

TOWN OF ESSEX, CONNECTICUT

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

JUNE 30, 2017

CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to the Financial Statements	24
Required Supplementary Information (Unaudited):	
Schedule of Changes in Net Pension Liability – Employees' Retirement Plan	57
Schedule of Contributions and Investment Returns – Employees' Retirement Plan	58
Schedule of Changes in Net Pension Liability – Merit Service Plan	59
Schedule of Contributions and Investment Returns – Merit Service Plan	60
Schedule of Changes in Net Pension Liability – Police Retirement Plan	61
Schedule of Contributions and Investment Returns – Police Retirement Plan	62
Schedule of the Town's Proportionate Share of the Net Pension Liability – Connecticut State Teachers' Retirement System	63
Schedules of Funding Progress – Other Post-Employment Benefit Plans	64

CONTENTS *(Continued)*

Page

Combining and Individual Fund Statements and Schedules:

Governmental Funds:

General Fund:

Schedule of Revenues and Other Financing Sources - Budget and Actual - Budgetary Basis	65
Schedule of Expenditures - Budget and Actual - Budgetary Basis	66
Schedule of Property Taxes Levied, Collected and Outstanding	68
Schedule of Debt Limitation	69

Capital and Non-Recurring Expenditures Fund:

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - by Project	70
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Nonmajor Governmental Funds:

Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72

Fiduciary Funds:

Pension Trust Funds and Agency Funds:

Combining Statement of Fiduciary Net Position - Pension Trust Funds	73
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	74
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	75
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	76

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, 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, 2017, 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, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

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, 2017.

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 \$17,052,247 (net position). Of this amount, \$2,020,339 represents unrestricted net position.
- The Town's total net position increased by \$507,735 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 \$5,260,826, an increase of \$2,950,158 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,091,305 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 \$1,127,704 or 4.4% 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 \$695,000 or 8.9% 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, 2017

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, 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, 2017

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

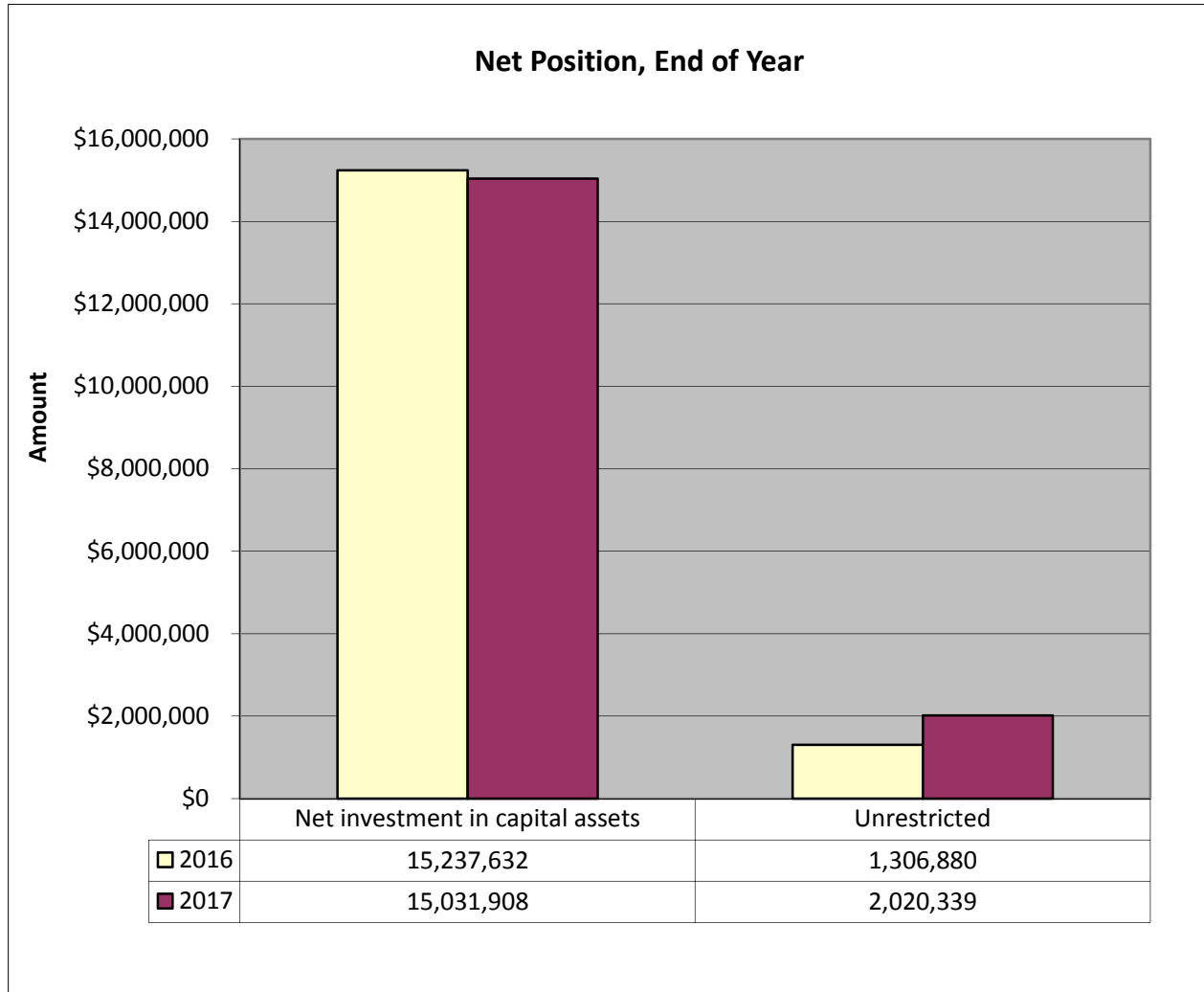
Over time, net position may serve as one measure of a government's financial position. The net position of the Town totaled \$17,052,247 and \$16,544,512 as of June 30, 2017 and 2016, respectively and are summarized as follows:

	2017	2016
Current and other assets	\$ 6,693,463	\$ 8,589,462
Capital assets, net	26,956,855	25,829,151
Total assets	<u>33,650,318</u>	<u>34,418,613</u>
Deferred outflows of resources	<u>641,708</u>	<u>715,362</u>
Long-term liabilities	10,821,605	11,883,211
Other liabilities	5,991,140	5,924,328
Total liabilities	<u>16,812,745</u>	<u>17,807,539</u>
Deferred inflows of resources	<u>427,034</u>	<u>781,924</u>
Net position:		
Net investment in capital assets	15,031,908	15,237,632
Unrestricted	<u>2,020,339</u>	<u>1,306,880</u>
Total net position	<u><u>\$ 17,052,247</u></u>	<u><u>\$ 16,544,512</u></u>

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



Of the Town's net position, 88% 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 \$507,735.

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

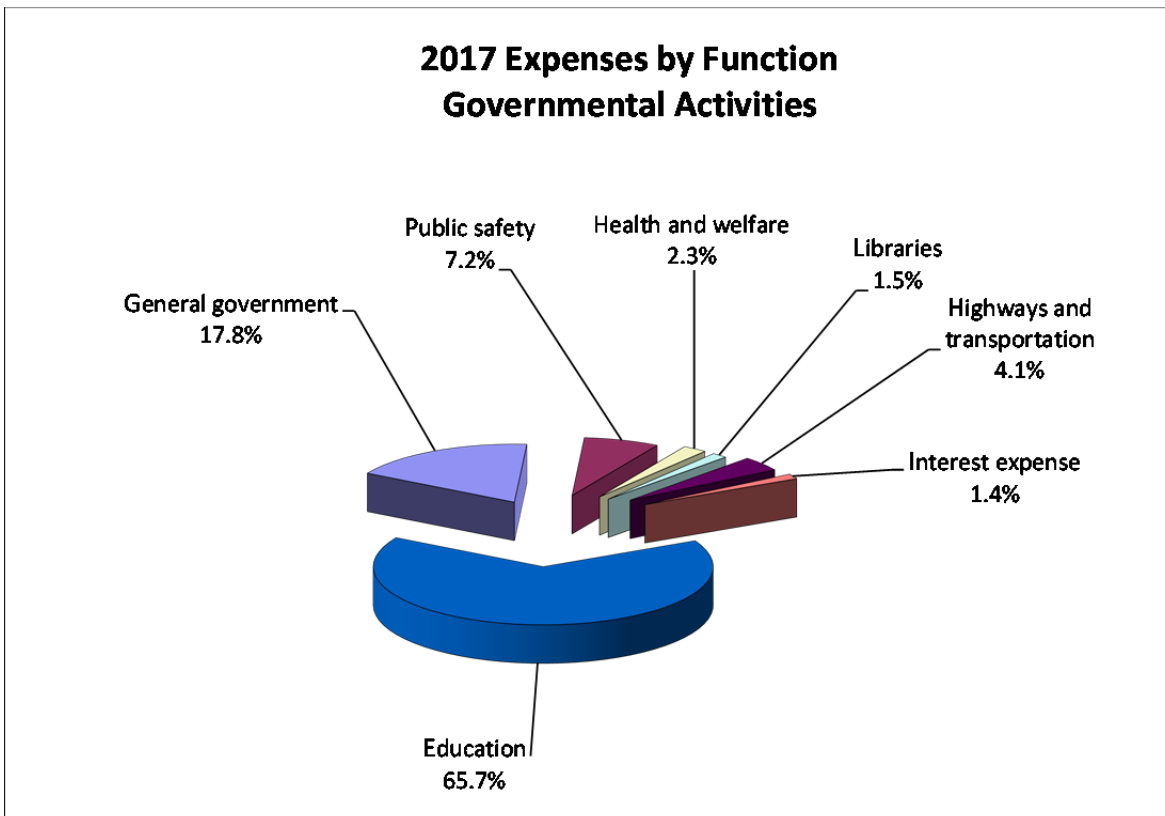
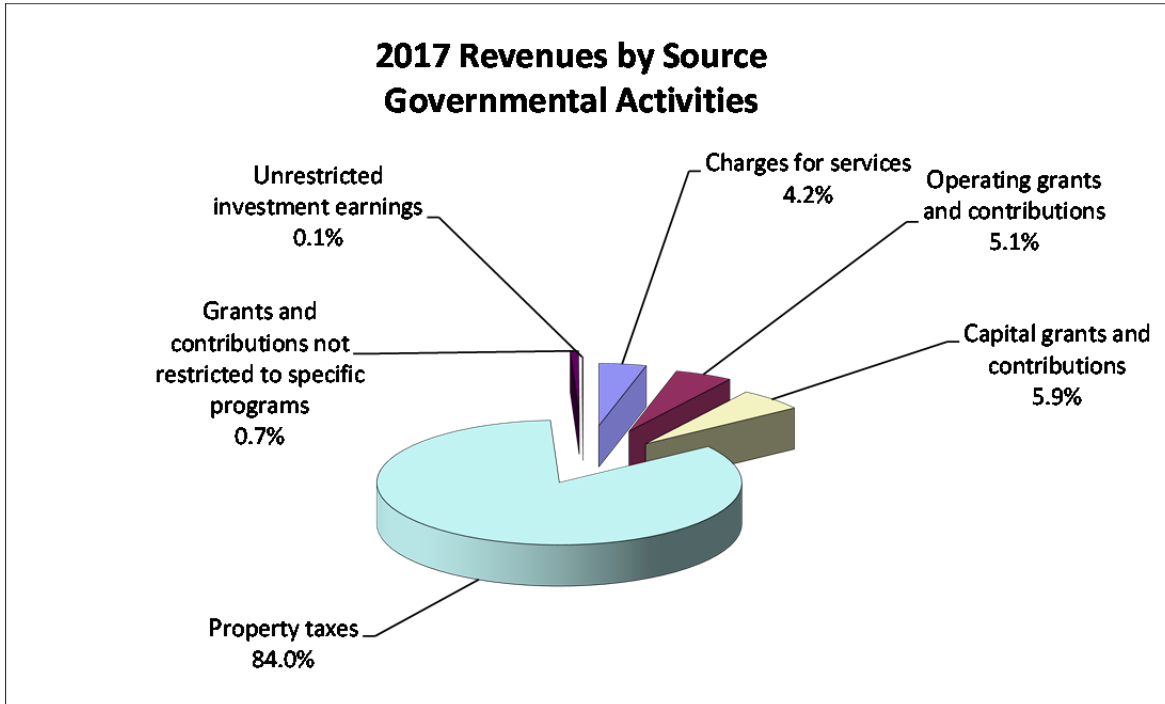
Changes in net position for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 1,130,493	\$ 933,481
Operating grants and contributions	1,380,194	1,303,635
Capital grants and contributions	1,588,185	728,976
General revenues:		
Property taxes	22,654,176	22,002,934
Grants and contributions not restricted to specific programs	197,556	157,839
Unrestricted investment earnings	14,541	7,762
Total revenues	<u>26,965,145</u>	<u>25,134,627</u>
Program expenses:		
General government	4,718,275	3,361,657
Public safety	1,903,882	1,450,039
Health and welfare	607,152	691,118
Libraries	390,559	390,559
Highways and transportation	1,080,103	1,253,573
Interest expense	370,095	251,024
Education	17,387,344	17,097,091
Total expenses	<u>26,457,410</u>	<u>24,495,061</u>
Change in net position	<u><u>\$ 507,735</u></u>	<u><u>\$ 639,566</u></u>

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)



TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Governmental activities increased the Town's net position by \$507,735. Revenues generated by the Town increased by approximately \$1.8 million in comparison to the prior year, primarily due to an increase in tax and grant revenues. Expenses for the Town increased by approximately \$2.0 million in comparison to the prior year. A significant component of this increase is due to an increase of approximately \$564 thousand in the Capital Nonrecurring fund to recognize an expense for a new fire apparatus, acquired on behalf of the Town's fire department.

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 \$5,260,826, an increase of \$2,950,158 in comparison with the prior year. Of this amount, \$416,690 represents 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 \$3,091,305, while total fund balance was \$3,737,339. 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 decreased by \$67,924 during the current fiscal year due to budgetary results outlined below.

Capital and Nonrecurring Expenditures Fund

The fund balance of the Capital and Nonrecurring Expenditures Fund decreased by \$246,655 during the current fiscal year to \$1,300,695. This decrease 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, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Bonded Capital Projects Fund

The Bonded Capital Projects Fund has a fund balance of \$32,003 as of June 30, 2017, an increase of \$3,126,549. This fund accounts for the costs associated with the Town's approved \$8 million capital project and general obligation bond authorizations. Subsequent to year end the Town refinanced a \$5,000,000 bond anticipation note with permanent financing through the issuance of general obligation bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget included the use of fund balance in the amount of \$115,267. Additional appropriations of \$377,895 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 \$244,016, as a result of collections exceeding budgeted expectations for tax revenue and various permit fees. Expenditures were \$402,602 less than budgeted due to a decrease of approximately \$271 thousand in the costs of education. The net result of the supplemental appropriations and variances of revenues and expenditures resulted in an increase of \$153,455 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, 2017 totaled \$26,956,855 (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 \$1,127,704 or 4.4%.

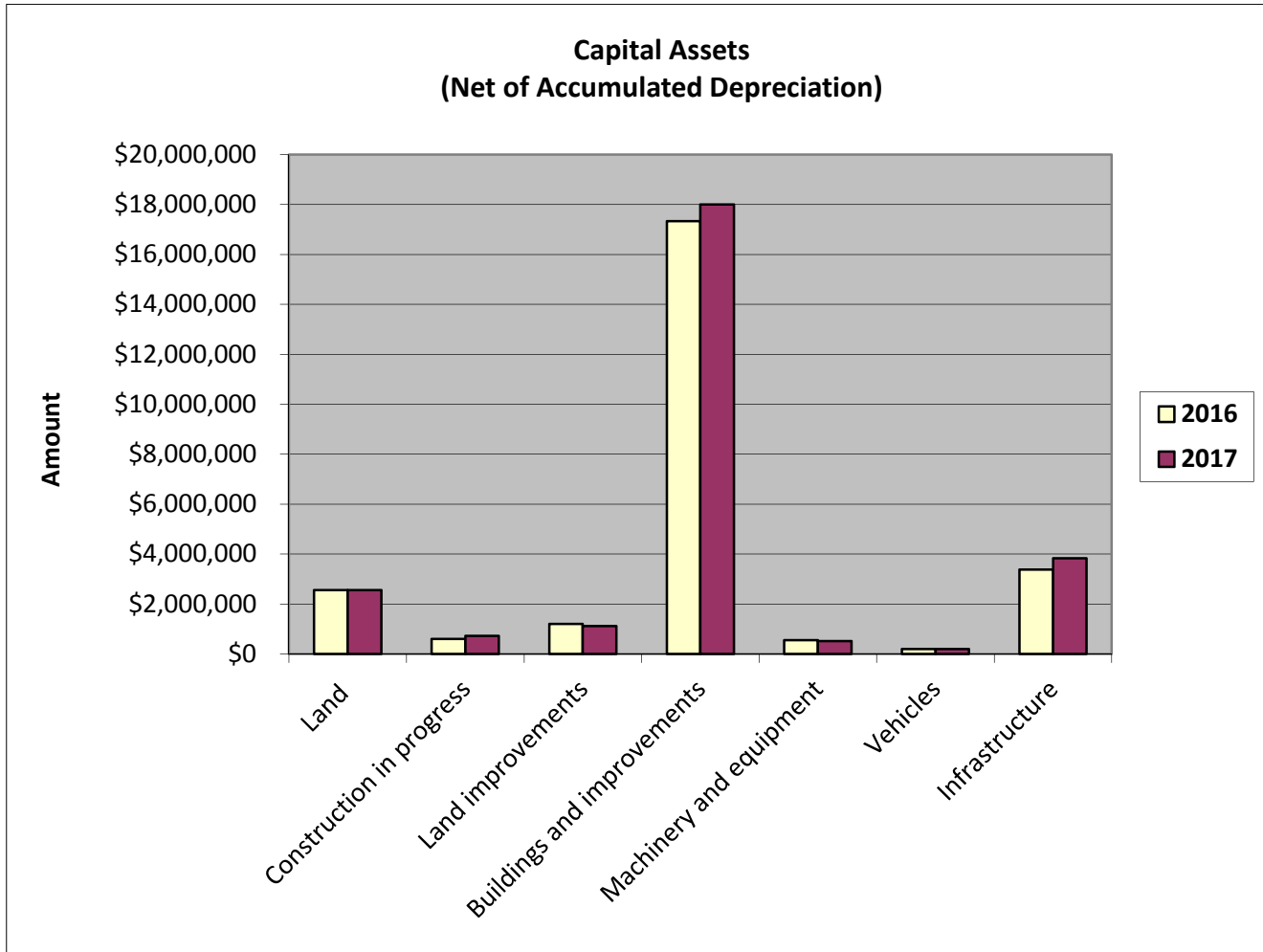
The following table is a two year comparison of the investment in capital assets, net of accumulated depreciation:

	2017	2016
Land	\$ 2,563,245	\$ 2,563,245
Construction in progress	721,558	605,373
Land improvements	1,112,707	1,202,671
Buildings and improvements	18,002,697	17,327,380
Machinery and equipment	520,860	551,617
Vehicles	203,564	204,425
Infrastructure	3,832,224	3,374,440
Totals	<u>\$ 26,956,855</u>	<u>\$25,829,151</u>

TOWN OF ESSEX, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
JUNE 30, 2017

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 \$675,000 in buildings and improvements, primarily due to the upgrades with the Land Use Office.
- An increase to infrastructure and construction in progress of approximately \$456,817 for Ivory Street Bridge projects that were completed during 2017.
- A decrease due to depreciation expense of \$1,158,596.

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, 2017**

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 \$7,080,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$695,000 or 8.9% during the current fiscal year due to scheduled debt service payments.

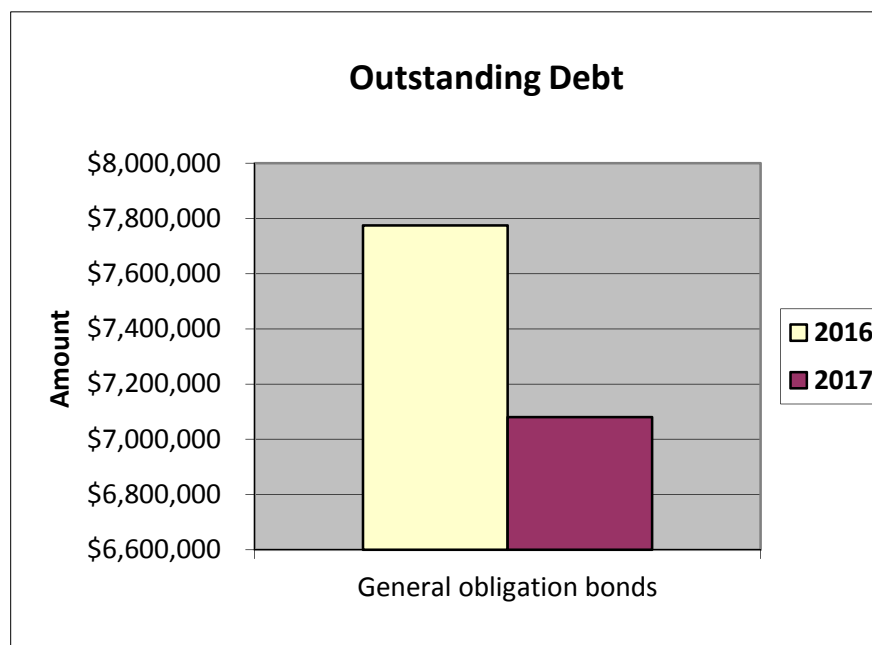
During the current fiscal year, the Town issued \$5,000,000 in bond anticipation notes to finance current capital projects. These notes were converted into new notes in May 2017. The bond anticipation notes are expected to be turned into permanent financing upon project completion. These notes were subsequently refinanced in September 2017 through the issuance of general obligation bonds.

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>2017</u>	<u>2016</u>
General obligation bonds	<u>\$ 7,080,000</u>	<u>\$ 7,775,000</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, 2017

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 3.5%. This compares favorably to the state's average unemployment rate of 5.0% and the national unemployment rate of 4.5%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for fiscal year 2018. The Town's fiscal year 2018 General Fund budget was approved on May 8, 2017. The fiscal year 2018 budget contemplated expenditures of \$24,078,267, an increase of \$336,693, or 1.4%, over the original fiscal year 2017 budgeted expenditures. The approved mill rate for the fiscal year 2018 budget is 21.96, an increase of 0.38 or 1.7% over the prior year. Use of fund balance in the amount of \$175,217 has been assigned for use in the fiscal year 2018 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.

BASIC FINANCIAL STATEMENTS

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,760,190
Receivables:	
Property taxes, net	531,163
Interest	183,650
Grants and contracts	85,843
Other	89,710
Prepaid expenses	34,427
Inventories	8,480
Capital assets:	
Non-depreciable	3,284,803
Depreciable, net	23,672,052
Total assets	<u>33,650,318</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>641,708</u>
LIABILITIES	
Accounts payable	509,608
Accrued interest payable	166,672
Other accrued liabilities	222,526
Bond anticipation notes payable	5,000,000
Unearned revenue	51,202
Due to others	41,132
Noncurrent liabilities:	
Due within one year	760,711
Due in more than one year	10,060,894
Total liabilities	<u>16,812,745</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension benefit	<u>427,034</u>
NET POSITION	
Net investment in capital assets	15,031,908
Unrestricted	2,020,339
Total net position	<u>\$ 17,052,247</u>

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

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	\$ 4,718,275	\$ 924,539	\$ 390,814	\$ 565,027	\$ (2,837,895)
Public safety	1,903,882	129,524	6,641	-	(1,767,717)
Health and welfare	607,152	-	122,672	-	(484,480)
Libraries	390,559	-	-	-	(390,559)
Highways and transportation	1,080,103	-	-	338,784	(741,319)
Interest expense	370,095	-	-	-	(370,095)
Education	17,387,344	76,430	860,067	684,374	(15,766,473)
Total governmental activities	<u>\$ 26,457,410</u>	<u>\$ 1,130,493</u>	<u>\$ 1,380,194</u>	<u>\$ 1,588,185</u>	<u>(22,358,538)</u>
General revenues:					
Property taxes, levied for general purposes					22,654,176
Grants and contributions not restricted to specific programs					197,556
Unrestricted investment earnings					14,541
Total general revenues					<u>22,866,273</u>
Change in net position					507,735
Net position - beginning					<u>16,544,512</u>
Net position - ending					<u>\$ 17,052,247</u>

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

TOWN OF ESSEX, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,181,815	\$ 1,419,110	\$ -	\$ 159,265	\$ 5,760,190
Receivables:					
Property taxes, net	531,163	-	-	-	531,163
Grants and contracts	-	-	-	85,843	85,843
Other	89,065	-	-	645	89,710
Due from other funds	117,700	-	113,820	138,330	369,850
Prepaid items	33,608	-	-	819	34,427
Inventories	-	-	-	8,480	8,480
Total assets	<u>\$ 4,953,351</u>	<u>\$ 1,419,110</u>	<u>\$ 113,820</u>	<u>\$ 393,382</u>	<u>\$ 6,879,663</u>
LIABILITIES					
Accounts payable	\$ 353,052	\$ -	\$ 81,817	\$ 74,739	\$ 509,608
Other accrued liabilities	172,485	-	-	567	173,052
Due to other funds	216,482	118,415	-	34,953	369,850
Unearned revenue	-	-	-	51,202	51,202
Due to others	-	-	-	41,132	41,132
Total liabilities	<u>742,019</u>	<u>118,415</u>	<u>81,817</u>	<u>202,593</u>	<u>1,144,844</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>473,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,993</u>
FUND BALANCES					
Nonspendable	33,608	-	-	9,299	42,907
Restricted	-	-	2,662,247	208	2,662,455
Committed	50,000	1,300,695	-	225,653	1,576,348
Assigned	562,426	-	-	-	562,426
Unassigned	3,091,305	-	(2,630,244)	(44,371)	416,690
Total fund balances	<u>3,737,339</u>	<u>1,300,695</u>	<u>32,003</u>	<u>190,789</u>	<u>5,260,826</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,953,351</u>	<u>\$ 1,419,110</u>	<u>\$ 113,820</u>	<u>\$ 393,382</u>	<u>\$ 6,879,663</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, 2017

Total fund balances for governmental funds	\$ 5,260,826
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.	26,956,855
Accrued interest on property taxes, net of related allowance, is not susceptible to accrual and therefore is not reported in the funds.	183,650
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.	473,995
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	(7,080,000)
Bond anticipation notes	(5,000,000)
Unamortized bond premium	(402,987)
Deferred charges on refunding	641,708
Obligations under capital lease	(83,668)
Accrued interest payable	(166,667)
Other long-term liabilities:	
Compensated absences	(108,025)
Claims payable	(49,480)
Net pension liabilities	(2,643,001)
Net OPEB obligation	(503,925)
Total long-term liabilities	(15,396,045)
Deferred outflows/inflows of resources resulting from changes in the components of the net pension liability are reported in the statement of net position.	(427,034)
Net position of governmental activities	\$ 17,052,247

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, 2017

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 22,498,997	\$ -	\$ -	\$ -	\$ 22,498,997
Intergovernmental	1,230,405	-	505,480	1,430,050	3,165,935
Local revenue	797,988	64,500	-	268,005	1,130,493
Interest income	13,287	1,139	-	115	14,541
Total revenues	<u>24,540,677</u>	<u>65,639</u>	<u>505,480</u>	<u>1,698,170</u>	<u>26,809,966</u>
EXPENDITURES					
Current:					
General government	3,044,423	610,638	13,317	1,075,988	4,744,366
Public safety	1,337,335	-	-	79,736	1,417,071
Health and welfare	586,453	-	-	76,271	662,724
Libraries	390,559	-	-	-	390,559
Highways and transportation	911,668	-	-	-	911,668
Education	16,546,676	-	-	226,636	16,773,312
Debt service:					
Principal payments	715,476	-	-	-	715,476
Interest and fiscal charges	274,970	-	65,630	-	340,600
Capital outlays	360,024	83,156	2,337,753	160,868	2,941,801
Total expenditures	<u>24,167,584</u>	<u>693,794</u>	<u>2,416,700</u>	<u>1,619,499</u>	<u>28,897,577</u>
Excess (deficiency) of revenues over expenditures	373,093	(628,155)	(1,911,220)	78,671	(2,087,611)
OTHER FINANCING SOURCES (USES)					
Proceeds from general obligation bonds	-	-	5,000,000	-	5,000,000
Premium on bond anticipation notes	-	-	37,769	-	37,769
Transfers in	-	381,500	-	59,517	441,017
Transfers out	(441,017)	-	-	-	(441,017)
Total other financing sources (uses)	<u>(441,017)</u>	<u>381,500</u>	<u>5,037,769</u>	<u>59,517</u>	<u>5,037,769</u>
Net change in fund balances	(67,924)	(246,655)	3,126,549	138,188	2,950,158
Fund balances - beginning	<u>3,805,263</u>	<u>1,547,350</u>	<u>(3,094,546)</u>	<u>52,601</u>	<u>2,310,668</u>
Fund balances - ending	<u>\$ 3,737,339</u>	<u>\$ 1,300,695</u>	<u>\$ 32,003</u>	<u>\$ 190,789</u>	<u>\$ 5,260,826</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, 2017

Net change in fund balances for governmental funds	\$ 2,950,158
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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	\$ 2,286,300	
Depreciation and amortization expense	<u>(1,158,596)</u>	
Net adjustment		1,127,704

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.	51,820
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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.	103,359
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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:

Principal repayments:		
Refinance of bond anticipation note	(5,000,000)	
Bonds payable	695,000	
Obligations under capital lease	<u>41,123</u>	
Net adjustment		(4,263,877)

(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, 2017

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	\$ (64,430)	
Amortization of bond premium	39,638	
Amortization of deferred charges on refunding	(63,119)	
Compensated absences	20,782	
Claims payable	(3,724)	
Net pension liabilities	302,423	
Net OPEB obligation	<u>(37,354)</u>	
		\$ 194,216

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.

	<u>344,355</u>
Change in Net Position of Governmental Activities	<u><u>\$ 507,735</u></u>

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 22,428,358	\$ 22,428,358	\$ 22,498,997	\$ 70,639
Intergovernmental	622,243	622,243	560,050	(62,193)
Local revenues	568,505	568,505	797,988	229,483
Interest income	7,200	7,200	13,287	6,087
Total revenues	<u>23,626,306</u>	<u>23,626,306</u>	<u>23,870,322</u>	<u>244,016</u>
EXPENDITURES				
Board of Selectmen	7,651,638	8,029,537	7,759,054	(270,483)
Education	16,089,933	16,089,933	15,957,813	(132,120)
Total expenditures	<u>23,741,571</u>	<u>24,119,472</u>	<u>23,716,867</u>	<u>(402,603)</u>
OTHER FINANCING SOURCES				
Appropriation of fund balance	<u>115,267</u>	<u>493,162</u>	<u>-</u>	<u>(493,162)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	153,455	<u>\$ 153,455</u>
Fund balance - beginning			<u>3,169,686</u>	
Fund balance - ending			<u>\$ 3,323,141</u>	

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

TOWN OF ESSEX, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 41,727	\$ 167,197
Investments	5,062,512	111,414
Total assets	<u>5,104,239</u>	<u>\$ 278,611</u>
LIABILITIES		
Due to others	-	263,256
Due to student groups	-	15,355
Total liabilities	<u>-</u>	<u>\$ 278,611</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 5,104,239</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, 2017

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 590,245
Plan members	3,279
Total contributions	<u>593,524</u>
Investment earnings:	
Net change in the fair value of investments	486,093
Interest and dividends	139,751
Total investment earnings	<u>625,844</u>
Total additions	<u>1,219,368</u>
 DEDUCTIONS	
Benefit payments	444,289
Administrative expenses	18,718
Total deductions	<u>463,007</u>
 Change in net position	756,361
 Net position - beginning	<u>4,347,878</u>
 Net position - ending	<u><u>\$ 5,104,239</u></u>

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

**TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017

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.

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, 2017

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, 2017.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

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.

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, 2017

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, 2017

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, 2017

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, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 & 68*, and No. 73. 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, 2017

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 \$377,895.
- 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, 2017

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, 2017:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 23,870,322	\$ 23,716,867	\$ -	\$ 153,455
"On-behalf" payments - State Teachers' Retirement Fund (see Note K)	549,939	549,939	-	-
Adjustment for encumbrances	-	210,868	-	(210,868)
Reimbursement for certain revenues recorded as a reduction to expenditures for budgetary purposes	120,416	120,416	-	-
Reclass of certain capital outlays recorded as expenditures	-	10,511	-	(10,511)
Certain transfers recorded as expenditures for budgetary purposes	-	(441,017)	441,017	-
GAAP basis	<u>\$ 24,540,677</u>	<u>\$ 24,167,584</u>	<u>\$ 441,017</u>	<u>\$ (67,924)</u>

Deficit Fund Equity

The following funds have deficit fund balances as of June 30, 2017, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
School Cafeteria Fund	\$ (27,447)
Constable Private Duty Fund	(8,444)

The deficit in the School Cafeteria Fund and the Constable Private Duty Fund are expected to be eliminated through future revenue sources, and transfers in from the General Fund.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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

Capital Projects Authorizations

The following is a summary of capital projects as of June 30, 2017:

Capital Project:	Authorization	Current Year Expenditures	Cumulative Expenditures	Balance June 30, 2017
Bridge replacement	\$ 2,845,000	\$ 575,163	\$ 778,533	\$ 2,066,467
Essex Elementary School repairs	2,815,000	352,736	2,751,561	63,439
Town Hall improvements	1,300,000	647,813	1,183,386	116,614
Town Garage improvements	525,000	198,457	313,281	211,719
Fire Fighting vehicle	600,000	563,585	563,585	36,415
	<u>\$ 8,085,000</u>	<u>\$ 2,337,754</u>	<u>\$ 5,590,346</u>	<u>\$ 2,494,654</u>

NOTE C - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

Cash deposits consist of the following as of June 30, 2017:

Cash and cash equivalents:

Government-wide statement of net position	\$ 5,760,190
Statement of fiduciary net position	<u>167,197</u>
	5,927,387

Add: certificates of deposit classified as investments	<u>111,414</u>
	<u>\$ 6,038,801</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, 2017, \$6,228,619 of the Town's bank balance of \$6,784,314 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>6,228,619</u>
	<u>\$ 6,228,619</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017 is as follows:

Investments:	
Statement of fiduciary net position	\$ 5,173,926
Less: certificates of deposit classified as investments	<u>(111,414)</u>
	<u><u>\$ 5,062,512</u></u>

As of June 30, 2017, 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, 2017

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, 2017, 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	\$ 822,507	16.2%
Vanguard	500 Index Fund - Investor Shares	713,422	14.1%
Dodge & Cox	Income Fund	510,487	10.1%

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, 2017, 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	\$ 5,062,517	\$ -	\$ -

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,563,245	\$ -	\$ -	\$ 2,563,245
Construction in progress	605,373	1,862,058	(1,745,873)	721,558
Total capital assets, not being depreciated	<u>3,168,618</u>	<u>1,862,058</u>	<u>(1,745,873)</u>	<u>3,284,803</u>
Capital assets, being depreciated:				
Land improvements	1,471,913	-	-	1,471,913
Buildings and improvements	25,347,014	1,366,199	-	26,713,213
Machinery and equipment	2,181,631	50,309	-	2,231,940
Vehicles	941,798	57,340	-	999,138
Infrastructure	9,081,290	696,267	-	9,777,557
Total capital assets, being depreciated	<u>39,023,646</u>	<u>2,170,115</u>	<u>-</u>	<u>41,193,761</u>
Less accumulated depreciation and amortization for:				
Land improvements	269,242	89,964	-	359,206
Buildings and improvements	8,019,634	690,882	-	8,710,516
Machinery and equipment	1,630,014	81,066	-	1,711,080
Vehicles	737,373	58,201	-	795,574
Infrastructure	5,706,850	238,483	-	5,945,333
Total accumulated depreciation and amortization	<u>16,363,113</u>	<u>1,158,596</u>	<u>-</u>	<u>17,521,709</u>
Total capital assets, being depreciated, net	<u>22,660,533</u>	<u>1,011,519</u>	<u>-</u>	<u>23,672,052</u>
Governmental activities capital assets, net	<u>\$ 25,829,151</u>	<u>\$ 2,873,577</u>	<u>\$ (1,745,873)</u>	<u>\$ 26,956,855</u>

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

Governmental Activities:	
General government	\$ 203,424
Public safety	44,863
Health and welfare	12,537
Highways and transportation	310,876
Education	586,896
Total depreciation expense - governmental activities	<u>\$ 1,158,596</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Capital and Nonrecurring Expenditures Fund	\$ 82,747
	Nonmajor Governmental Funds	<u>34,953</u>
		<u>117,700</u>
Bonded Capital Projects Fund	General Fund	<u>113,820</u>
Nonmajor Governmental Funds	Capital and Nonrecurring Expenditures Fund	35,668
	General Fund	<u>102,662</u>
		<u>138,330</u>
Total interfund receivables/payables		<u><u>\$ 369,850</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, 2017 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 381,500
Nonmajor Governmental Funds	General Fund	<u>59,517</u>
Total transfers		<u><u>\$ 441,017</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, 2017

NOTE H - SHORT-TERM DEBT

The following is a summary of the addition in short-term debt for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Bond anticipation notes payable	\$ 5,000,000	\$ 10,000,000	\$ 10,000,000	\$ 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 May 17, 2017 and September 17, 2017. The Town permanently funded the note through the issuance of general obligation bonds in September 2017 (see note Q).

NOTE I - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 7,775,000	\$ -	\$ (695,000)	\$ 7,080,000	\$ 735,000
Unamortized bond premium	442,625	-	(39,638)	402,987	-
Other liabilities:					
Capital leases	124,791	-	(41,123)	83,668	25,711
Compensated absences	128,800	129,334	(150,109)	108,025	-
Net pension liabilities	2,945,424	16,036	(318,459)	2,643,001	-
Net OPEB obligation	466,571	37,354	-	503,925	-
	<u>\$ 11,883,211</u>	<u>\$ 182,724</u>	<u>\$ (1,244,329)</u>	<u>\$ 10,821,606</u>	<u>\$ 760,711</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, 2017 is as follows:

Purpose of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
Governmental Activities			
Bonds Payable			
General obligation refunding bonds issued April 2013, original amount of \$7,170,000	8/1/2028	2.125% - 4.0%	\$ 7,080,000
			<u>\$ 7,080,000</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017:

Year ending June 30:	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
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	730,000	104,481	834,481
2023-2027	2,895,000	256,072	3,151,072
2028-2029	515,000	7,725	522,725
	<u>\$ 7,080,000</u>	<u>\$ 1,025,053</u>	<u>\$ 8,105,053</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, 2017.

Authorized, Unissued Bonds

As of June 30, 2017 the Town had authorized but unissued bonds totaling \$11,559,180.

Overlapping 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, 2017, the outstanding indebtedness of the District was \$8,475,000. The Town of Essex's share will be approximately 44.45% of the total, or \$3,767,340. 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, 2017:

	Governmental Activities
Vehicles	\$ 189,658
Less: accumulated amortization	69,274
	<u>\$ 120,384</u>

Amortization expense relative to leased property under capital leases totaled \$17,639 for the year ended June 30, 2017 and is included in depreciation and amortization expense disclosed in Note E.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017 are as follows:

Year ending June 30:	Governmental Activities
2018	\$ 25,711
2019	22,508
2020	22,507
2021	22,508
Total minimum lease payments	93,234
Less: amount representing interest	(9,566)
Present value of minimum lease payments	<u>\$ 83,668</u>

NOTE J - FUND BALANCE

The various components of fund balance at June 30, 2017 are as follows:

	General Fund	Capital and Nonrecurring Expenditures Fund	Bonded Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 33,608	\$ -	\$ -	\$ 819	\$ 34,427
Inventories	-	-	-	8,480	8,480
Restricted:					
Grant Programs	-	-	-	208	208
Unspent bond anticipation note proceeds	-	-	2,662,247	-	2,662,247
Committed to:					
Municipal property improvements	50,000	-	-	-	50,000
Capital expenditures	-	1,300,695	-	-	1,300,695
Harbor commission operations	-	-	-	104,359	104,359
Recreation	-	-	-	45,225	45,225
General government	-	-	-	68,895	68,895
Health and welfare	-	-	-	7,174	7,174
Assigned to:					
Revaluation	143,886	-	-	-	143,886
Subsequent year's budget	175,217	-	-	-	175,217
Encumbrances - capital outlay	65,000	-	-	-	65,000
Encumbrances - health and welfare	5,250	-	-	-	5,250
Encumbrances - public safety	915	-	-	-	915
Encumbrances - general government	172,158	-	-	-	172,158
Unassigned	3,091,305	-	(2,630,244)	(44,371)	416,690
	<u>\$ 3,737,339</u>	<u>\$ 1,300,695</u>	<u>\$ 32,003</u>	<u>\$ 190,789</u>	<u>\$ 5,260,826</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2016, the date of the most recent actuarial valuations, pension plan membership consisted of the following:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Retirees and beneficiaries receiving benefits	26	20	4
Terminated employees entitled to benefits but not yet receiving them	13	9	1
Active plan members	32	42	3
	<u>71</u>	<u>71</u>	<u>8</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 1st following the date at which they have completed one year of eligible service. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for 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, 2017

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 55th birthday or completes 20 years of credited service. Retirement is mandatory for all employees at age 60. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. The amount of pension for normal retirement is 2.5% of the compensation base of the employee. For credited service beyond the original 20 years, 2% of compensation base of the employee is multiplied by the number of additional full years of the credit service of the employee per year and will be added to the full retirement percentage. 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, 2017

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, 2017, 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	16.2%	16.3%	16.2%
Vanguard	500 Index Fund - Investor Shares	14.1%	14.1%	14.1%
Dodge & Cox	Income Fund	10.1%	10.1%	10.1%

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, 2017, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were as follows:

Employees' Retirement Plan	14.63%
Merit Service Plan	14.24%
Police Retirement Plan	13.49%

Net Pension Liability

The components of the net pension liability for the plans at June 30, 2017 were as follows:

	<u>Employees' Retirement Plan</u>	<u>Merit Service Plan</u>	<u>Police Retirement Plan</u>
Total pension liability	\$ 4,468,029	\$ 1,456,675	\$ 1,822,536
Plan fiduciary net position	3,349,406	937,958	816,875
Town's net pension liability	<u>\$ 1,118,623</u>	<u>\$ 518,717</u>	<u>\$ 1,005,661</u>
Plan fiduciary net position as a percentage of the total pension liability	74.96%	64.39%	44.82%

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Employees Retirement Plan			
Balance as of June 30, 2016	\$ 4,251,302	\$ 2,921,066	\$ 1,330,236
Changes for the year:			
Service cost	141,113	-	141,113
Interest	320,641	-	320,641
Differences between expected and actual experience	47,123	-	47,123
Changes of assumptions	(53,428)	-	(53,428)
Contributions - employer	-	246,332	(246,332)
Net investment income	-	425,897	(425,897)
Benefit payments, including refunds	(238,722)	(238,722)	-
Administrative expense	-	(5,167)	5,167
Net changes	216,727	428,340	(211,613)
Balance as of June 30, 2017	<u>\$ 4,468,029</u>	<u>\$ 3,349,406</u>	<u>\$ 1,118,623</u>
Merit Service Plan			
Balance as of June 30, 2016	\$ 1,417,674	\$ 792,111	\$ 625,563
Changes for the year:			
Service cost	15,499	-	15,499
Interest	104,572	-	104,572
Differences between expected and actual experience	(4,767)	-	(4,767)
Changes of assumptions	2,880	-	2,880
Contributions - employer	-	118,378	(118,378)
Net investment income	-	113,036	(113,036)
Benefit payments, including refunds	(79,183)	(79,183)	-
Administrative expense	-	(6,384)	6,384
Net changes	39,001	145,847	(106,846)
Balance as of June 30, 2017	<u>\$ 1,456,675</u>	<u>\$ 937,958</u>	<u>\$ 518,717</u>

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE K - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Police Retirement Plan			
Balance as of June 30, 2016	\$ 1,624,326	\$ 634,701	\$ 989,625
Changes for the year:			
Service cost	51,698	-	51,698
Interest	121,048	-	121,048
Differences between expected and actual experience	123,832	-	123,832
Changes of assumptions	28,016	-	28,016
Contributions - employer	-	225,535	(225,535)
Contributions - employee	-	3,279	(3,279)
Net investment income	-	86,911	(86,911)
Benefit payments, including refunds	(126,384)	(126,384)	-
Administrative expense	-	(7,167)	7,167
Net changes	198,210	182,174	16,036
Balance as of June 30, 2017	\$ 1,822,536	\$ 816,875	\$ 1,005,661

Actuarial assumptions - The total pension liability for each of the plans were determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Investment rate of return	7.25%	7.25%	7.25%
Salary increases	2.75%	N/A	2.75%
Inflation	2.75%	2.75%	2.75%

Mortality rates were based on the following:

Employees' Retirement Plan	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.
Merit Service Plan	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.
Police Retirement Plan	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2016.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017, which are summarized in the following table:

	Target	Long-term	
	Allocation	Expected Real	Weighting
	Rate of Return		
US Large Cap Equity	22.00%	4.65%	1.02%
US Mid/Small Cap Equity	15.00%	5.50%	0.83%
International Equities (Unhedged)	15.00%	5.50%	0.83%
Emerging International Equities	7.00%	6.50%	0.46%
Core Bonds	20.00%	1.95%	0.39%
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%	0.00%

Discount rate - The discount rate used to measure the total pension liability for each plan was 7.25%. 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 7.25%, 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, 2017:

	1% Decrease	Current	1% Increase
	6.25%	Discount	8.25%
		7.25%	
Employees' Retirement Plan's net pension liability	\$ 1,107,437	\$ 1,118,623	\$ 1,129,809
Merit Fire Plan's net pension liability	513,530	518,717	523,904
Police Retirement Plan's net pension liability	995,603	1,005,659	10,015,717

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE K - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the Town recognized pension expense for each of the Plans as follows:

Employees' Retirement Plan	\$ 318,474
Merit Service Plan	80,341
Police Retirement Plan	233,361

At June 30, 2017, the Town reported deferred outflows/inflows of resources related to each of the Plans from the following sources:

	Deferred (Outflows)/Inflows of Resources		
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Net difference between projected and actual earnings on pension plan investments	\$ 12,616	\$ 8,519	\$ 10,450
Differences between expected and actual experience	159,046	48,159	174,708
Changes of assumptions	(8,965)	8,012	14,489
Total	\$ 162,697	\$ 64,690	\$ 199,647

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:

	Amortization of Deferred (Outflows)/Inflows of Resources		
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Year ended June 30,			
2018	\$ 70,723	\$ 14,502	\$ 107,839
2019	70,724	14,500	65,628
2020	63,417	12,261	33,340
2021	(42,167)	(3,064)	(7,160)
2022	-	26,491	-
Total	\$ 162,697	\$ 64,690	\$ 199,647

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017:

Statement of Fiduciary Net Position			
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
ASSETS			
Cash and cash equivalents	\$ 27,818	\$ 7,803	\$ 6,106
Investments	3,321,588	930,155	810,769
Total assets	3,349,406	937,958	816,875
NET POSITION			
Restricted for pension benefits	\$ 3,349,406	\$ 937,958	\$ 816,875

Statement of Changes in Fiduciary Net Position			
	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
ADDITIONS			
Contributions:			
Employers	\$ 246,332	\$ 118,378	\$ 225,535
Plan members	-	-	3,279
Total contributions	246,332	118,378	228,814
Investment earnings:			
Interest and dividends	119,934	-	19,817
Net change in the fair value of investments	305,963	113,036	67,094
Total investment earnings, net	425,897	113,036	86,911
Total additions	672,229	231,414	315,725
DEDUCTIONS			
Benefit payments	238,722	79,183	126,384
Administrative expenses	5,167	6,384	7,167
Total deductions	243,889	85,567	133,551
Changes in net position	428,340	145,847	182,174
Net position - beginning	2,921,066	792,111	634,701
Net position - ending	\$ 3,349,406	\$ 937,958	\$ 816,875

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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, 2017, plan members of the Town contributed \$163,203 to the plan and covered payroll for the year was \$2,251,080.

The Town has recognized on-behalf payments of \$549,939 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, 2016 was \$14.2 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$8 million or approximately 0.056% 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, 2016. 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, 2016 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	3.25% - 6.50% (includes inflation)
Investment rate of return	8.00% (includes inflation)
Cost of living adjustments:	
Retirement prior to 9/1/1992	3.00%
Retirement on or after 9/1/1992	2.00%

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, 2017

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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%
Real Estate	7.0%	5.10%
Private Equity	11.0%	7.60%
Alternative investments	8.0%	4.10%
Fixed Income (Core)	7.0%	1.30%
High Yield Bonds	5.0%	3.90%
Emerging Market Bond	5.0%	3.70%
Inflation Linked Bonds	3.0%	1.00%
Cash	6.0%	0.40%
	<u>100.0%</u>	

The discount rate used to measure the total pension liability was 8.00%. 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 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate (in thousands):

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
Proportionate share of the net pension liability attributed to the Town	\$9.8 million	\$8.0 million	\$6.4 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, 2017

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 2017, contributions totaled \$27,845. 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 2017, contributions totaled \$47,007.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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	\$ 119,492
Interest on net OPEB obligation	18,663
Adjustment to annual required contribution	<u>(25,949)</u>
Annual OPEB cost	112,206
Contributions made	<u>74,852</u>
Increase in net OPEB obligation	37,354
Net OPEB obligation, beginning of year	466,571
Net OPEB obligation, end of year	<u><u>\$ 503,925</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, 2015 through 2017 are as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 112,206	\$ 74,852	67%	\$ 503,925
2016	110,615	82,591	75%	466,571
2015	109,483	57,127	52%	438,547

Funded Status and Funding Progress

The funded status of both plans as of the date of July 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 1,637,642	\$ 1,637,642	0.0%	Not Available	Not Available

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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 \$6,886 for the year ended June 30, 2017. 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, 2017

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, 2017, the Town has recorded \$243,323 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2017.

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, 2017

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 \$49,480 as of June 30, 2017.

NOTE P - RECENTLY ISSUED ACCOUNTING STANDARDS

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 has not yet determined the impact that this statement will have 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

TOWN OF ESSEX, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE P - RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). 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 May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

NOTE Q - SUBSEQUENT EVENTS

In September of 2017, the Town issued general obligation bonds in the amount of \$6,000,000. The proceeds of the notes were used to refinance the bond anticipation notes outstanding as of June 30, 2017. The new general obligation bond is due September 2037 and bears an interest rate of 1.75%.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 141,113	\$ 136,340	\$ 131,096	\$ 90,333
Interest	320,641	303,380	264,577	249,910
Differences between expected and actual experience	47,123	-	244,339	-
Changes of assumptions	(53,428)	-	65,695	-
Benefit payments, including refunds	(238,722)	(190,820)	(196,259)	(175,009)
Net change in total pension liability	216,727	248,900	509,448	165,234
Total pension liability - beginning	4,251,302	4,002,402	3,492,954	3,327,723
Total pension liability - ending	4,468,029	4,251,302	4,002,402	3,492,957
Plan fiduciary net position				
Contributions - employer	246,332	231,680	219,040	229,403
Net investment income	425,897	(50,972)	170,109	374,159
Benefit payments, including refunds	(238,722)	(190,820)	(196,259)	(175,009)
Administrative expense	(5,167)	-	(10,984)	(11,823)
Net change in plan fiduciary net position	428,340	(10,112)	181,906	416,730
Plan fiduciary net position - beginning	2,921,066	2,931,178	2,749,272	2,332,542
Plan fiduciary net position - ending	3,349,406	2,921,066	2,931,178	2,749,272
Town's net pension liability	\$ 1,118,623	\$ 1,330,236	\$ 1,071,224	\$ 743,685
Plan fiduciary net position as a percentage of total pension liability	74.96%	68.71%	73.20%	78.71%
Covered employee payroll	\$ 1,841,298	\$ 1,813,057	\$ 1,743,324	\$ 1,178,755
Town's net pension liability as a percentage of covered employee payroll	60.75%	73.37%	61.45%	63.09%

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 - Salary increase changed from flat 3.0% increase, the rate of return changed from 7.5%, and the mortality table changed from Scale MP-2014.

See accompanying Independent Auditor's Report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 235,969	\$ 230,516	\$ 179,006	\$ 174,839
Contributions in relation to the actuarially determined contribution	<u>246,332</u>	<u>231,680</u>	<u>219,040</u>	<u>229,403</u>
Contribution deficiency (excess)	<u>\$ (10,363)</u>	<u>\$ (1,164)</u>	<u>\$ (40,034)</u>	<u>\$ (54,564)</u>
Covered employee payroll	\$ 1,841,298	\$ 1,813,057	\$ 1,743,324	\$ 1,178,755
Contributions as a percentage of covered employee payroll	13.38%	12.78%	12.56%	19.46%
Annual money-weighted rate of return, net of investment expense	14.63%	-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 2017:

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	7.25%
Salary increases	2.75% plus merit increases
Retirement age	Age 60 and 5 years of service
Mortality	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2016.

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 FOUR FISCAL YEARS

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 15,499	\$ 15,499	\$ 15,499	\$ 32,446
Interest	104,572	101,719	93,834	92,015
Differences between expected and actual experience	(4,767)	-	73,132	-
Changes of assumptions	2,880	-	7,574	-
Benefit payments, including refunds	(79,183)	(79,183)	(90,423)	(76,336)
Net change in total pension liability	39,001	38,035	99,616	48,125
Total pension liability - beginning	1,417,674	1,379,639	1,280,023	1,231,897
Total pension liability - ending	1,456,675	1,417,674	1,379,639	1,280,022
Plan fiduciary net position				
Contributions - employer	118,378	67,899	84,999	75,741
Net investment income	113,036	(15,570)	47,264	108,825
Benefit payments, including refunds	(79,183)	(79,183)	(90,423)	(76,335)
Administrative expense	(6,384)	(1,258)	(7,555)	(5,714)
Net change in plan fiduciary net position	145,847	(28,112)	34,285	102,517
Plan fiduciary net position - beginning	792,111	820,223	785,938	683,421
Plan fiduciary net position - ending	937,958	792,111	820,223	785,938
Town's net pension liability	\$ 518,717	\$ 625,563	\$ 559,416	\$ 494,084
Plan fiduciary net position as a percentage of total pension liability	64.39%	55.87%	59.45%	61.40%
Covered employee payroll	N/A	N/A	N/A	N/A
Town's net pension liability as a percentage of covered employee payroll	N/A	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 -The rate of return changed from 7.5%, retirement age changed from 60 years, and the mortality tables changed from Scale MP-2014.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 68,378	\$ 67,899	\$ 60,756	\$ 59,726
Contributions in relation to the actuarially determined contribution	<u>118,378</u>	<u>67,899</u>	<u>84,999</u>	<u>75,741</u>
Contribution deficiency (excess)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ (24,243)</u>	<u>\$ (16,015)</u>
Covered employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	14.24%	-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 2017:

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	7.25%
Inflation	3.00%
Retirement age	Age 65 and 10 years of service
Mortality	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2016.

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 FOUR FISCAL YEARS

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 51,698	\$ 49,949	\$ 48,028	\$ 35,294
Interest	121,047	117,813	95,417	91,312
Differences between expected and actual experience	123,832	-	278,987	-
Changes of assumptions	28,016	-	(19,695)	-
Benefit payments, including refunds	(126,384)	(126,384)	(86,433)	(82,829)
Net change in total pension liability	198,209	41,378	316,304	43,777
Total pension liability - beginning	1,624,326	1,582,948	1,266,644	1,222,867
Total pension liability - ending	1,822,535	1,624,326	1,582,948	1,266,644
Plan fiduciary net position				
Contributions - employer	225,535	123,060	71,977	70,872
Contributions - members	3,279	5,102	6,542	6,985
Net investment income	86,911	(10,525)	36,624	85,628
Benefit payments, including refunds	(126,384)	(126,384)	(86,433)	(82,829)
Administrative expense	(7,167)	(402)	(5,427)	(4,481)
Net change in plan fiduciary net position	182,174	(9,149)	23,283	76,175
Plan fiduciary net position - beginning	634,701	643,850	620,567	544,391
Plan fiduciary net position - ending	816,875	634,701	643,850	620,566
Town's net pension liability	\$ 1,005,660	\$ 989,625	\$ 939,098	\$ 646,078
Plan fiduciary net position as a percentage of total pension liability	44.82%	39.07%	40.67%	48.99%
Covered employee payroll	\$ 227,076	\$ 261,743	\$ 251,676	\$ 265,484
Town's net pension liability as a percentage of covered employee payroll	442.87%	378.09%	373.14%	243.36%

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 - The salary increase changed from flat 3.0% increase, the rate of return changed from 7.5% to 7.25%, and the mortality table changes from Scale MP-2014.

See accompanying Independent Auditor's Report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 124,744	\$ 123,060	\$ 58,426	\$ 57,942
Contributions in relation to the actuarially determined contribution	<u>225,535</u>	<u>123,060</u>	<u>71,977</u>	<u>70,872</u>
Contribution deficiency (excess)	<u>\$ (100,791)</u>	<u>\$ -</u>	<u>\$ (13,551)</u>	<u>\$ (12,930)</u>
Covered employee payroll	\$ 227,076	\$ 261,743	\$ 251,676	\$ 265,484
Contributions as a percentage of covered employee payroll	99.32%	47.02%	28.60%	26.70%
Annual money-weighted rate of return, net of investment expense	13.49%	-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 2017:

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	7.25%
Salary increases	3.75% plus merit increases
Retirement age	Age 60 and 5 years of service
Mortality	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2016.

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
LAST THREE FISCAL YEARS
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.560%	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	7,977	7,112	6,574
Total	<u>\$ 7,977</u>	<u>\$ 7,112</u>	<u>\$ 6,574</u>
Town's covered payroll	\$ 2,251	\$ 2,042	\$ 2,381
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	61.50%	59.50%

NOTES TO SCHEDULE:

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

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2017 is based on a June 30, 2016 measurement date.

Benefit Changes: There were no changes in benefit terms that affected the measurement of the total pension liability.

Assumption changes: Since the prior valuation in 2015, new assumptions were adopted. Specifically:

- Real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
- The annual rate of wage increase assumption was reduced from 0.75% to 0.50%.
- The payroll growth assumption was reduced from 3.75% to 3.25%.
- Various demographic assumption changes utilizing the RPH-2014 mortality tables.

TOWN OF ESSEX, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS (UNAUDITED)
OTHER POST-EMPLOYMENT BENEFIT PLANS
LAST FIVE 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)
Employees' OPEB Plan:						
July 1, 2016	\$ -	\$ 609,203	\$ 609,203	0%	Not Available	Not Available
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
Teachers' OPEB Plan:						
July 1, 2016	\$ -	\$ 1,028,439	\$ 1,028,439	0%	Not Available	Not Available
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
Total:						
July 1, 2016	\$ -	\$ 1,637,642	\$ 1,637,642	0%	Not Available	Not Available
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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Property taxes	\$ 22,378,358	\$ 22,378,358	\$ 22,419,987	\$ 41,629
Interest and lien fees	50,000	50,000	79,010	29,010
Total property taxes	22,428,358	22,428,358	22,498,997	70,639
INTERGOVERNMENTAL				
Veterans tax relief	3,962	3,962	3,703	(259)
Education cost sharing grant	160,658	160,658	100,943	(59,715)
Town aid road grant	214,980	214,980	214,806	(174)
LOCIP	40,105	40,105	40,105	-
PILOT grant	78	78	78	-
Homeowners tax relief	35,000	35,000	32,135	(2,865)
Transit district	821	821	-	(821)
Municipal revenue sharing	74,572	74,572	12,520	(62,052)
Pequot grant	12,520	12,520	74,547	62,027
Municipal grant in aid	74,547	74,547	74,572	25
Miscellaneous State and Federal	5,000	5,000	6,641	1,641
Total intergovernmental	622,243	622,243	560,050	(62,193)
LOCAL REVENUES				
Miscellaneous permits	3,500	3,500	6,608	3,108
Access line tax share	28,000	28,000	26,743	(1,257)
Sanitary permits	80,000	80,000	82,838	2,838
Building permit fees	125,000	125,000	219,247	94,247
Circuit court fines	4,000	4,000	2,073	(1,927)
Gas tax refunds	805	805	-	(805)
Zoning permits	7,100	7,100	9,662	2,562
Zoning board of appeals	2,160	2,160	3,500	1,340
Planning commission receipts	2,500	2,500	-	(2,500)
Conveyance tax	110,000	110,000	165,024	55,024
Park and recreation	4,500	4,500	1,020	(3,480)
Miscellaneous receipts	15,000	15,000	66,257	51,257
Town clerk fees	115,000	115,000	143,288	28,288
Inland wetlands permits	1,440	1,440	2,560	1,120
Regional recycling fees	62,000	62,000	54,693	(7,307)
Health department fees	7,500	7,500	14,475	6,975
Total local revenues	568,505	568,505	797,988	229,483
INTEREST INCOME	7,200	7,200	13,287	6,087
Total revenues	23,626,306	23,626,306	23,870,322	244,016
OTHER FINANCING SOURCES				
Appropriation of fund balance	115,267	493,162	-	(493,162)
Total revenues and other financing sources	\$ 23,741,573	\$ 24,119,468	\$ 23,870,322	\$ (249,146)

See accompanying Independent Auditor's Report.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 198,904	\$ 198,904	\$ 176,435	\$ (22,469)
Assessor	114,028	114,028	112,733	(1,295)
Central services	210,966	217,818	217,818	-
Elections	47,837	47,837	41,727	(6,110)
Probate court	3,460	3,460	3,460	-
Tax collector	109,431	109,431	106,214	(3,217)
Town clerk	163,035	183,052	183,052	-
Finance department	170,721	170,721	170,466	(255)
Zoning enforcement agent	67,026	67,312	67,312	-
Fringe benefits	963,907	1,113,907	1,060,044	(53,863)
General insurance	193,305	193,305	181,240	(12,065)
Legal services	74,000	99,983	99,983	-
Public restroom facilities	20,250	20,250	16,555	(3,695)
Technology	190,351	190,351	190,222	(129)
Board of assessment appeals	1,430	1,430	776	(654)
Board of finance	110,500	83,825	35,582	(48,243)
Conservation commission	11,900	14,715	14,715	-
Economic development commission	14,100	14,100	12,858	(1,242)
IWWC commission	7,680	7,680	5,167	(2,513)
Parks and recreation	176,142	176,146	173,341	(2,805)
Parks and recreation commission	2,200	2,200	1,104	(1,096)
Planning commission	63,021	63,021	62,234	(787)
Tree committee	6,000	6,000	6,000	-
Zoning board of appeals	5,450	6,053	6,053	-
Zoning commission	34,168	35,248	35,248	-
Total general government	2,959,812	3,140,777	2,980,339	(160,438)
PUBLIC SAFETY				
Ambulance association	19,536	19,536	19,519	(17)
Animal control	10,000	10,000	10,000	-
Building department	101,791	104,454	104,454	-
Emergency management	21,400	21,400	18,180	(3,220)
Emergency 911	118,534	118,632	118,632	-
Fire department	339,650	339,650	334,650	(5,000)
Fire marshal	54,192	54,192	48,440	(5,752)
Harbor patrol	30,263	30,263	16,965	(13,298)
Police services	339,527	339,527	324,972	(14,555)
Resident state trooper	191,528	191,528	169,016	(22,512)
Water	152,178	164,432	164,432	-
Total public safety	1,378,599	1,393,614	1,329,260	(64,354)

(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, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
BOARD OF SELECTMEN (Continued)				
HEALTH AND WELFARE				
Estuary transit	\$ 18,226	\$ 18,226	\$ 18,226	\$ -
Sanitarian	136,929	136,929	121,443	(15,486)
Transfer station	267,646	267,646	252,582	(15,064)
Social services	104,835	104,835	98,826	(6,009)
Visiting nurses	66,874	66,874	66,850	(24)
Water pollution control	2,600	2,600	1,166	(1,434)
Total health and welfare	597,110	597,110	559,093	(38,017)
LIBRARIES	390,559	390,559	390,559	-
HIGHWAYS AND TRANSPORTATION				
Highways	868,402	898,280	898,280	-
Town garage	34,200	34,200	26,586	(7,614)
Total highways and transportation	902,602	932,480	924,866	(7,614)
DEBT SERVICE				
Principal payments	695,000	695,000	694,940	(60)
Interest and fiscal charges	273,956	273,956	273,956	-
Total debt service	968,956	968,956	968,896	(60)
CAPITAL OUTLAYS				
Capital and sinking funds	454,000	606,041	606,041	-
Total capital outlays	454,000	606,041	606,041	-
Total Board of Selectmen	7,651,638	8,029,537	7,759,054	(270,483)
EDUCATION	16,089,933	16,089,933	15,957,813	(132,120)
Total expenditures	\$ 23,741,571	\$ 24,119,470	\$ 23,716,867	\$ (402,603)
				(Concluded)

See accompanying Independent Auditor's Report.

TOWN OF ESSEX, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
YEAR END JUNE 30, 2017

Grand List Year	Balance Uncollected June 30, 2016	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2017
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2015	\$ -	\$ 22,553,957	\$ 30,387	\$ 33,223	\$ -	\$ 22,551,121	\$ 22,300,796	\$ 45,942	\$ 120	\$ 22,346,858	\$ 250,325
2014	203,227	-	7,604	3,287	-	207,544	73,159	12,494	312	85,965	134,385
2013	115,299	-	6,284	318	38,390	82,875	21,293	9,241	120	30,654	61,582
2012	46,972	-	-	-	-	46,972	9,533	2,410	120	12,063	37,439
2011	27,189	-	-	-	-	27,189	928	3,484	24	4,436	26,261
2010	10,134	-	-	-	-	10,134	-	1,068	-	1,068	10,134
2009	7,345	-	-	-	-	7,345	1,376	633	24	2,033	5,969
2008	7,607	-	-	-	-	7,607	-	-	-	-	7,607
2007	5,157	-	-	-	-	5,157	-	-	-	-	5,157
2006	744	-	-	-	-	744	-	-	-	-	744
2005	713	-	-	-	-	713	-	-	-	-	713
2004	682	-	-	-	-	682	-	-	-	-	682
2003	387	-	-	-	-	387	224	276	-	500	163
	<u>\$ 425,456</u>	<u>\$ 22,553,957</u>	<u>\$ 44,275</u>	<u>\$ 36,828</u>	<u>\$ 38,390</u>	<u>\$ 22,948,470</u>	<u>\$ 22,407,309</u>	<u>\$ 75,548</u>	<u>\$ 720</u>	<u>\$ 22,483,577</u>	<u>\$ 541,161</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, 2017

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

Taxes	\$ 22,407,309
Interest and lien fees	76,268
	<u>22,483,577</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	32,135
Base	<u>\$ 22,515,712</u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 50,660,352	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	101,320,704	-	-	-
3-3/4 times base	-	-	84,433,920	-	-
3-1/4 times base	-	-	-	73,176,064	-
3 times base	-	-	-	-	67,547,136
	<u>50,660,352</u>	<u>101,320,704</u>	<u>84,433,920</u>	<u>73,176,064</u>	<u>67,547,136</u>
Total debt limitation					
	50,660,352	101,320,704	84,433,920	73,176,064	67,547,136
Indebtedness:					
Bonds payable	343,380	6,736,620	-	-	-
Shared debt - Regional School District No. 4	-	3,767,340	-	-	-
Bond anticipation note payable	2,688,942	2,311,058	-	-	-
Authorized, unissued bonds	8,704,576	2,854,604	-	-	-
Total indebtedness	<u>11,736,898</u>	<u>15,669,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 38,923,454</u>	<u>\$ 85,651,082</u>	<u>\$ 84,433,920</u>	<u>\$ 73,176,064</u>	<u>\$ 67,547,136</u>
Total capacity of borrowing (7 times base)	157,609,984				
Total present indebtedness	<u>27,406,520</u>				
Margin for additional borrowing	<u>\$ 130,203,464</u>				

See accompanying Independent Auditor's Report.

CAPITAL AND NON-RECURRING EXPENDITURES FUND

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BY PROJECT
CAPITAL AND NONRECURRING EXPENDITURES FUND
YEAR ENDED JUNE 30, 2017

	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											
Other revenue	\$ 64,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,500
Interest income	345	3	38	75	116	102	-	102	221	137	1,139
Total revenues	64,845	3	38	75	116	102	-	102	221	137	65,639
EXPENDITURES											
Current:											
General government	563,585	-	-	-	-	10,512	-	-	36,541	-	610,638
Capital outlays	-	-	43,590	-	-	-	-	-	39,566	-	83,156
Total expenditures	563,585	-	43,590	-	-	10,512	-	-	76,107	-	693,794
Excess (deficiency) of revenues over expenditures	(498,740)	3	(43,552)	75	116	(10,410)	-	102	(75,886)	137	(628,155)
OTHER FINANCING SOURCES											
Transfers in	145,000	-	45,000	45,000	5,000	36,500	-	20,000	60,000	25,000	381,500
Net change in fund balances	(353,740)	3	1,448	45,075	5,116	26,090	-	20,102	(15,886)	25,137	(246,655)
Fund balances - beginning	730,165	2,806	64,746	71,998	120,880	85,214	20	90,801	256,281	124,439	1,547,350
Fund balances - ending	\$ 376,425	\$ 2,809	\$ 66,194	\$ 117,073	\$ 125,996	\$ 111,304	\$ 20	\$ 110,903	\$ 240,395	\$ 149,576	\$ 1,300,695

See accompanying Independent Auditor's Report.

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ESSEX, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Nonmajor Special Revenue Funds										
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents	Recreational Programs	Grants	CVA Pump Out Boat	Tree Committee	Renovation Project Fund	Total
ASSETS											
Cash and cash equivalents	\$ 61,448	\$ 5,000	\$ 68,506	\$ 3,086	\$ 8,728	\$ 12,497	\$ -	\$ -	\$ -	\$ -	\$ 159,265
Receivables:											
Grants and contracts	-	5,068	-	-	-	-	80,775	-	-	-	85,843
Other	-	645	-	-	-	-	-	-	-	-	645
Due from other funds	-	-	35,853	-	1,537	88,047	-	9,422	3,471	-	138,330
Prepaid items	-	-	-	-	-	819	-	-	-	-	819
Inventories	-	8,480	-	-	-	-	-	-	-	-	8,480
Total assets	<u>\$ 61,448</u>	<u>\$ 19,193</u>	<u>\$ 104,359</u>	<u>\$ 3,086</u>	<u>\$ 10,265</u>	<u>\$ 101,363</u>	<u>\$ 80,775</u>	<u>\$ 9,422</u>	<u>\$ 3,471</u>	<u>\$ -</u>	<u>\$ 393,382</u>
LIABILITIES											
Accounts payable	\$ 3,777	\$ 36,073	\$ -	\$ -	\$ -	\$ 4,117	\$ 28,524	\$ 2,248	\$ -	\$ -	\$ 74,739
Other accrued liabilities	-	567	-	-	-	-	-	-	-	-	567
Due to other funds	2,512	10,000	-	11,530	-	-	10,911	-	-	-	34,953
Unearned revenue	-	-	-	-	-	51,202	-	-	-	-	51,202
Due to others	-	-	-	-	-	-	41,132	-	-	-	41,132
Total liabilities	<u>6,289</u>	<u>46,640</u>	<u>-</u>	<u>11,530</u>	<u>-</u>	<u>55,319</u>	<u>80,567</u>	<u>2,248</u>	<u>-</u>	<u>-</u>	<u>202,593</u>
FUND BALANCES											
Nonspendable	-	8,480	-	-	-	819	-	-	-	-	9,299
Restricted	-	-	-	-	-	-	208	-	-	-	208
Committed	55,159	-	104,359	-	10,265	45,225	-	7,174	3,471	-	225,653
Unassigned	-	(35,927)	-	(8,444)	-	-	-	-	-	-	(44,371)
Total fund balances	<u>55,159</u>	<u>(27,447)</u>	<u>104,359</u>	<u>(8,444)</u>	<u>10,265</u>	<u>46,044</u>	<u>208</u>	<u>7,174</u>	<u>3,471</u>	<u>-</u>	<u>190,789</u>
Total liabilities and fund balances	<u>\$ 61,448</u>	<u>\$ 19,193</u>	<u>\$ 104,359</u>	<u>\$ 3,086</u>	<u>\$ 10,265</u>	<u>\$ 101,363</u>	<u>\$ 80,775</u>	<u>\$ 9,422</u>	<u>\$ 3,471</u>	<u>\$ -</u>	<u>\$ 393,382</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, 2017

	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	Renovation Project Fund	Total
REVENUES											
Intergovernmental	\$ -	\$ 40,200	\$ -	\$ -	\$ -	\$ -	\$ 1,168,789	\$ 93,449	\$ -	\$ 127,612	\$ 1,430,050
Local revenue	25,105	76,430	20,765	65,024	2,910	75,521	-	-	2,250	-	268,005
Interest income	-	-	115	-	-	-	-	-	-	-	115
Total revenues	<u>25,105</u>	<u>116,630</u>	<u>20,880</u>	<u>65,024</u>	<u>2,910</u>	<u>75,521</u>	<u>1,168,789</u>	<u>93,449</u>	<u>2,250</u>	<u>127,612</u>	<u>1,698,170</u>
EXPENDITURES											
Current:											
General government	28,930	-	8,084	-	1,281	77,660	955,842	-	4,191	-	1,075,988
Public safety	-	-	4,378	75,358	-	-	-	-	-	-	79,736
Health and welfare	-	-	-	-	-	-	7,749	68,522	-	-	76,271
Education	-	156,577	-	-	-	-	70,059	-	-	-	226,636
Capital outlays	-	-	-	-	-	-	135,156	25,712	-	-	160,868
Total expenditures	<u>28,930</u>	<u>156,577</u>	<u>12,462</u>	<u>75,358</u>	<u>1,281</u>	<u>77,660</u>	<u>1,168,806</u>	<u>94,234</u>	<u>4,191</u>	<u>-</u>	<u>1,619,499</u>
Excess (deficiency) of revenues over expenditures	(3,825)	(39,947)	8,418	(10,334)	1,629	(2,139)	(17)	(785)	(1,941)	127,612	78,671
OTHER FINANCING SOURCES											
Transfers in	-	12,500	5,000	-	-	-	-	-	-	42,017	59,517
Total other financing sources	<u>-</u>	<u>12,500</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,017</u>	<u>59,517</u>
Net change in fund balances	(3,825)	(27,447)	13,418	(10,334)	1,629	(2,139)	(17)	(785)	(1,941)	169,629	138,188
Fund balances - beginning	<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>(169,629)</u>	<u>52,601</u>
Fund balances - ending	<u>\$ 55,159</u>	<u>\$ (27,447)</u>	<u>\$ 104,359</u>	<u>\$ (8,444)</u>	<u>\$ 10,265</u>	<u>\$ 46,044</u>	<u>\$ 208</u>	<u>\$ 7,174</u>	<u>\$ 3,471</u>	<u>\$ -</u>	<u>\$ 190,789</u>

See accompanying Independent Auditor's Report.

FIDUCIARY FUNDS

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2017

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ASSETS				
Cash and cash equivalents	\$ 27,818	\$ 7,803	\$ 6,106	\$ 41,727
Investments	3,321,588	930,155	810,769	5,062,512
Total assets	<u>3,349,406</u>	<u>937,958</u>	<u>816,875</u>	<u>5,104,239</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 3,349,406</u>	<u>\$ 937,958</u>	<u>\$ 816,875</u>	<u>\$ 5,104,239</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, 2017

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan	Total
ADDITIONS				
Contributions:				
Employer	\$ 246,332	\$ 118,378	\$ 225,535	\$ 590,245
Plan members	-	-	3,279	3,279
Total contributions	<u>246,332</u>	<u>118,378</u>	<u>228,814</u>	<u>593,524</u>
Investment earnings:				
Net change in the fair value of investments	305,963	113,036	67,094	486,093
Interest and dividends	<u>119,934</u>	<u>-</u>	<u>19,817</u>	<u>139,751</u>
Total investment earnings	<u>425,897</u>	<u>113,036</u>	<u>86,911</u>	<u>625,844</u>
Total additions	<u>672,229</u>	<u>231,414</u>	<u>315,725</u>	<u>1,219,368</u>
DEDUCTIONS				
Benefit payments	238,722	79,183	126,384	444,289
Administrative expenses	<u>5,167</u>	<u>6,384</u>	<u>7,167</u>	<u>18,718</u>
Total deductions	<u>243,889</u>	<u>85,567</u>	<u>133,551</u>	<u>463,007</u>
Change in net position	428,340	145,847	182,174	756,361
NET POSITION				
Restricted for pension benefits				
Beginning of year	<u>2,921,066</u>	<u>792,111</u>	<u>634,701</u>	<u>4,347,878</u>
Ending of year	<u>\$ 3,349,406</u>	<u>\$ 937,958</u>	<u>\$ 816,875</u>	<u>\$ 5,104,239</u>

See accompanying Independent Auditor's Report.

TOWN OF ESSEX, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	Elementary School Activities	Performance Bonds	Special Project Escrow Funds	DARE of Essex	Total Agency Funds
ASSETS					
Cash and cash equivalents	\$ 15,355	\$ 103,408	\$ 45,421	\$ 3,013	\$ 167,197
Investments	-	111,414	-	-	111,414
Total assets	<u>\$ 15,355</u>	<u>\$ 214,822</u>	<u>\$ 45,421</u>	<u>\$ 3,013</u>	<u>\$ 278,611</u>
LIABILITIES					
Due to others	\$ -	\$ 214,822	\$ 45,421	\$ 3,013	\$ 263,256
Due to student groups	15,355	-	-	-	15,355
Total liabilities	<u>\$ 15,355</u>	<u>\$ 214,822</u>	<u>\$ 45,421</u>	<u>\$ 3,013</u>	<u>\$ 278,611</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, 2017

	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
Elementary School Activities				
Assets				
Cash and cash equivalents	\$ 11,377	\$ 12,016	\$ 8,038	\$ 15,355
Total assets	<u>\$ 11,377</u>	<u>\$ 12,016</u>	<u>\$ 8,038</u>	<u>\$ 15,355</u>
Liabilities				
Due to student groups	\$ 11,377	\$ 12,016	\$ 8,038	\$ 15,355
Total liabilities	<u>\$ 11,377</u>	<u>\$ 12,016</u>	<u>\$ 8,038</u>	<u>\$ 15,355</u>
Performance Bonds				
Assets				
Cash and cash equivalents	\$ 97,469	\$ 13,389	\$ 7,450	\$ 103,408
Investments	66,096	45,318	-	111,414
Total assets	<u>\$ 163,565</u>	<u>\$ 58,707</u>	<u>\$ 7,450</u>	<u>\$ 214,822</u>
Liabilities				
Due to others	\$ 163,565	\$ 58,707	\$ 7,450	\$ 214,822
Total liabilities	<u>\$ 163,565</u>	<u>\$ 58,707</u>	<u>\$ 7,450</u>	<u>\$ 214,822</u>
Special Project Escrow Funds				
Assets				
Cash and cash equivalents	\$ 39,936	\$ 10,912	\$ 5,427	\$ 45,421
Total assets	<u>\$ 39,936</u>	<u>\$ 10,912</u>	<u>\$ 5,427</u>	<u>\$ 45,421</u>
Liabilities				
Due to others	\$ 39,936	\$ 10,912	\$ 5,427	\$ 45,421
Total liabilities	<u>\$ 39,936</u>	<u>\$ 10,912</u>	<u>\$ 5,427</u>	<u>\$ 45,421</u>
DARE of Essex				
Assets				
Cash and cash equivalents	\$ 3,184	\$ 500	\$ 671	\$ 3,013
Total assets	<u>\$ 3,184</u>	<u>\$ 500</u>	<u>\$ 671</u>	<u>\$ 3,013</u>
Liabilities				
Due to others	\$ 3,184	\$ 500	\$ 671	\$ 3,013
Total liabilities	<u>\$ 3,184</u>	<u>\$ 500</u>	<u>\$ 671</u>	<u>\$ 3,013</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 151,966	\$ 36,817	\$ 21,586	\$ 167,197
Investments	66,096	45,318	-	111,414
Total assets	<u>\$ 218,062</u>	<u>\$ 82,135</u>	<u>\$ 21,586</u>	<u>\$ 278,611</u>
Liabilities				
Due to others	\$ 206,685	\$ 70,119	\$ 13,548	\$ 263,256
Due to student groups	11,377	12,016	8,038	15,355
Total liabilities	<u>\$ 218,062</u>	<u>\$ 82,135</u>	<u>\$ 21,586</u>	<u>\$ 278,611</u>

See accompanying Independent Auditor's Report.