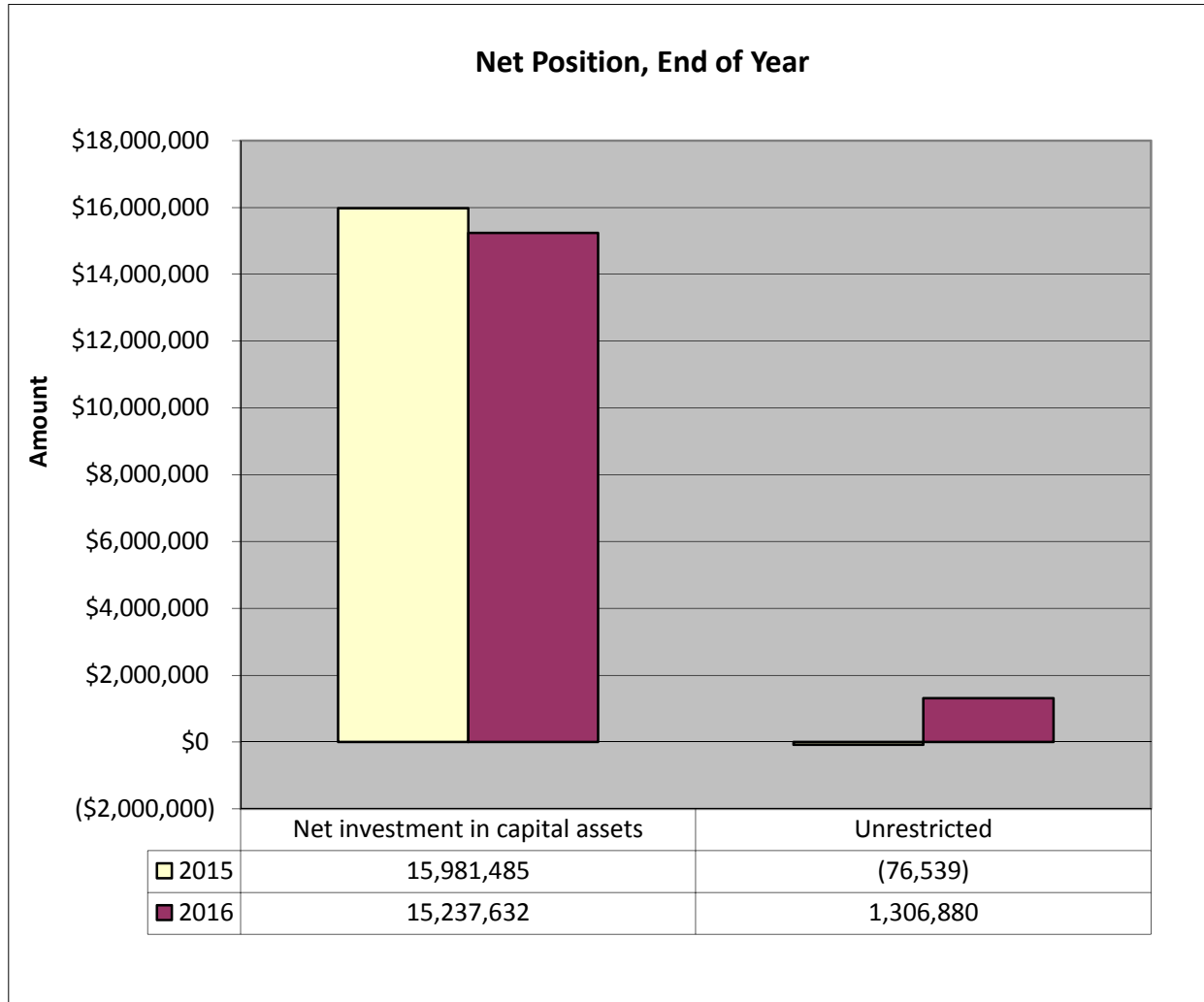
Over time, net position may serve as one measure of a government's financial position. The net position of the Town totaled \$16,544,512 and \$15,904,946 as of June 30, 2016 and 2015, respectively and are summarized as follows:

	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 8,589,462	\$ 5,682,979
Capital assets, net	25,829,151	24,191,568
Total assets	<u>34,418,613</u>	<u>29,874,547</u>
Deferred outflows of resources	<u>715,362</u>	<u>783,061</u>
Long-term liabilities	11,883,211	12,098,004
Other liabilities	5,924,328	2,063,379
Total liabilities	<u>17,807,539</u>	<u>14,161,383</u>
Deferred inflows of resources	<u>781,924</u>	<u>591,279</u>
Net position:		
Net investment in capital assets	15,237,632	15,981,485
Unrestricted	1,306,880	(76,539)
Total net position	<u>\$ 16,544,512</u>	<u>\$ 15,904,946</u>

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

**Net Position (Continued)**



Of the Town's net position, 92.1% 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 \$639,566.

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

**Changes in Net Position**

Changes in net position for the years ended June 30, 2016 and 2015 are as follows:

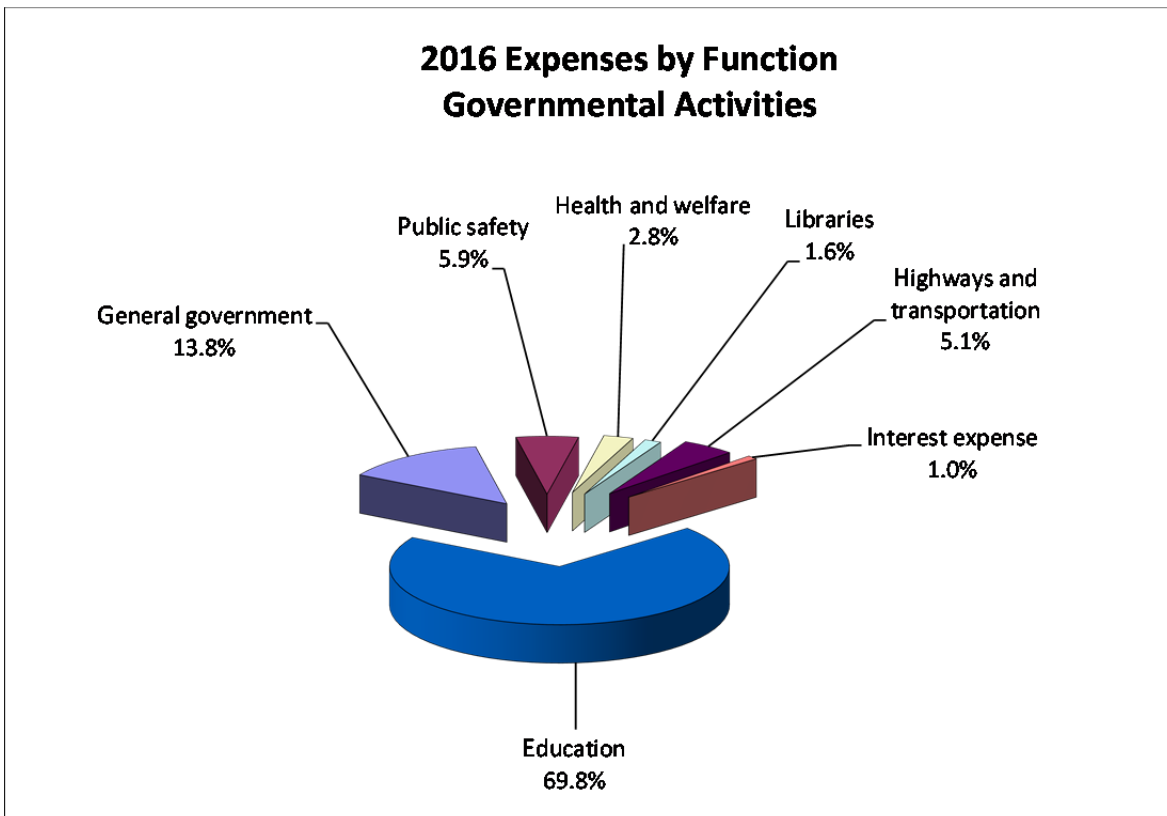
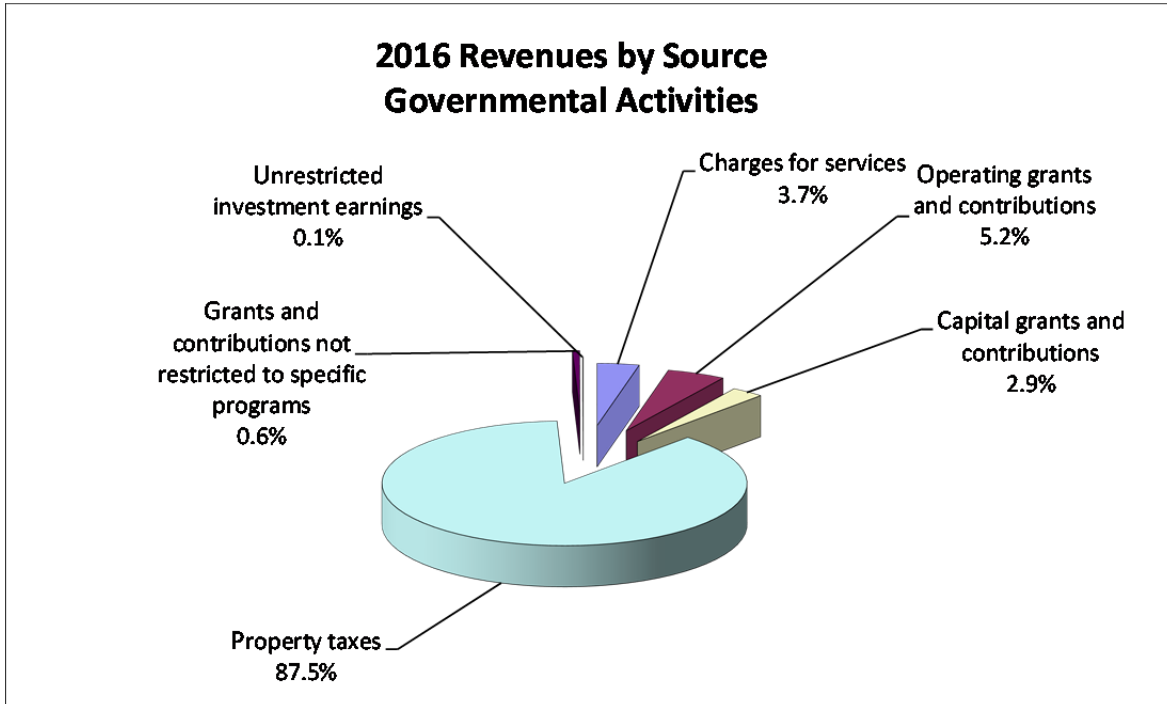
	<u><b>2016</b></u>	<u><b>2015</b></u>
Program revenues:		
Charges for services	\$ 933,481	\$ 983,981
Operating grants and contributions	1,303,635	1,387,466
Capital grants and contributions	728,976	579,159
General revenues:		
Property taxes	22,002,934	21,760,340
Grants and contributions not restricted to specific programs	157,839	174,614
Unrestricted investment earnings	7,762	7,204
Total revenues	<u>25,134,627</u>	<u>24,892,764</u>
Program expenses:		
General government	3,361,657	3,387,243
Public safety	1,450,039	1,526,358
Health and welfare	691,118	690,870
Libraries	390,559	379,300
Highways and transportation	1,253,573	1,331,261
Interest expense	251,024	307,817
Education	17,097,091	17,020,093
Total expenses	<u>24,495,061</u>	<u>24,642,942</u>
Change in net position	<u><u>\$ 639,566</u></u>	<u><u>\$ 249,822</u></u>

TOWN OF ESSEX, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)  
JUNE 30, 2016

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)



**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

**Governmental Activities**

Governmental activities increased the Town's net position by \$639,566. Revenues generated by the Town increased by approximately \$242 thousand in comparison to the prior year, primarily due to an increase in tax revenue. Expenses for the Town decreased by approximately \$148 thousand in comparison to the prior year. A significant component of this decrease is due to a decrease of approximately \$195 thousand in the Town's pension expense driven by changes in the Town's net pension liabilities and related deferred outflows and inflows of resources. The decrease in the Town's pension expense was offset by normal operating increases.

**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 \$2,310,668, a decrease of \$924,436 in comparison with the prior year. Of this amount, \$2,900,322 represents a deficit in unassigned fund balance. The remainder of fund balance is not available for new spending because it has already been assigned, committed, or restricted 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 \$2,979,005, while total fund balance was \$3,805,263. 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 12.6% of total General Fund expenditures and operating transfers out. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of General Fund operating expenditures and transfers out.

The fund balance of the Town's General Fund increased by \$466,944 during the current fiscal year due to budgetary results outlined below plus the change in encumbrances at year-end.

**Capital and Nonrecurring Expenditures Fund**

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$302,024 during the current fiscal year to \$1,547,350. This increase was due primarily to transfers received from the General Fund offset by current year expenditures.

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

**EES Renovation Project Fund**

The EES Renovation Project Fund has a deficit fund balance of \$169,629 as of June 30, 2016, a decrease to the deficit of \$190,515 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 final project audit.

**Bonded Capital Projects Fund**

The Bonded Capital Projects Fund has a deficit fund balance of \$3,094,546 as of June 30, 2016. This fund accounts for the costs of the Town approved \$8 million capital project and general obligation bond authorizations. The deficit, caused by current year capital outlays relating to the projects, is expected to be permanently funded by the issuance of general obligation bonds in subsequent years.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget included the use of fund balance in the amount of \$28,553. Additional appropriations of \$449,855 were approved from fund balance during the current year for increased funding to the Town's pension plans and retirement benefits, additional transfers to other funds to fund future capital projects, and increases in resident trooper costs. The supplemental appropriations were approved at various town meetings.

During the year, revenues exceeded budgetary estimates by \$205,303, as a result of collections exceeding budgeted expectations for tax revenue and various permit fees. Expenditures were \$331,395 less than budgeted due to a decrease of approximately \$116 thousand in the cost of police services and other various budgetary savings. The net result of the supplemental appropriations and variances of revenues and expenditures resulted in an increase of \$58,288 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, 2016 totaled \$25,829,151 (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 increased \$1,637,583 or 6.8%.

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

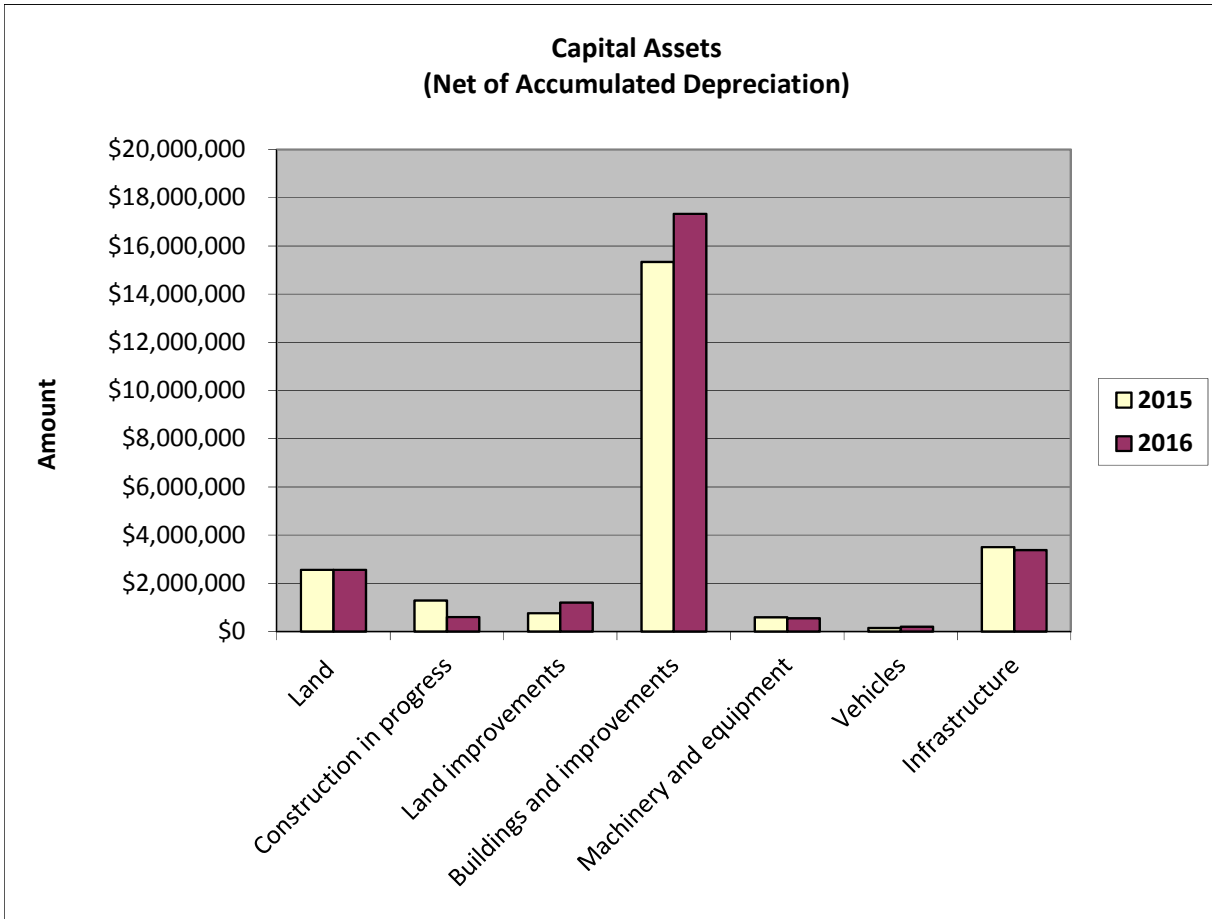
	<b>2016</b>	<b>2015</b>
Land	\$ 2,563,245	\$ 2,563,245
Construction in progress	605,373	1,292,705
Land improvements	1,202,671	763,762
Buildings and improvements	17,327,380	15,331,481
Machinery and equipment	551,617	590,267
Vehicles	204,425	144,500
Infrastructure	3,374,440	3,505,608
Totals	<u>\$ 25,829,151</u>	<u>\$24,191,568</u>

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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

**Capital Assets (Continued)**



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

- An increase of approximately \$1.2 million in construction in progress, primarily due to the Essex Elementary School roof replacement and upgrades to Ivoryton Center.
- An increase to infrastructure and construction in progress of \$471,062 for various Town Hall renovations, including roof repair, land use office remodeling, and updating of the air conditioning system.
- An increase to vehicles of \$98,366 for a new pump board with motor, financed through a new capital lease.
- A decrease due to depreciation expense of \$1,024,296.

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



**TOWN OF ESSEX, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)  
JUNE 30, 2016**

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**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 \$7,775,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$650,000 or 7.7% during the current fiscal year due to scheduled debt service payments.

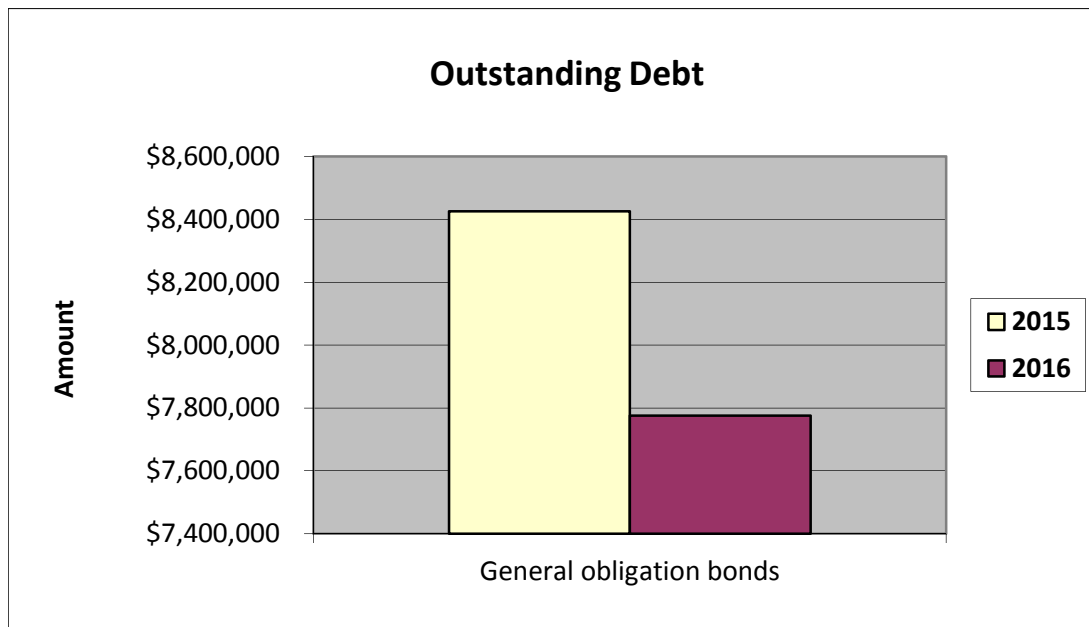
During the current fiscal year, the Town issued \$5,000,000 in bond anticipation notes to finance current capital projects. These notes were converted into new notes in August 2016. The bond anticipation notes are expected to be turned into permanent financing upon project completion.

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 significantly in excess of the Town's outstanding general obligation debt.

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

	<u>2016</u>	<u>2015</u>
General obligation bonds	<u>\$ 7,775,000</u>	<u>\$ 8,425,000</u>



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

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2016**

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**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 as of year-end was currently 4.5%. This compares favorably to the state's average unemployment rate of 5.9% and the national unemployment rate of 5.1%.
- 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 2017. The Town's fiscal year 2017 General Fund budget was approved on May 19, 2016. The fiscal year 2017 budget contemplated expenditures of \$23,741,574, an increase of \$489,640, or 2.1%, over the original fiscal year 2016 budgeted expenditures. The approved mill rate for the fiscal year 2017 budget is 21.58, an increase of 0.5 or 2.4% over the prior year. Use of fund balance in the amount of \$115,267 has been assigned for use in the fiscal year 2017 budget.

**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.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,619,352
Receivables:	
Property taxes, net	415,456
Interest	131,830
Grants and contracts	203,087
Other	11,657
Prepaid expenses	1,202,582
Inventories	5,498
Capital assets:	
Non-depreciable	3,168,618
Depreciable, net	22,660,533
Total assets	<u>34,418,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	704,827
Deferred pension expense	10,535
Total deferred outflows of resources	<u>715,362</u>
<b>LIABILITIES</b>	
Accounts payable	501,904
Accrued interest payable	102,242
Other accrued liabilities	274,349
Bond anticipation notes payable	5,000,000
Unearned revenue	45,833
Noncurrent liabilities:	
Due within one year	822,859
Due in more than one year	11,060,352
Total liabilities	<u>17,807,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension benefit	<u>781,924</u>
<b>NET POSITION</b>	
Net investment in capital assets	15,237,632
Unrestricted	1,306,880
Total net position	<u><u>\$ 16,544,512</u></u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

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	\$ 3,361,657	\$ 716,560	\$ -	\$ -	\$ (2,645,097)
Public safety	1,450,039	47,320	-	-	(1,402,719)
Health and welfare	691,118	88,116	107,727	182,411	(312,864)
Libraries	390,559	-	-	-	(390,559)
Highways and transportation	1,253,573	-	-	356,050	(897,523)
Interest expense	251,024	-	-	-	(251,024)
Education	17,097,091	81,485	1,195,908	190,515	(15,629,183)
Total governmental activities	<u>\$ 24,495,061</u>	<u>\$ 933,481</u>	<u>\$ 1,303,635</u>	<u>\$ 728,976</u>	<u>(21,528,969)</u>
General revenues:					
Property taxes, levied for general purposes					22,002,934
Grants and contributions not restricted to specific programs					157,839
Unrestricted investment earnings					7,762
Total general revenues					<u>22,168,535</u>
Change in net position					639,566
Net position - beginning, as adjusted					<u>15,904,946</u>
Net position - ending					<u>\$ 16,544,512</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project Fund</b>	<b>Bonded Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,817,095	\$ 216,062	\$ -	\$ -	\$ 586,195	\$ 6,619,352
Receivables:						
Property taxes, net	415,456	-	-	-	-	415,456
Grants and contracts	-	-	-	57,128	145,959	203,087
Other	11,430	-	-	-	227	11,657
Due from other funds	625,139	798,371	-	1,400,766	129,117	2,953,393
Prepaid items	75,414	563,584	-	563,584	-	1,202,582
Inventories	-	-	-	-	5,498	5,498
Total assets	<u>\$ 6,944,534</u>	<u>\$ 1,578,017</u>	<u>\$ -</u>	<u>\$ 2,021,478</u>	<u>\$ 866,996</u>	<u>\$ 11,411,025</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 242,457	\$ -	\$ -	\$ 116,024	\$ 143,423	\$ 501,904
Other accrued liabilities	228,593	-	-	-	-	228,593
Bond anticipation note payable	-	-	-	5,000,000	-	5,000,000
Due to other funds	2,297,587	30,667	169,629	-	455,510	2,953,393
Unearned revenue	-	-	-	-	45,833	45,833
Total liabilities	<u>2,768,637</u>	<u>30,667</u>	<u>169,629</u>	<u>5,116,024</u>	<u>644,766</u>	<u>8,729,723</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	<u>370,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,634</u>
<b>FUND BALANCES</b>						
Nonspendable	75,414	563,584	-	563,584	5,498	1,208,080
Restricted	-	-	-	2,046,070	225	2,046,295
Committed	275,000	983,766	-	-	222,005	1,480,771
Assigned	475,844	-	-	-	-	475,844
Unassigned	2,979,005	-	(169,629)	(5,704,200)	(5,498)	(2,900,322)
Total fund balances	<u>3,805,263</u>	<u>1,547,350</u>	<u>(169,629)</u>	<u>(3,094,546)</u>	<u>222,230</u>	<u>2,310,668</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,944,534</u>	<u>\$ 1,578,017</u>	<u>\$ -</u>	<u>\$ 2,021,478</u>	<u>\$ 866,996</u>	<u>\$ 11,411,025</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, 2016**

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Total fund balances for governmental funds	\$	2,310,668
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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.		25,829,151
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Accrued interest on property taxes, net of related allowance, is not susceptible to accrual and therefore is not reported in the funds.		131,830
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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.		370,634
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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	(7,775,000)	
Unamortized bond premium	(442,625)	
Deferred charges on refunding	704,827	
Obligations under capital lease	(124,791)	
Accrued interest payable	(102,242)	

Other long-term liabilities:

Compensated absences	(128,800)	
Claims payable	(45,756)	
Net pension liabilities	(2,945,424)	
Net OPEB obligation	(466,571)	

Total long-term liabilities		(11,326,382)
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Deferred outflows/inflows of resources resulting from changes in the components of the net pension liability are reported in the statement of net position.		(771,389)
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Net position of governmental activities	\$	16,544,512
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*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, 2016**

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project Fund</b>	<b>Bonded Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Property taxes	\$ 22,025,103	\$ -	\$ -	\$ -	\$ -	\$ 22,025,103
Intergovernmental	1,341,581	-	190,515	141,070	486,802	2,159,968
Local revenue	683,493	-	-	-	280,471	963,964
Interest income	6,669	976	-	-	117	7,762
Total revenues	<u>24,056,846</u>	<u>976</u>	<u>190,515</u>	<u>141,070</u>	<u>767,390</u>	<u>25,156,797</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,763,687	3,390	-	6,668	148,620	2,922,365
Public safety	1,192,568	-	-	-	59,801	1,252,369
Health and welfare	563,808	-	-	-	67,775	631,583
Libraries	390,559	-	-	-	-	390,559
Highways and transportation	853,684	-	-	-	-	853,684
Education	16,305,340	-	-	-	254,202	16,559,542
Debt service:						
Principal payments	691,624	-	-	-	2,717	694,341
Interest and fiscal charges	261,647	-	-	-	487	262,134
Capital outlays	140,663	80,837	-	2,052,901	362,265	2,636,666
Total expenditures	<u>23,163,580</u>	<u>84,227</u>	<u>-</u>	<u>2,059,569</u>	<u>895,867</u>	<u>26,203,243</u>
Excess (deficiency) of revenues over expenditures	893,266	(83,251)	190,515	(1,918,499)	(128,477)	(1,046,446)
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease financing	-	-	-	-	98,366	98,366
Premium on bond anticipation notes	-	-	-	23,644	-	23,644
Transfers in	-	385,275	-	-	41,047	426,322
Transfers out	(426,322)	-	-	-	-	(426,322)
Total other financing sources (uses)	<u>(426,322)</u>	<u>385,275</u>	<u>-</u>	<u>23,644</u>	<u>139,413</u>	<u>122,010</u>
Net change in fund balances	466,944	302,024	190,515	(1,894,855)	10,936	(924,436)
Fund balances - beginning	<u>3,338,319</u>	<u>1,245,326</u>	<u>(360,144)</u>	<u>(1,199,691)</u>	<u>211,294</u>	<u>3,235,104</u>
Fund balances - ending	<u>\$ 3,805,263</u>	<u>\$ 1,547,350</u>	<u>\$ (169,629)</u>	<u>\$ (3,094,546)</u>	<u>\$ 222,230</u>	<u>\$ 2,310,668</u>

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



**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

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Net change in fund balances for governmental funds	\$	(924,436)
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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	\$	2,661,879	
Depreciation and amortization expense		(1,024,296)	
Net adjustment			1,637,583

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.	8,535
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Certain revenues reported in the statement of activities do not provide current financial resources and therefore are deferred in the governmental funds. This amount represents the change in deferred inflows of resources.	(30,704)
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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:			
Capital lease financing	(98,366)		
Principal repayments:			
Bonds payable	650,000		
Obligations under capital lease	44,341		
Net adjustment			595,975

(Continued)

**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES** *(Continued)*  
**YEAR ENDED JUNE 30, 2016**

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:

Accrued interest	\$ 10,946	
Amortization of bond premium	39,638	
Amortization of deferred charges on refunding	(63,119)	
Compensated absences	(17,106)	
Claims payable	(18,811)	
Net pension liabilities	(375,686)	
Net OPEB obligation	<u>(28,024)</u>	
		\$ (452,162)

Deferred outflows and inflows of resources resulting from changes in the components of the net pension liabilities are amortized as a component of pension expense in the statement of activities.

(195,225)

Change in Net Position of Governmental Activities

\$ 639,566

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes	\$ 21,833,424	\$ 21,833,424	\$ 22,025,103	\$ 191,679
Intergovernmental	807,754	807,754	713,421	(94,333)
Local revenues	575,005	575,005	683,493	108,488
Interest income	7,200	7,200	6,669	(531)
Total revenues	<u>23,223,383</u>	<u>23,223,383</u>	<u>23,428,686</u>	<u>205,303</u>
<b>EXPENDITURES</b>				
Board of Selectmen	7,456,688	7,906,547	7,587,760	(318,787)
Education	15,795,246	15,795,246	15,782,638	(12,608)
Total expenditures	<u>23,251,934</u>	<u>23,701,795</u>	<u>23,370,398</u>	<u>(331,395)</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	<u>28,553</u>	<u>478,408</u>	<u>-</u>	<u>(478,408)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	58,288	<u>\$ 58,288</u>
Fund balance - beginning			<u>3,111,398</u>	
Fund balance - ending			<u>\$ 3,169,686</u>	

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

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2016**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,381	\$ 151,966
Investments	4,312,497	66,096
Total assets	<u>4,347,878</u>	<u>\$ 218,062</u>
<b>LIABILITIES</b>		
Due to others	-	206,685
Due to student groups	-	11,377
Total liabilities	<u>-</u>	<u>\$ 218,062</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 4,347,878</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, 2016**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 422,639
Plan members	5,102
Total contributions	<u>427,741</u>
Investment earnings:	
Net change in the fair value of investments	(248,552)
Interest and dividends	171,485
Total investment earnings	<u>(77,067)</u>
Total additions	<u>350,674</u>
<b>DEDUCTIONS</b>	
Benefit payments	396,388
Administrative expenses	1,660
Total deductions	<u>398,048</u>
Change in net position	(47,374)
Net position - beginning	<u>4,395,252</u>
Net position - ending	<u><u>\$ 4,347,878</u></u>

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

**TOWN OF ESSEX, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**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, 2016

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**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.

**Bonded Capital Projects Fund** - This capital projects fund is used to account for the revenues and expenditures related to major capital asset construction and/or purchases which are to be funded through the issuance of general obligation bonds.

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 K.

**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, 2016**

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**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. 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 or available to be 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.

**Assets, Liabilities, Deferred Outflows/Inflows 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.

**Investments**

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

**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. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes of \$10,000 as of June 30, 2016.



**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

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

**Inventories and Prepaid items**

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. As of June 30, 2016, prepaid items include the deposits on two fire trucks, purchased for the Town's volunteer fire departments, totaling \$1,127,168.

**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**

This liability represents resources that have been received but not yet earned.

**Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows of resources consists of deferred charges on refunding and deferred pension expenses reported in the government-wide statement of net position. Deferred charges on refunding resulted from the difference in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred pension expenses resulted from changes in the components of the Town's net pension liabilities and are being amortized as a component of pension expense on a systematic and rational basis.

TOWN OF ESSEX, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

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

**Deferred Outflows/Inflows of Resources *(Continued)***

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting and deferred pension benefits. Unavailable revenue is reported within the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available. Deferred pension benefits are reported in the government-wide statement of net position and are amortized as a component of pension expense on a systematic and rational basis.

**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 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.

**Net Position and Fund Balances**

The statement of net position presents the Town's assets, deferred outflows and inflows of resources and liabilities, with net position as the residual of these elements. Net position is 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.

TOWN OF ESSEX, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2016

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

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

**Net Position and Fund Balances *(Continued)***

***Unrestricted net position*** - This component of net position is the net amount of assets, liabilities, and deferred outflows/inflows 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.

***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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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.

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.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

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

**Interfund 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.

**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.

**Implementation of Accounting Standards**

Effective July 1, 2015, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and certain provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of these statements did not have a material effect on the Town's financial statements.

**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.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**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 \$449,855.
- 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 Teachers' Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis").

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Budgetary Information (Continued)**

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, 2016:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 23,428,686	\$ 23,370,398	\$ -	\$ 58,288
"On-behalf" payments - State Teachers' Retirement Fund (see Note K)	498,945	498,945	-	-
Adjustment for encumbrances	-	(173,656)	-	173,656
Adjustment for commitments	-	(225,000)	-	225,000
Reserve for revaluation	-	(10,000)	-	10,000
Reimbursement for certain revenues recorded as a reduction to expenditures for budgetary purposes	129,215	129,215	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(426,322)	(426,322)	-
GAAP basis	<u>\$ 24,056,846</u>	<u>\$ 23,163,580</u>	<u>\$ (426,322)</u>	<u>\$ 466,944</u>

**Deficit Fund Equity**

The following funds have deficit fund balances as of June 30, 2016, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
EES Renovation Project Fund	\$ (169,629)
Bonded Capital Projects Fund	(3,094,546)

The EES Renovation Project Fund deficit arose due to expenditures related to the renovation of the Essex Elementary School. This deficit is expected to be funded through future grant reimbursements and transfers in from the General Fund. The Bonded Capital Projects Fund deficit is expected to be eliminated through future revenue sources, bonding, and transfers in from the General Fund.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Capital Projects Authorizations**

The following is a summary of capital projects as of June 30, 2016:

<b>Capital Project:</b>	<b>Authorization</b>	<b>Current Year Expenditures</b>	<b>Cumulative Expenditures</b>	<b>Balance June 30, 2016</b>
Bridge replacement	\$ 2,845,000	\$ 154,869	\$ 203,370	\$ 2,641,630
Essex Elementary School repairs	2,815,000	1,379,258	2,398,825	416,175
Town Hall improvements	1,300,000	409,276	535,573	764,427
Town Garage improvements	525,000	109,498	114,824	410,176
Fire Fighting vehicle	600,000	-	-	600,000
	<u>\$ 8,085,000</u>	<u>\$ 2,052,901</u>	<u>\$ 3,252,592</u>	<u>\$ 4,832,408</u>

**NOTE C - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

Cash deposits consist of the following as of June 30, 2016:

Cash and cash equivalents:

Government-wide statement of net position	\$ 6,619,352
Statement of fiduciary net position	<u>187,347</u>
	6,806,699

Add: certificates of deposit classified as investments	<u>66,096</u>
	<u>\$ 6,872,795</u>

**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, 2016, \$6,443,500 of the Town's bank balance of \$6,934,385 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 5,799,150
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>644,350</u>
	<u>\$ 6,443,500</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Cash Deposits (Continued)**

**Custodial Credit Risk (Continued)**

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, 2016 is as follows:

Investments:	
Statement of fiduciary net position	\$ 4,378,593
Less: certificates of deposit classified as investments	<u>(66,096)</u>
	<u><u>\$ 4,312,497</u></u>

As of June 30, 2016, all of the Town's investments consisted of equity mutual funds reported at fair value within the Fiduciary Funds.

**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.



**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Investments (Continued)**

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2016, more than 10% of the Town's fiduciary investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Fiduciary Investment</u>
PIMCO	FDS Income Fund P	\$ 639,127	14.8%
Vanguard	500 Index Fund - Investor Shares	608,477	14.1%
Dodge & Cox	Income Fund	465,103	10.8%

**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 various mutual funds 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.

**NOTE D - FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly), and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2016, by level within the fair value hierarchy are presented in the table below:

<u>Financial Assets Measured at Fair Value</u>	<u>Prices in Active Market (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity Mutual Funds	\$ 4,312,497	\$ -	\$ -

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 consisted of the following:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 2,563,245	\$ -	\$ -	\$ 2,563,245
Construction in progress	1,292,705	2,016,768	(2,704,100)	605,373
Total capital assets, not being depreciated	<u>3,855,950</u>	<u>2,016,768</u>	<u>(2,704,100)</u>	<u>3,168,618</u>
Capital assets, being depreciated:				
Land improvements	946,695	525,218	-	1,471,913
Buildings and improvements	22,768,826	2,578,188	-	25,347,014
Machinery and equipment	2,142,120	39,511	-	2,181,631
Vehicles	888,118	109,514	(55,834)	941,798
Infrastructure	8,984,510	96,780	-	9,081,290
Total capital assets, being depreciated	<u>35,730,269</u>	<u>3,349,211</u>	<u>(55,834)</u>	<u>39,023,646</u>
Less accumulated depreciation and amortization for:				
Land improvements	182,933	86,309	-	269,242
Buildings and improvements	7,437,345	582,289	-	8,019,634
Machinery and equipment	1,551,853	78,161	-	1,630,014
Vehicles	743,618	49,589	(55,834)	737,373
Infrastructure	5,478,902	227,948	-	5,706,850
Total accumulated depreciation and amortization	<u>15,394,651</u>	<u>1,024,296</u>	<u>(55,834)</u>	<u>16,363,113</u>
Total capital assets, being depreciated, net	<u>20,335,618</u>	<u>2,324,915</u>	<u>-</u>	<u>22,660,533</u>
Governmental activities capital assets, net	<u>\$ 24,191,568</u>	<u>\$ 4,341,683</u>	<u>\$ (2,704,100)</u>	<u>\$ 25,829,151</u>

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

Governmental Activities:	
General government	\$ 211,535
Public safety	36,850
Highways and transportation	280,018
Education	495,893
Total depreciation expense - governmental activities	<u>\$ 1,024,296</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE F - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2016 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	EES Renovation Project Fund	\$ 169,629
	Other Governmental Funds	455,510
		<u>625,139</u>
Capital and Nonrecurring Expenditures Fund	General Fund	<u>798,371</u>
Bonded Capital Projects Fund	General Fund	<u>1,400,766</u>
Other Governmental Funds	Capital and Nonrecurring Expenditures Fund	30,667
	General Fund	98,450
		<u>129,117</u>
Total interfund receivables/payables		<u><u>\$ 2,953,393</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 G - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 385,275
Other Governmental Funds	General Fund	<u>41,047</u>
Total transfers		<u><u>\$ 426,322</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, 2016**

**NOTE H - SHORT-TERM DEBT**

The following is a summary of the addition in short-term debt for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Bond anticipation notes payable	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000

Proceeds from the notes are being used to finance the Town of Essex 2014 Capital Program Initiative which includes bridge, town hall, school, public works and public safety improvements. The notes bear an interest rate of 1.25% and mature on August 19, 2016. The Town intends to permanently fund the note through the issuance of general obligation bonds in the future.

**NOTE I - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 8,425,000	\$ -	\$ (650,000)	\$ 7,775,000	\$ 695,000
Unamortized bond premium	482,263	-	(39,638)	442,625	-
Other liabilities:					
Capital leases	70,766	98,366	(44,341)	124,791	41,123
Compensated absences	111,694	103,872	(86,766)	128,800	86,736
Net pension liabilities	2,569,738	375,686	-	2,945,424	-
Net OPEB obligation	438,547	28,024	-	466,571	-
	<u>\$ 12,098,008</u>	<u>\$ 605,948</u>	<u>\$ (820,745)</u>	<u>\$ 11,883,211</u>	<u>\$ 822,859</u>

The above liabilities have typically been liquidated by the General Fund and the CVA Pump Out Boat Fund.

**General Obligation Bonds**

A summary of general obligation bonds outstanding at June 30, 2016 is as follows:

<b>Purpose of Bonds</b>	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>			
<b>Bonds Payable</b>			
General obligation bonds issued August 2007, original amount of \$10,485,000	8/1/2017	4.0% - 5.25%	\$ 675,000
General obligation refunding bonds issued April 2013, original amount of \$7,170,000	8/1/2028	2.125% - 4.0%	7,100,000
			<u>\$ 7,775,000</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**General Obligation Bonds (Continued)**

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2016:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2017	\$ 695,000	\$ 228,207	\$ 923,207
2018	735,000	200,007	935,007
2019	730,000	178,031	908,031
2020	740,000	152,281	892,281
2021	735,000	126,456	861,456
2022-2026	3,100,000	337,228	3,437,228
2027-2029	1,040,000	31,050	1,071,050
	<u>\$ 7,775,000</u>	<u>\$ 1,253,260</u>	<u>\$ 9,028,260</u>

**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. 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, 2016.

**Authorized, Unissued Bonds**

As of June 30, 2016 the Town had authorized but unissued bonds totaling \$9,574,625.

**Shared Debt**

The Town of Essex is a member of Regional School District No. 4 which also provides education for the Towns of Chester and Deep River. As of June 30, 2016, the outstanding indebtedness of the District was \$9,935,000. The Town of Essex's share will be approximately 44.33% of the total, or \$4,404,186. Such outstanding indebtedness represents general obligations of the Regional School District No. 4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net position.

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2016:

	Governmental Activities
Vehicles	\$ 189,658
Less: accumulated amortization	45,504
	<u>\$ 144,154</u>

Amortization expense relative to leased property under capital leases totaled \$17,639 for the year ended June 30, 2016 and is included in depreciation and amortization expense disclosed in Note E.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Capital Leases (Continued)**

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>
2017	\$ 47,201
2018	25,711
2019	22,508
2020	22,507
2021	22,508
Total minimum lease payments	140,435
Less: amount representing interest	(15,644)
Present value of minimum lease payments	<u>\$ 124,791</u>

**NOTE J - FUND BALANCE**

The various components of fund balance at June 30, 2016 are as follows:

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project Fund</b>	<b>Bonded Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Nonspendable:						
Prepaid items	\$ 75,414	\$ 563,584	\$ -	\$ 563,584	\$ -	\$ 1,202,582
Inventories	-	-	-	-	5,498	5,498
Restricted:						
Grant Programs	-	-	-	-	225	225
Unspent bond anticipation note proceeds	-	-	-	2,046,070	-	2,046,070
Committed to:						
Municipal property improvements	50,000	-	-	-	-	50,000
Employee retirement benefits	225,000	-	-	-	-	225,000
Capital expenditures	-	983,766	-	-	-	983,766
Harbor commission operations	-	-	-	-	90,941	90,941
Animal control	-	-	-	-	48,183	48,183
Recreation	-	-	-	-	58,984	58,984
Public safety	-	-	-	-	1,890	1,890
General government	-	-	-	-	14,048	14,048
Health and welfare	-	-	-	-	7,959	7,959
Assigned to:						
Revaluation	131,386	-	-	-	-	131,386
Subsequent year's budget	115,267	-	-	-	-	115,267
Encumbrances - capital outlay	179,000	-	-	-	-	179,000
Encumbrances - health and welfare	6,620	-	-	-	-	6,620
Encumbrances - general government	43,571	-	-	-	-	43,571
Unassigned	<u>2,979,005</u>	<u>-</u>	<u>(169,629)</u>	<u>(5,704,200)</u>	<u>(5,498)</u>	<u>(2,900,322)</u>
	<u>\$ 3,805,263</u>	<u>\$ 1,547,350</u>	<u>\$ (169,629)</u>	<u>\$ (3,094,546)</u>	<u>\$ 222,230</u>	<u>\$ 2,310,668</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS**

**Defined Benefit Plans**

**Plan Descriptions**

*Plan administration* - 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 Teachers' Retirement System. The plans are administered by a Retirement Board, pursuant to Connecticut General Statutes Section 7-450, composed of three to five members appointed by the First Selectman.

*Plan membership* - At July 1, 2014, the date of the most recent actuarial valuations, pension plan membership consisted of the following:

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>
Retirees and beneficiaries receiving benefits	24	21	3
Terminated employees entitled to benefits but not yet receiving them	14	7	1
Active plan members	33	44	3
	<u>71</u>	<u>72</u>	<u>7</u>

*Benefits provided* - The plans provide retirement, death and disability benefits to all eligible members. Benefit provisions are established and may be amended by the Town through Town Meeting. The following is a summary of the provisions for each type of class covered:

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. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants who have reached age 65 and have completed 5 years of service are 1.4% of an employees' final average compensation multiplied by the number of years of credited service, to a maximum of 40 years. Early retirement benefits are available for participants who have reached age 65 and have completed 15 years of service. Early retirement benefits consist of regular benefits reduced by 0.5% for each month by which the early retirement precedes normal retirement.

Merit Service Plan - All volunteers of the Town of Essex Fire Engine Company No. 1 become participants in the plan as of July 1<sup>st</sup> following the date at which they have completed one year of eligible service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants who have reached age 65 and have completed 10 years of service is \$16.65 per month for each year of credited service up to a maximum of 30 years.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Plan Descriptions (Continued)**

*Benefits provided (Continued) -*

Police Retirement Plan - All regular full-time sworn employees of the Essex Police Department are eligible to participate. However, supernumeraries, school guards, dog wardens/animal control officers, auxiliary police, fire police and police boat drivers are not considered "regular members" and are not eligible to participate in this plan. An employee whose regular work week is less than 30 hours or whose regular period of employment is less than 12 months in the year shall not be considered a full-time employee. The normal retirement date will be the first day of the month following the earlier of the date on which the vested employee attains his or her 55<sup>th</sup> birthday or completes 20 years of credited service. Retirement is mandatory for all employees at age 60. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. The amount of pension for normal retirement is 2.5% of the compensation base of the employee. For credited service beyond the original 20 years, 2% of compensation base of the employee is multiplied by the number of additional full years of the credit service of the employee per year and will be added to the full retirement percentage. Maximum benefits cannot exceed 60% of average annual earnings. Participants are eligible for early retirement after completion of at least 5 years of credited service. Early retirement benefits consist of regular benefits reduced by 0.5% for each month by which the early retirement precedes normal retirement.

*Contributions* - The Town establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year, with an additional amount to finance any unfunded accrued liability.

Participant contributions are determined by respective plan documents and may be amended by the Town through Town Meeting. The following is a summary of the contribution requirements for each type of class covered:

Employees' Retirement Plan - No participant contribution is required.

Merit Service Plan - No participant contribution is required.

Police Retirement Plan - Participants must contribute 3% of straight-time and overtime as a Town pick-up contribution under Code Section 414(h).

**Summary of Significant Accounting Policies**

*Basis of Accounting* - The Plans are accounted for using the accrual basis of accounting. Revenues (contributions investment income) are recognized when they are earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the Plans. Administrative costs of the Plans are funded by the Plans.



**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Summary of Significant Accounting Policies (Continued)**

*Investments* - 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.

*Concentrations* - The Plans' investments consist solely of investments in various equity mutual funds. As of June 30, 2016, more than 10% of each Plans' investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>% of Employees' Retirement Plan Investment</u>	<u>% of Merit Service Plan Investment</u>	<u>% of Police Retirement Plan Investment</u>
PIMCO	FDS Income Fund P	14.8%	14.8%	14.8%
Vanguard	500 Index Fund - Investor Shares	14.1%	14.1%	14.1%
Dodge & Cox	Income Fund	10.8%	10.8%	10.8%

*Rate of return* - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2016, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were as follows:

<b>Employees' Retirement Plan</b>	-1.71%
<b>Merit Service Plan</b>	-1.88%
<b>Police Retirement Plan</b>	-1.57%

**Net Pension Liability**

The components of the net pension liability for the plans at June 30, 2016 were as follows:

	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>
Total pension liability	\$ 4,251,302	\$ 1,417,674	\$ 1,624,326
Plan fiduciary net position	2,921,066	792,111	634,701
Town's net pension liability	<u>\$ 1,330,236</u>	<u>\$ 625,563</u>	<u>\$ 989,625</u>
Plan fiduciary net position as a percentage of the total pension liability	68.71%	55.87%	39.07%

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

The components of the changes in the net pension liability for each of the Town's Plans for the year ended June 30, 2016, were as follows:

	Increase (Decrease)		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Employees Retirement Plan</b>			
Balance as of June 30, 2015	\$ 4,002,402	\$ 2,931,178	\$ 1,071,224
Changes for the year:			
Service cost	136,340	-	136,340
Interest	303,380	-	303,380
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	231,680	(231,680)
Contributions - employee	-	-	-
Net investment income	-	(50,972)	50,972
Benefit payments, including refunds	(190,820)	(190,820)	-
Administrative expense	-	-	-
Net changes	248,900	(10,112)	259,012
Balance as of June 30, 2016	<u>\$ 4,251,302</u>	<u>\$ 2,921,066</u>	<u>\$ 1,330,236</u>
<b>Merit Service Plan</b>			
Balance as of June 30, 2015	\$ 1,379,639	\$ 820,223	\$ 559,416
Changes for the year:			
Service cost	15,499	-	15,499
Interest	101,719	-	101,719
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	67,899	(67,899)
Contributions - employee	-	-	-
Net investment income	-	(15,570)	15,570
Benefit payments, including refunds	(79,183)	(79,183)	-
Administrative expense	-	(1,258)	1,258
Net changes	38,035	(28,112)	66,147
Balance as of June 30, 2016	<u>\$ 1,417,674</u>	<u>\$ 792,111</u>	<u>\$ 625,563</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Police Retirement Plan</b>			
Balance as of June 30, 2015	<u>\$ 1,582,948</u>	<u>\$ 643,850</u>	<u>\$ 939,098</u>
Changes for the year:			
Service cost	49,949	-	49,949
Interest	117,813	-	117,813
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	123,060	(123,060)
Contributions - employee	-	5,102	(5,102)
Net investment income	-	(10,525)	10,525
Benefit payments, including refunds	(126,384)	(126,384)	-
Administrative expense	-	(402)	402
Net changes	<u>41,378</u>	<u>(9,149)</u>	<u>50,527</u>
Balance as of June 30, 2016	<u><u>\$ 1,624,326</u></u>	<u><u>\$ 634,701</u></u>	<u><u>\$ 989,625</u></u>

*Actuarial assumptions* - The total pension liability for each of the plans were determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>
Investment rate of return	7.50%	7.50%	7.50%
Salary increases	3.00%	N/A	3.00%
Inflation	3.00%	3.00%	3.00%

Mortality rates were based on the following:

<b>Employees' Retirement Plan</b>	RP-2014 Mortality Table with no collar adjustment projected to valuation date with Scale MP-2014.
<b>Merit Service Plan</b>	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment projected to valuation date with Scale AA.
<b>Police Retirement Plan</b>	RP-2014 Mortality Table with blue collar adjustment projected to valuation date with Scale MP-2014.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Net Pension Liability (Continued)**

*Actuarial assumptions (Continued)* - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in each pension plan's target asset allocation as of June 30, 2016, which are summarized in the following table:

	<b>Target</b>	<b>Long-term</b>	
	<b>Allocation</b>	<b>Expected Real</b>	<b>Weighting</b>
	<b>Rate of Return</b>		
US Large Cap Equity	22.00%	4.75%	1.05%
US Mid/Small Cap Equity	15.00%	5.50%	0.83%
International Equities (Unhedged)	15.00%	5.25%	0.79%
Emerging International Equities	7.00%	6.00%	0.42%
Core Bonds	20.00%	2.00%	0.40%
High Yield Bonds	8.00%	3.25%	0.26%
TIPS	5.00%	2.00%	0.10%
REITs	2.00%	5.00%	0.10%
Hedge Funds Mod Vol	5.00%	5.00%	0.25%
Cash	1.00%	0.50%	0.01%

*Discount rate* - The discount rate used to measure the total pension liability for each plan was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, each Plans' fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on each Plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate* - The following presents the net pension liability for each plan, calculated using a discount rate of 7.50%, as well as what the Town's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate as of June 30, 2016:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.50%</b>	<b>Discount</b>	<b>8.50%</b>
		<b>7.50%</b>	
Employees' Retirement Plan's net pension liability	\$ 1,783,556	\$ 1,330,236	\$ 943,564
Merit Fire Plan's net pension liability	790,741	625,563	485,671
Police Retirement Plan's net pension liability	1,193,186	989,625	820,682

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2016, the Town recognized pension expense for each of the Plans as follows:

<b>Employees' Retirement Plan</b>	\$ 331,816
<b>Merit Service Plan</b>	82,601
<b>Police Retirement Plan</b>	188,682

At June 30, 2016, the Town reported deferred outflows/inflows of resources related to each of the Plans from the following sources:

	<b>Deferred (Outflows)/Inflows of Resources</b>		
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>
Net difference between projected and actual earnings on pension plan investments	\$ 239,765	\$ 68,021	\$ 52,748
Differences between expected and actual experience	162,890	59,334	149,225
Changes of assumptions	43,797	6,144	(10,535)
<b>Total</b>	<b>\$ 446,452</b>	<b>\$ 133,499</b>	<b>\$ 191,438</b>

Amounts reported as deferred outflow/inflows of resources related to the Town Plan will be recognized as a component of pension expense in future years as follows:

	<b>Amortization of Deferred (Outflows)/Inflows of Resources</b>		
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>
Year ended June 30,			
2017	\$ 113,439	\$ 25,180	\$ 73,959
2018	113,439	25,180	73,959
2019	113,440	25,178	31,748
2020	106,134	22,939	11,772
2021 - 2025	-	35,022	-
<b>Total</b>	<b>\$ 446,452</b>	<b>\$ 133,499</b>	<b>\$ 191,438</b>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Plan Financial Statements**

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for each of the Town's defined benefit plans as of and for the year ended June 30, 2016:

<b>Statement of Fiduciary Net Position</b>			
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,401	\$ 6,843	\$ 5,137
Investments	2,897,665	785,268	629,564
Total assets	<u>2,921,066</u>	<u>792,111</u>	<u>634,701</u>
<b>NET POSITION</b>			
Restricted for pension benefits	<u>\$ 2,921,066</u>	<u>\$ 792,111</u>	<u>\$ 634,701</u>

<b>Statement of Changes in Fiduciary Net Position</b>			
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>
<b>ADDITIONS</b>			
Contributions:			
Employers	\$ 231,680	\$ 67,899	\$ 123,060
Plan members	-	-	5,102
Total contributions	<u>231,680</u>	<u>67,899</u>	<u>128,162</u>
Investment earnings:			
Interest and dividends	114,875	31,734	24,876
Net change in the fair value of investments	<u>(165,847)</u>	<u>(47,304)</u>	<u>(35,401)</u>
Total investment earnings, net	<u>(50,972)</u>	<u>(15,570)</u>	<u>(10,525)</u>
Total additions	<u>180,708</u>	<u>52,329</u>	<u>117,637</u>
<b>DEDUCTIONS</b>			
Benefit payments	190,820	79,183	126,385
Administrative expenses	-	1,258	402
Total deductions	<u>190,820</u>	<u>80,441</u>	<u>126,787</u>
Changes in net position	(10,112)	(28,112)	(9,150)
Net position - beginning	<u>2,931,178</u>	<u>820,223</u>	<u>643,851</u>
Net position - ending	<u>\$ 2,921,066</u>	<u>\$ 792,111</u>	<u>\$ 634,701</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**NOTE K - PENSION PLANS (Continued)**

**Teachers' Retirement System**

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings 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. For the year ended June 30, 2016, plan members of the Town contributed \$148,070 to the plan and covered payroll for the year was \$2,042,345.

The Town has recognized on-behalf payments of \$498,945 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2015 was \$10.972 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$7.11 million or approximately 0.065% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined.

The total pension liability in the June 30, 2014 actuarial valuation, rolled forward to June 30, 2015, was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.75% - 7.0% (includes inflation)
Investment rate of return	8.5% (includes inflation)
Cost of living adjustments:	
Retirements prior to 9/1/1992	3.0%
Retirements on or after 9/1/1992	2.0%

For healthy retirees and beneficiaries, the RP-2000 Combined Mortality Table projected forward 19 years using scale AA, with a two-year setback for males and females.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

**NOTE K - PENSION PLANS (Continued)**

**Teachers' Retirement System (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large Cap U.S. Equities	21.0%	5.80%
Developed Non-U.S. Equities	18.0%	6.60%
Emerging Markets (Non-U.S.)	9.0%	8.30%
Core Fixed Income	7.0%	1.30%
Inflation Linked Bonds	3.0%	1.00%
Emerging Market Bonds	5.0%	3.70%
High Yield Bonds	5.0%	3.90%
Real Estate	7.0%	5.10%
Private Equity	11.0%	7.60%
Alternative investments	8.0%	4.10%
Liquidity Fund	6.0%	0.40%
	<u>100.0%</u>	

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.50%) or 1-percentage-point higher (9.50%) than the current rate (in thousands):

	<b>1% Decrease (7.50%)</b>	<b>Current Discount (8.50%)</b>	<b>1% Increase (9.50%)</b>
Proportionate share of the net pension liability attributed to the Town	\$9.0 million	\$7.1 million	\$5.5 million

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.



**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**NOTE L - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Descriptions**

**Employees' OPEB Plan**

The Town 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 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.

**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 2016, contributions totaled \$22,052. 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. For fiscal year 2016, contributions totaled \$60,539.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**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 plans, and changes in the net OPEB obligations:

Annual required contribution	\$ 117,464
Interest on net OPEB obligation	17,542
Adjustment to annual required contribution	<u>(24,391)</u>
Annual OPEB cost	110,615
Contributions made	<u>82,591</u>
Increase in net OPEB obligation	28,024
Net OPEB obligation, beginning of year	438,547
Net OPEB obligation, end of year	<u><u>\$ 466,571</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the years ended June 30, 2014 through 2016 are as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Actual Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 110,615	\$ 82,591	75%	\$ 466,571
2015	109,483	57,127	52%	438,547
2014	89,135	12,959	15%	386,191

**Funded Status and Funding Progress**

The funded status of both plans as of the date of July 1, 2014, the most recent actuarial valuation date, was as follows:

<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
\$ -	\$ 1,963,390	\$ 1,963,390	0.0%	Not Available	Not Available

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

**Funded Status and Funding Progress (Continued)**

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 are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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:

Valuation date:	July 1, 2014
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Dollar Amount
Remaining amortization period:	30 years, closed
Asset valuation method:	Market value
Actuarial assumptions:	
Discount rate	4.0%
Healthcare cost trend rate	8.0% initial 4.0% final

**NOTE M - 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 \$10,457 for the year ended June 30, 2016. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, 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 plan are not reported in the basic financial statements of the Town.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**NOTE N - 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, 2016, the Town has recorded \$229,191 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2016.

**NOTE O - 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.

The Town participates in a medical health insurance fund, which is maintained by Regional School District No. 4. The fund accounts for and finances the retained risk of loss for member Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$150,000 for each insured occurrence. In addition to Regional School District No. 4, the participating members are the Town of Chester Board of Education, the Town of Deep River (including Board of Education) and the Regional Supervision District Board of Education. Members may be subject to additional assessments in the event of a deficiency.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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**NOTE O - RISK MANAGEMENT (Continued)**

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 \$45,576 as of June 30, 2016.

**NOTE P - RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town currently provides other post-employment benefits to certain eligible employees. The Town has not yet determined the impact that this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town currently provides other post-employment benefits to certain eligible employees. The Town has not yet determined the impact that this statement will have on its financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes disclosure of information about the nature and magnitude of tax abatements to allow users of the financial statements to understand 1) how tax abatements affect a government's future ability to raise resources and meets its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2016**

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

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

**NOTE Q - SUBSEQUENT EVENTS**

In August of 2016, the Town issued bond anticipation notes in the amount of \$5,000,000. The proceeds of the notes were used to refinance the bond anticipation notes outstanding as of June 30, 2016. The new bond anticipation notes are due May 2017 and bear an interest rate of 1.75%.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)**  
**EMPLOYEES' RETIREMENT PLAN**  
**LAST THREE FISCAL YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>			
Service cost	\$ 136,340	\$ 131,096	\$ 90,333
Interest	303,380	264,577	249,910
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	244,339	-
Changes of assumptions	-	65,695	-
Benefit payments, including refunds	(190,820)	(196,259)	(175,009)
Net change in total pension liability	248,900	509,448	165,234
Total pension liability - beginning	4,002,402	3,492,954	3,327,723
Total pension liability - ending	4,251,302	4,002,402	3,492,957
<b>Plan fiduciary net position</b>			
Contributions - employer	231,680	219,040	229,403
Contributions - members	-	-	-
Net investment income	(50,972)	170,109	374,159
Benefit payments, including refunds	(190,820)	(196,259)	(175,009)
Administrative expense	-	(10,984)	(11,823)
Net change in plan fiduciary net position	(10,112)	181,906	416,730
Plan fiduciary net position - beginning	2,931,178	2,749,272	2,332,542
Plan fiduciary net position - ending	2,921,066	2,931,178	2,749,272
<b>Town's net pension liability</b>	<b>\$ 1,330,236</b>	<b>\$ 1,071,224</b>	<b>\$ 743,685</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>68.71%</b>	<b>73.20%</b>	<b>78.71%</b>
<b>Covered employee payroll</b>	<b>\$ 1,813,057</b>	<b>\$ 1,743,324</b>	<b>\$ 1,178,755</b>
<b>Town's net pension liability as a percentage of covered employee payroll</b>	<b>73.37%</b>	<b>61.45%</b>	<b>63.09%</b>

**NOTES TO SCHEDULE:**

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014.

*Benefit Changes* - None noted

*Assumption Changes* - In 2015, asset valuation method changed to average of market and book value to market value, actuarial cost method changed from Projected Unit Credit Method, salary increase changed from flat 4.5% increase, retirement age changed from age 65 and 5 years service and the mortality table changes from 1983 Group Annuity Mortality Table.

*See accompanying Independent Auditor's Report.*



**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**EMPLOYEES' RETIREMENT PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 230,516	\$ 179,006	\$ 174,839
Contributions in relation to the actuarially determined contribution	<u>231,680</u>	<u>219,040</u>	<u>229,403</u>
Contribution deficiency (excess)	<u>\$ (1,164)</u>	<u>\$ (40,034)</u>	<u>\$ (54,564)</u>
Covered employee payroll	\$ 1,813,057	\$ 1,743,324	\$ 1,178,755
Contributions as a percentage of covered employee payroll	12.78%	12.56%	19.46%
Annual money-weighted rate of return, net of investment expense	-1.71%	6.06%	15.72%

**NOTES TO SCHEDULE:**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014.

Actuarial determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2016:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Market value with gains and losses recognized over five-years
Investment rate of return	7.50%
Salary increases	3% plus merit increases
Retirement age	Age 60 and 5 years of service
Mortality	RP-2014 Mortality Table with no collar adjustment projected with Scale MP-2014

Methods and assumptions used to determine contribution rates for 2015 and 2014:

Actuarial cost method	Projected unit credit method
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Market value
Investment rate of return	7.75%
Salary increases	4.50%
Retirement age	Age 60 and 5 years of service
Mortality	1983 Group Annuity Mortality Tables

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)**  
**MERIT SERVICE PLAN**  
**LAST THREE FISCAL YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>			
Service cost	\$ 15,499	\$ 15,499	32,446
Interest	101,719	93,834	92,015
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	73,132	-
Changes of assumptions	-	7,574	-
Benefit payments, including refunds	(79,183)	(90,423)	(76,336)
Net change in total pension liability	38,035	99,616	48,125
Total pension liability - beginning	1,379,639	1,280,023	1,231,897
Total pension liability - ending	1,417,674	1,379,639	1,280,022
<b>Plan fiduciary net position</b>			
Contributions - employer	67,899	84,999	75,741
Contributions - members	-	-	-
Net investment income	(15,570)	47,264	108,825
Benefit payments, including refunds	(79,183)	(90,423)	(76,335)
Administrative expense	(1,258)	(7,555)	(5,714)
Net change in plan fiduciary net position	(28,112)	34,285	102,517
Plan fiduciary net position - beginning	820,223	785,938	683,421
Plan fiduciary net position - ending	792,111	820,223	785,938
<b>Town's net pension liability</b>	<b>\$ 625,563</b>	<b>\$ 559,416</b>	<b>\$ 494,084</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	55.87%	59.45%	61.40%
<b>Covered employee payroll</b>	N/A	N/A	N/A
<b>Town's net pension liability as a percentage of covered employee payroll</b>	N/A	N/A	N/A

**NOTES TO SCHEDULE:**

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014.

*Benefit Changes* - None noted

*Assumption Changes* - In 2015, asset valuation method changed from average of market and book value, actuarial cost method changed from Projected Unit Credit Method, retirement age changed from 65 years, and the mortality tables changed from 1983 Group Annuity Mortality Tables.

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**MERIT SERVICE PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 67,899	\$ 60,756	\$ 59,726
Contributions in relation to the actuarially determined contribution	<u>67,899</u>	<u>84,999</u>	<u>75,741</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (24,243)</u>	<u>\$ (16,015)</u>
Covered employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	-1.88%	5.90%	15.79%

**NOTES TO SCHEDULE:**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014.

Actuarial determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributins are reported.

Methods and assumptions used to determine contribution rates for 2016:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Market value with gains and losses regonized over five-years
Investment rate of return	7.50%
Inflation	3.00%
Retirement age	Age 60 and 5 years of service
Mortality	RP-2014 Mortality Table with no collar adjustment projected with Scale MP-2014

Methods and assumptions used to determine contribution rates for 2015 and 2014:

Actuarial cost method	Projected unit credit method
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Average of market and book value of assets
Investment rate of return	7.75%
Inflation	Not applicable
Retirement age	Age 60 and 5 years of service
Mortality	1983 Group Annuity Mortality Tables

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)**  
**POLICE RETIREMENT PLAN**  
**LAST THREE FISCAL YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>			
Service cost	\$ 49,949	\$ 48,028	\$ 35,294
Interest	117,813	95,417	91,312
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	278,987	-
Changes of assumptions	-	(19,695)	-
Benefit payments, including refunds	(126,384)	(86,433)	(82,829)
Net change in total pension liability	41,378	316,304	43,777
Total pension liability - beginning	1,582,948	1,266,644	1,222,867
Total pension liability - ending	1,624,326	1,582,948	1,266,644
<b>Plan fiduciary net position</b>			
Contributions - employer	123,060	71,977	70,872
Contributions - members	5,102	6,542	6,985
Net investment income	(10,525)	36,624	85,628
Benefit payments, including refunds	(126,384)	(86,433)	(82,829)
Administrative expense	(402)	(5,427)	(4,481)
Net change in plan fiduciary net position	(9,149)	23,283	76,175
Plan fiduciary net position - beginning	643,850	620,567	544,391
Plan fiduciary net position - ending	634,701	643,850	620,566
<b>Town's net pension liability</b>	<b>\$ 989,625</b>	<b>\$ 939,098</b>	<b>\$ 646,078</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>39.07%</b>	<b>40.67%</b>	<b>48.99%</b>
<b>Covered employee payroll</b>	<b>\$ 261,743</b>	<b>\$ 251,676</b>	<b>\$ 265,484</b>
<b>Town's net pension liability as a percentage of covered employee payroll</b>	<b>378.09%</b>	<b>373.14%</b>	<b>243.36%</b>

**NOTES TO SCHEDULE:**

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014.

*Benefit Changes* - None noted

*Assumption Changes* - Asset valuation method changed from average of market and book value, the actuarial cost method changed from Projected Unit Credit Method, the salary increase changed from flat 4.5% increase, the retirement age changed from 25 years service no later than age 60, and the mortality table changes from 1983 Group Annuity Mortality Table.

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**POLICE RETIREMENT PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 123,060	\$ 58,426	\$ 57,942
Contributions in relation to the actuarially determined contribution	<u>123,060</u>	<u>71,977</u>	<u>70,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (13,551)</u>	<u>\$ (12,930)</u>
Covered employee payroll	\$ 261,743	\$ 251,676	\$ 265,484
Contributions as a percentage of covered employee payroll	47.02%	28.60%	26.70%
Annual money-weighted rate of return, net of investment expense	-1.57%	5.80%	15.64%

**NOTES TO SCHEDULE**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014.

Actuarial determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2016:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Market value with gains and losses recognized over five-years
Investment rate of return	7.50%
Salary increases	3% plus merit increases
Retirement age	Age 60 and 5 years of service
Mortality	RP-2014 Mortality Table with no collar adjustment projected with Scale MP-2014

Methods and assumptions used to determine contribution rates for 2015 and 2014:

Actuarial cost method	Projected unit credit method
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Average of market and book value of assets
Investment rate of return	7.75%
Salary increases	4.50%
Retirement age	25 years service, no later than age 60
Mortality	1983 Group Annuity Mortality Tables

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY (UNAUDITED)**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**  
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.065%	0.065%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	7,112	6,574
Total	<u>\$ 7,112</u>	<u>\$ 6,574</u>
Town's covered payroll	\$ 2,042	\$ 2,381
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	61.50%	59.50%

**NOTES TO SCHEDULE:**

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

The total pension liability reported for each fiscal year is based on a measurements date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2016 is based on a June 30, 2015 measurement date).

*Benefit Changes* - None noted

*Assumption Changes* - None noted

*See accompanying Independent Auditor's Report .*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULES OF FUNDING PROGRESS (UNAUDITED)**  
**OTHER POST-EMPLOYMENT BENEFIT PLANS**  
**LAST FOUR ACTUARIAL VALUATIONS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>Employees' OPEB Plan:</b>						
July 1, 2014	\$ -	\$ 523,591	\$ 523,591	0%	Not Available	Not Available
July 1, 2011	-	430,452	430,452	0%	Not Available	Not Available
July 1, 2010	-	789,828	789,828	0%	Not Available	Not Available
July 1, 2009	-	339,212	339,212	0%	Not Available	Not Available
<b>Teachers' OPEB Plan:</b>						
July 1, 2014	\$ -	\$ 1,439,799	\$ 1,439,799	0%	Not Available	Not Available
July 1, 2011	-	425,094	425,094	0%	Not Available	Not Available
July 1, 2010	-	341,411	341,411	0%	Not Available	Not Available
July 1, 2009	-	320,456	320,456	0%	Not Available	Not Available
<b>Total:</b>						
July 1, 2014	\$ -	\$ 1,963,390	\$ 1,963,390	0%	Not Available	Not Available
July 1, 2011	-	855,546	855,546	0%	Not Available	Not Available
July 1, 2010	-	1,131,239	1,131,239	0%	Not Available	Not Available
July 1, 2009	-	659,668	320,456	0%	Not Available	Not Available

*See accompanying Independent Auditor's Report*

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>PROPERTY TAXES</b>				
Property taxes	\$ 21,783,424	\$ 21,783,424	\$ 21,888,263	\$ 104,839
Interest and lien fees	50,000	50,000	136,840	86,840
Total property taxes	21,833,424	21,833,424	22,025,103	191,679
<b>INTERGOVERNMENTAL</b>				
Veterans tax relief	3,962	3,962	3,519	(443)
Education cost sharing grant	389,697	389,697	370,583	(19,114)
Town aid road grant	215,183	215,183	214,980	(203)
LOCIP	40,043	40,043	-	(40,043)
PILOT grant	25,714	25,714	-	(25,714)
Homeowners tax relief	35,000	35,000	36,066	1,066
Transit district	578	578	502	(76)
Pequot grant	13,030	13,030	13,224	194
Municipal grant in aid	74,547	74,547	74,547	-
Miscellaneous State and Federal	10,000	10,000	-	(10,000)
Total intergovernmental	807,754	807,754	713,421	(94,333)
<b>LOCAL REVENUES</b>				
Miscellaneous permits	3,500	3,500	8,423	4,923
Access line tax share	32,500	32,500	27,000	(5,500)
Sanitary permits	80,000	80,000	86,716	6,716
Building permit fees	125,000	125,000	133,539	8,539
Circuit court fines	6,000	6,000	3,483	(2,517)
Gas tax refunds	805	805	-	(805)
Zoning permits	7,100	7,100	10,170	3,070
Zoning board of appeals	2,160	2,160	2,500	340
Planning commission receipts	2,500	2,500	-	(2,500)
Conveyance tax	110,000	110,000	173,050	63,050
Park and recreation	4,500	4,500	1,400	(3,100)
Miscellaneous receipts	15,000	15,000	51,874	36,874
Town clerk fees	115,000	115,000	117,120	2,120
Inland wetlands permits	1,440	1,440	1,920	480
Regional recycling fees	62,000	62,000	56,998	(5,002)
Health department fees	7,500	7,500	9,300	1,800
Total local revenues	575,005	575,005	683,493	108,488
<b>INTEREST INCOME</b>	7,200	7,200	6,669	(531)
<b>Total revenues</b>	23,223,383	23,223,383	23,428,686	205,303
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	28,553	478,408	-	(478,408)
<b>Total revenues and other financing sources</b>	<u>\$ 23,251,936</u>	<u>\$ 23,701,791</u>	<u>\$ 23,428,686</u>	<u>\$ (273,105)</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, 2016**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 192,828	\$ 192,828	\$ 190,871	\$ (1,957)
Assessor	113,220	113,220	107,584	(5,636)
Central services	212,617	212,617	205,285	(7,332)
Elections	47,249	48,291	48,291	-
Probate court	3,460	3,460	3,460	-
Tax collector	107,169	107,169	104,323	(2,846)
Town clerk	157,607	177,226	177,226	-
Finance department	166,303	166,303	166,093	(210)
Zoning enforcement agent	65,242	65,835	65,835	-
Fringe benefits	950,142	1,175,142	1,126,474	(48,668)
General insurance	189,643	189,643	177,941	(11,702)
Legal services	74,500	80,230	80,230	-
Public restroom facilities	20,250	20,250	17,202	(3,048)
Technology	182,298	182,298	181,663	(635)
Board of assessment appeals	1,340	1,340	985	(355)
Board of finance	110,500	72,148	35,419	(36,729)
Conservation commission	10,525	10,549	10,549	-
Economic development commission	14,100	14,100	13,333	(767)
IWWC commission	7,880	7,880	4,855	(3,025)
Parks and recreation	169,118	171,262	171,262	-
Parks and recreation commission	2,200	2,200	784	(1,416)
Planning commission	61,617	62,486	62,486	-
Tree committee	6,000	6,004	6,000	(4)
Zoning board of appeals	4,700	4,700	4,690	(10)
Zoning commission	31,568	39,684	39,684	-
Total general government	2,902,076	3,126,865	3,002,525	(124,340)
PUBLIC SAFETY				
Ambulance association	12,158	12,158	12,158	-
Animal control	10,000	10,000	10,000	-
Building department	93,745	93,745	92,373	(1,372)
Emergency management	21,400	21,400	16,501	(4,899)
Emergency 911	118,098	118,098	118,098	-
Fire department	325,150	325,150	325,150	-
Fire marshal	47,810	47,810	46,476	(1,334)
Harbor patrol	29,100	29,100	19,332	(9,768)
Police services	371,150	371,150	255,184	(115,966)
Resident state trooper	129,523	159,152	159,152	-
Water	154,427	154,642	154,642	-
Total public safety	1,312,561	1,342,405	1,209,066	(133,339)
(Continued)				

(Continued)

See accompanying Independent Auditor's Report.

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)**  
**YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
				<b>Over (Under)</b>
<b>BOARD OF SELECTMEN (Continued)</b>				
<b>HEALTH AND WELFARE</b>				
Estuary transit	\$ 17,358	\$ 17,358	\$ 17,358	\$ -
Sanitarian	135,984	135,984	119,699	(16,285)
Transfer station	265,270	265,270	241,991	(23,279)
Social services	103,134	103,134	100,913	(2,221)
Visiting nurses	66,874	66,874	66,850	(24)
Water pollution control	2,600	2,600	1,179	(1,421)
Total health and welfare	591,220	591,220	547,990	(43,230)
<b>LIBRARIES</b>	390,559	390,559	390,559	-
<b>HIGHWAYS AND TRANSPORTATION</b>				
Highways	858,902	923,928	923,928	-
Town garage	35,600	35,600	26,537	(9,063)
Total highways and transportation	894,502	959,528	950,465	(9,063)
<b>DEBT SERVICE</b>				
Principal payments	650,000	650,000	650,000	-
Interest and fiscal charges	258,881	258,881	258,881	-
Total debt service	908,881	908,881	908,881	-
<b>CAPITAL OUTLAYS</b>				
Capital and sinking funds	456,889	587,089	578,274	(8,815)
Total capital outlays	456,889	587,089	578,274	(8,815)
Total Board of Selectmen	7,456,688	7,906,547	7,587,760	(318,787)
<b>EDUCATION</b>	15,795,246	15,795,246	15,782,638	(12,608)
Total expenditures	\$ 23,251,934	\$ 23,701,793	\$ 23,370,398	\$ (331,395)

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**YEAR END JUNE 30, 2016**

Grand List Year	Balance Uncollected June 30, 2015	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2016
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2014	\$ -	\$ 21,886,809	\$ 49,730	\$ 55,380	\$ -	\$ 21,881,159	\$ 21,677,932	\$ 61,717	\$ 120	\$ 21,739,769	\$ 203,227
2013	267,546		4,710	3,385	-	268,871	153,572	30,252	672	184,496	115,299
2012	137,150	-	1,460	-	30,411	108,199	61,229	23,763	312	85,304	46,970
2011	56,284	-	-	-	-	56,284	29,095	9,775	168	39,038	27,189
2010	15,006	-	-	-	-	15,006	4,872	1,760	24	6,656	10,134
2009	7,416	-	-	-	-	7,416	70	2,738	-	2,808	7,346
2008	7,632	-	-	-	-	7,632	24	32	-	56	7,608
2007	5,909	-	-	-	-	5,909	752	947	-	1,699	5,157
2006	744	-	-	-	-	744	-	-	-	-	744
2005	713	-	-	-	-	713	-	-	-	-	713
2004	682	-	-	-	-	682	-	-	-	-	682
2003	387	-	-	-	-	387	-	-	-	-	387
	<u>\$ 499,469</u>	<u>\$ 21,886,809</u>	<u>\$ 55,900</u>	<u>\$ 58,765</u>	<u>\$ 30,411</u>	<u>\$ 22,353,002</u>	<u>\$ 21,927,546</u>	<u>\$ 130,984</u>	<u>\$ 1,296</u>	<u>\$ 22,059,826</u>	<u>\$ 425,456</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, 2016**

Total cash collections for the year ended  
June 30, 2016:

Taxes	\$ 21,927,546
Interest and lien fees	132,280
	<u>22,059,826</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	36,066
Base	<u>\$ 22,095,892</u>

	<b>General Purposes</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Pension Deficit</b>
Debt limitation:					
2-1/4 times base	\$ 49,715,757	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	99,431,514	-	-	-
3-3/4 times base	-	-	82,859,595	-	-
3-1/4 times base	-	-	-	71,811,649	-
3 times base	-	-	-	-	66,287,676
Total debt limitation	<u>49,715,757</u>	<u>99,431,514</u>	<u>82,859,595</u>	<u>71,811,649</u>	<u>66,287,676</u>
Indebtedness:					
Bonds payable	377,148	7,397,852	-	-	-
Shared debt - Regional School District No. 4	-	4,404,186	-	-	-
Bond anticipation note payable	2,900,000	2,100,000	-	-	-
Authorized, unissued bonds	6,509,625	4,065,000	-	-	-
Total indebtedness	<u>9,786,773</u>	<u>17,967,038</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 39,928,984</u>	<u>\$ 81,464,476</u>	<u>\$ 82,859,595</u>	<u>\$ 71,811,649</u>	<u>\$ 66,287,676</u>
Total capacity of borrowing (7 times base)	154,671,244				
Total present indebtedness	<u>27,753,811</u>				
Margin for additional borrowing	<u>\$ 126,917,433</u>				

*See accompanying Independent Auditor's Report.*

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**CAPITAL AND NON-RECURRING EXPENDITURES FUND**

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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, 2016

	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	\$ 175	\$ 3	\$ 47	\$ 44	\$ 128	\$ 90	\$ -	\$ 96	\$ 262	\$ 131	\$ 976
Total revenues	175	3	47	44	128	90	-	96	262	131	976
EXPENDITURES											
Current:											
General government	-	-	-	-	-	3,390	-	-	-	-	3,390
Capital outlays	73,427	-	7,410	-	-	-	-	-	-	-	80,837
Total expenditures	73,427	-	7,410	-	-	3,390	-	-	-	-	84,227
Excess (deficiency) of revenues over expenditures	(73,252)	3	(7,363)	44	128	(3,300)	-	96	262	131	(83,251)
OTHER FINANCING SOURCES											
Transfers in	145,000	-	40,000	36,000	20,000	36,500	-	20,000	47,775	40,000	385,275
Net change in fund balances	71,748	3	32,637	36,044	20,128	33,200	-	20,096	48,037	40,131	302,024
Fund balances - beginning	658,417	2,803	32,109	35,954	100,752	52,014	20	70,705	208,244	84,308	1,245,326
Fund balances - ending	\$ 730,165	\$ 2,806	\$ 64,746	\$ 71,998	\$ 120,880	\$ 85,214	\$ 20	\$ 90,801	\$ 256,281	\$ 124,439	\$ 1,547,350

*See accompanying Independent Auditor's Report.*



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**NONMAJOR GOVERNMENTAL FUNDS**

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**TOWN OF ESSEX, CONNECTICUT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	Nonmajor Special Revenue Funds									Total
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents	Recreational Programs	Grants	CVA Pump Out Boat	Tree Committee	
<b>ASSETS</b>										
Cash and cash equivalents	\$ 173,513	\$ 3,288	\$ 60,119	\$ 327,499	\$ 7,099	\$ 14,677	\$ -	\$ -	\$ -	\$ 586,195
Grants and contracts receivable	-	10,265	-	-	-	-	135,694	-	-	145,959
Other receivables	-	227	-	-	-	-	-	-	-	227
Due from other funds	-	-	30,822	-	1,537	80,663	-	10,683	5,412	129,117
Inventories	-	5,498	-	-	-	-	-	-	-	5,498
Total assets	<u>\$ 173,513</u>	<u>\$ 19,278</u>	<u>\$ 90,941</u>	<u>\$ 327,499</u>	<u>\$ 8,636</u>	<u>\$ 95,340</u>	<u>\$ 135,694</u>	<u>\$ 10,683</u>	<u>\$ 5,412</u>	<u>\$ 866,996</u>
<b>LIABILITIES</b>										
Accounts payable	\$ 3,948	\$ 6,490	\$ -	\$ -	\$ -	\$ 1,324	\$ 128,937	\$ 2,724	\$ -	\$ 143,423
Due to other funds	110,581	12,788	-	325,609	-	-	6,532	-	-	455,510
Unearned revenue	-	-	-	-	-	45,833	-	-	-	45,833
Total liabilities	<u>114,529</u>	<u>19,278</u>	<u>-</u>	<u>325,609</u>	<u>-</u>	<u>47,157</u>	<u>135,469</u>	<u>2,724</u>	<u>-</u>	<u>644,766</u>
<b>FUND BALANCES</b>										
Nonspendable	-	5,498	-	-	-	-	-	-	-	5,498
Restricted	-	-	-	-	-	-	225	-	-	225
Committed	58,984	-	90,941	1,890	8,636	48,183	-	7,959	5,412	222,005
Unassigned	-	(5,498)	-	-	-	-	-	-	-	(5,498)
Total fund balances	<u>58,984</u>	<u>-</u>	<u>90,941</u>	<u>1,890</u>	<u>8,636</u>	<u>48,183</u>	<u>225</u>	<u>7,959</u>	<u>5,412</u>	<u>222,230</u>
Total liabilities and fund balances	<u>\$ 173,513</u>	<u>\$ 19,278</u>	<u>\$ 90,941</u>	<u>\$ 327,499</u>	<u>\$ 8,636</u>	<u>\$ 95,340</u>	<u>\$ 135,694</u>	<u>\$ 10,683</u>	<u>\$ 5,412</u>	<u>\$ 866,996</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Nonmajor Special Revenue Funds									
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents	Recreational Programs	Grants Fund	CVA Pump Out Boat	Tree Committee	Total
REVENUES										
Intergovernmental	\$ -	\$ 39,129	\$ -	\$ -	\$ -	\$ -	\$ 386,968	\$ 60,705	\$ -	\$ 486,802
Local revenue	25,409	81,485	21,069	47,321	3,470	100,892	225	-	600	280,471
Interest income	-	-	117	-	-	-	-	-	-	117
Total revenues	25,409	120,614	21,186	47,321	3,470	100,892	387,193	60,705	600	767,390
EXPENDITURES										
Current:										
General government	24,149	-	15,800	-	1,360	84,300	17,698	-	5,313	148,620
Public safety	-	-	3,251	56,550	-	-	-	-	-	59,801
Health and welfare	-	-	-	-	-	-	7,689	60,086	-	67,775
Education	-	156,520	-	-	-	-	97,682	-	-	254,202
Debt Service:										
Principal payments	-	-	-	-	-	-	-	2,717	-	2,717
Interest and fiscal charges	-	-	-	-	-	-	-	487	-	487
Capital outlays	-	-	-	-	-	-	263,899	98,366	-	362,265
Total expenditures	24,149	156,520	19,051	56,550	1,360	84,300	386,968	161,656	5,313	895,867
Excess (deficiency) of revenues over expenditures	1,260	(35,906)	2,135	(9,229)	2,110	16,592	225	(100,951)	(4,713)	(128,477)
OTHER FINANCING SOURCES										
Capital lease financing	-	-	-	-	-	-	-	98,366	-	98,366
Transfers in	-	36,047	5,000	-	-	-	-	-	-	41,047
Total other financing sources	-	36,047	5,000	-	-	-	-	98,366	-	139,413
Net change in fund balances	1,260	141	7,135	(9,229)	2,110	16,592	225	(2,585)	(4,713)	10,936
Fund balances - beginning	57,724	(141)	83,806	11,119	6,526	31,591	-	10,544	10,125	211,294
Fund balances - ending	\$ 58,984	\$ -	\$ 90,941	\$ 1,890	\$ 8,636	\$ 48,183	\$ 225	\$ 7,959	\$ 5,412	\$ 222,230

*See accompanying Independent Auditor's Report.*

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## FIDUCIARY FUNDS

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**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2016**

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	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,401	\$ 6,843	\$ 5,137	\$ 35,381
Investments	2,897,665	785,268	629,564	4,312,497
Total assets	<u>2,921,066</u>	<u>792,111</u>	<u>634,701</u>	<u>4,347,878</u>
<b>NET POSITION</b>				
Restricted for pension benefits	<u>\$ 2,921,066</u>	<u>\$ 792,111</u>	<u>\$ 634,701</u>	<u>\$ 4,347,878</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 231,680	\$ 67,899	\$ 123,060	\$ 422,639
Plan members	-	-	5,102	5,102
Total contributions	<u>231,680</u>	<u>67,899</u>	<u>128,162</u>	<u>427,741</u>
Investment earnings:				
Net change in the fair value of investments	(165,847)	(47,304)	(35,401)	(248,552)
Interest and dividends	114,875	31,734	24,876	171,485
Total investment earnings	<u>(50,972)</u>	<u>(15,570)</u>	<u>(10,525)</u>	<u>(77,067)</u>
Total additions	<u>180,708</u>	<u>52,329</u>	<u>117,637</u>	<u>350,674</u>
<b>DEDUCTIONS</b>				
Benefit payments	190,820	79,183	126,385	396,388
Administrative expenses	-	1,258	402	1,660
Total deductions	<u>190,820</u>	<u>80,441</u>	<u>126,787</u>	<u>398,048</u>
Change in net position	(10,112)	(28,112)	(9,150)	(47,374)
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>				
Beginning of year	<u>2,931,178</u>	<u>820,223</u>	<u>643,851</u>	<u>4,395,252</u>
Ending of year	<u>\$ 2,921,066</u>	<u>\$ 792,111</u>	<u>\$ 634,701</u>	<u>\$ 4,347,878</u>

*See accompanying Independent Auditor's Report.*

TOWN OF ESSEX, CONNECTICUT  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2016

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	Elementary School Activities	Performance Bonds	Special Project Escrow Funds	DARE of Essex	Total Agency Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,377	\$ 97,469	\$ 39,936	\$ 3,184	\$ 151,966
Investments	-	66,096	-	-	66,096
Total assets	<u>\$ 11,377</u>	<u>\$ 163,565</u>	<u>\$ 39,936</u>	<u>\$ 3,184</u>	<u>\$ 218,062</u>
<b>LIABILITIES</b>					
Due to others	\$ -	\$ 163,565	\$ 39,936	\$ 3,184	\$ 206,685
Due to student groups	11,377	-	-	-	11,377
Total liabilities	<u>\$ 11,377</u>	<u>\$ 163,565</u>	<u>\$ 39,936</u>	<u>\$ 3,184</u>	<u>\$ 218,062</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Balance, July 1, 2015	Additions	Deletions	Balance, June 30, 2016
<b>Elementary School Activities</b>				
Assets				
Cash and cash equivalents	\$ 15,012	\$ 17,562	\$ 21,197	\$ 11,377
Total assets	<u>\$ 15,012</u>	<u>\$ 17,562</u>	<u>\$ 21,197</u>	<u>\$ 11,377</u>
Liabilities				
Due to student groups	\$ 15,012	\$ 17,562	\$ 21,197	\$ 11,377
Total liabilities	<u>\$ 15,012</u>	<u>\$ 17,562</u>	<u>\$ 21,197</u>	<u>\$ 11,377</u>
<b>Performance Bonds</b>				
Assets				
Cash and cash equivalents	\$ 101,427	\$ 56,752	\$ 60,710	\$ 97,469
Investments	66,063	33	-	66,096
Total assets	<u>\$ 167,490</u>	<u>\$ 56,785</u>	<u>\$ 60,710</u>	<u>\$ 163,565</u>
Liabilities				
Due to others	\$ 167,490	\$ 56,785	\$ 60,710	\$ 163,565
Total liabilities	<u>\$ 167,490</u>	<u>\$ 56,785</u>	<u>\$ 60,710</u>	<u>\$ 163,565</u>
<b>Special Project Escrow Funds</b>				
Assets				
Cash and cash equivalents	\$ 29,240	\$ 39,936	\$ 29,240	\$ 39,936
Total assets	<u>\$ 29,240</u>	<u>\$ 39,936</u>	<u>\$ 29,240</u>	<u>\$ 39,936</u>
Liabilities				
Due to others	\$ 29,240	\$ 39,936	\$ 29,240	\$ 39,936
Total liabilities	<u>\$ 29,240</u>	<u>\$ 39,936</u>	<u>\$ 29,240</u>	<u>\$ 39,936</u>
<b>DARE of Essex</b>				
Assets				
Cash and cash equivalents	\$ -	\$ 3,184	\$ -	\$ 3,184
Total assets	<u>\$ -</u>	<u>\$ 3,184</u>	<u>\$ -</u>	<u>\$ 3,184</u>
Liabilities				
Due to others	\$ -	\$ 3,184	\$ -	\$ 3,184
Total liabilities	<u>\$ -</u>	<u>\$ 3,184</u>	<u>\$ -</u>	<u>\$ 3,184</u>
<b>Total All Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 145,679	\$ 117,434	\$ 111,147	\$ 151,966
Investments	66,063	33	-	66,096
Total assets	<u>\$ 211,742</u>	<u>\$ 117,467</u>	<u>\$ 111,147</u>	<u>\$ 218,062</u>
Liabilities				
Due to others	\$ 196,730	\$ 99,905	\$ 89,950	\$ 206,685
Due to student groups	15,012	17,562	21,197	11,377
Total liabilities	<u>\$ 211,742</u>	<u>\$ 117,467</u>	<u>\$ 111,147</u>	<u>\$ 218,062</u>

*See accompanying Independent Auditor's Report.*