

**TOWN OF ESSEX,  
CONNECTICUT**



**Basic  
Financial Statements**

**For The Year Ended  
June 30, 2011**



*Certified Public Accountants & Business Advisors*

**TOWN OF ESSEX, CONNECTICUT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**TOWN OF ESSEX, CONNECTICUT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Finance of the  
Town of Essex, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedules of funding progress on page 50 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CCR LLP

Glastonbury, Connecticut  
December 8, 2011

# **Independent Auditors' Report**

# **Management's Discussion and Analysis**

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

As management of the Town of Essex (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

## **FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$16,698,188 (net assets). Of this amount, \$2,938,324 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$357,220 primarily due to an increase in property tax revenues.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,319,435, an increase of \$318,220 in comparison with the prior year. Approximately 60.6% or \$2,011,067 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,594,476, or 12.2% of total general fund expenditures and other financing sources (uses), net. Expressed another way, unassigned fund balance for the general fund was sufficient to cover 1.5 months of general fund operating expenditures and net other financing uses.
- The Town's total long-term bonded debt decreased by \$460,000 or 4.4% during the current fiscal year due to scheduled repayments.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 49 of this report.

### **Other Information**

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 50 - 64 of this report.

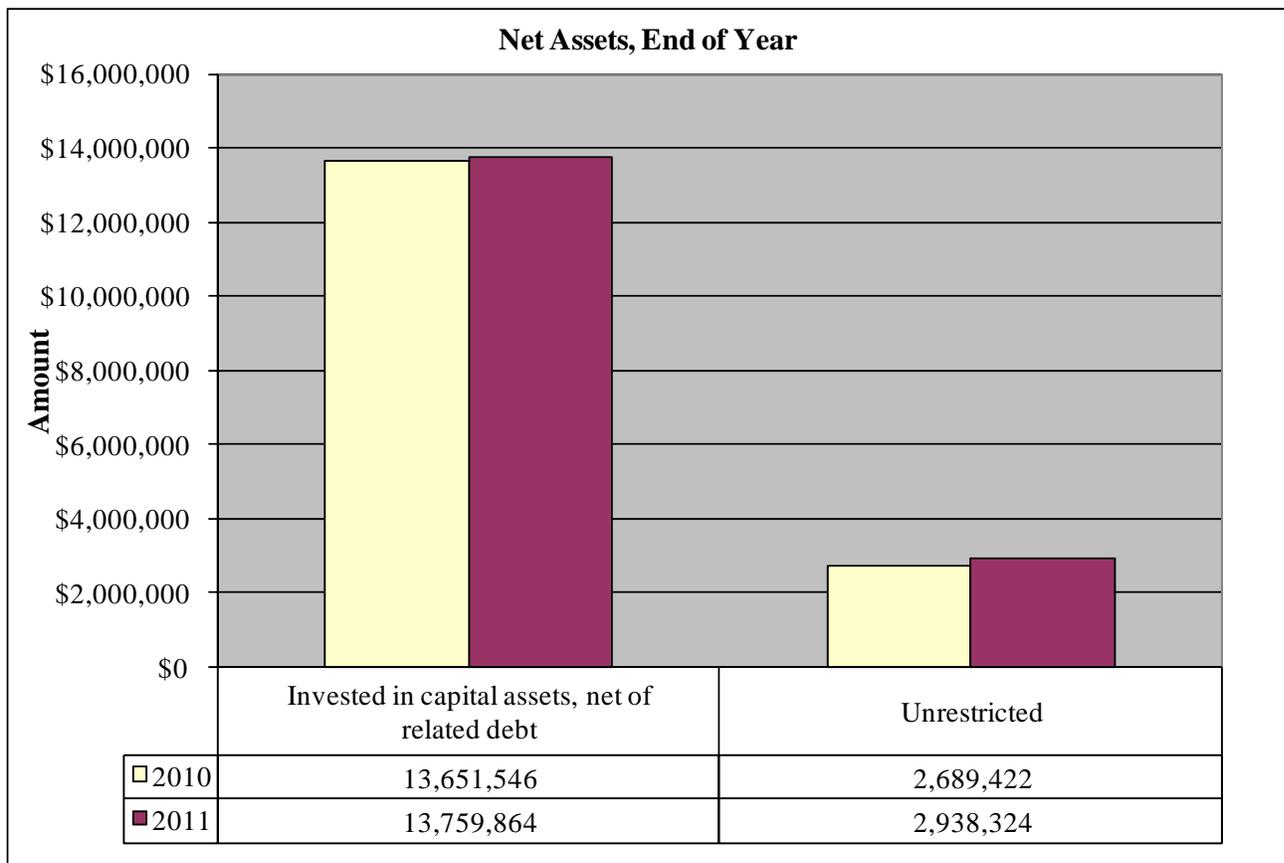
**TOWN OF ESSEX, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

Over time, net assets may serve as one measure of a government's financial position. Total net assets of the Town totaled \$16,698,188 and \$16,340,968 as of June 30, 2011 and 2010, respectively and are summarized as follows:

	Total	
	2011	2010
Current and other assets	\$ 4,064,780	\$ 3,653,400
Capital assets, net	23,837,398	24,211,320
Total assets	27,902,178	27,864,720
Long-term liabilities	9,904,362	10,338,986
Other liabilities	1,299,628	1,184,766
Total liabilities	11,203,990	11,523,752
Net assets:		
Invested in capital assets, net of related debt	13,759,864	13,651,546
Unrestricted	2,938,324	2,689,422
Total net assets	\$ 16,698,188	\$ 16,340,968



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

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

**Net Assets (Continued)**

82.4% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Overall, net assets increased by \$357,220 or 2.2% in comparison to the prior year.

**Changes in Net Assets**

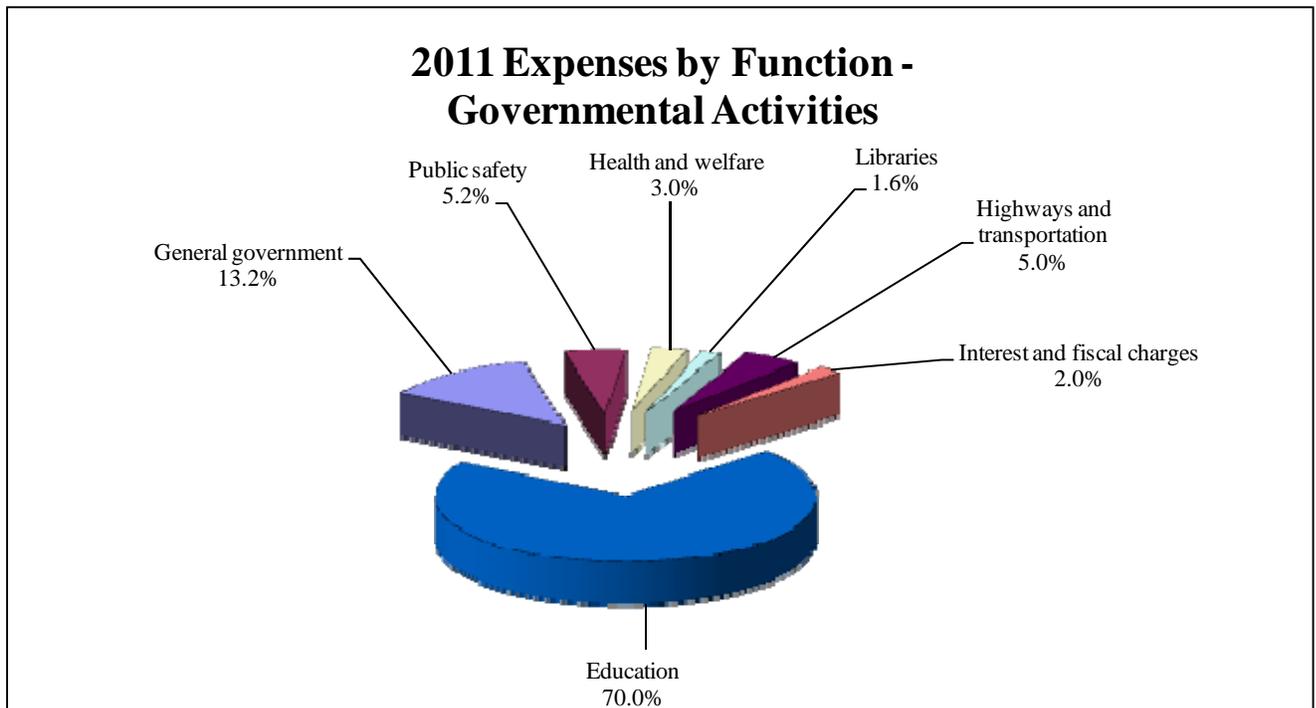
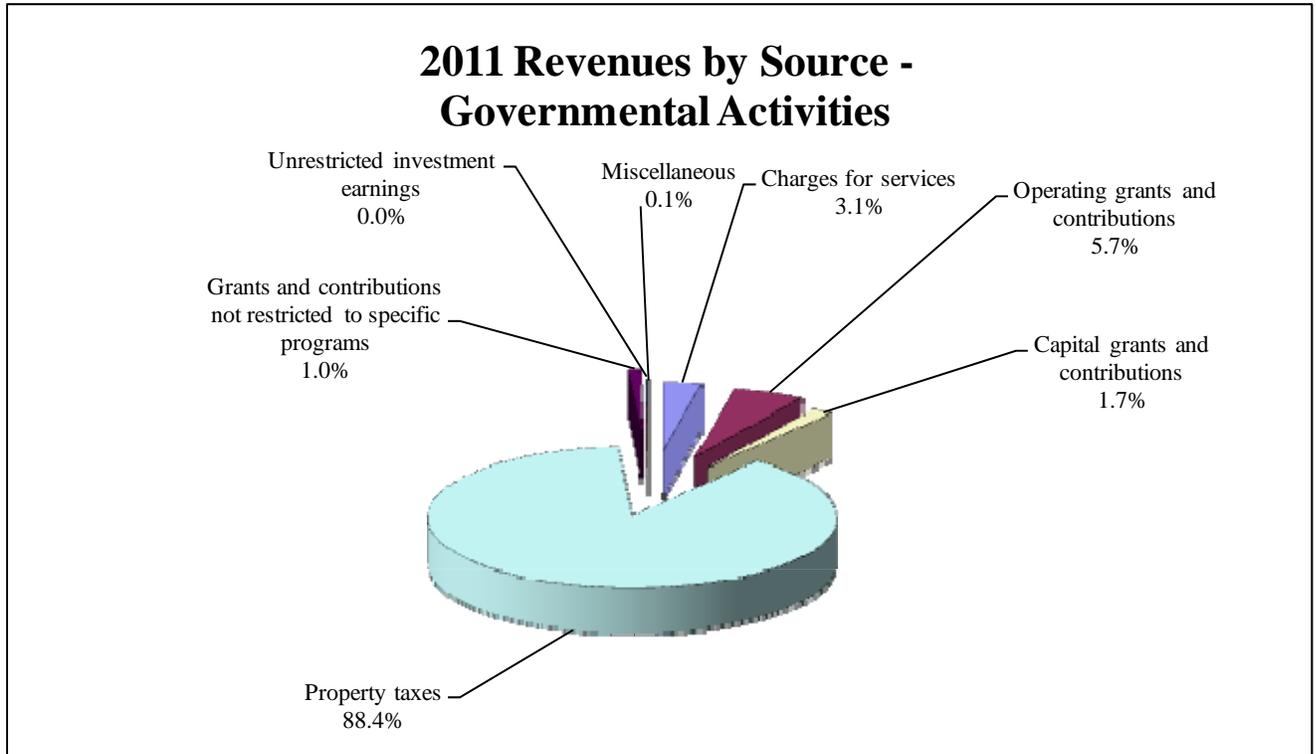
Changes in net assets for the years ended June 30, 2011 and 2010 are as follows:

	Total	
	2011	2010
Revenues		
Program revenues:		
Charges for services	\$ 694,770	\$ 681,286
Operating grants and contributions	1,261,339	1,096,930
Capital grants and contributions	372,799	151,540
General revenues:		
Property taxes	19,673,914	18,910,996
Grants and contributions not restricted to specific programs	215,540	220,790
Unrestricted investment earnings	8,128	23,110
Miscellaneous	26,477	13,403
Total revenues	22,252,967	21,098,055
Program expenses		
General government	2,879,767	2,866,835
Public safety	1,145,962	1,363,681
Health and welfare	657,228	580,911
Libraries	349,000	369,000
Highways and transportation	1,087,709	1,125,119
Interest and fiscal charges	447,119	462,185
Education	15,328,962	15,221,543
Total expenses	21,895,747	21,989,274
Change in net assets	\$ 357,220	\$ (891,219)

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

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

**Changes in Net Assets (Continued)**



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

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

### ***Governmental Activities***

Governmental activities increased the Town's net assets by \$357,220. Key elements of this increase are as follows:

- A decrease in total expenses of \$93,527 or 0.4%, mainly due to a decrease in Public Safety of \$217,719 or 16% for the Town's contribution made in the prior year to the Essex Fire Engine Co. #1 for the purchase of new trucks. This decrease is offset by an increase in Education of \$107,419 primarily due to an increase in the Essex Elementary School budget appropriation over the prior year.
- An increase in operating and capital grants and contributions of \$385,668 or 31% due to several new reimbursable capital projects in the current year. The most significant of which were a Small Town Economic Assistance Program grant which was used for a new boat launch, and a Highway Planning and Construction grant which was used for a traffic study.
- An increase in property tax revenue of \$762,918 or 4.0% in comparison to the prior year primarily due to an increase in the mill rate from 16.95 mills to 17.63 mills.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,319,435, an increase of \$318,220 in comparison with the prior year. Of this amount, \$2,011,067 constitutes unassigned fund balance which is available for spending at the Town's discretion. The remainder of fund balance is not available for new spending because it has already been assigned or committed to specific purposes.

### ***General Fund***

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,594,476, while total fund balance was \$3,167,193. 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 12.2% of total general fund expenditures and net other financing uses. Expressed another way, unassigned fund balance for the general fund was sufficient to cover 1.5 months of general fund operating expenditures and net other financing uses.

The fund balance of the Town's general fund increased \$163,833 during the current fiscal year. The key factor in this increase was an increase in property taxes of \$775,842 or 4.1%. This was partially offset by an increase in education expenditures of \$285,623 or 2.0%, and an increase in principal payments of \$230,985 or 93.6%.

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

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

**Governmental Funds (*Continued*)**

***Capital and Nonrecurring Expenditures Fund***

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$55,961 during the current fiscal year. This increase was due primarily to transfers received from the General Fund.

***EES Renovation Project Fund***

The EES Renovation Project Fund has a deficit fund balance which remained unchanged at \$575,529 as of June 30, 2011. This deficit is attributable to expenditures incurred in prior years for the renovation of the Essex Elementary School. The deficit is expected to be funded by State funds for reimbursable expenditures and the retainage held by the State which is expected to be released following the project audit.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were increases in expenditure appropriations of \$22,796 related to police overtime expenditures not originally budgeted. This supplemental appropriation was approved at an annual town meeting.

During the year, revenues exceeded budgetary estimates by \$151,005, while expenditures, prior to supplemental appropriations, were less than budgetary estimates by \$160,670. The net result of the supplemental appropriations and positive variances of revenues and expenditures was a \$311,675 addition 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, 2011 totaled \$23,837,398 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The Town's investment in capital assets decreased \$373,922 or 1.5%.

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

- A net increase of \$131,187 in construction in progress, primarily due to the boat launch project.
- An increase of \$262,914 in infrastructure, due to the reconstruction of several roads.

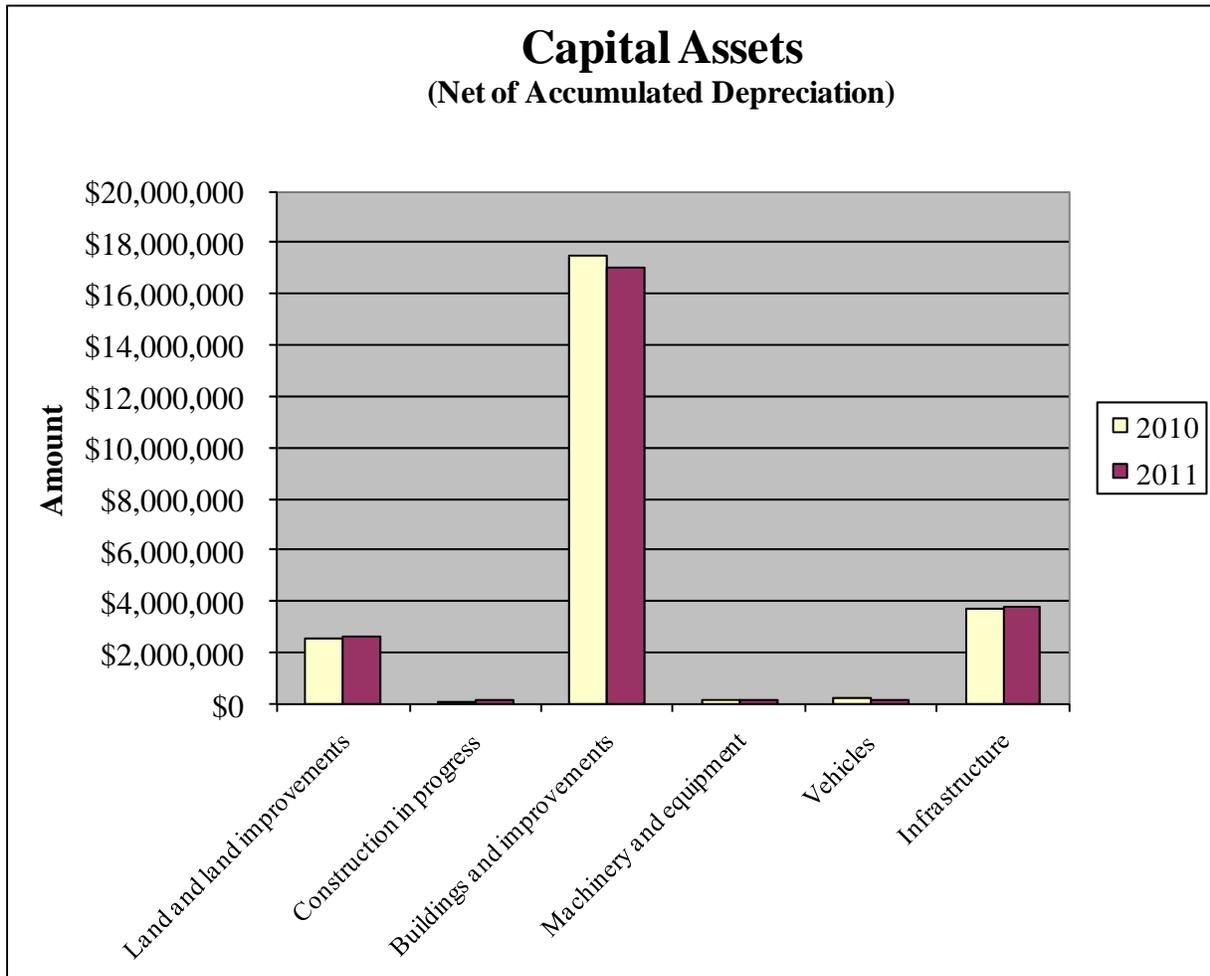
**TOWN OF ESSEX, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

**Capital Assets (Continued)**

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

	Total	
	2011	2010
Land and land improvements	\$ 2,596,107	\$ 2,579,774
Construction in progress	178,031	46,844
Buildings and improvements	16,986,575	17,476,813
Machinery and equipment	149,422	179,121
Vehicles	134,872	189,408
Infrastructure	3,792,391	3,739,360
<b>Totals</b>	<b>\$23,837,398</b>	<b>\$24,211,320</b>



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

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

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

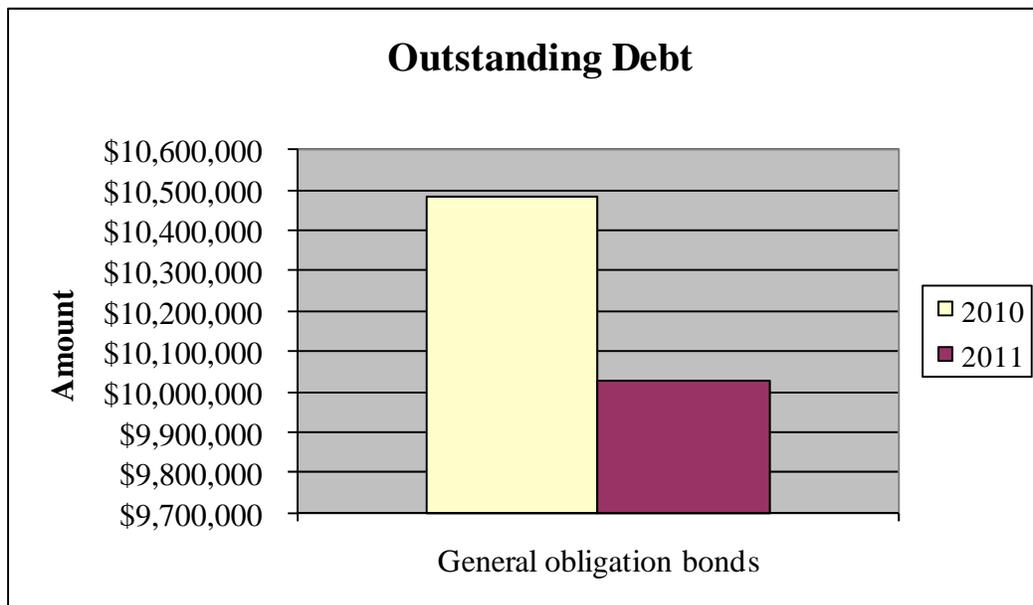
**Long-term Debt**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$10,025,000, all of which is backed by the full faith and credit of the government. The Town’s total bonded debt decreased by \$460,000 or 4.4% during the current fiscal year due to scheduled debt service payments.

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 \$138,434,086, which is significantly in excess of the Town’s outstanding general obligation debt.

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



Additional information on the Town’s long-term debt can be found in Note 7 on pages 35 - 38 of this report.

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

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

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

- The Town receives intergovernmental revenues from the State of Connecticut. Due to the current State budget crisis, the Town could experience a reduction in these revenues. Connecticut's economy moves in the same general cycle as the national economy.
- The unemployment rate for the Town is currently 6.3%, which is the same as in the prior year. This compares favorably to the state's average unemployment rate of 8.7% and the national unemployment rate of 9.0%.
- 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 2012.

**REQUESTS FOR INFORMATION**

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

# **Basic Financial Statements**

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,377,790
Receivables:	
Property taxes, net of allowance for doubtful accounts of \$10,000	280,762
Interest	68,830
Grants and contracts receivable	185,523
Other	8,205
Prepaid items	137,789
Inventories	5,881
Capital assets:	
Non-depreciable	2,741,276
Depreciable, net	21,096,122
Total assets	<u>27,902,178</u>
 <b>LIABILITIES</b>	
Accounts payable	363,132
Accrued interest payable	183,635
Other accrued liabilities	77,226
Unearned revenue	55,706
Noncurrent liabilities:	
Due within one year	619,929
Due in more than one year	9,904,362
Total liabilities	<u>11,203,990</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,759,864
Unrestricted	2,938,324
Total net assets	<u>\$ 16,698,188</u>

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Board of Selectmen:					
General government	\$ 2,879,767	\$ 489,979	\$ 219,145	\$ 41,754	\$ (2,128,889)
Public safety	1,145,962	38,650	75,430	166,950	(864,932)
Health and welfare	657,228	64,589	64,199	36,409	(492,031)
Libraries	349,000	-	-	-	(349,000)
Highways and transportation	1,087,709	-	-	108,886	(978,823)
Interest and fiscal charges	447,119	-	-	-	(447,119)
Education	15,328,962	101,552	902,565	18,800	(14,306,045)
Total governmental activities	<u>\$ 21,895,747</u>	<u>\$ 694,770</u>	<u>\$ 1,261,339</u>	<u>\$ 372,799</u>	<u>(19,566,839)</u>

General revenues:

Property taxes, levied for general purposes	19,673,914
Grants and contributions not restricted to specific programs	215,540
Unrestricted investment earnings	8,128
Miscellaneous	26,477
Total general revenues	<u>19,924,059</u>
Change in net assets	357,220
Net assets - beginning	16,340,968
Net assets - ending	<u>\$ 16,698,188</u>

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

**TOWN OF ESSEX, CONNECTICUT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,056,750	\$ 881,685	\$ -	\$ 439,355	\$ 3,377,790
Receivables:					
Property taxes, net of allowance for uncollectible taxes of \$10,000	280,762	-	-	-	280,762
Grants and contracts	62,517	-	-	123,006	185,523
Other	7,521	-	-	684	8,205
Prepaid items	132,065	-	-	5,724	137,789
Due from other funds	1,266,554	-	-	90,183	1,356,737
Inventories	-	-	-	5,881	5,881
Total assets	<u>\$ 3,806,169</u>	<u>\$ 881,685</u>	<u>\$ -</u>	<u>\$ 664,833</u>	<u>\$ 5,352,687</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 322,685	\$ 3,810	\$ -	\$ 36,637	\$ 363,132
Other accrued liabilities	-	-	-	35,646	35,646
Due to other funds	87,643	403,358	575,529	290,207	1,356,737
Unearned/deferred revenue	228,648	-	-	49,089	277,737
Total liabilities	<u>638,976</u>	<u>407,168</u>	<u>575,529</u>	<u>411,579</u>	<u>2,033,252</u>
Fund Balances (Deficit):					
Nonspendable:					
Prepaid items	132,065	-	-	5,724	137,789
Inventories	-	-	-	5,881	5,881
Committed to:					
Assessor's revaluation	191,176	-	-	-	191,176
Capital projects	-	474,517	-	-	474,517
General government	-	-	-	115,913	115,913
Public safety	-	-	-	132,605	132,605
Health and welfare	-	-	-	1,011	1,011
Assigned to various purposes	249,476	-	-	-	249,476
Unassigned	2,594,476	-	(575,529)	(7,880)	2,011,067
Total fund balances (deficit)	<u>3,167,193</u>	<u>474,517</u>	<u>(575,529)</u>	<u>253,254</u>	<u>3,319,435</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,806,169</u>	<u>\$ 881,685</u>	<u>\$ -</u>	<u>\$ 664,833</u>	<u>\$ 5,352,687</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Total fund balances for governmental funds \$ 3,319,435

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land and land improvements	\$ 2,712,126	
Construction in progress	178,031	
Building and improvements	22,410,203	
Machinery and equipment	1,652,049	
Vehicles	717,243	
Infrastructure	8,398,828	
Less: accumulated depreciation and amortization	<u>(12,231,082)</u>	
Total capital assets, net		23,837,398

Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred revenue in the funds. 222,031

Accrued interest on property taxes is not susceptible to accrual and therefore is not reported in the funds. 68,830

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.

Long-term debt:		
Bonds and notes payable	(10,029,544)	
Obligations under capital lease	(52,534)	
Accrued interest payable	(183,635)	
Other long-term liabilities:		
Compensated absences	(104,011)	
Retired employee obligations	(144,819)	
Claims payable	(41,580)	
Net pension obligation	(24,249)	
Net OPEB obligation	(169,134)	
Total long-term liabilities		<u>(10,749,506)</u>

Net assets of governmental activities \$ 16,698,188

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Capital and Nonrecurring Expenditures Fund	EES Renovation Project	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 19,684,655	\$ -	\$ -	\$ -	\$ 19,684,655
Intergovernmental	1,203,424	-	-	543,959	1,747,383
Local revenue	496,328	-	-	308,414	804,742
Interest income	7,398	382	-	348	8,128
Total revenues	<u>21,391,805</u>	<u>382</u>	<u>-</u>	<u>852,721</u>	<u>22,244,908</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,436,091	-	-	301,447	2,737,538
Public safety	1,103,453	-	-	14,642	1,118,095
Health and welfare	547,926	-	-	83,627	631,553
Libraries	349,000	-	-	-	349,000
Highways and transportation	835,807	-	-	-	835,807
Education	14,686,263	-	-	209,386	14,895,649
Debt service:					
Principal payments	477,741	-	-	12,279	490,020
Interest and fiscal charges	450,845	-	-	3,941	454,786
Capital outlays	227,370	19,380	-	167,490	414,240
Total expenditures	<u>21,114,496</u>	<u>19,380</u>	<u>-</u>	<u>792,812</u>	<u>21,926,688</u>
Excess (deficiency) of revenues over expenditures	277,309	(18,998)	-	59,909	318,220
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	45,897	122,679	-	38,517	207,093
Transfers out	(159,373)	(47,720)	-	-	(207,093)
Total other financing sources (uses)	<u>(113,476)</u>	<u>74,959</u>	<u>-</u>	<u>38,517</u>	<u>-</u>
Net change in fund balances	163,833	55,961	-	98,426	318,220
Fund balances (deficit) - beginning, as originally reported	2,837,184	584,732	(575,529)	154,828	3,001,215
Adjustments ( <i>see Note 13</i> )	166,176	(166,176)	-	-	-
Fund balances (deficit) - beginning, as adjusted	<u>3,003,360</u>	<u>418,556</u>	<u>(575,529)</u>	<u>154,828</u>	<u>3,001,215</u>
Fund balances (deficit) - ending	<u>\$ 3,167,193</u>	<u>\$ 474,517</u>	<u>\$ (575,529)</u>	<u>\$ 253,254</u>	<u>\$ 3,319,435</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances for governmental funds \$ 318,220

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which capital outlays were offset by depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$ 404,931	
Depreciation and amortization expense	<u>(797,653)</u>	
Net adjustment		(392,722)

Contributed capital assets to the Town increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 18,800

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 decreased revenues recognized in the funds. (2,552)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows:

Principal repayments:		
Bonds and notes payable	467,780	
Obligations under capital lease	<u>22,240</u>	
Net adjustment		490,020

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

**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES (*Continued*)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

Compensated absences	\$	2,827	
Retired employee obligations		36,606	
Accrued interest		7,667	
Claims payable		(12,711)	
Net OPEB obligation		(61,327)	
Net pension obligation		<u>(39,419)</u>	
	\$		(66,357)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue. (8,189)

Change in Net Assets of Governmental Activities \$ 357,220

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 19,525,386	\$ 19,525,386	\$ 19,684,655	\$ 159,269
Intergovernmental	740,012	747,521	802,863	55,342
Local revenues	532,332	532,332	496,328	(36,004)
Interest income	35,000	35,000	7,398	(27,602)
Total revenues	<u>20,832,730</u>	<u>20,840,239</u>	<u>20,991,244</u>	<u>151,005</u>
<b>EXPENDITURES</b>				
Board of Selectmen	6,498,246	6,528,551	6,431,630	(96,921)
Education	14,334,484	14,334,484	14,247,939	(86,545)
Total expenditures	<u>20,832,730</u>	<u>20,863,035</u>	<u>20,679,569</u>	<u>(183,466)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (22,796)</u>	311,675	<u>\$ (334,471)</u>
Fund balance - beginning			<u>2,414,869</u>	
Fund balance - ending			<u>\$ 2,726,544</u>	

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 37,823	\$ 163,698
Investments, at fair value	3,067,160	65,789
Interest and other receivables	7,475	-
Total assets	<u>3,112,458</u>	<u>\$ 229,487</u>
<b>LIABILITIES</b>		
Due to others	-	212,389
Due to student groups	-	17,098
Total liabilities	<u>-</u>	<u>\$ 229,487</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 3,112,458</u>	

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

**TOWN OF ESSEX, CONNECTICUT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u><b>Pension Trust Funds</b></u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 285,898
Plan members	7,372
Total contributions	<u>293,270</u>
Investment earnings:	
Net appreciation in the fair value of investments	491,325
Interest	72,497
Total investment earnings	<u>563,822</u>
Total additions	<u>857,092</u>
 <b>DEDUCTIONS</b>	
Benefit payments	239,897
Administrative expenses	62,413
Total deductions	<u>302,310</u>
Change in net assets	554,782
Net assets - beginning	<u>2,557,676</u>
Net assets - ending	<u><u>\$ 3,112,458</u></u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**FINANCIAL REPORTING ENTITY**

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

The Town reports the following major governmental funds:

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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

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

**Fund Financial Statements (*Continued*)**

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

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

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

*Pension Trust Funds* - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plans. The Town utilizes these funds to account for activities of the following plans: Town of Essex, Connecticut Amended and Restated Retirement Plan, the Town of Essex Merit Service Plan and the Town of Essex Employee's Pension Plan. These plans are discussed more fully in Note 9.

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

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-wide and Fiduciary Fund Financial Statements**

The government-wide and fiduciary fund financial statements (except for Agency Funds) are prepared using the economic resources measurement focus and the accrual basis of accounting. Agency Funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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

**ASSETS, LIABILITIES AND FUND EQUITY**

**Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents as of June 30, 2011 consist of money market accounts and Cooperative Liquid Asset Security Systems Funds (CLASS) which totaled \$2,743,313 and \$466,049, respectively. CLASS is an investment pool managed by Cutwater Asset Management. The fair value of the Town's position in the pool is the same as the value of the pool shares.

**Investments**

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Town presents all investments at fair value.

**Inventories**

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

**Property Taxes**

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

**Capital Assets**

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

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

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

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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

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

**Unearned/Deferred Revenue**

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

**Compensated Absences and Employee Retirement Obligations**

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

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

**Long-term Obligations**

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

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

**Fund Equity**

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

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

***Restricted net assets*** - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. There were no restricted net assets as of June 30, 2011.

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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

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

**Fund Equity (*Continued*)**

During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined classifications for all governments that report governmental funds. The Town's governmental 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.

The Town does not have a formal policy over the use of fund balance. In accordance with GASB Statement No. 54, the Town will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

**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.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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

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

**INTERFUND ACTIVITIES (*Continued*)**

**Interfund Transfers**

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

**Interfund Reimbursements**

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

**USE OF ESTIMATES**

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

**NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY**

**BUDGETARY INFORMATION**

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

- The Board of Selectmen and the Board of Finance prepare an operating budget for the fiscal year commencing July 1 which is presented at the annual Town meeting for approval 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 \$22,796.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and “on behalf” payments made by the State of Connecticut into the State Teacher’s Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY (Continued)**

**BUDGETARY INFORMATION (Continued)**

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

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2011:

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing</u> <u>Sources (Uses)</u>	<u>Net Change</u> <u>In Fund</u> <u>Balance</u>
Budgetary basis	\$ 20,991,244	\$ 20,679,569	\$ -	\$ 311,675
"On-behalf" payments - State Teachers Retirement Fund (see Note 9)	380,598	380,598	-	-
Adjustment for encumbrances	-	172,842	-	(172,842)
Reimbursement for certain special education costs recorded as a reduction to expenditures for budgetary purposes	19,963	19,963	-	-
Certain transfers recorded as expenditures for budgetary purposes	-	(113,476)	(113,476)	-
Expenditures pertaining to the Assessor's Revaluation Fund which are not recognized for budgetary purposes due to perspective differences	-	(25,000)	-	25,000
GAAP basis	<u>\$ 21,391,805</u>	<u>\$ 21,114,496</u>	<u>\$ (113,476)</u>	<u>\$ 163,833</u>

**DEFICIT FUND EQUITY**

The EES Renovation Project Fund and the Grants Fund have deficit fund balances as of June 30, 2011 of \$575,529 and \$1,999 respectively, neither of which constitutes a violation of statutory provisions. The deficits arose due to expenditures related to the renovation of the Essex Elementary School and the timing and nature of various other grant receipts and expenditures. These deficits are expected to be funded by State and Federal funds for reimbursable expenditures.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2011:

Government-wide statement of net assets:

Cash deposits	\$ 206,251
Cash equivalents	3,171,539
	3,377,790

Statement of fiduciary net assets:

Cash deposits - Agency Funds	163,698
Cash equivalents - Pension Trust Funds	37,823
	201,521
	\$ 3,579,311

**CASH DEPOSITS – CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut general statutes, as described below. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2011, \$2,773,696 of the Town's bank balance of \$3,301,303 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,471,326
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	302,370
	\$ 2,773,696

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.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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

**INVESTMENTS**

As of June 30, 2011, the Town's investments consisted of the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
<b>Debt Securities:</b>					
Cooperative Liquid Asset Security System (CLASS)	\$ 466,049	\$ 466,049	\$ -	\$ -	\$ -
Bond mutual fund	998,837	998,837	-	-	-
Certificates of deposit	65,789	65,789	-	-	-
	<u>1,530,675</u>	<u>\$ 1,530,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other investments:</b>					
Equity mutual funds	<u>2,106,146</u>				
<b>Total</b>	<u><u>\$ 3,636,821</u></u>				

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

A reconciliation of the Town's investments as of June 30, 2011 is as follows:

Total investments	\$ 3,636,821
Less cash equivalents considered investments under GASB Statement No. 40:	
Statement of net assets	466,049
Statement of fiduciary net assets	<u>37,823</u>
Investments - Pension Trust and Agency Funds	<u><u>\$ 3,132,949</u></u>

**Interest Rate Risk**

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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

**INVESTMENTS (Continued)**

**Credit Risk**

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

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

The Town's investments in debt securities were rated by Standard & Poor's as follows at June 30, 2011:

<u>Debt Securities</u>	<u>Fair Value</u>	<u>AAA</u>	<u>Unrated</u>
Cooperative Liquid Asset Security System (CLASS)	\$ 466,049	\$ 446,049	\$ -
Bond mutual fund	998,837	-	998,837
Certificates of deposit	65,789	-	65,789
	<u>\$ 1,530,675</u>	<u>\$ 446,049</u>	<u>\$ 1,064,626</u>

**Custodial Credit Risk**

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

**Concentrations of Credit Risk**

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,544,445	\$ 18,800	\$ -	\$ 2,563,245
Construction in progress	46,844	240,085	(108,898)	178,031
Total capital assets, not being depreciated	<u>2,591,289</u>	<u>258,885</u>	<u>(108,898)</u>	<u>2,741,276</u>
Capital assets, being depreciated:				
Land improvements	148,881	-	-	148,881
Buildings and improvements	22,410,203	-	-	22,410,203
Machinery and equipment	1,641,219	10,830	-	1,652,049
Vehicles	717,243	-	-	717,243
Infrastructure	8,135,914	262,914	-	8,398,828
Total capital assets, being depreciated	<u>33,053,460</u>	<u>273,744</u>	<u>-</u>	<u>33,327,204</u>
Less accumulated depreciation and amortization for:				
Land improvements	113,552	2,467	-	116,019
Buildings and improvements	4,933,390	490,238	-	5,423,628
Machinery and equipment	1,462,098	40,529	-	1,502,627
Vehicles	527,835	54,536	-	582,371
Infrastructure	4,396,554	209,883	-	4,606,437
Total accumulated depreciation and amortization	<u>11,433,429</u>	<u>797,653</u>	<u>-</u>	<u>12,231,082</u>
Total capital assets, being depreciated, net	<u>21,620,031</u>	<u>(523,909)</u>	<u>-</u>	<u>21,096,122</u>
Governmental activities capital assets, net	<u>\$ 24,211,320</u>	<u>\$ (265,024)</u>	<u>\$ (108,898)</u>	<u>\$ 23,837,398</u>

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

Governmental Activities:	
General government	\$ 78,551
Public safety	15,712
Highways and transportation	253,346
Education	429,002
Health and welfare	21,042
Total depreciation expense - governmental activities	<u>\$ 797,653</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	EES Renovation Project	\$ 575,529
	Capital and Nonrecurring Expenditures Fund	400,818
	Other Governmental Funds	290,207
		<u>1,266,554</u>
Other Governmental Funds	General Fund	87,643
	Capital and Nonrecurring Expenditures Fund	2,540
		<u>90,183</u>
Total interfund receivables/payables		<u><u>\$ 1,356,737</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 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Capital and Nonrecurring Expenditures Fund	\$ 45,897
Capital and Nonrecurring Expenditures Fund	General Fund	<u>122,679</u>
Other Governmental Funds	General Fund	36,694
	Capital and Nonrecurring Expenditures Fund	1,823
		<u>38,517</u>
Total transfers		<u><u>\$ 207,093</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 THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 7 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 10,485,000	\$ -	\$ (460,000)	\$ 10,025,000	\$ 460,000
Other liabilities:					
Note payable	12,324	-	(7,780)	4,544	4,544
Capital leases	74,774	-	(22,240)	52,534	15,740
Net pension obligation	-	24,249	-	24,249	-
Net OPEB obligation	107,807	61,327	-	169,134	-
Compensated absences	106,838	97,902	(100,729)	104,011	100,729
Retired employee obligations	181,425	-	(36,606)	144,819	38,916
	<u>\$ 10,968,168</u>	<u>\$ 183,478</u>	<u>\$ (627,355)</u>	<u>\$ 10,524,291</u>	<u>\$ 619,929</u>

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

**GENERAL OBLIGATION BONDS AND NOTE PAYABLE**

A summary of general obligation bonds outstanding at June 30, 2011 is as follows:

<b>Purpose of Bonds</b>	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>			
<b>Bonds Payable</b>			
General obligation bonds issued August 2007, original amount of \$10,485,000	8/1/2027	4.0% - 5.25%	<u>\$ 10,025,000</u>
<b>Note Payable</b>			
Clean Water Fund note payable issued 1992, original amount \$132,079	12/31/11	2.00%	<u>4,544</u> <u>\$ 10,029,544</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS AND NOTE PAYABLE (Continued)**

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2011:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 460,000	\$ 431,238	\$ 4,544	\$ 23	\$ 464,544	\$ 431,261
2013	460,000	409,676	-	-	460,000	409,676
2014	550,000	383,163	-	-	550,000	383,163
2015	550,000	357,038	-	-	550,000	357,038
2016	600,000	332,600	-	-	600,000	332,600
2017-2021	3,395,000	1,223,799	-	-	3,395,000	1,223,799
2022-2026	2,960,000	532,978	-	-	2,960,000	532,978
2027-2028	1,050,000	46,134	-	-	1,050,000	46,134
	<u>\$ 10,025,000</u>	<u>\$ 3,716,626</u>	<u>\$ 4,544</u>	<u>\$ 23</u>	<u>\$ 10,029,544</u>	<u>\$ 3,716,649</u>

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$138,434,086 as of June 30, 2011. 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, 2011.

As of June 30, 2011, the Town has authorized, unissued bonds of \$7,494,625.

**SHARED DEBT**

The Town of Essex is a member of Regional School District #4 which also provides education for the Towns of Chester and Deep River. As of June 30, 2011, the outstanding indebtedness of the District was \$19,305,000. The Town of Essex's share will be approximately 42.54% of the total, or \$8,212,347. Such outstanding indebtedness represents general obligations of the Regional School District #4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net assets.

**SCHOOL BOND REIMBURSEMENTS**

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The Town did not receive any reimbursement for the year ended June 30, 2011, however reimbursements of principal and interest are expected to be received for the Essex Elementary School Project. Such amounts have not yet been determined by the State.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**CAPITAL LEASES**

A summary of assets acquired through capital leases is as follows as of June 30, 2011:

	<b>Governmental Activities</b>
Vehicles	\$ 70,294
Equipment	28,063
	98,357
Less: accumulated amortization	36,546
	\$ 61,811

Amortization expense relative to leased property under capital leases totaled \$19,396 for the year ended June 30, 2011 and is included in depreciation and amortization expense disclosed in Note 4.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>
2012	\$ 18,888
2013	16,220
2014	16,220
2015	8,109
Total minimum lease payments	59,437
Less: amount representing interest	6,903
Present value of minimum lease payments	\$ 52,534

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

**RETIRED EMPLOYEE OBLIGATIONS**

Board of Education retirement obligations in the amount of \$144,819 represent payments owed to retired employees under terms of an Early Retirement Incentive Program. Such amount represents the total of future payments due to retirees who have accepted the terms of the Early Retirement Incentive Program as of June 30, 2011. The following is a summary of future annual payments as of June 30, 2011:

	<b>Governmental Activities</b>
Year Ending June 30:	
2012	\$ 38,916
2013	41,503
2014	44,400
2015	20,000
	\$ 144,819

**NOTE 8 - UNEARNED/DEFERRED REVENUE**

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

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property taxes receivable	\$ 222,031	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	5,363
Park and Recreation program fees received in advance	-	46,770
Other program fees received in advance	-	3,573
	\$ 222,031	\$ 55,706

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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**NOTE 9 - PENSION PLANS**

**DEFINED BENEFIT PLANS**

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

**Plan Descriptions**

***Employees’ Retirement Plan***

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

***Merit Service Plan***

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

***Police Retirement Plan***

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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**NOTE 9 - PENSION PLANS (*Continued*)**

**DEFINED BENEFIT PLANS (*Continued*)**

**Plan Membership**

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

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Retirees and beneficiaries receiving benefits	12	14	-
Terminated employees entitled to benefits but not yet receiving them	13	5	1
Active plan members	25	47	5
	<u>50</u>	<u>66</u>	<u>6</u>

**Summary of Significant Accounting Policies**

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

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

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

**Funding Policy**

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

For the year ended June 30, 2011, employer contributions to the Employees' Retirement Plan represented 11.1% of covered payroll.

For the year ended June 30, 2011, employer contributions to the Police Retirement Plan represented 16.4% of covered payroll.

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 9 - PENSION PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

**Concentrations**

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

	<u>Employees'</u> <u>Retirement Plan</u>	<u>Merit</u> <u>Service Plan</u>	<u>Police</u> <u>Retirement Plan</u>
Equity Mutual Funds:			
Columbia Select Large Cap Growth Fund	\$ 440,234	\$ 125,360	\$ 92,599
Columbia Mid Cap Growth Fund	-	35,177	24,747
Columbia Multi-Advisor International Fund	270,430	75,587	55,275
Columbia Dividend Income Fund	390,848	110,711	81,778
Bond Mutual Fund	660,051	197,387	145,796

**Funded Status**

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

	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Employees' Retirement Plan	\$1,873,460	\$ 2,382,936	\$ 509,476	79%	\$ 1,373,193	37%
Merit Service Plan	425,633	843,914	418,281	50%	N/A	N/A
Police Retirement Plan	394,650	586,053	191,403	67%	326,850	59%

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

**Schedule of Employer Contributions**

Year Ended June 30	<u>Employees' Retirement Plan</u>		<u>Merit Service Plan</u>		<u>Police Retirement Plan</u>	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2011	\$ 175,420	87%	\$ 88,594	90%	\$ 59,877	90%
2010	131,523	100%	68,656	100%	44,890	100%
2009	81,056	99%	63,671	99%	39,473	100%
2008	97,247	99%	62,934	99%	41,301	100%
2007	74,225	99%	63,087	99%	37,677	100%
2006	81,085	99%	60,452	99%	36,135	100%

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 9 - PENSION PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

**Additional Information and Actuarial Assumptions**

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Valuation date	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial cost method	Projected Unit Credit	Unit Credit	Projected Unit Credit
Amortization method	Level dollar, closed	Level dollar, closed	Level percent, closed
Remaining amortization period	8	8	12
Asset valuation method	Average of book and market values	Market value	Average of book and market values
Actuarial assumptions (includes inflation rate):			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases	4.50%	N/A	4.50%

**Annual Pension Cost and Net Pension (Asset) Obligation**

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Annual required contribution	\$ 175,420	\$ 88,594	\$ 59,877
Interest on net pension obligation	(815)	(398)	-
Adjustment to annual required contribution	1,773	866	-
Annual pension cost	176,378	89,062	59,877
Contributions made	152,739	79,457	53,702
Change in net pension (asset) obligation	23,639	9,605	6,175
Net pension asset, beginning of year	(10,191)	(4,979)	-
Net pension obligation, end of year	<u>\$ 13,448</u>	<u>\$ 4,626</u>	<u>\$ 6,175</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 9 - PENSION PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

**Three-Year Trend Information**

Year Ended June 30	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension (Asset) Obligation
<b>Employees' Retirement Plan</b>				
2009	\$ 81,877	\$ 81,056	99%	\$ (11,079)
2010	132,411	131,523	99%	(10,191)
2011	176,378	152,739	87%	13,448
<b>Merit Service Plan</b>				
2009	\$ 64,072	\$ 63,671	99%	\$ (5,413)
2010	69,090	68,656	99%	(4,979)
2011	89,062	79,457	89%	4,626
<b>Police Retirement Plan</b>				
2009	\$ 39,473	\$ 39,473	100%	\$ -
2010	44,890	44,890	100%	-
2011	59,877	53,702	90%	6,175

**Plan Financial Statements**

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF PLAN NET ASSETS**  
**JUNE 30, 2011**

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	
<b>ASSETS</b>				
Cash equivalents	\$ 26,283	\$ 6,726	\$ 4,814	\$ 37,823
Investments, at fair value	2,021,803	604,099	441,258	3,067,160
Interest and other receivables	4,918	1,471	1,086	7,475
Total assets	<u>2,053,004</u>	<u>612,296</u>	<u>447,158</u>	<u>3,112,458</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	<u>2,053,004</u>	<u>612,296</u>	<u>447,158</u>	<u>3,112,458</u>
Total net assets	<u>\$ 2,053,004</u>	<u>\$ 612,296</u>	<u>\$ 447,158</u>	<u>\$ 3,112,458</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 9 - PENSION PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

**Plan Financial Statements (Continued)**

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 152,739	\$ 79,457	\$ 53,702	\$ 285,898
Plan members	-	-	7,372	7,372
Total contributions	<u>152,739</u>	<u>79,457</u>	<u>61,074</u>	<u>293,270</u>
Investment earnings:				
Net appreciation in fair value of investments	335,084	89,807	66,434	491,325
Interest	48,704	13,575	10,218	72,497
Total investment earnings	<u>383,788</u>	<u>103,382</u>	<u>76,652</u>	<u>563,822</u>
Total additions	<u>536,527</u>	<u>182,839</u>	<u>137,726</u>	<u>857,092</u>
<b>DEDUCTIONS</b>				
Benefit payments	146,248	51,952	41,697	239,897
Administrative expenses	48,960	5,767	7,686	62,413
Total deductions	<u>195,208</u>	<u>57,719</u>	<u>49,383</u>	<u>302,310</u>
NET INCREASE	341,319	125,120	88,343	554,782
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	<u>1,711,685</u>	<u>487,176</u>	<u>358,815</u>	<u>2,557,676</u>
End of year	<u>\$ 2,053,004</u>	<u>\$ 612,296</u>	<u>\$ 447,158</u>	<u>\$ 3,112,458</u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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**NOTE 9 - PENSION PLANS (*Continued*)**

**TEACHERS' RETIREMENT SYSTEM**

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

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2011, Town teachers contributed \$173,543 to the plan and covered payroll for the year was \$2,393,697.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$380,598 made by the State of Connecticut into the plan as intergovernmental revenues and related education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in education fund balances of governmental funds.

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Descriptions**

***Employees' OPEB Plan***

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

***Teachers' OPEB Plan***

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

**Funding Policy**

*Employees' OPEB Plan*

Contribution requirements of the Town are established in the plan provisions and may be amended by the Town. Currently, the Town contributes 100% percent of the cost of current-year premiums for eligible retired plan members. Plan members are not required to contribute. For fiscal year 2011, contributions totaled \$12,343. The Town finances the cost of these benefits on a pay-as-you-go basis.

*Teachers' OPEB Plan*

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

**Annual OPEB Cost and Net OPEB Obligation**

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

	<u>Employees'</u> <u>OPEB Plan</u>	<u>Teachers'</u> <u>OPEB Plan</u>
Annual required contribution	\$ 34,310	\$ 40,280
Interest on net OPEB obligation	2,222	4,246
Adjustment to annual required contribution	<u>(2,538)</u>	<u>(4,850)</u>
Annual OPEB cost	33,994	39,676
Contributions made	<u>12,343</u>	<u>-</u>
Increase in net OPEB obligation	21,651	39,676
Net OPEB obligation, beginning of year	<u>37,036</u>	<u>70,771</u>
Net OPEB obligation, end of year	<u><u>\$ 58,687</u></u>	<u><u>\$ 110,447</u></u>

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2009 through 2011 (the only available years) is as follows:

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>Employees' OPEB Plan</b>				
2009	\$ 28,596	\$ 12,173	43%	\$ 16,423
2010	32,917	12,304	37%	37,036
2011	33,994	12,343	36%	58,687
<b>Teachers' OPEB Plan</b>				
2009	\$ 33,274	-	0%	\$ 33,274
2010	37,497	-	0%	70,771
2011	39,676	-	0%	110,447

**Funded Status and Funding Progress**

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

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	(Overfunded) Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
<b>Employees' OPEB Plan</b>					
\$ -	\$ 339,212	\$ 339,212	0.0%	N/A	N/A
<b>Teachers' OPEB Plan</b>					
\$ -	\$ 320,456	\$ 320,456	0.0%	N/A	N/A

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2011**

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**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

**Actuarial Methods and Assumptions**

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

	Employees' OPEB Plan	Teachers' OPEB Plan
Valuation date:	July 1, 2008	July 1, 2008
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level Dollar Amount	Level Dollar Amount
Remaining amortization period:	30 years, closed	30 years, closed
Asset valuation method:	N/A	N/A
Actuarial assumptions:		
Discount rate	6.0%	6.0%
Healthcare cost trend rate	4.0%	8.0%

**NOTE 11 - 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.

As of June 30, 2011, the Town has recorded \$249,476 in encumbrances. Such encumbrances have been included in assigned fund balance in accordance with the provisions of GASB Statement No. 54.

**NOTE 12 - RISK MANAGEMENT**

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**  
**JUNE 30, 2011**

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**NOTE 12 - RISK MANAGEMENT (*Continued*)**

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

A liability is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, the claims liability is reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimated. The claims liability included in the accompanying statement of net assets totaled \$41,580 as of June 30, 2011.

**NOTE 13 - ADJUSTMENTS**

In February 2009, the Governmental Accounting Standards Board ("GASB") issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("Statement No. 54"). Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds and clarified the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The application of Statement No. 54 was effective for the Town as of July 1, 2010. Based on the interpretations of certain terms within the definition of the capital projects fund type provided for in Statement No. 54, the Town has determined that certain activities previously reported in capital projects funds are required to be reported in the General Fund. Accordingly, fund balance reclassifications made by the Town have been applied by adjusting the beginning fund balance of the General Fund and the Capital and Nonrecurring Fund as of July 1, 2010 in order to conform with the provisions of Statement No. 54.

**Required  
Supplementary  
Information**

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULES OF FUNDING PROGRESS**  
**JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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**DEFINED BENEFIT PLANS**

**Employees' Retirement Plan**

July 1, 2009	\$ 1,873,460	\$ 2,383,936	\$ 509,476	79%	\$ 1,373,193	37%
July 1, 2008	1,899,517	2,219,269	319,752	86%	1,314,060	24%
July 1, 2007	1,885,401	1,996,206	110,805	94%	1,100,628	10%
July 1, 2006	1,691,603	1,827,486	135,883	93%	1,003,523	14%
July 1, 2005	1,556,254	1,628,479	72,225	96%	746,135	10%
July 1, 2004	1,518,885	1,569,811	50,926	97%	868,343	6%

**Merit Service Plan**

July 1, 2009	\$ 425,633	\$ 843,914	\$ 418,281	50%	N/A	N/A
July 1, 2008	500,946	824,956	324,010	61%	N/A	N/A
July 1, 2007	507,218	790,089	282,871	64%	N/A	N/A
July 1, 2006	429,655	742,655	313,000	58%	N/A	N/A
July 1, 2005	379,018	705,067	326,049	54%	N/A	N/A
July 1, 2004	350,825	672,874	322,049	52%	N/A	N/A

**Police Retirement Plan**

July 1, 2009	\$ 394,650	\$ 586,053	\$ 191,403	67%	\$ 326,850	59%
July 1, 2008	399,284	505,955	106,671	79%	312,776	34%
July 1, 2007	344,922	426,580	81,658	81%	327,473	25%
July 1, 2006	271,397	408,054	136,657	67%	237,894	57%
July 1, 2005	210,164	317,984	107,820	66%	258,055	42%
July 1, 2004	162,788	277,276	114,488	59%	269,402	42%

**OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Employees' OPEB Plan**

July 1, 2008	\$ -	\$ 339,212	\$ 339,212	0%	N/A	N/A
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**Teachers' OPEB Plan**

July 1, 2008	\$ -	\$ 320,456	\$ 320,456	0%	N/A	N/A
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# **Combining and Individual Fund Statements and Schedules**

# *General Fund*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PROPERTY TAXES</b>				
Property taxes	\$ 19,475,386	\$ 19,475,386	\$ 19,570,653	\$ 95,267
Interest and lien fees	50,000	50,000	114,002	64,002
Total property taxes	<u>19,525,386</u>	<u>19,525,386</u>	<u>19,684,655</u>	<u>159,269</u>
<b>INTERGOVERNMENTAL</b>				
Totally disabled tax relief	-	-	212	212
Veterans tax relief	3,962	3,962	3,702	(260)
State education grants	389,697	389,697	393,304	3,607
Town aid road grant	109,040	109,040	108,886	(154)
LOCIP	41,903	41,903	41,754	(149)
PILOT grant	19,172	19,172	27,832	8,660
Homeowners tax relief	36,000	36,000	36,051	51
Boating registration	12,979	12,979	20,500	7,521
Transit district	1,970	1,970	1,005	(965)
Manufacturing equipment	99,083	99,083	80,826	(18,257)
Pequot grant	11,206	11,206	11,551	345
Miscellaneous State and Federal	15,000	22,509	77,240	54,731
Total intergovernmental	<u>740,012</u>	<u>747,521</u>	<u>802,863</u>	<u>55,342</u>
<b>LOCAL REVENUES</b>				
Miscellaneous permits	2,000	2,000	3,540	1,540
Phone "access line" tax share	45,817	45,817	29,081	(16,736)
Sanitary permits	70,000	70,000	64,589	(5,411)
Building permit fees	96,000	96,000	90,295	(5,705)
Circuit court fines	7,000	7,000	5,785	(1,215)
Gas tax refunds	805	805	-	(805)
Zoning permits	7,100	7,100	6,497	(603)
Zoning board of appeals	2,500	2,500	1,800	(700)
Zoning maps and books	-	-	120	120
Planning commission receipts	500	500	-	(500)
Conveyance tax	132,000	132,000	93,756	(38,244)
Park and recreation	3,500	3,500	4,260	760
Miscellaneous receipts	15,000	15,000	26,477	11,477
Town clerk fees	110,000	110,000	123,796	13,796
Inland wetlands permits	1,110	1,110	1,816	706
Regional recycling fees	33,000	33,000	34,510	1,510
Health department fees	6,000	6,000	7,197	1,197
IRS recording fees	-	-	2,809	2,809
Total local revenues	<u>532,332</u>	<u>532,332</u>	<u>496,328</u>	<u>(36,004)</u>
<b>INTEREST INCOME</b>	<u>35,000</u>	<u>35,000</u>	<u>7,398</u>	<u>(27,602)</u>
<b>Total revenues</b>	<u>\$ 20,832,730</u>	<u>\$ 20,840,239</u>	<u>\$ 20,991,244</u>	<u>\$ 151,005</u>

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>BOARD OF SELECTMEN</b>				
<b>GENERAL GOVERNMENT</b>				
Selectmen	\$ 173,838	\$ 173,838	\$ 179,162	\$ 5,324
Assessor	105,996	105,996	103,358	(2,638)
Central services	212,835	227,772	227,772	-
Elections	44,078	44,078	46,883	2,805
Probate court	2,750	2,750	2,986	236
Tax collector	95,657	95,657	95,963	306
Town clerk	162,600	175,590	179,968	4,378
Treasurer	108,835	108,835	107,860	(975)
Zoning enforcement agent	57,993	57,993	46,219	(11,774)
Fringe benefits	769,552	771,802	751,817	(19,985)
General insurance	153,000	153,000	161,297	8,297
Legal services	76,055	96,615	96,615	-
Public restroom facilities	17,210	17,210	17,817	607
Technology	113,925	113,925	101,733	(12,192)
Board of assessment appeals	1,430	1,430	1,317	(113)
Board of finance	167,418	42,418	39,838	(2,580)
Conservation commission	11,547	11,547	9,872	(1,675)
Economic development commission	1,500	1,500	740	(760)
IWWC commission	11,481	11,481	6,443	(5,038)
Parks and recreation	162,482	162,482	164,514	2,032
Planning commission	59,718	69,718	67,774	(1,944)
Tree committee	1,200	1,200	1,200	-
Zoning board of appeals	10,746	10,746	6,723	(4,023)
Zoning commission	45,994	45,994	34,555	(11,439)
Clean energy task force	3,600	3,600	2,373	(1,227)
Total general government	<u>2,571,440</u>	<u>2,507,177</u>	<u>2,454,799</u>	<u>(52,378)</u>
<b>PUBLIC SAFETY</b>				
Ambulance Association	26,818	26,818	26,818	-
Animal control	15,000	15,000	15,000	-
Building department	74,902	74,902	69,385	(5,517)
Emergency management	9,050	9,050	13,766	4,716
Emergency 911	92,369	92,369	92,138	(231)
Fire department	256,250	263,759	263,759	-
Fire marshal	45,428	45,428	47,399	1,971
Harbor patrol	25,106	25,106	19,616	(5,490)
Police services	320,250	343,046	343,044	(2)
Resident state trooper	100,052	100,052	90,838	(9,214)
Water	140,543	140,543	141,686	1,143
Total public safety	<u>1,105,768</u>	<u>1,136,073</u>	<u>1,123,449</u>	<u>(12,624)</u>

(Continued)

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS -**  
**GENERAL FUND (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>HEALTH AND WELFARE</b>				
Director of health	\$ 20,200	\$ 20,200	\$ 19,988	\$ (212)
Estuary transit	10,465	10,465	10,465	-
Sanitarian	163,341	168,925	179,954	11,029
Sanitary waste commission	185,560	185,560	179,086	(6,474)
Social services	96,659	96,659	95,487	(1,172)
Visiting nurses	60,795	60,795	60,795	-
Water pollution control	3,217	3,217	849	(2,368)
Total health and welfare	<u>540,237</u>	<u>545,821</u>	<u>546,624</u>	<u>803</u>
<b>LIBRARIES</b>	<u>349,000</u>	<u>349,000</u>	<u>349,000</u>	<u>-</u>
<b>HIGHWAYS AND TRANSPORTATION</b>				
Highways	742,675	784,586	803,086	18,500
Town garage	36,140	45,908	45,907	(1)
Total highways and transportation	<u>778,815</u>	<u>830,494</u>	<u>848,993</u>	<u>18,499</u>
<b>DEBT SERVICE</b>				
Principal payments	467,780	467,780	467,780	-
Interest and fiscal charges	450,089	450,089	450,136	47
Total debt service	<u>917,869</u>	<u>917,869</u>	<u>917,916</u>	<u>47</u>
<b>CAPITAL OUTLAYS</b>				
Grants and special appropriations	-	-	220	220
Capital and sinking funds	235,117	242,117	190,629	(51,488)
Total capital outlays	<u>235,117</u>	<u>242,117</u>	<u>190,849</u>	<u>(51,268)</u>
Total board of selectmen	<u>6,498,246</u>	<u>6,528,551</u>	<u>6,431,630</u>	<u>(96,921)</u>
<b>EDUCATION</b>				
Total expenditures	<u>14,334,484</u>	<u>14,334,484</u>	<u>14,247,939</u>	<u>(86,545)</u>
Total expenditures	<u>\$ 20,832,730</u>	<u>\$ 20,863,035</u>	<u>\$ 20,679,569</u>	<u>\$ (183,466)</u>

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Grand List Year	Balance		Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2011	
	Uncollected June 30, 2010	Current Levy	Additions	Deductions			Taxes	Interest	Lien		
					Fees	Total					
2009	\$ -	\$ 19,558,007	\$ 22,211	\$ 37,950	\$ -	\$ 19,542,268	\$ 19,378,306	\$ 55,405	\$ 192	\$ 19,433,903	\$ 163,962
2008	223,954	-	34,851	1,579	-	257,226	173,885	28,962	696	203,543	83,341
2007	99,821	-	7,061	227	22,197	84,458	59,204	15,011	288	74,503	25,254
2006	29,724	-	-	-	-	29,724	16,818	5,783	96	22,697	12,906
2005	5,954	-	-	-	-	5,954	1,215	3,785	-	5,000	4,739
2004	729	-	-	-	-	729	322	-	-	322	407
2003	432	-	-	-	-	432	279	-	-	279	153
	<u>\$ 360,614</u>	<u>\$ 19,558,007</u>	<u>\$ 64,123</u>	<u>\$ 39,756</u>	<u>\$ 22,197</u>	<u>\$ 19,920,791</u>	<u>\$ 19,630,029</u>	<u>\$ 108,946</u>	<u>\$ 1,272</u>	<u>\$ 19,740,247</u>	<u>\$ 290,762</u>

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULE OF DEBT LIMITATION  
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)  
FOR THE YEAR ENDED JUNE 30, 2011**

Total cash collections for the year ended

June 30, 2011:

Taxes	\$ 19,630,029
Interest and lien fees	110,218
	<u>19,740,247</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	36,051
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Base	<u>\$ 19,776,298</u>
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	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 44,496,671	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	88,993,341	-	-	-
3-3/4 times base	-	-	74,161,118	-	-
3-1/4 times base	-	-	-	64,272,969	-
3 times base	-	-	-	-	59,328,894
	<u>44,496,671</u>	<u>88,993,341</u>	<u>74,161,118</u>	<u>64,272,969</u>	<u>59,328,894</u>
Total debt limitation					
	<u>44,496,671</u>	<u>88,993,341</u>	<u>74,161,118</u>	<u>64,272,969</u>	<u>59,328,894</u>
Indebtedness:					
Bonds payable	535,000	9,490,000	-	-	-
Shared debt - Regional School District No. 4	-	8,212,347	-	-	-
Note payable	-	-	4,544	-	-
Authorized, unissued bonds	4,144,625	3,350,000	-	-	-
	<u>4,679,625</u>	<u>21,052,347</u>	<u>4,544</u>	<u>-</u>	<u>-</u>
Total indebtedness					
	<u>4,679,625</u>	<u>21,052,347</u>	<u>4,544</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 39,817,046</u>	<u>\$ 67,940,994</u>	<u>\$ 74,156,574</u>	<u>\$ 64,272,969</u>	<u>\$ 59,328,894</u>
Total capacity of borrowing (7 times base)	\$ 138,434,086				
Total present indebtedness	<u>25,736,516</u>				
Margin for additional borrowing	<u>\$ 112,697,570</u>				

*Capital and Nonrecurring  
Expenditures Fund*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BY PROJECT**  
**CAPITAL AND NONRECURRING EXPENDITURES FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Capital and Nonrecurring Expenditures Fund</b>												
	<b>Fire Truck</b>	<b>Truck and Equipment</b>	<b>Constable Cars</b>	<b>Assessor's Revaluation</b>	<b>Harbor Patrol</b>	<b>Wastewater Study</b>	<b>Parks and Recreation</b>	<b>Tree Committee</b>	<b>Veterans Memorial</b>	<b>Open Space</b>	<b>Essex Elementary</b>	<b>Other</b>	<b>Total</b>
<b>REVENUES</b>													
Interest income	\$ 43	\$ 2	\$ 21	\$ -	\$ 14	\$ -	\$ 7	\$ -	\$ -	\$ 37	\$ 134	\$ 124	\$ 382
Total revenues	<u>43</u>	<u>2</u>	<u>21</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>37</u>	<u>134</u>	<u>124</u>	<u>382</u>
<b>EXPENDITURES</b>													
Capital outlays	-	-	-	-	-	3,810	3,450	-	-	-	7,091	5,029	19,380
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,810</u>	<u>3,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,091</u>	<u>5,029</u>	<u>19,380</u>
Excess (deficiency) of revenues over expenditures	43	2	21	-	14	(3,810)	(3,443)	-	-	37	(6,957)	(4,905)	(18,998)
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers in	75,000	-	5,000	-	3,000	7,000	6,450	-	-	15,000	11,229	-	122,679
Transfers out	-	-	-	-	-	-	-	(1,823)	-	-	-	(45,897)	(47,720)
Total other financing sources	<u>75,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>3,000</u>	<u>7,000</u>	<u>6,450</u>	<u>(1,823)</u>	<u>-</u>	<u>15,000</u>	<u>11,229</u>	<u>(45,897)</u>	<u>74,959</u>
Net change in fund balances	75,043	2	5,021	-	3,014	3,190	3,007	(1,823)	-	15,037	4,272	(50,802)	55,961
Fund balances - beginning, as originally reported	801	2,776	31,612	166,176	20,880	9,418	9,143	1,823	20	50,158	228,835	63,090	584,732
Adjustment (see Note 13)	-	-	-	(166,176)	-	-	-	-	-	-	-	-	(166,176)
Fund balances - beginning, as adjusted	<u>801</u>	<u>2,776</u>	<u>31,612</u>	<u>-</u>	<u>20,880</u>	<u>9,418</u>	<u>9,143</u>	<u>1,823</u>	<u>20</u>	<u>50,158</u>	<u>228,835</u>	<u>63,090</u>	<u>418,556</u>
Fund balances - ending	<u>\$ 75,844</u>	<u>\$ 2,778</u>	<u>\$ 36,633</u>	<u>\$ -</u>	<u>\$ 23,894</u>	<u>\$ 12,608</u>	<u>\$ 12,150</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 65,195</u>	<u>\$ 233,107</u>	<u>\$ 12,288</u>	<u>\$ 474,517</u>

*Nonmajor  
Governmental  
Funds*

**TOWN OF ESSEX, CONNECTICUT  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<b>Nonmajor Special Revenue Funds</b>				
	<b>Dog Fund</b>	<b>School Cafeteria</b>	<b>Harbor Commission</b>	<b>Constable Private Duty</b>	<b>Historic Documents</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 134,243	\$ 15,723	\$ 147,805	\$ 129,122	\$ 11,876
Grants and contracts receivable	-	4,232	-	-	-
Other receivables	-	684	-	-	-
Due from other funds	-	-	667	-	565
Prepaid items	-	-	-	-	-
Inventories	-	5,881	-	-	-
Total assets	<u>\$ 134,243</u>	<u>\$ 26,520</u>	<u>\$ 148,472</u>	<u>\$ 129,122</u>	<u>\$ 12,441</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 180	\$ 6,716	\$ -	\$ 2,630	\$ -
Other accrued liabilities	3,848	2,181	-	-	-
Due to other funds	76,148	17,623	15,867	117,074	-
Unearned/deferred revenue	-	-	-	-	-
Total liabilities	<u>80,176</u>	<u>26,520</u>	<u>15,867</u>	<u>119,704</u>	<u>-</u>
Fund Balances (Deficit):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Inventories	-	5,881	-	-	-
Committed to:					
General government	54,067	-	-	9,418	12,441
Public safety	-	-	132,605	-	-
Health and welfare	-	-	-	-	-
Unassigned	-	(5,881)	-	-	-
Total fund balances (deficit)	<u>54,067</u>	<u>-</u>	<u>132,605</u>	<u>9,418</u>	<u>12,441</u>
Total liabilities and fund balances (deficit)	<u>\$ 134,243</u>	<u>\$ 26,520</u>	<u>\$ 148,472</u>	<u>\$ 129,122</u>	<u>\$ 12,441</u>

**TOWN OF ESSEX, CONNECTICUT  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS (Concluded)  
JUNE 30, 2011**

	<b>Nonmajor Special Revenue Funds</b>				<b>Total</b>
	<b>Recreational Programs</b>	<b>Grants Fund</b>	<b>CVA Pump Out Boat</b>	<b>Tree Committee</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 586	\$ -	\$ -	\$ 439,355
Grants and contracts receivable	-	118,774	-	-	123,006
Other receivables	-	-	-	-	684
Due from other funds	85,338	-	1,740	1,873	90,183
Prepaid items	5,724	-	-	-	5,724
Inventories	-	-	-	-	5,881
Total assets	<u>\$ 91,062</u>	<u>\$ 119,360</u>	<u>\$ 1,740</u>	<u>\$ 1,873</u>	<u>\$ 664,833</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 454	\$ 25,928	\$ 729	\$ -	\$ 36,637
Other accrued liabilities	-	29,617	-	-	35,646
Due to other funds	-	63,495	-	-	290,207
Unearned/deferred revenue	46,770	2,319	-	-	49,089
Total liabilities	<u>47,224</u>	<u>121,359</u>	<u>729</u>	<u>-</u>	<u>411,579</u>
Fund Balances (Deficit):					
Nonspendable:					
Prepaid items	5,724	-	-	-	5,724
Inventories	-	-	-	-	5,881
Committed to:					
General government	38,114	-	-	1,873	115,913
Public safety	-	-	-	-	132,605
Health and welfare	-	-	1,011	-	1,011
Unassigned	-	(1,999)	-	-	(7,880)
Total fund balances (deficit)	<u>43,838</u>	<u>(1,999)</u>	<u>1,011</u>	<u>1,873</u>	<u>253,254</u>
Total liabilities and fund balances (deficit)	<u>\$ 91,062</u>	<u>\$ 119,360</u>	<u>\$ 1,740</u>	<u>\$ 1,873</u>	<u>\$ 664,833</u>

**TOWN OF ESSEX, CONNECTICUT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICIT) -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Nonmajor Special Revenue Funds				
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ 32,364	\$ -	\$ -	\$ 3,000
Local revenue	14,054	101,552	34,369	38,110	8,160
Interest income	-	-	348	-	-
Total revenues	<u>14,054</u>	<u>133,916</u>	<u>34,717</u>	<u>38,110</u>	<u>11,160</u>
<b>EXPENDITURES</b>					
General government	28,978	-	4,385	34,268	12,064
Public safety	-	-	14,642	-	-
Health and welfare	-	-	-	-	-
Education	-	134,943	-	-	-
Debt Service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlays	-	-	-	-	-
Total expenditures	<u>28,978</u>	<u>134,943</u>	<u>19,027</u>	<u>34,268</u>	<u>12,064</u>
Excess (deficiency) of revenues over expenditures	(14,924)	(1,027)	15,690	3,842	(904)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	15,000	1,027	667	-	-
Total other financing sources	<u>15,000</u>	<u>1,027</u>	<u>667</u>	<u>-</u>	<u>-</u>
Net change in fund balances	76	-	16,357	3,842	(904)
Fund balances (deficit) - beginning	<u>53,991</u>	<u>-</u>	<u>116,248</u>	<u>5,576</u>	<u>13,345</u>
Fund balances (deficit) - ending	<u>\$ 54,067</u>	<u>\$ -</u>	<u>\$ 132,605</u>	<u>\$ 9,418</u>	<u>\$ 12,441</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (DEFICIT) -**  
**NONMAJOR GOVERNMENTAL FUNDS (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Nonmajor Special Revenue Funds				Total
	Recreational Programs	Grants Fund	CVA Pump Out Boat	Tree Committee	
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ 445,318	\$ 63,277	\$ -	\$ 543,959
Local revenue	107,804	540	-	3,825	308,414
Interest income	-	-	-	-	348
Total revenues	<u>107,804</u>	<u>445,858</u>	<u>63,277</u>	<u>3,825</u>	<u>852,721</u>
<b>EXPENDITURES</b>					
General government	104,805	113,172	-	3,775	301,447
Public safety	-	-	-	-	14,642
Health and welfare	-	36,409	47,218	-	83,627
Education	-	74,443	-	-	209,386
Debt Service:					
Principal payments	-	-	12,279	-	12,279
Interest and fiscal charges	-	-	3,941	-	3,941
Capital outlays	-	167,490	-	-	167,490
Total expenditures	<u>104,805</u>	<u>391,514</u>	<u>63,438</u>	<u>3,775</u>	<u>792,812</u>
Excess (deficiency) of revenues over expenditures	2,999	54,344	(161)	50	59,909
<b>OTHER FINANCING SOURCES</b>					
Transfers in	20,000	-	-	1,823	38,517
Total other financing sources	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>1,823</u>	<u>38,517</u>
Net change in fund balances	22,999	54,344	(161)	1,873	98,426
Fund balances (deficit) - beginning	<u>20,839</u>	<u>(56,343)</u>	<u>1,172</u>	<u>-</u>	<u>154,828</u>
Fund balances (deficit) - ending	<u>\$ 43,838</u>	<u>\$ (1,999)</u>	<u>\$ 1,011</u>	<u>\$ 1,873</u>	<u>\$ 253,254</u>

*Fiduciary  
Funds*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2011**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash equivalents	\$ 26,283	\$ 6,726	\$ 4,814	\$ 37,823
Investments, at fair value	2,021,803	604,099	441,258	3,067,160
Interest and other receivables	4,918	1,471	1,086	7,475
Total assets	<u>2,053,004</u>	<u>612,296</u>	<u>447,158</u>	<u>3,112,458</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	<u>\$ 2,053,004</u>	<u>\$ 612,296</u>	<u>\$ 447,158</u>	<u>\$ 3,112,458</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 152,739	\$ 79,457	\$ 53,702	\$ 285,898
Plan members	-	-	7,372	7,372
Total contributions	<u>152,739</u>	<u>79,457</u>	<u>61,074</u>	<u>293,270</u>
Investment earnings:				
Net appreciation in the fair value of investments	335,084	89,807	66,434	491,325
Interest	48,704	13,575	10,218	72,497
Total investment earnings	<u>383,788</u>	<u>103,382</u>	<u>76,652</u>	<u>563,822</u>
Total additions	<u>536,527</u>	<u>182,839</u>	<u>137,726</u>	<u>857,092</u>
<b>DEDUCTIONS</b>				
Benefit payments	146,248	51,952	41,697	239,897
Administrative expenses	48,960	5,767	7,686	62,413
Total deductions	<u>195,208</u>	<u>57,719</u>	<u>49,383</u>	<u>302,310</u>
Change in net assets	341,319	125,120	88,343	554,782
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	<u>1,711,685</u>	<u>487,176</u>	<u>358,815</u>	<u>2,557,676</u>
Ending of year	<u>\$ 2,053,004</u>	<u>\$ 612,296</u>	<u>\$ 447,158</u>	<u>\$ 3,112,458</u>

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2011**

	<b>Elementary School Activities</b>	<b>Performance Bonds</b>	<b>Special Project Escrow Funds</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>				
Cash	\$ 17,098	\$ 117,583	\$ 29,017	\$ 163,698
Investments	-	65,789	-	65,789
Total assets	<u>\$ 17,098</u>	<u>\$ 183,372</u>	<u>\$ 29,017</u>	<u>\$ 229,487</u>
<b>LIABILITIES</b>				
Due to others	-	\$ 183,372	\$ 29,017	\$ 212,389
Due to student groups	17,098	-	-	17,098
Total liabilities	<u>\$ 17,098</u>	<u>\$ 183,372</u>	<u>\$ 29,017</u>	<u>\$ 229,487</u>

**TOWN OF ESSEX, CONNECTICUT  
COMBINING STATEMENT OF CHANGES IN  
FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2011</u>
<b>Elementary School Activities</b>				
Assets				
Cash	\$ 17,106	\$ 19,656	\$ 19,664	\$ 17,098
Investments	-	-	-	-
Total assets	<u>\$ 17,106</u>	<u>\$ 19,656</u>	<u>\$ 19,664</u>	<u>\$ 17,098</u>
Liabilities				
Due to others	\$ -	\$ -	\$ -	\$ -
Due to student groups	17,106	19,656	19,664	17,098
Total liabilities	<u>\$ 17,106</u>	<u>\$ 19,656</u>	<u>\$ 19,664</u>	<u>\$ 17,098</u>
<b>Performance Bonds</b>				
Assets				
Cash	\$ 116,448	\$ 27,655	\$ 26,520	\$ 117,583
Investments	65,473	316	-	65,789
Total assets	<u>\$ 181,921</u>	<u>\$ 27,971</u>	<u>\$ 26,520</u>	<u>\$ 183,372</u>
Liabilities				
Due to others	\$ 181,921	\$ 27,971	\$ 26,520	\$ 183,372
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 181,921</u>	<u>\$ 27,971</u>	<u>\$ 26,520</u>	<u>\$ 183,372</u>
<b>Special Project Escrow Funds</b>				
Assets				
Cash	\$ 24,894	\$ 14,956	\$ 10,833	\$ 29,017
Investments	-	-	-	-
Total assets	<u>\$ 24,894</u>	<u>\$ 14,956</u>	<u>\$ 10,833</u>	<u>\$ 29,017</u>
Liabilities				
Due to others	\$ 24,894	\$ 14,956	\$ 10,833	\$ 29,017
Due to student groups	-	-	-	-
Total liabilities	<u>\$ 24,894</u>	<u>\$ 14,956</u>	<u>\$ 10,833</u>	<u>\$ 29,017</u>
<b>Total All Agency Funds</b>				
Assets				
Cash	\$ 158,448	\$ 62,267	\$ 57,017	\$ 163,698
Investments	65,473	316	-	65,789
Total assets	<u>\$ 223,921</u>	<u>\$ 62,583</u>	<u>\$ 57,017</u>	<u>\$ 229,487</u>
Liabilities				
Due to others	\$ 206,815	\$ 42,927	\$ 37,353	\$ 212,389
Due to student groups	17,106	19,656	19,664	17,098
Total liabilities	<u>\$ 223,921</u>	<u>\$ 62,583</u>	<u>\$ 57,017</u>	<u>\$ 229,487</u>

**TOWN OF ESSEX,  
CONNECTICUT**

**State Single Audit Reports**

**For The Year Ended  
June 30, 2011**



**TOWN OF ESSEX, CONNECTICUT  
STATE SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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*State Internal  
Control and  
Compliance  
Reports*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of Finance of the  
Town of Essex, Connecticut

We have audited the 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, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 8, 2011. 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.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Finance and management of the Town, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CCR LLP

Glastonbury, Connecticut  
December 8, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF  
EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Board of Finance of the  
Town of Essex, Connecticut

**COMPLIANCE**

We have audited the Town of Essex, Connecticut's (the "Town") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2011. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

## **INTERNAL CONTROL OVER COMPLIANCE**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for the purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**CCR LLP**

Glastonbury, Connecticut  
December 8, 2011

*Schedule of  
Expenditures of  
State Financial  
Assistance*

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
<b>NONEXEMPT PROGRAMS</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Property Tax Relief - Manufacturing	11000-OPM20600-17031	\$ 80,826
Local Capital Improvement Program	12050-OPM20600-40254	41,754
Property Tax Relief - Elderly and Totally Disabled	11000-OPM20600-17018	36,051
Property Tax Relief for Veterans	11000-OPM20600-17024	3,702
Property Tax Relief Totally Disabled Homeowners	11000-OPM20600-17011	212
<b>Total Office of Policy and Management</b>		<u>162,545</u>
<b>STATE COMPTROLLER</b>		
<b>Direct:</b>		
PILOT on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006	17,460
PILOT on State-Owned Property	11000-OSC15910-17004	10,372
<b>Total State Comptroller</b>		<u>27,832</u>
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Health Foods Initiative	11000-SDE64370-16212	3,519
Child Nutrition Program - School Lunch Match	11000-SDE64370-16211	1,615
<b>Total Department of Education</b>		<u>5,134</u>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>		
<b>Direct:</b>		
Small Town Economic Assistance Program	12052-DEP43153-40531	166,950
Boat Grant	12060-DEP44434-34907	20,500
<b>Total Department of Environmental Protection</b>		<u>187,450</u>
<b>COMMISSION ON CULTURE AND TOURISM</b>		
<b>Direct:</b>		
Historic Restoration Fund	12060-CAT45241-90455	19,900
<b>CONNECTICUT STATE LIBRARY</b>		
<b>Direct:</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	3,000
<b>DEPARTMENT OF TRANSPORTATION</b>		
<b>Direct:</b>		
Town Aid Road Grant	13033-DOT57131-43459	79,850
Town Aid Road Grant	12052-DOT57131-43455	29,036
<b>Total Department of Transportation</b>		<u>108,886</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>514,747</u>

*The accompanying note is an integral part of this schedule.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
<b>EXEMPT PROGRAMS</b>		
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Educational Cost Sharing	11000-SDE64370-17041	\$ 337,708
Excess Cost - Student Based	11000-SDE64370-17047	20,851
Transportation of School Children	11000-SDE64370-17027	1,005
<b>Total Department of Education</b>		<u>359,564</u>
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Mashantucket Pequot Grant	12009-OSC15910-17005	11,551
<b>Total Exempt Programs</b>		<u>371,115</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ 885,862</u>

*The accompanying note is an integral part of this schedule.*

**TOWN OF ESSEX, CONNECTICUT  
NOTES TO SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Essex, Connecticut (the "Town") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of 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 the more significant policies relating to the aforementioned grant programs.

**BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

In accordance with regulations established by the State of Connecticut, Office of Policy and Management (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

*Schedule of  
State Findings  
and Questioned  
Costs*

**TOWN OF ESSEX, CONNECTICUT  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes    ✓ No

**STATE FINANCIAL ASSISTANCE**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? \_\_\_\_\_ Yes    ✓ No

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Grant Program Core-CT Number	Expenditures
<b>Department of Environmental Protection:</b>		
Small Town Economic Assistance Program	12052-DEP43153-40531	\$ <u>166,950</u>
<b>Department of Transportation:</b>		
Town Aid Road Grant	13033-DOT57131-43459	79,850
Town Aid Road Grant	12052-DOT57131-43455	<u>29,036</u>
		<u>108,886</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 100,000

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (*Continued*)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**II. FINANCIAL STATEMENTS FINDINGS**

No matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No matters were reported.