

**TOWN OF ESSEX, CONNECTICUT**

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

**JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Essex, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut (the "Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Connecticut, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the schedules of net pension liability and schedules of contributions and investment returns on pages 49 through 54, and the schedules of funding progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Glastonbury, Connecticut  
December 30, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2014

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As management of the Town of Essex (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$18,284,652 (net position). Of this amount, \$4,112,635 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$997,734 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,295,861, an increase of \$300,328 in comparison with the prior year. Approximately 59.2% or \$2,544,726 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 \$2,913,974 or 12.5% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of General Fund operating.
- The Town's total long-term bonded debt decreased by \$550,000 or 5.8% during the current fiscal year due to scheduled repayments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, and liabilities, with net position as the residual of these elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

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

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

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

**Fund Financial Statements**

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

***Governmental Funds***

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

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

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

The basic governmental fund financial statements can be found on pages 16 - 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.

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 48 of this report.

**Other Information**

Required supplementary information and combining and individual fund statements and schedules and can be found on pages 49 - 67 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. The net position of the Town totaled \$18,284,652 and \$17,286,918 as of June 30, 2014 and 2013, respectively and are summarized as follows:

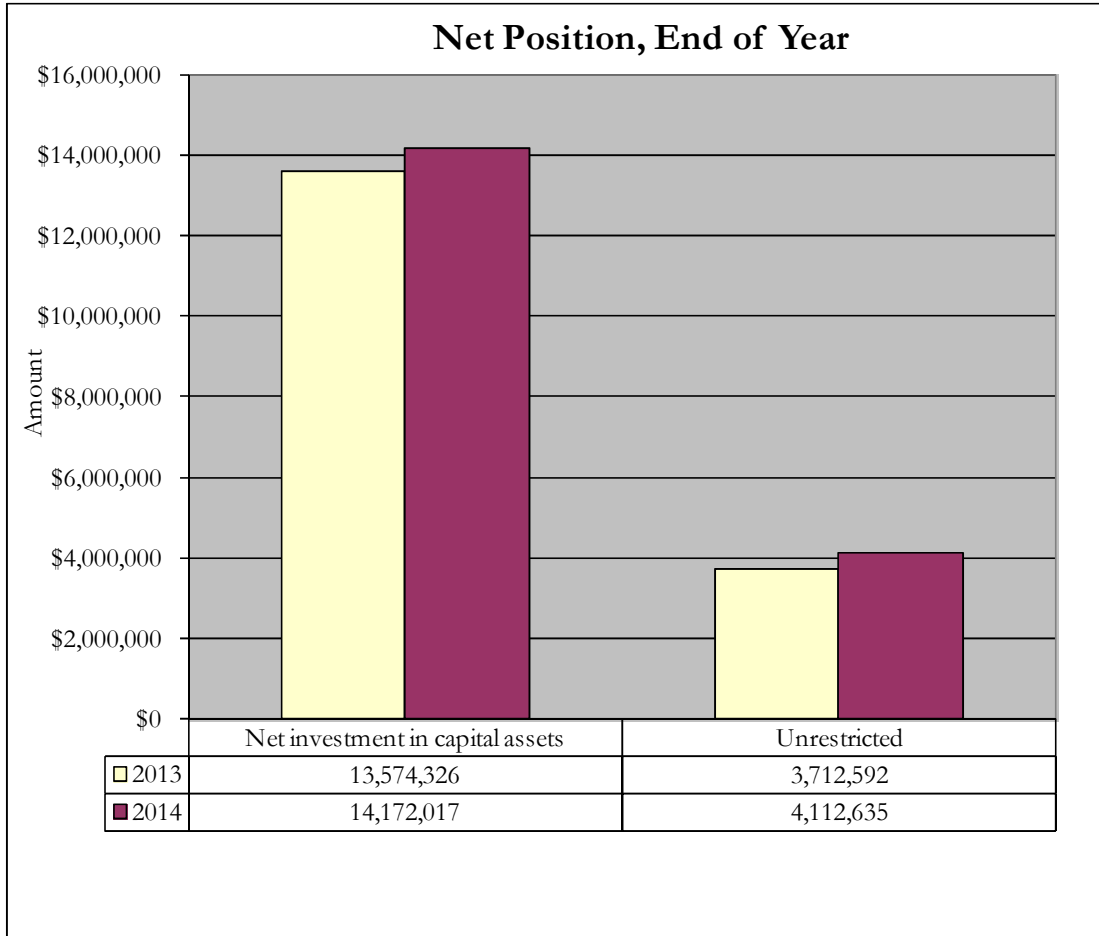
	Total	
	2014	2013
Current and other assets	\$ 5,457,394	\$ 4,853,008
Capital assets, net	22,984,223	22,899,321
Total assets	28,441,617	27,752,329
Deferred outflows of resources	831,065	894,184
Long-term liabilities	10,163,202	10,770,427
Other liabilities	824,828	589,168
Total liabilities	10,988,030	11,359,595
Net position:		
Net investment in capital assets	14,172,017	13,574,326
Unrestricted	4,112,635	3,712,592
Total net position	\$ 18,284,652	\$ 17,286,918

**TOWN OF ESSEX, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**JUNE 30, 2014**

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

**Net Position (Continued)**



Of the Town's net position, 77.5% reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Overall, net position increased by \$997,734.

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

**Changes in Net Position**

Changes in net position for the years ended June 30, 2014 and 2013 are as follows:

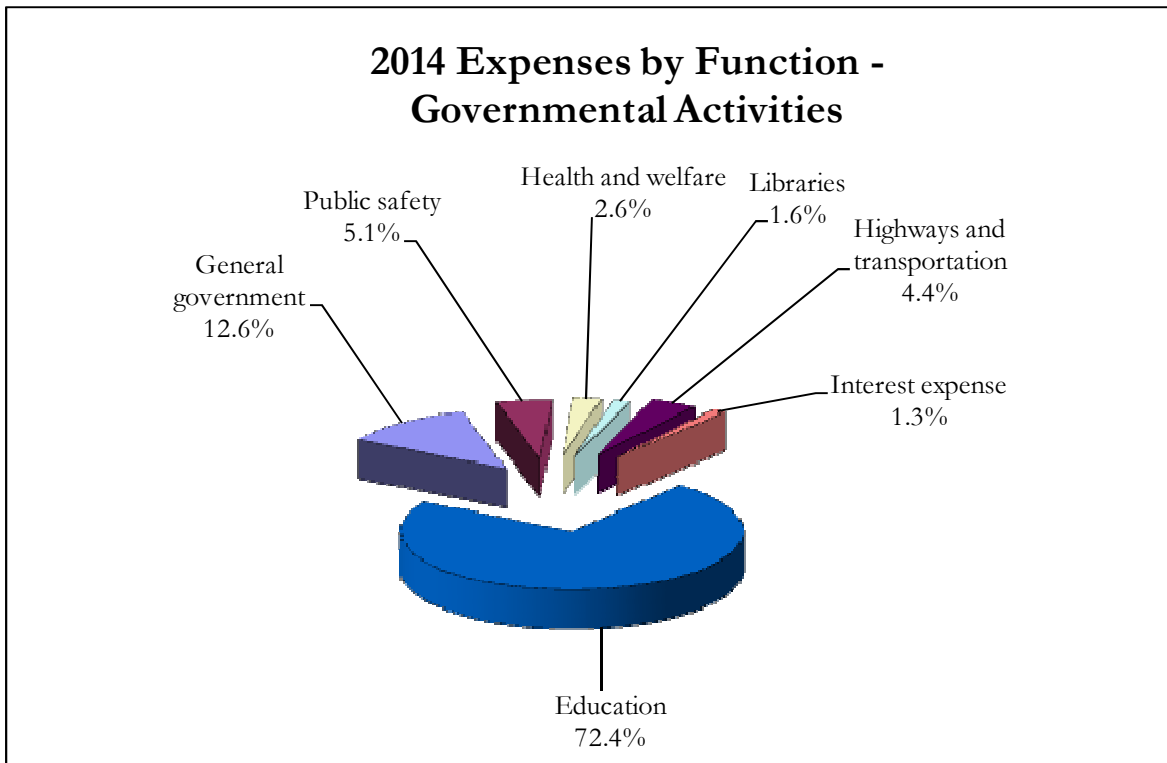
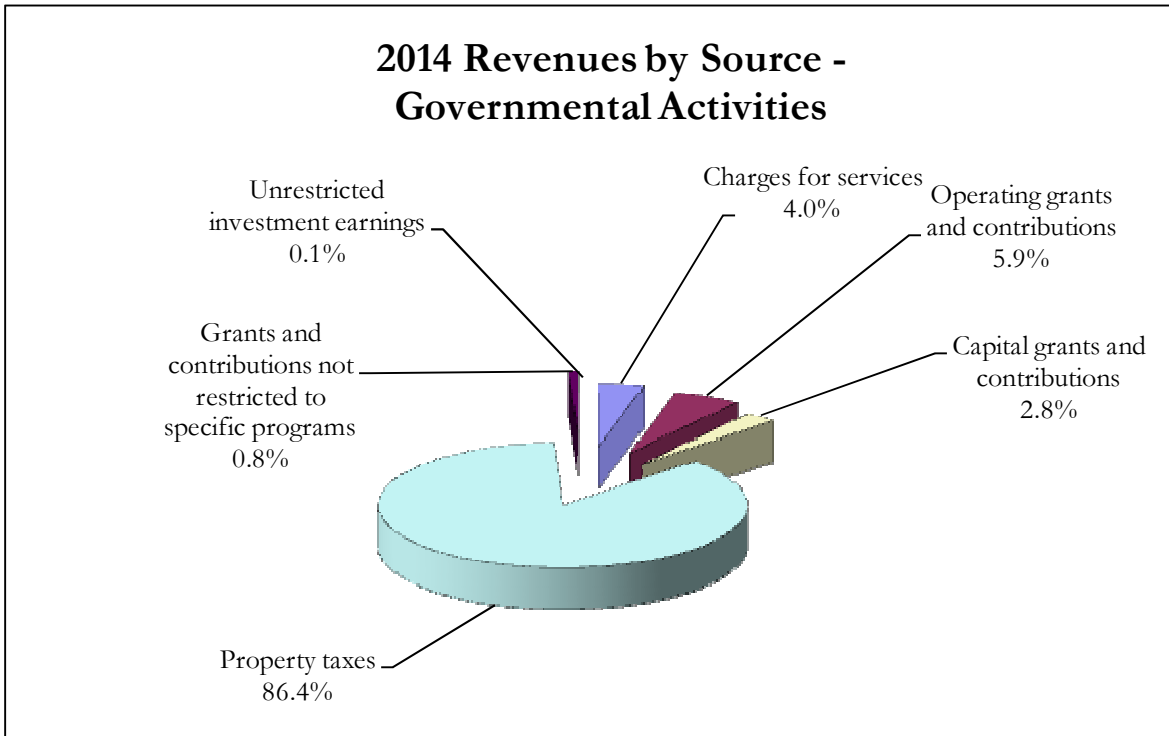
	Total	
	2014	2013
Program revenues:		
Charges for services	\$ 990,254	\$ 1,127,957
Operating grants and contributions	1,463,908	1,377,471
Capital grants and contributions	701,917	382,247
General revenues:		
Property taxes	21,423,824	20,810,640
Grants and contributions not restricted to specific programs	200,909	229,934
Unrestricted investment earnings	6,544	5,115
Total revenues	<u>24,787,356</u>	<u>23,933,364</u>
Program expenses:		
General government	2,989,465	2,914,991
Public safety	1,214,367	1,254,256
Health and welfare	626,914	639,638
Libraries	372,000	365,000
Highways and transportation	1,045,160	1,140,005
Interest expense	315,697	451,234
Education	17,226,019	16,483,810
Total expenses	<u>23,789,622</u>	<u>23,248,934</u>
Change in net position	<u>\$ 997,734</u>	<u>\$ 684,430</u>

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

**Changes in Net Position *(Continued)***



**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

**Governmental Activities**

Governmental activities increased the Town's net position by \$997,734. Revenues generated by the Town increased by approximately \$854,000, primarily due to an increase in tax revenue and grants received for capital purposes. The increase in revenue was offset by an increase in expenses of approximately \$540,000 when compared to the prior year, due to an increase in education expenses of approximately \$742,000. This increase was primarily due to increased budgetary appropriations and an increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement fund.

**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 \$4,295,861, an increase of \$300,328 in comparison with the prior year. Of this amount, \$2,544,726 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 \$2,913,974, while total fund balance was \$3,238,887. 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 12.5% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of General Fund operating expenditures.

The fund balance of the Town's General Fund decreased by \$12,110 during the current fiscal year.

**Capital and Nonrecurring Expenditures Fund**

The fund balance of the Capital and Nonrecurring Expenditures Fund increased by \$293,546 during the current fiscal year. This increase was due primarily to transfers received from the General Fund.

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

**EES Renovation Project Fund**

The EES Renovation Project Fund has a deficit fund balance of \$359,694 as of June 30, 2014, an increase to the deficit of \$300 from the prior year. This deficit is attributable to expenditures incurred in prior years for the renovation of the Essex Elementary School. The deficit is expected to be funded by State funds for reimbursable expenditures and the retainage held by the State, which is expected to be released following the project audit.

**Grants Fund**

The Grants Fund has no fund balance as of June 30, 2014. The fund balance increased by \$379 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget included the use of fund balance in the amount of \$117,828. Additional appropriations of \$280,084 were approved from fund balance during the current year for increased highway expenditures not originally budgeted, as well as an increase in transfers to the Capital and Nonrecurring Expenditures Fund for various capital projects. The supplemental appropriations were approved at various town meetings.

During the year, revenues exceeded budgetary estimates by \$335,473, as a result of unbudgeted municipal grants received, as well as an unbudgeted return of surplus funds received from Regional School District No. 4. Expenditures were \$217,324 less than budgeted. The net result of the supplemental appropriations and variances of revenues and expenditures resulted in a \$154,885 increase to fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2014 totaled \$22,984,223 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure. The Town's investment in capital assets increased \$84,902 or 0.4%.

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

- An increase of \$792,688 in construction in progress, primarily due to the Civic Campus construction project.
- An increase to infrastructure of \$98,511 for various sidewalk construction.
- An increase of \$126,469 in vehicles for Town purposes.
- An increase of \$32,500 in machinery and equipment, due to the purchase of a new boiler for the Town Hall.
- A decrease due to depreciation expense of \$837,549.

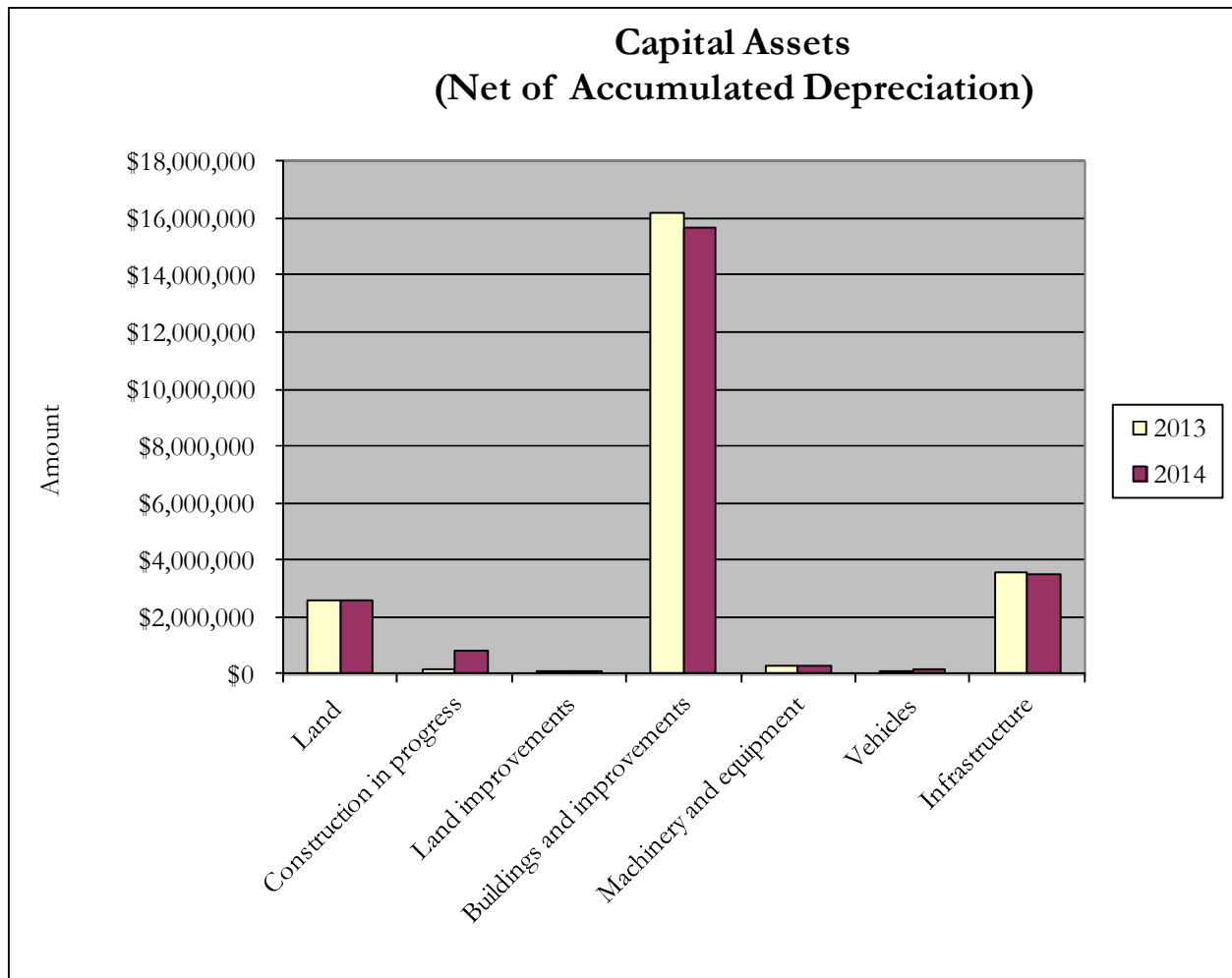
**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

**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	
	2014	2013
Land	\$ 2,563,245	\$ 2,563,245
Construction in progress	800,150	135,179
Land improvements	67,585	73,851
Buildings and improvements	15,675,265	16,183,270
Machinery and equipment	275,097	309,930
Vehicles	140,002	43,390
Infrastructure	3,462,879	3,590,456
Totals	<u>\$ 22,984,223</u>	<u>\$ 22,899,321</u>



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

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

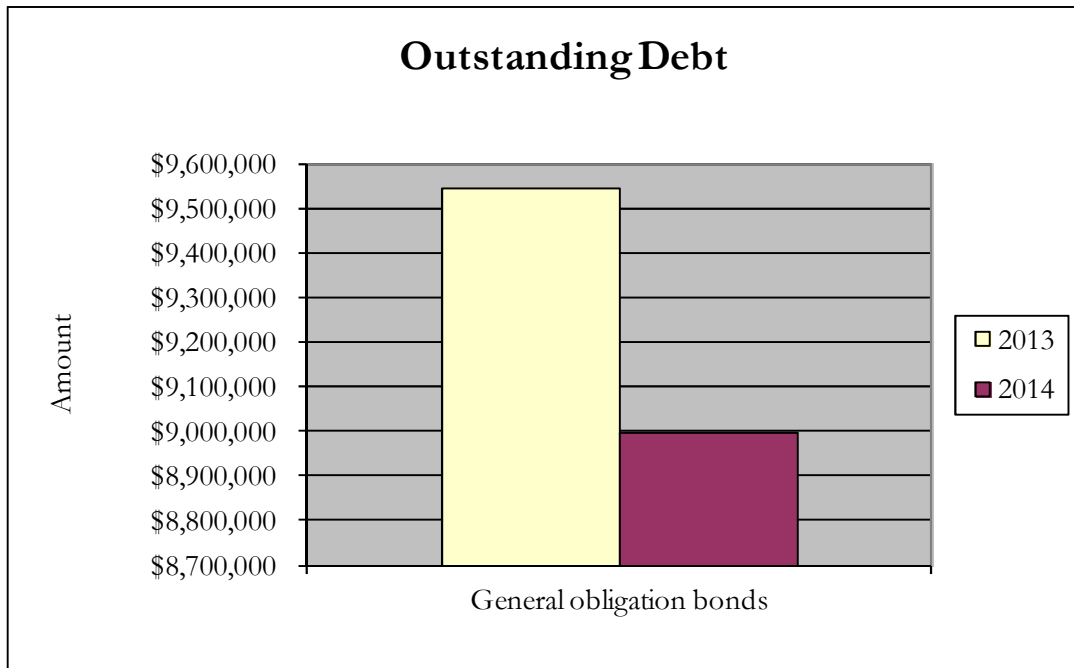
**Long-term Debt**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$8,995,000, all of which is backed by the full faith and credit of the government. The Town's total bonded debt decreased by \$550,000 or 5.8% 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 significantly in excess of the Town's outstanding general obligation debt.

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



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

**TOWN OF ESSEX, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
JUNE 30, 2014

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

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

- The Town receives intergovernmental revenues from the State of Connecticut. Due to the current State budget crisis, the Town could experience a reduction in these revenues. Connecticut's economy moves in the same general cycle as the national economy.
- The unemployment rate for the Town is currently 4.9%, a decrease from 5.9% in the prior year. This compares favorably to the state's average unemployment rate of 6.5% and the national unemployment rate of 6.1%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for fiscal year 2015.

**REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,278,896
Receivables:	
Property taxes, net	466,250
Interest	111,718
Grants and contracts	530,373
Other	11,582
Net pension asset	38,501
Prepaid items	10,661
Inventories	9,413
Capital assets:	
Non-depreciable	3,363,395
Depreciable, net	19,620,828
Total assets	<u>28,441,617</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	<u>831,065</u>
 <b>LIABILITIES</b>	
Accounts payable	299,543
Accrued interest payable	118,611
Other accrued liabilities	342,664
Unearned revenue	64,010
Noncurrent liabilities:	
Due within one year	716,463
Due in more than one year	9,446,739
Total liabilities	<u>10,988,030</u>
 <b>NET POSITION</b>	
Net investment in capital assets	14,172,017
Unrestricted	4,112,635
Total net position	<u><u>\$ 18,284,652</u></u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Board of Selectmen:					
General government	\$ 2,989,465	\$ 779,209	\$ 59,966	\$ -	\$ (2,150,290)
Public safety	1,214,367	49,989	14,750	-	(1,149,628)
Health and welfare	626,914	76,812	116,161	444,300	10,359
Libraries	372,000	-	-	-	(372,000)
Highways and transportation	1,045,160	-	-	257,617	(787,543)
Interest expense	315,697	-	-	-	(315,697)
Education	17,226,019	84,244	1,273,031	-	(15,868,744)
Total governmental activities	<u>\$ 23,789,622</u>	<u>\$ 990,254</u>	<u>\$ 1,463,908</u>	<u>\$ 701,917</u>	<u>(20,633,543)</u>

General revenues:

Property taxes, levied for general purposes	21,423,824
Grants and contributions not restricted to specific programs	200,909
Unrestricted investment earnings	6,544
Total general revenues	<u>21,631,277</u>
Change in net position	997,734
Net position - beginning	17,286,918
Net position - ending	<u>\$ 18,284,652</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project</b>	<b>Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,057,922	\$ 759,157	\$ -	\$ -	\$ 461,817	\$ 4,278,896
Receivables:						
Property taxes, net of allowance for uncollectible taxes of \$10,000	466,250	-	-	-	-	466,250
Grants and contracts	41,869	-	-	483,198	5,306	530,373
Other	10,727	-	-	-	855	11,582
Due from other funds	1,136,982	541,742	-	-	100,645	1,779,369
Prepaid items	9,947	-	-	-	714	10,661
Inventories	-	-	-	-	9,413	9,413
Total assets	<u>\$ 4,723,697</u>	<u>\$ 1,300,899</u>	<u>\$ -</u>	<u>\$ 483,198</u>	<u>\$ 578,750</u>	<u>\$ 7,086,544</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 217,599	\$ 22,236	\$ -	\$ 36,831	\$ 22,877	\$ 299,543
Other accrued liabilities	261,363	-	-	-	3,406	264,769
Due to other funds	621,720	20,667	359,694	441,278	336,010	1,779,369
Unearned revenue	1,136	16,220	-	5,089	41,565	64,010
Total liabilities	<u>1,101,818</u>	<u>59,123</u>	<u>359,694</u>	<u>483,198</u>	<u>403,858</u>	<u>2,407,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	382,992	-	-	-	-	382,992
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	9,947	-	-	-	10,127	20,074
Committed	72,253	1,241,776	-	-	174,319	1,488,348
Assigned	242,713	-	-	-	-	242,713
Unassigned	2,913,974	-	(359,694)	-	(9,554)	2,544,726
Total fund balances (deficit)	<u>3,238,887</u>	<u>1,241,776</u>	<u>(359,694)</u>	<u>-</u>	<u>174,892</u>	<u>4,295,861</u>
Total liabilities, deferred inflows and fund balances (deficit)	<u>\$ 4,723,697</u>	<u>\$ 1,300,899</u>	<u>\$ -</u>	<u>\$ 483,198</u>	<u>\$ 578,750</u>	<u>\$ 7,086,544</u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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Total fund balances for governmental funds	\$	4,295,861
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Total net position reported for governmental activities in the statement of net position is different because:

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

Land and land improvements	\$	2,761,565	
Construction in progress		800,150	
Building and improvements		22,598,891	
Machinery and equipment		1,882,693	
Vehicles		843,712	
Infrastructure		8,707,769	
Less: accumulated depreciation and amortization		<u>(14,610,557)</u>	
Total capital assets, net			22,984,223

The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds.		38,501
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Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		382,992
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Accrued interest on property taxes, net of related allowance, is not susceptible to accrual and therefore is not reported in the funds.		111,718
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Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Long-term debt:			
Bonds and notes payable	(8,995,000)		
Unamortized bond premium	(521,901)		
Deferred charges on refunding	831,065		
Obligations under capital lease	(126,370)		
Accrued interest payable	(118,611)		
Other long-term liabilities:			
Compensated absences	(114,740)		
Retired employee obligations	(19,000)		
Claims payable	(77,895)		
Net OPEB obligation	<u>(386,191)</u>		
Total long-term liabilities			<u>(9,528,643)</u>

Net position of governmental activities	\$	<u>18,284,652</u>
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project</b>	<b>Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Property taxes	\$ 21,326,485	\$ -	\$ -	\$ -	\$ -	\$ 21,326,485
Intergovernmental	1,582,749	-	-	570,258	122,936	2,275,943
Local revenue	801,658	-	-	1,071	278,316	1,081,045
Interest income	5,654	795	-	-	95	6,544
Total revenues	23,716,546	795	-	571,329	401,347	24,690,017
<b>EXPENDITURES</b>						
Current:						
General government	2,725,386	-	300	-	152,764	2,878,450
Public safety	1,177,003	-	-	7,596	45,135	1,229,734
Health and welfare	545,173	-	-	11,914	59,912	616,999
Libraries	372,000	-	-	-	-	372,000
Highways and transportation	911,043	-	-	-	-	911,043
Education	16,539,771	-	-	106,440	142,080	16,788,291
Debt service:						
Principal payments	612,616	-	-	-	14,947	627,563
Interest and fiscal charges	277,665	-	-	-	1,273	278,938
Capital outlays	222,489	99,249	-	445,000	11,226	777,964
Total expenditures	23,383,146	99,249	300	570,950	427,337	24,480,982
Excess (deficiency) of revenues over expenditures	333,400	(98,454)	(300)	379	(25,990)	209,035
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from capital lease obligations	80,067	-	-	-	11,226	91,293
Transfers in	-	392,000	-	-	33,577	425,577
Transfers out	(425,577)	-	-	-	-	(425,577)
Total other financing sources (uses)	(345,510)	392,000	-	-	44,803	91,293
Net change in fund balances	(12,110)	293,546	(300)	379	18,813	300,328
Fund balances (deficits) - beginning	3,250,997	948,230	(359,394)	(379)	156,079	3,995,533
Fund balances (deficit) - ending	\$ 3,238,887	\$ 1,241,776	\$ (359,694)	\$ -	\$ 174,892	\$ 4,295,861

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

**TOWN OF ESSEX, CONNECTICUT**  
**RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

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Net change in fund balances for governmental funds	\$	300,328
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Total change in net position reported for governmental activities in the statement of activities is different because:

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

Expenditures for capital assets	\$	922,451	
Depreciation and amortization expense		(837,549)	
Net adjustment			84,902

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.		18,004
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Debt issued or incurred:			
Capital lease financing		(91,293)	
Principal repayments:			
Bonds and notes payable		550,000	
Obligations under capital lease		77,563	
Net adjustment			536,270

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		10,803	
Retired employee obligations		50,395	
Accrued interest		(13,278)	
Claims payable		(54,164)	
Net OPEB obligation		(76,176)	
Net pension obligation		84,796	
Amortization of bond premium		39,638	
Amortization of deferred charges on refunding		(63,119)	
			(21,105)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are deferred in the governmental funds. This amount represents the change in deferred inflows of resources.		79,335
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Change in Net Position of Governmental Activities	\$	997,734
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes	\$ 21,268,019	\$ 21,268,019	\$ 21,326,486	\$ 58,467
Intergovernmental	739,423	739,423	827,756	88,333
Local revenues	555,180	555,180	741,899	186,719
Interest income	3,700	3,700	5,654	1,954
Total revenues	<u>22,566,322</u>	<u>22,566,322</u>	<u>22,901,795</u>	<u>335,473</u>
<b>EXPENDITURES</b>				
Board of Selectmen	6,967,461	7,247,545	7,114,104	(133,441)
Education	15,716,689	15,716,689	15,632,806	(83,883)
Total expenditures	<u>22,684,150</u>	<u>22,964,234</u>	<u>22,746,910</u>	<u>(217,324)</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	<u>117,828</u>	<u>397,912</u>	<u>-</u>	<u>(397,912)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	154,885	<u>\$ 154,885</u>
Fund balance - beginning			<u>2,769,036</u>	
Fund balance - ending			<u>\$ 2,923,921</u>	

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

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2014**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 47,910	\$ 151,136
Investments, at fair value	4,103,822	66,029
Interest and other receivables	4,046	-
Total assets	<u>4,155,778</u>	<u>\$ 217,165</u>
<b>LIABILITIES</b>		
Due to others	-	198,461
Due to student groups	-	18,704
Total liabilities	<u>-</u>	<u>\$ 217,165</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ 4,155,778</u>	

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

**TOWN OF ESSEX, CONNECTICUT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 376,016
Plan members	6,985
Total contributions	<u>383,001</u>
Investment earnings:	
Net increase in in the fair value of investments	416,055
Interest and dividends	156,588
Total investment earnings	<u>572,643</u>
Total additions	<u>955,644</u>
<b>DEDUCTIONS</b>	
Benefit payments	334,173
Administrative expenses	26,048
Total deductions	<u>360,221</u>
Change in net position	595,423
Net position - beginning	<u>3,560,355</u>
Net position - ending	<u><u>\$ 4,155,778</u></u>

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

**TOWN OF ESSEX, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2014

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

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

**Financial Reporting Entity**

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

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

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

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Measurement Focus and Basis of Accounting *(Continued)***

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**Adoption of New Accounting Standards**

The Town has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* effective July 1, 2013. GASB Statement No. 67 replaced the requirements of GASB No. 25 and No. 50 as they relate to pension plans administered through trusts. The objective of GASB Statement No. 67 is to improve financial reporting of such pension plans and resulted in a change in required pension disclosure and required supplementary information related to the Town's pension plans.

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

**Cash Equivalents**

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

**Investments**

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

**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

**Unearned Revenue**

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

**Deferred Outflows/Inflows of Resources**

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

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

**Compensated Absences and Employee Retirement Obligations**

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

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

**Long-term Obligations**

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

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

**Net Position and Fund Balances**

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

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

***Restricted net position*** - This component of net position consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. There was no restricted net position as of June 30, 2014.

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

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

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

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

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

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

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

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

***Net Position Flow Assumption***

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

The Town considers restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumption***

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

When committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

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

**Interfund Services Provided and Used**

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

**Interfund Transfers**

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

**Interfund Reimbursements**

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

**Use of Estimates**

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

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE**

**Budgetary Information**

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

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Budgetary Information *(Continued)***

- 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 \$280,084.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for intergovernmental revenues and encumbrances. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). 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, 2014:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 22,901,795	\$ 22,746,910	\$ -	\$ 154,885
"On-behalf" payments - State Teachers Retirement Fund <i>(see Note I)</i>	615,770	615,770	-	-
Adjustment for encumbrances	-	116,684	-	(116,684)
Reserve for revaluation	-	87,564	-	(87,564)
Commitment for bond study	-	27,747	-	(27,747)
Commitment for municipal property improvement	-	(50,000)	-	50,000
Commitment for Ivoryton engineering	-	(15,000)	-	15,000
Reimbursement for certain revenues recorded as a reduction to expenditures for budgetary purposes	195,207	195,207	-	-
Certain transfers recorded as revenues or for budgetary purposes	3,774	(421,803)	(425,577)	-
Capital lease proceeds not recorded for budgetary purposes	-	80,067	80,067	-
GAAP basis	<u>\$ 23,716,546</u>	<u>\$ 23,383,146</u>	<u>\$ (345,510)</u>	<u>\$ (12,110)</u>

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Expenditures Which Exceed Appropriations**

As discussed above, the legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2014, expenditures exceeded appropriations in the following amounts:

<u>Department</u>	<u>Amount</u>
Highways and Transportation	\$ 318
Debt Service	170

**Deficit Fund Equity**

The following funds have deficit fund balances as of June 30, 2014, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
EES Renovation Project	\$ (359,694)
School Cafeteria	(141)

The EES Renovation Project Fund deficit arose due to expenditures related to the renovation of the Essex Elementary School. The School Cafeteria Fund deficit arose due to the timing and nature of various other grant receipts and expenditures. These deficits are expected to be funded by State and Federal funds for reimbursable expenditures and transfers in from the General Fund.

**NOTE C - CASH DEPOSITS AND INVESTMENTS**

Cash deposits consist of the following as of June 30, 2014:

Government-wide statement of net position:

Cash and cash equivalents \$ 4,278,896

Statement of fiduciary net position:

Cash and cash equivalents 199,046

4,477,942

Add: certificates of deposit classified as investments 66,029

Less: cash equivalents considered investments  
under GASB Statement No. 40 (47,910)

\$ 4,496,061

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Cash Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut general statutes, as described below. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2014, \$4,109,921 of the Town's bank balance of \$4,565,025 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,698,929
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	410,992
	<u>\$ 4,109,921</u>

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

**Investments**

A reconciliation of the Town's investments as of June 30, 2014 is as follows:

Statement of fiduciary net position:	
Investments	\$ 4,169,851
Add: cash equivalents considered investments	
under GASB Statement No. 40	47,910
Less: certificates of deposit classified as investments	(66,029)
	<u>\$ 4,151,732</u>

As of June 30, 2014, the Town's investments consisted of the following:

Investment type	Fair Value	Investment Maturities (In Years) Less Than 1
<b>Debt Securities:</b>		
Bond mutual funds	\$ 1,039,227	\$ 1,039,227
Money market mutual funds	47,910	47,910
	1,087,137	<u>\$ 1,087,137</u>
<b>Other investments:</b>		
Equity mutual funds	3,064,595	
<b>Total</b>	<u>\$ 4,151,732</u>	

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Investments *(Continued)***

**Interest Rate Risk**

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

**Credit Risk**

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

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

The Town's investments in debt securities were unrated as of June 30, 2014.

**Custodial Credit Risk**

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

**Concentrations of Credit Risk**

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,563,245	\$ -	\$ -	\$ 2,563,245
Construction in progress	135,179	792,688	(127,717)	800,150
Total capital assets, not being depreciated	<u>2,698,424</u>	<u>792,688</u>	<u>(127,717)</u>	<u>3,363,395</u>
Capital assets, being depreciated:				
Land improvements	198,320	-	-	198,320
Buildings and improvements	22,598,891	-	-	22,598,891
Machinery and equipment	1,850,193	32,500	-	1,882,693
Vehicles	717,243	126,469	-	843,712
Infrastructure	8,635,603	98,511	(26,345)	8,707,769
Total capital assets, being depreciated	<u>34,000,250</u>	<u>257,480</u>	<u>(26,345)</u>	<u>34,231,385</u>
Less accumulated depreciation and amortization for:				
Land improvements	124,469	6,266	-	130,735
Buildings and improvements	6,415,621	508,005	-	6,923,626
Machinery and equipment	1,540,263	67,333	-	1,607,596
Vehicles	673,853	29,857	-	703,710
Infrastructure	5,045,147	226,088	(26,345)	5,244,890
Total accumulated depreciation and amortization	<u>13,799,353</u>	<u>837,549</u>	<u>(26,345)</u>	<u>14,610,557</u>
Total capital assets, being depreciated, net	<u>20,200,897</u>	<u>(580,069)</u>	<u>-</u>	<u>19,620,828</u>
Governmental activities capital assets, net	<u>\$ 22,899,321</u>	<u>\$ 212,619</u>	<u>\$ (127,717)</u>	<u>\$ 22,984,223</u>

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

Governmental Activities:	
General government	\$ 91,477
Public safety	16,373
Highways and transportation	280,095
Education	438,315
Health and welfare	11,289
Total depreciation expense - governmental activities	<u>\$ 837,549</u>

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

**NOTE E - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	EES Renovation Project	\$ 359,694
	Grants Fund	441,278
	Other Governmental Funds	336,010
		<u>1,136,982</u>
Capital and Nonrecurring Expenditures Fund	General Fund	<u>541,742</u>
Other Governmental Funds	Capital and Nonrecurring Expenditures Fund	20,667
	General Fund	79,978
		<u>100,645</u>
Total interfund receivables/payables		<u><u>\$ 1,779,369</u></u>

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

**NOTE F - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
Capital and Nonrecurring Expenditures Fund	General Fund	\$ 392,000
Other Governmental Funds	General Fund	<u>33,577</u>
Total transfers		<u><u>\$ 425,577</u></u>

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

**NOTE G - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<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	\$ 9,545,000	\$ -	\$ (550,000)	\$ 8,995,000	\$ 570,000
Unamortized bond premium	561,539	-	(39,638)	521,901	-
Other liabilities:					
Capital leases	112,640	91,293	(77,563)	126,370	55,603
Compensated absences	125,543	104,473	(115,276)	114,740	71,860
Retired employee obligations	69,395	-	(50,395)	19,000	19,000
Net OPEB obligation	310,015	76,176	-	386,191	-
	<u>\$ 10,724,132</u>	<u>\$ 271,942</u>	<u>\$ (832,872)</u>	<u>\$ 10,163,202</u>	<u>\$ 716,463</u>

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

**General Obligation Bonds**

A summary of general obligation bonds outstanding at June 30, 2014 is as follows:

<b>Purpose of Bonds</b>	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>			
<b>Bonds Payable</b>			
General obligation bonds issued August 2007, original amount of \$10,485,000	8/1/2017	4.0% - 5.25%	\$ 1,825,000
General obligation refunding bonds issued April 2013, original amount of \$7,170,000	8/1/2028	2.125% - 4.0%	7,170,000
			<u>\$ 8,995,000</u>

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2014:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>		
	<b>General Obligation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 570,000	\$ 284,368	\$ 854,368
2016	650,000	258,882	908,882
2017	695,000	228,207	923,207
2018	735,000	200,007	935,007
2019	730,000	178,031	908,031
2020-2024	3,495,000	530,381	4,025,381
2025-2029	2,120,000	116,634	2,236,634
	<u>\$ 8,995,000</u>	<u>\$ 1,796,510</u>	<u>\$ 10,791,510</u>

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**General Obligation Bonds *(Continued)***

**Refundings**

At June 30, 2014, there is approximately \$7.3 million of bonds related to the April 2013 issuance that are considered defeased but still outstanding.

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. 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, 2014.

**Authorized, Unissued Bonds**

As of June 30, 2014, the Town had authorized but unissued bonds totaling \$7,494,625.

**Shared Debt**

The Town of Essex is a member of Regional School District No. 4 which also provides education for the Towns of Chester and Deep River. As of June 30, 2014, the outstanding indebtedness of the District was \$12,875,000. The Town of Essex's share will be approximately 46.18% of the total, or \$5,945,675. Such outstanding indebtedness represents general obligations of the Regional School District No. 4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net position.

**School Bond Reimbursements**

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. Additional reimbursements of principal and interest are expected to be received for the Essex Elementary School Project. Such amounts have not yet been determined by the State.

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2014:

	<b>Governmental Activities</b>
Vehicles	\$ 161,587
Equipment	166,692
	<u>328,279</u>
Less: accumulated amortization	136,169
	<u><u>\$ 192,110</u></u>

Amortization expense relative to leased property under capital leases totaled \$53,347 for the year ended June 30, 2014 and is included in depreciation and amortization expense disclosed in Note D.

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Capital Leases *(Continued)***

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>
2015	\$ 60,989
2016	47,594
2017	24,694
2018	3,204
Total minimum lease payments	136,481
Less: amount representing interest	(10,111)
Present value of minimum lease payments	<u>\$ 126,370</u>

**Retired Employee Obligations**

Board of Education retirement obligations in the amount of \$19,000 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. The full amount is expected to be paid during fiscal year 2015, and as such, has been classified as due within one year.

**NOTE H - FUND BALANCE**

The various components of fund balance at June 30, 2014 are as follows:

	<b>General Fund</b>	<b>Capital and Nonrecurring Expenditures Fund</b>	<b>EES Renovation Project</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Nonspendable:					
Prepaid items	\$ 9,947	\$ -	\$ -	\$ 714	\$ 10,661
Inventories	-	-	-	9,413	9,413
Committed to:					
Municipal property improvements	50,000	-	-	-	50,000
Ivoryton engineering services	15,000	-	-	-	15,000
Bond study	7,253	-	-	-	7,253
Capital expenditures	-	1,241,776	-	-	1,241,776
Harbor commission operations	-	-	-	72,479	72,479
Animal control	-	-	-	55,564	55,564
Recreation	-	-	-	25,583	25,583
Public safety	-	-	-	10,567	10,567
General government	-	-	-	5,396	5,396
Health and welfare	-	-	-	4,730	4,730
Assigned to:					
Revaluation	111,386	-	-	-	111,386
Encumbrances - capital outlay	88,184	-	-	-	88,184
Encumbrances - health and welfare	21,431	-	-	-	21,431
Encumbrances - general government	13,673	-	-	-	13,673
Encumbrances - public safety	8,039	-	-	-	8,039
Unassigned	2,913,974	-	(359,694)	(9,554)	2,544,726
	<u>\$ 3,238,887</u>	<u>\$ 1,241,776</u>	<u>\$ (359,694)</u>	<u>\$ 174,892</u>	<u>\$ 4,295,861</u>

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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**NOTE I - PENSION PLANS**

**Defined Benefit Plans**

**Plan Descriptions**

*Plan administration* - The Town maintains three single-employer, defined benefit pension plans: the Town of Essex, Connecticut Amended and Restated Retirement Plan (the "Employees' Retirement Plan"), the Town of Essex Merit Service Plan (the "Merit Service Plan") and the Town of Essex Employees' Pension Plan (the "Police Retirement Plan"). The plans cover substantially all full time employees except professional personnel at the Board of Education, who are covered by the State of Connecticut Teachers' Retirement System. The plans are administered by a Retirement Board, pursuant to Connecticut General Statutes Section 7-450, composed of three to five members appointed by the First Selectman.

*Plan membership* - At July 1, 2012, the date of the most recent actuarial valuations, pension plan membership consisted of the following:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Retirees and beneficiaries receiving benefits	17	16	2
Terminated employees entitled to benefits but not yet receiving them	16	5	2
Active plan members	25	55	2
	<u>58</u>	<u>76</u>	<u>6</u>

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

Employees' Retirement Plan - All regularly employed employees (elected, appointed or hired) of the Town, excluding part-time employees, temporary employees and teachers eligible for the State of Connecticut Teachers' Retirement System, are eligible to participate in the plan. Employees are eligible to participate provided they have attained age 21. The plan provides retirement benefits as well as death and disability benefits and vested termination benefits. Annual retirement benefits for plan participants who have reached age 65 and have completed 5 years of service are 1.4% of an employees' final average compensation multiplied by the number of years of credited service, to a maximum of 40 years. Early retirement benefits are available for participants who have reached age 65 and have completed 15 years of service. Early retirement benefits consist of regular benefits reduced by 0.5% for each month by which the early retirement precedes normal retirement.

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Defined Benefit Plans *(Continued)***

**Plan Descriptions *(Continued)***

*Benefits provided (Continued) -*

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

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

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

Employees' Retirement Plan - No participant contribution is required.

Merit Service Plan - No participant contribution is required.

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

**Summary of Significant Accounting Policies**

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

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Defined Benefit Plans *(Continued)***

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

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

*Rate of return* - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2014, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were as follows:

Employees' Retirement Plan	15.72%
Merit Service Plan	15.64%
Police Retirement Plan	15.79%

**Net Pension Asset and Net Pension Liability**

The Town has not yet implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is effective for fiscal years beginning after June 15, 2014. GASB Statement No. 68 will require the Town to record the net pension liability for its defined benefit pension plans in its government-wide financial statements. The net pension liability for each of the Town's defined benefit pension plans has been disclosed below in accordance with the implementation of GASB Statement No. 67. The Town continues to apply the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which requires employers to recognize a net pension asset or obligation in its government-wide financial statements based on the cumulative difference between the annual pension cost and the amounts contributed to the plans.

The following presents the Town's net pension assets as of June 30, 2014 and the related change in the net pension assets for the year ended June 30, 2014:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Annual required contribution	\$ 174,839	\$ 59,726	\$ 57,942
Interest on net pension obligation	2,411	728	449
Adjustment to annual required contribution	(3,322)	(1,003)	(550)
Annual pension cost	173,928	59,451	57,841
Contributions made	229,403	75,741	70,872
Change in net pension obligation	(55,475)	(16,290)	(13,031)
Net pension obligation, beginning of year	31,112	9,393	5,790
Net pension asset, end of year	<u>\$ (24,363)</u>	<u>\$ (6,897)</u>	<u>\$ (7,241)</u>

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Defined Benefit Plans *(Continued)***

**Net Pension Asset and Net Pension Liability *(Continued)***

The components of the net pension liability for the plans at June 30, 2014 were as follows:

	Employees' Retirement Plan	Merit Service Plan	Police Retirement Plan
Total pension liability	\$ 3,492,957	\$ 1,280,023	\$ 1,266,644
Plan fiduciary net position	2,749,272	785,938	620,568
Town's net pension liability	<u>\$ 743,685</u>	<u>\$ 494,085</u>	<u>\$ 646,076</u>

Plan fiduciary net position as a percentage of the total pension liability	78.71%	61.40%	48.99%
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*Actuarial assumptions* - The total pension liability for each of the plans were determined by an actuarial valuation as of July 1, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Salary increases	4.00%
Inflation	3.00%

Mortality rates were based on the RP-2000 mortality table with separate male and female rates, with no collar adjustment, projected to the valuation year for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in each pension plan's target asset allocation as of June 30, 2014, which are summarized in the following table:

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Defined Benefit Plans *(Continued)***

**Net Pension Asset and Net Pension Liability *(Continued)***

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

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

	1% Decrease 6.50%	Current Discount 7.50%	1% Increase 8.50%
Employees' Retirement Plan's net pension liability as of June 30, 2014	\$ 1,067,517	\$ 743,685	\$ 464,234
Merit Fire Plan's net pension liability as of June 30, 2014	640,692	494,085	369,034
Police Retirement Plan's net pension liability as of June 30, 2014	809,749	646,076	510,814

**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, 2014, Town teachers contributed \$180,086 to the plan and covered payroll for the year was \$2,483,945.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on-behalf" payments of \$615,770 made by the State of Connecticut into the plan as intergovernmental revenues and related education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Plan Descriptions**

**Employees' OPEB Plan**

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

**Teachers' OPEB Plan**

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

**Funding Policy**

**Employees' OPEB Plan**

Contribution requirements of the Town are established in the plan provisions and may be amended by the Town. Currently, the Town contributes 100% percent of the cost of current-year premiums for eligible retired plan members. Plan members are not required to contribute. For fiscal year 2014, contributions totaled \$12,959. 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.

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Annual OPEB Cost and Net OPEB Obligation *(Continued)***

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

	Employees' OPEB Plan	Teachers' OPEB Plan
Annual required contribution	\$ 44,044	\$ 49,012
Interest on net OPEB obligation	6,748	11,853
Adjustment to annual required contribution	(8,170)	(14,352)
Annual OPEB cost	42,622	46,513
Contributions made	12,959	-
Increase in net OPEB obligation	29,663	46,513
Net OPEB obligation, beginning of year	112,465	197,550
Net OPEB obligation, end of year	<u>\$ 142,128</u>	<u>\$ 244,063</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the years ended June 30, 2012 through 2014 are 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>				
2012	\$ 39,112	\$ 12,479	32%	\$ 85,320
2013	39,791	12,646	32%	112,465
2014	42,622	12,959	30%	142,128
<b>Teachers' OPEB Plan</b>				
2012	\$ 44,819	\$ -	0%	\$ 155,266
2013	42,284	-	0%	197,550
2014	46,513	-	0%	244,063

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Funded Status and Funding Progress**

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

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
<b>Employees' OPEB Plan</b>					
\$ -	\$ 430,452	\$ 430,452	0.0%	N/A	N/A
<b>Teachers' OPEB Plan</b>					
\$ -	\$ 425,094	\$ 425,094	0.0%	N/A	N/A

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

**Actuarial Methods and Assumptions**

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

	Employees' OPEB Plan	Teachers' OPEB Plan
Valuation date:	July 1, 2011	July 1, 2011
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level Dollar Amount	Level Dollar Amount
Remaining amortization period:	30 years, closed	30 years, closed
Asset valuation method:	N/A	N/A
Actuarial assumptions:		
Discount rate	6.0%	6.0%
Healthcare cost trend rate	4.0%	8.0%

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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**NOTE K - DEFERRED COMPENSATION PLAN**

The Town's Board of Education offers all members of the Municipal Employee Union, SEIU Local 506 (paraprofessionals) who are eligible for benefits, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town's Board of Education is required to match employees' contributions up to a maximum of 5.0% of their base pay only, on a before-tax basis. The Town's Board of Education contribution totaled \$5,436 for the year ended June 30, 2014. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

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

**NOTE L - COMMITMENTS AND CONTINGENCIES**

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

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

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

As of June 30, 2014, the Town has recorded \$131,327 in encumbrances. Such encumbrances have been included in assigned fund balance in the accompanying balance sheet of governmental funds as of June 30, 2014.

**NOTE M - RISK MANAGEMENT**

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

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

**TOWN OF ESSEX, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

The Town participates in a medical health insurance fund, which is maintained by Regional School District No. 4. The fund accounts for and finances the retained risk of loss for member Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$125,000 for each insured occurrence. In addition to Regional School District No. 4, the participating members are the Town of Chester Board of Education, the Town of Deep River (including Board of Education) and the Regional Supervision District Board of Education. Members may be subject to additional assessments in the event of a deficiency.

A liability is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, the claims liability is reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimated. The claims liability included in the accompanying statement of net position totaled \$77,895 as of June 30, 2014.

**NOTE N - RECENTLY ISSUED ACCOUNTING STANDARDS**

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

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)**  
**EMPLOYEES' RETIREMENT PLAN**  
**JUNE 30, 2014**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 90,333
Interest	249,910
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds	(175,009)
Net change in total pension liability	<u>165,234</u>
Total pension liability - beginning	<u>3,327,723</u>
Total pension liability - ending	<u>3,492,957</u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	229,403
Contributions - members	-
Net investment income	374,159
Benefit payments, including refunds	(175,009)
Administrative expense	(11,823)
Other	-
Net change in plan fiduciary net position	<u>416,730</u>
Plan fiduciary net position - beginning	<u>2,332,542</u>
Plan fiduciary net position - ending	<u>2,749,272</u>
 <b>Town's net pension liability</b>	 <u><u>\$ 743,685</u></u>
 <b>Plan fiduciary net position as a percentage     of total pension liability</b>	  78.71%
 <b>Covered employee payroll</b>	  \$ 1,178,755
 <b>Town's net pension liability as a percentage     of covered employee payroll</b>	  63.09%

**Notes to Schedule:**

**Benefit Changes**           None noted

**Assumption Changes**   None noted

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

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**EMPLOYEES' RETIREMENT PLAN**  
**JUNE 30, 2014**

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	<u>2014</u>
Actuarially determined contribution	\$ 174,839
Contributions in relation to the actuarially determined contribution	<u>229,403</u>
Contribution deficiency (excess)	<u><u>\$ (54,564)</u></u>
Covered employee payroll	\$ 1,178,755
Contributions as a percentage of covered employee payroll	19.46%
Annual money-weighted rate of return, net of investment expense	15.72%

**Notes to Schedule:**

**Valuation date** July 1, 2012

**Methods and assumptions used to determine contribution rates:**

<b>Actuarial cost method</b>	Entry Age Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll
<b>Remaining amortization period</b>	15 years, open
<b>Asset valuation method</b>	Market value of assets
<b>Investment rate of return</b>	7.50%
<b>Salary increases</b>	4.00%
<b>Inflation rate</b>	3.00%
<b>Retirement age</b>	Age 65 and 5 years of service
<b>Mortality</b>	RP-2000 Mortality Table projected to valuation date with Scale AA

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

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)**  
**MERIT SERVICE PLAN**  
**JUNE 30, 2014**

	2014
<b>Total pension liability</b>	
Service cost	\$ 32,446
Interest	92,015
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds	(76,335)
Net change in total pension liability	48,126
Total pension liability - beginning	1,231,897
Total pension liability - ending	1,280,023
<b>Plan fiduciary net position</b>	
Contributions - employer	75,741
Contributions - members	-
Net investment income	108,825
Benefit payments, including refunds	(76,335)
Administrative expense	(5,714)
Other	-
Net change in plan fiduciary net position	102,517
Plan fiduciary net position - beginning	683,421
Plan fiduciary net position - ending	785,938
<b>Town's net pension liability</b>	<b>\$ 494,085</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	61.40%
<b>Covered employee payroll</b>	N/A
<b>Town's net pension liability as a percentage of covered employee payroll</b>	N/A

**Notes to Schedule:**

**Benefit Changes**      None noted

**Assumption Changes**      None noted

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

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**MERIT SERVICE PLAN**  
**JUNE 30, 2014**

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

**Notes to Schedule:**

**Valuation date** July 1, 2012

**Methods and assumptions used to determine contribution rates:**

<b>Actuarial cost method</b>	Entry Age Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll
<b>Remaining amortization period</b>	15 years, closed
<b>Asset valuation method</b>	Market value of assets
<b>Investment rate of return</b>	7.50%
<b>Salary increases</b>	4.00%
<b>Inflation rate</b>	3.00%
<b>Retirement age</b>	Age 65 and 10 years of service
<b>Mortality</b>	RP-2000 Mortality Table projected to valuation date with Scale AA

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

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)**  
**POLICE RETIREMENT PLAN**  
**JUNE 30, 2014**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 35,294
Interest	91,312
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds	(82,829)
Net change in total pension liability	<u>43,777</u>
Total pension liability - beginning	<u>1,222,867</u>
Total pension liability - ending	<u><u>1,266,644</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	70,872
Contributions - members	6,985
Net investment income	85,629
Benefit payments, including refunds	(82,829)
Administrative expense	(4,481)
Other	-
Net change in plan fiduciary net position	<u>76,176</u>
Plan fiduciary net position - beginning	<u>544,392</u>
Plan fiduciary net position - ending	<u><u>620,568</u></u>
 <b>Town's net pension liability</b>	 <u><u>\$ 646,076</u></u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	  48.99%
 <b>Covered employee payroll</b>	  \$ 265,484
 <b>Town's net pension liability as a percentage of covered employee payroll</b>	  243.36%

**Notes to Schedule:**

**Benefit Changes**           None noted

**Assumption Changes**   None noted

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

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**POLICE RETIREMENT PLAN**  
**JUNE 30, 2014**

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	<u>2014</u>
Actuarially determined contribution	\$ 57,942
Contributions in relation to the actuarially determined contribution	<u>70,872</u>
Contribution deficiency (excess)	<u><u>\$ (12,930)</u></u>
Covered employee payroll	\$ 265,484
Contributions as a percentage of covered employee payroll	26.70%
Annual money-weighted rate of return, net of investment expense	15.64%

**Notes to Schedule:**

**Valuation date** July 1, 2012

**Methods and assumptions used to determine contribution rates:**

<b>Actuarial cost method</b>	Entry Age Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll
<b>Remaining amortization period</b>	19 years, closed
<b>Asset valuation method</b>	Market value of assets
<b>Investment rate of return</b>	7.50%
<b>Salary increases</b>	4.00%
<b>Inflation rate</b>	3.00%
<b>Retirement age</b>	20 years of service but not later than Age 60
<b>Mortality</b>	RP-2000 Mortality Table projected to valuation date with Scale AA

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

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULES OF FUNDING PROGRESS (UNAUDITED)**  
**JUNE 30, 2014**

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

**Employees' OPEB Plan**

July 1, 2011	\$	-	\$ 430,452	\$ 430,452	0%	N/A	N/A
July 1, 2010		-	789,828	789,828	0%	N/A	N/A
July 1, 2009		-	339,212	339,212	0%	N/A	N/A

**Teachers' OPEB Plan**

July 1, 2011	\$	-	\$ 425,094	\$ 425,094	0%	N/A	N/A
July 1, 2010		-	341,411	341,411	0%	N/A	N/A
July 1, 2009		-	320,456	320,456	0%	N/A	N/A

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>PROPERTY TAXES</b>				
Property taxes	\$ 21,218,019	\$ 21,218,019	\$ 21,226,985	\$ 8,966
Interest and lien fees	50,000	50,000	99,501	49,501
Total property taxes	21,268,019	21,268,019	21,326,486	58,467
<b>INTERGOVERNMENTAL</b>				
Veterans tax relief	3,962	3,962	3,234	(728)
Education cost sharing grant	402,107	402,107	389,143	(12,964)
Town aid road grant	215,656	215,656	215,748	92
LOCIP	52,476	52,476	41,869	(10,607)
PILOT grant	14,222	14,222	23,882	9,660
Homeowners tax relief	36,000	36,000	30,149	(5,851)
Transit district	-	-	429	429
Municipal revenue sharing	-	-	31,237	31,237
Municipal grant in aid	-	-	70,111	70,111
Pequot grant	-	-	11,463	11,463
Miscellaneous State and Federal	15,000	15,000	10,491	(4,509)
Total intergovernmental	739,423	739,423	827,756	88,333
<b>LOCAL REVENUES</b>				
Miscellaneous permits	2,000	2,000	6,146	4,146
Access line tax share	35,175	35,175	28,382	(6,793)
Sanitary permits	70,000	70,000	76,812	6,812
Building permit fees	120,000	120,000	136,690	16,690
Zoning permits	7,100	7,100	9,694	2,594
Circuit court fines	7,000	7,000	2,451	(4,549)
Gas tax refunds	805	805	-	(805)
Zoning board of appeals	2,160	2,160	3,000	840
Planning commission receipts	2,500	2,500	930	(1,570)
Conveyance tax	102,500	102,500	142,573	40,073
Park and recreation	4,500	4,500	6,765	2,265
Miscellaneous receipts	15,000	15,000	111,104	96,104
Town clerk fees	110,000	110,000	145,167	35,167
Inland wetlands permits	1,440	1,440	1,900	460
Regional recycling fees	69,000	69,000	59,966	(9,034)
Health department fees	6,000	6,000	10,319	4,319
Total local revenues	555,180	555,180	741,899	186,719
<b>INTEREST INCOME</b>	3,700	3,700	5,654	1,954
Total revenues	22,566,322	22,566,322	22,901,795	335,473
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	117,828	397,912	-	(397,912)
Total revenues and other financing sources	\$ 22,684,150	\$ 22,964,234	\$ 22,901,795	\$ (62,439)

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
BOARD OF SELECTMEN				
GENERAL GOVERNMENT				
Selectmen	\$ 181,667	\$ 181,667	\$ 173,866	\$ (7,801)
Assessor	108,001	108,001	103,838	(4,163)
Central services	208,692	217,561	217,561	-
Elections	41,600	41,600	33,794	(7,806)
Probate court	3,460	3,460	3,460	-
Tax collector	99,567	99,567	100,028	461
Town clerk	153,277	174,708	174,708	-
Treasurer	152,355	152,355	152,858	503
Zoning enforcement agent	61,688	61,688	61,848	160
Fringe benefits	881,583	881,583	839,769	(41,814)
General insurance	173,069	173,069	163,723	(9,346)
Legal services	73,500	73,500	75,746	2,246
Public restroom facilities	21,710	21,710	19,660	(2,050)
Technology	171,602	171,602	157,388	(14,214)
Board of assessment appeals	1,340	1,340	1,358	18
Board of finance	117,000	42,000	36,362	(5,638)
Conservation commission	9,900	9,900	5,240	(4,660)
Economic development commission	5,000	5,000	5,689	689
IWWC commission	8,324	8,324	3,738	(4,586)
Parks and recreation	173,856	175,649	178,053	2,404
Planning commission	58,442	58,442	58,590	148
Tree committee	3,000	3,000	3,000	-
Zoning board of appeals	6,300	6,300	5,023	(1,277)
Zoning commission	27,748	32,002	32,002	-
Clean energy task force	1,000	1,000	2,070	1,070
Total general government	2,743,681	2,705,028	2,609,372	(95,656)
PUBLIC SAFETY				
Ambulance association	19,422	19,422	19,442	20
Animal control	10,000	10,000	10,000	-
Building department	73,842	79,797	79,797	-
Emergency management	16,900	16,900	16,191	(709)
Emergency 911	99,709	99,709	99,798	89
Fire department	307,700	307,700	307,700	-
Fire marshal	49,300	49,300	52,314	3,014
Harbor patrol	28,200	28,200	11,479	(16,721)
Police services	321,250	321,250	323,177	1,927
Resident state trooper	113,304	119,933	119,933	-
Water	149,645	149,645	150,297	652
Total public safety	1,189,272	1,201,856	1,190,128	(11,728)

*(Continued)*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND** *(Continued)*  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>HEALTH AND WELFARE</b>				
Estuary transit	\$ 15,380	\$ 15,380	\$ 15,378	\$ (2)
Sanitarian	117,398	117,398	115,336	(2,062)
Transfer station	267,330	267,330	252,829	(14,501)
Sanitary waste commission	1,300	1,300	1,502	202
Social services	100,980	100,980	92,826	(8,154)
Visiting nurses	60,795	60,795	60,795	-
Water pollution control	2,900	2,900	1,327	(1,573)
Total health and welfare	566,083	566,083	539,993	(26,090)
<b>LIBRARIES</b>				
	372,000	372,000	372,000	-
<b>HIGHWAYS AND TRANSPORTATION</b>				
Highways	805,146	873,799	873,799	-
Town garage	42,900	42,900	43,218	318
Total highways and transportation	848,046	916,699	917,017	318
<b>DEBT SERVICE</b>				
Principal payments	550,000	550,000	550,000	-
Interest and fiscal charges	274,579	274,579	274,749	170
Total debt service	824,579	824,579	824,749	170
<b>CAPITAL OUTLAYS</b>				
Grants and special appropriations	-	15,000	15,000	-
Capital and sinking funds	423,800	646,300	645,845	(455)
Total capital outlays	423,800	661,300	660,845	(455)
Total Board of Selectmen	6,967,461	7,247,545	7,114,104	(133,441)
<b>EDUCATION</b>				
	15,716,689	15,716,689	15,632,806	(83,883)
Total expenditures	\$ 22,684,150	\$ 22,964,234	\$ 22,746,910	\$ (217,324)

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**YEAR END JUNE 30, 2014**

Grand List Year	Balance Uncollected June 30, 2013	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2014
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2012	\$ -	\$ 21,333,130	\$ 15,160	\$ 27,271	\$ -	\$ 21,321,019	\$ 21,053,694	\$ 60,134	\$ 24	\$ 21,113,852	\$ 267,325
2011	213,583	-	6,337	1,040	-	218,880	79,680	15,899	600	96,179	139,200
2010	100,224	-	2,709	311	37,726	64,896	31,656	11,577	240	43,473	33,240
2009	24,436	-	2,318	-	-	26,754	10,302	5,086	48	15,436	16,452
2008	13,119	-	-	-	-	13,119	1,762	26	24	1,812	11,357
2007	5,962	-	-	-	-	5,962	-	-	-	-	5,962
2006	794	-	-	-	-	794	-	-	-	-	794
2005	760	-	-	-	-	760	-	-	-	-	760
2004	729	-	-	-	-	729	-	-	-	-	729
2003	431	-	-	-	-	431	-	-	-	-	431
	<u>\$ 360,038</u>	<u>\$ 21,333,130</u>	<u>\$ 26,524</u>	<u>\$ 28,622</u>	<u>\$ 37,726</u>	<u>\$ 21,653,344</u>	<u>\$ 21,177,094</u>	<u>\$ 92,722</u>	<u>\$ 936</u>	<u>\$ 21,270,752</u>	<u>\$ 476,250</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)**  
**YEAR ENDED JUNE 30, 2014**

Total cash collections for the year ended  
June 30, 2014:

Taxes	\$ 21,177,094
Interest and lien fees	93,658
	<u>21,270,752</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	30,149
Base	<u>\$ 21,300,901</u>

	<b>General Purposes</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Pension Deficit</b>
Debt limitation:					
2-1/4 times base	\$ 47,927,027	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	95,854,055	-	-	-
3-3/4 times base	-	-	79,878,379	-	-
3-1/4 times base	-	-	-	69,227,928	-
3 times base	-	-	-	-	63,902,703
	<u>47,927,027</u>	<u>95,854,055</u>	<u>79,878,379</u>	<u>69,227,928</u>	<u>63,902,703</u>
Total debt limitation	<u>47,927,027</u>	<u>95,854,055</u>	<u>79,878,379</u>	<u>69,227,928</u>	<u>63,902,703</u>
Indebtedness:					
Bonds payable	437,850	8,557,150	-	-	-
Shared debt - Regional School District No. 4	-	5,945,675	-	-	-
Authorized, unissued bonds	4,144,625	3,350,000	-	-	-
Total indebtedness	<u>4,582,475</u>	<u>17,852,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 43,344,552</u>	<u>\$ 78,001,230</u>	<u>\$ 79,878,379</u>	<u>\$ 69,227,928</u>	<u>\$ 63,902,703</u>
Total capacity of borrowing (7 times base)	\$ 149,106,307				
Total present indebtedness	<u>22,435,300</u>				
Margin for additional borrowing	<u>\$ 126,671,007</u>				

*See accompanying Independent Auditor's Report.*

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**CAPITAL AND NON-RECURRING EXPENDITURES FUND**

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**TOWN OF ESSEX, CONNECTICUT**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BY PROJECT  
CAPITAL AND NONRECURRING EXPENDITURES FUND  
YEAR ENDED JUNE 30, 2014

	Capital and Nonrecurring Expenditures Fund										
	Fire Truck	Truck and Equipment	Constable Cars	Harbor Patrol	Wastewater Study	Parks and Recreation	Veterans Memorial	Open Space	Essex Elementary	Other	Total
<b>REVENUES</b>											
Interest income	\$ 326	\$ 2	\$ 22	\$ 23	\$ 29	\$ 43	\$ -	\$ 157	\$ 122	\$ 71	\$ 795
<b>EXPENDITURES</b>											
Capital outlays	-	-	27,476	-	-	38,884	-	-	5,000	27,889	99,249
Excess (deficiency) of revenues over expenditures	326	2	(27,454)	23	29	(38,841)	-	157	(4,878)	(27,818)	(98,454)
<b>OTHER FINANCING SOURCES</b>											
Transfers in	175,000	-	40,000	3,000	55,000	34,000	-	30,000	20,000	35,000	392,000
Net change in fund balances	175,326	2	12,546	3,023	55,029	(4,841)	-	30,157	15,122	7,182	293,546
Fund balances - beginning	342,465	2,778	43,938	29,897	25,628	51,515	20	220,481	159,493	72,015	948,230
Fund balances - ending	<u>\$ 517,791</u>	<u>\$ 2,780</u>	<u>\$ 56,484</u>	<u>\$ 32,920</u>	<u>\$ 80,657</u>	<u>\$ 46,674</u>	<u>\$ 20</u>	<u>\$ 250,638</u>	<u>\$ 174,615</u>	<u>\$ 79,197</u>	<u>\$ 1,241,776</u>

*See accompanying Independent Auditor's Report.*

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**NONMAJOR GOVERNMENTAL FUNDS**

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**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<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>Recreational Programs</b>	<b>CVA Pump Out Boat</b>	<b>Tree Committee</b>	<b>Total</b>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 169,244	\$ 9,792	\$ 51,812	\$ 221,905	\$ 2,304	\$ 6,760	\$ -	\$ -	\$ 461,817
Grants and contracts receivable	-	5,306	-	-	-	-	-	-	5,306
Other receivables	-	760	-	-	-	95	-	-	855
Due from other funds	-	-	20,667	-	1,537	67,563	9,323	1,555	100,645
Prepaid items	520	-	-	-	-	194	-	-	714
Inventories	-	9,413	-	-	-	-	-	-	9,413
Total assets	<u>\$ 169,764</u>	<u>\$ 25,271</u>	<u>\$ 72,479</u>	<u>\$ 221,905</u>	<u>\$ 3,841</u>	<u>\$ 74,612</u>	<u>\$ 9,323</u>	<u>\$ 1,555</u>	<u>\$ 578,750</u>
<b>LIABILITIES</b>									
Accounts payable	\$ 659	\$ 10,355	\$ -	\$ -	\$ -	\$ 7,270	\$ 4,593	\$ -	\$ 22,877
Other accrued liabilities	3,406	-	-	-	-	-	-	-	3,406
Due to other funds	109,615	15,057	-	211,338	-	-	-	-	336,010
Unearned revenue	-	-	-	-	-	41,565	-	-	41,565
Total liabilities	<u>113,680</u>	<u>25,412</u>	<u>-</u>	<u>211,338</u>	<u>-</u>	<u>48,835</u>	<u>4,593</u>	<u>-</u>	<u>403,858</u>
<b>FUND BALANCES (DEFICIT)</b>									
Nonspendable	520	9,413	-	-	-	194	-	-	10,127
Committed	55,564	-	72,479	10,567	3,841	25,583	4,730	1,555	174,319
Unassigned	-	(9,554)	-	-	-	-	-	-	(9,554)
Total fund balances (deficit)	<u>56,084</u>	<u>(141)</u>	<u>72,479</u>	<u>10,567</u>	<u>3,841</u>	<u>25,777</u>	<u>4,730</u>	<u>1,555</u>	<u>174,892</u>
Total liabilities and fund balances (deficit)	<u>\$ 169,764</u>	<u>\$ 25,271</u>	<u>\$ 72,479</u>	<u>\$ 221,905</u>	<u>\$ 3,841</u>	<u>\$ 74,612</u>	<u>\$ 9,323</u>	<u>\$ 1,555</u>	<u>\$ 578,750</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT)  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	Nonmajor Special Revenue Funds								
	Dog Fund	School Cafeteria	Harbor Commission	Constable Private Duty	Historic Documents	Recreational Programs	CVA Pump Out Boat	Tree Committee	Total
REVENUES									
Intergovernmental	\$ -	\$ 43,033	\$ -	\$ -	\$ -	\$ -	\$ 79,903	\$ -	\$ 122,936
Local revenue	13,714	84,244	20,335	49,989	3,471	104,113	-	2,450	278,316
Interest income	-	-	95	-	-	-	-	-	95
Total revenues	13,714	127,277	20,430	49,989	3,471	104,113	79,903	2,450	401,347
EXPENDITURES									
Current:									
General government	15,972	-	14,767	-	6,653	113,022	-	2,350	152,764
Public safety	-	-	-	45,135	-	-	-	-	45,135
Health and welfare	-	-	-	-	-	-	59,912	-	59,912
Education	-	142,080	-	-	-	-	-	-	142,080
Debt Service:									
Principal payments	-	-	-	-	-	-	14,947	-	14,947
Interest and fiscal charges	-	-	-	-	-	-	1,273	-	1,273
Capital outlays	-	-	-	-	-	-	11,226	-	11,226
Total expenditures	15,972	142,080	14,767	45,135	6,653	113,022	87,358	2,350	427,337
Excess (deficiency) of revenues over expenditures	(2,258)	(14,803)	5,663	4,854	(3,182)	(8,909)	(7,455)	100	(25,990)
OTHER FINANCING SOURCES									
Proceeds from capital lease obligations	-	-	-	-	-	-	11,226	-	11,226
Transfers in	10,000	14,803	8,774	-	-	-	-	-	33,577
Total other financing sources	10,000	14,803	8,774	-	-	-	11,226	-	44,803
Net change in fund balances	7,742	-	14,437	4,854	(3,182)	(8,909)	3,771	100	18,813
Fund balances (deficit) - beginning	48,342	(141)	58,042	5,713	7,023	34,686	959	1,455	156,079
Fund balances (deficit) - ending	\$ 56,084	\$ (141)	\$ 72,479	\$ 10,567	\$ 3,841	\$ 25,777	\$ 4,730	\$ 1,555	\$ 174,892

*See accompanying Independent Auditor's Report.*

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## FIDUCIARY FUNDS

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**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2014**

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	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash equivalents	\$ 30,395	\$ 8,608	\$ 8,907	\$ 47,910
Investments, at fair value	2,716,217	776,558	611,047	4,103,822
Interest and other receivables	2,660	772	614	4,046
Total assets	<u>2,749,272</u>	<u>785,938</u>	<u>620,568</u>	<u>4,155,778</u>
<b>NET POSITION</b>				
Held in trust for pension benefits	<u>\$ 2,749,272</u>	<u>\$ 785,938</u>	<u>\$ 620,568</u>	<u>\$ 4,155,778</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<b>Employees' Retirement Plan</b>	<b>Merit Service Plan</b>	<b>Police Retirement Plan</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 229,403	\$ 75,741	\$ 70,872	\$ 376,016
Plan members	-	-	6,985	6,985
Total contributions	<u>229,403</u>	<u>75,741</u>	<u>77,857</u>	<u>383,001</u>
Investment earnings:				
Net increase in the fair value of investments	273,745	78,855	63,455	416,055
Interest	103,331	30,571	22,686	156,588
Total investment earnings	<u>377,076</u>	<u>109,426</u>	<u>86,141</u>	<u>572,643</u>
Total additions	<u>606,479</u>	<u>185,167</u>	<u>163,998</u>	<u>955,644</u>
<b>DEDUCTIONS</b>				
Benefit payments	175,009	76,335	82,829	334,173
Administrative expenses	14,740	6,315	4,993	26,048
Total deductions	<u>189,749</u>	<u>82,650</u>	<u>87,822</u>	<u>360,221</u>
Change in net position	416,730	102,517	76,176	595,423
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	<u>2,332,542</u>	<u>683,421</u>	<u>544,392</u>	<u>3,560,355</u>
Ending of year	<u><u>\$ 2,749,272</u></u>	<u><u>\$ 785,938</u></u>	<u><u>\$ 620,568</u></u>	<u><u>\$ 4,155,778</u></u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2014**

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	<b>Elementary School Activities</b>	<b>Performance Bonds</b>	<b>Special Project Escrow Funds</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>				
Cash	\$ 18,704	\$ 108,275	\$ 24,157	\$ 151,136
Investments	-	66,029	-	66,029
Total assets	<u>\$ 18,704</u>	<u>\$ 174,304</u>	<u>\$ 24,157</u>	<u>\$ 217,165</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 174,304	\$ 24,157	\$ 198,461
Due to student groups	18,704	-	-	18,704
Total liabilities	<u>\$ 18,704</u>	<u>\$ 174,304</u>	<u>\$ 24,157</u>	<u>\$ 217,165</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF ESSEX, CONNECTICUT**  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2014</u>
<b>Elementary School Activities</b>				
Assets				
Cash	\$ 20,264	\$ 10,904	\$ 12,464	\$ 18,704
Total assets	<u>\$ 20,264</u>	<u>\$ 10,904</u>	<u>\$ 12,464</u>	<u>\$ 18,704</u>
Liabilities				
Due to student groups	\$ 20,264	\$ 10,904	\$ 12,464	\$ 18,704
Total liabilities	<u>\$ 20,264</u>	<u>\$ 10,904</u>	<u>\$ 12,464</u>	<u>\$ 18,704</u>
<b>Performance Bonds</b>				
Assets				
Cash	\$ 107,807	\$ 19,403	\$ 18,935	\$ 108,275
Investments	65,997	32	-	66,029
Total assets	<u>\$ 173,804</u>	<u>\$ 19,435</u>	<u>\$ 18,935</u>	<u>\$ 174,304</u>
Liabilities				
Due to others	\$ 173,804	\$ 19,435	\$ 18,935	\$ 174,304
Total liabilities	<u>\$ 173,804</u>	<u>\$ 19,435</u>	<u>\$ 18,935</u>	<u>\$ 174,304</u>
<b>Special Project Escrow Funds</b>				
Assets				
Cash	\$ 22,822	\$ 50,119	\$ 48,784	\$ 24,157
Total assets	<u>\$ 22,822</u>	<u>\$ 50,119</u>	<u>\$ 48,784</u>	<u>\$ 24,157</u>
Liabilities				
Accounts payable	\$ 400	\$ -	\$ 400	\$ -
Due to others	22,422	50,119	48,384	24,157
Total liabilities	<u>\$ 22,822</u>	<u>\$ 50,119</u>	<u>\$ 48,784</u>	<u>\$ 24,157</u>
<b>Total All Agency Funds</b>				
Assets				
Cash	\$ 150,893	\$ 80,426	\$ 80,183	\$ 151,136
Investments	65,997	32	-	66,029
Total assets	<u>\$ 216,890</u>	<u>\$ 80,458</u>	<u>\$ 80,183</u>	<u>\$ 217,165</u>
Liabilities				
Accounts payable	\$ 400	\$ -	\$ 400	\$ -
Due to others	196,226	69,554	67,319	198,461
Due to student groups	20,264	10,904	12,464	18,704
Total liabilities	<u>\$ 216,890</u>	<u>\$ 80,458</u>	<u>\$ 80,183</u>	<u>\$ 217,165</u>

*See accompanying Independent Auditor's Report.*