

VILLAGE OF ESSEX JUNCTION, VERMONT

AUDIT REPORT

JUNE 30, 2011

VILLAGE OF ESSEX JUNCTION, VERMONT
AUDIT REPORT
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Independent Auditor's Report

Board of Trustees
Village of Essex Junction
Essex Junction, VT 05452-3685

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Essex Junction, Vermont as of and for the year ended June 30, 2011, which collectively comprise the Village of Essex Junction, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Essex Junction, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Essex Junction, Vermont, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

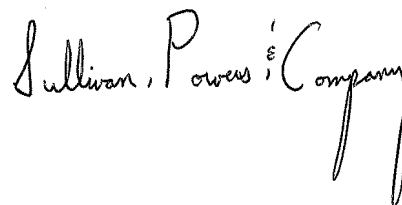
As described in Note IV.H. to the financial statements, the Village of Essex, Junction, Vermont adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Information included under Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Village of Essex Junction, Vermont's basic financial statements. The combining fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with "Government Auditing Standards", we have also issued our report dated February 23, 2012, on our consideration of the Village of Essex, Junction, Vermont'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" and should be considered in assessing the results of our audit.

February 23, 2012
Montpelier, Vermont
Vt Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive, flowing style with a large, stylized 'S' at the beginning and a long, sweeping underline.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Village of Essex Junction (the "Village") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2011.

Financial Highlights

- Assets exceeded liabilities on June 30, 2011 by \$22,737,329 (*net assets*). Of this amount, \$2,663,491 (*unrestricted net assets*) may be used by the various funds of the Village to meet the Village's ongoing obligations.
- The Village's total net assets increased by \$928,318. Of this amount, net assets attributable to governmental activities increased by \$796,367. Net assets attributable to business-type activities increased by \$131,951.
- Fund balances of governmental funds increased by \$24,687 in fiscal FY11. The General Fund had \$201,808 of unassigned fund balance at 6/30/11. This is equal to 6.4% of the approved FY12 General Fund Budget. As of 6/30/10 the General Fund had \$187,170 of unassigned fund balance.

Overview of the Village's Financial Statements:

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the Village of Essex Junction's assets and liabilities with the difference between the two reported as net assets.

The *statement of activities* presents information showing how the Village's net assets changed during the past fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows) whereas the *statement of revenues, expenditures and changes in fund balances of governmental funds* is on the modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current assets and expenditures are recognized when the related liability is incurred). Thus in the *statement of activities* revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements combine information from governmental funds (which are supported primarily by tax dollars) with information from enterprise funds which are supported by user fees and charges (*business-type activities*). The governmental activities of the Village of Essex Junction include general government, public works, community development, public safety, and culture and recreation. The business-type activities of the Village include water operations, wastewater treatment, and sanitation lines maintenance. The government-wide financial statements can be found in Exhibits A and B 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 Village has three types of funds: governmental funds, proprietary funds, and fiduciary funds. The proprietary funds of the Village are all Enterprise Funds. Fund financial statements can be found in Exhibits C through J of this report.

Notes to the financial statements. The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This supplementary information includes combining statements for various funds and budgetary comparison statements for funds other than the Village's general fund. The supplementary information can be found immediately following the notes to the financial statements.

Government-wide Financial Analysis

Village of Essex Junction, Vermont's Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current and Other Assets	\$1,857,041	\$1,899,667	\$1,738,255	\$1,546,967	\$3,595,296	\$3,446,634
Capital Assets	<u>\$10,886,072</u>	<u>\$10,167,556</u>	<u>\$9,573,833</u>	<u>\$9,576,459</u>	<u>\$20,459,905</u>	<u>\$19,744,015</u>
Total Assets	\$12,743,113	\$12,067,223	\$11,312,088	\$11,123,426	\$24,055,201	\$23,190,649
Current Liabilities	\$239,713	\$368,723	\$347,855	\$337,341	\$587,568	\$706,064
Non-Current Liabilities	<u>\$183,900</u>	<u>\$175,367</u>	<u>\$546,404</u>	<u>\$500,207</u>	<u>\$730,304</u>	<u>\$675,574</u>
Total Liabilities	\$423,613	\$544,090	\$894,259	\$837,548	\$1,317,872	\$1,381,638
Net Assets						
Invested in capital assets, net of						
Related Debt	\$10,842,072	\$10,101,556	\$9,226,991	\$9,325,966	\$20,069,063	\$19,427,522
Restricted	\$4,775	\$0	\$0	\$0	\$4,775	\$0
Unrestricted	<u>\$1,472,653</u>	<u>\$1,421,577</u>	<u>\$1,190,838</u>	<u>\$959,912</u>	<u>\$2,663,491</u>	<u>\$2,381,489</u>
Total Net Assets	<u>\$12,319,500</u>	<u>\$11,523,133</u>	<u>\$10,417,829</u>	<u>\$10,285,878</u>	<u>\$22,737,329</u>	<u>\$21,809,011</u>

As stated above, net assets exceeded liabilities by \$22,737,329 at the end of fiscal year 2011. Net assets at the end of fiscal year 2010 exceeded liabilities by \$21,809,011.

The largest portion of the Village's net assets is in its investment in capital assets (88.3%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, infrastructure). Therefore these assets are not available for future spending.

\$4,775 of the Village's assets are subject to restrictions on how they may be used. Unrestricted net assets (\$2,663,491) may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in unrestricted net assets are committed by the Village or assigned by the Board of Trustees for particular purposes (e.g. capital projects).

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Revenues						
Program Revenues						
Charges for services	\$90,411	\$107,036	\$4,953,855	\$4,475,946	\$5,044,266	\$4,582,982
Operating grants and contributions	\$1,256,166	\$170,898	\$0	\$0	\$1,256,166	\$170,898
Capital grants and contributions	\$702,017	\$1,020,344	\$153,355	\$397,328	\$855,372	\$1,417,672
General Revenues						
Property taxes	\$2,569,878	\$2,426,748	\$0	\$0	\$2,569,878	\$2,426,748
Unrestricted investment earnings	\$3,118	\$3,055	\$1,342	\$779	\$4,460	\$3,834
Other revenues	\$18,831	\$21,652	\$0	\$2,202	\$18,831	\$23,854
Total Revenues	\$4,640,421	\$3,749,733	\$5,108,552	\$4,876,255	\$9,748,973	\$8,625,988
Expenses						
Governmental activities						
General Government	\$585,232	\$569,475	\$0	\$0	\$585,232	\$569,475
Public Safety	\$314,186	\$334,250	\$0	\$0	\$314,186	\$334,250
Public Works	\$1,099,563	\$1,025,051	\$0	\$0	\$1,099,563	\$1,025,051
Community Development	\$1,162,759	\$163,325	\$0	\$0	\$1,162,759	\$163,325
Culture and Recreation	\$682,314	\$672,466	\$0	\$0	\$682,314	\$672,466
Business-type activities						
Water	\$0	\$0	\$2,775,228	\$2,601,297	\$2,775,228	\$2,601,297
Sanitation	\$0	\$0	\$460,382	\$452,094	\$460,382	\$452,094
Wastewater	\$0	\$0	\$1,740,991	\$1,549,056	\$1,740,991	\$1,549,056
Total Expenses	\$3,844,054	\$2,764,567	\$4,976,601	\$4,602,447	\$8,820,655	\$7,367,014
Change in net assets	\$796,367	\$985,166	\$131,951	\$273,808	\$928,318	\$1,258,974
Net assets - Beginning of Year	\$11,523,133	\$10,537,967	\$10,285,878	\$10,012,070	\$21,809,011	\$20,550,037
Net assets - End of Year	\$12,319,500	\$11,523,133	\$10,417,829	\$10,285,878	\$22,737,329	\$21,809,011

At the end of FY11 the Village of Essex Junction has positive balances in all three categories of net assets for all funds except the Wastewater Treatment Fund. The Wastewater Treatment Fund has a negative net asset balance of \$25,460 in unrestricted net assets.

Governmental activities. Governmental activities increased the Village's net assets by \$796,367 in FY11. Revenues in governmental funds exceeded expenditures by \$24,687. The primary reason for the increase in net assets was that the Village received grant income for capital items. The capital items are depreciated over a long period, therefore, a current year's increase in net assets results. The majority of the increase in net assets (740,516) was in its investment in capital assets, net of related debt. Unrestricted net assets increased by \$51,076.

Business-type activities. Business-type activities increased the Village's net assets by \$131,951.

Water Fund

The Water Fund had net income of \$24,856 in FY11. Disregarding IBM pass through revenues and expenses, water fund revenues were \$639 less than budget while expenditures were \$25,495 less than budgeted. Water Lines Maintenance-Breaks was under-spent by \$6,433 and CWD water purchases for Village Residents was under-spent by \$11,494. Because water breaks were lower and residents used less water, the Village purchased less water. Overtime and health expense under-expenditures also added to the net income. A valve exerciser (\$16,000) and a utility trailer (\$1,500) were purchased. Mobile Mapping software was purchased in conjunction with the Sanitation and Wastewater Funds and paid for partially with a STAG grant. The South Summit St. Waterline was replaced, a Radio Read meter replacement program was started, and the Summit St. Waterline replacement was also begun.

Sanitation Fund

The Sanitation Fund had budgetary net income of \$12,232 prior to the transfer of excess Sewer tap on fees to its Capital Reserve in FY11. Tap on fees were about \$8,000 more than budgeted. A Federal STAG grant partially paid for the Mapping program mentioned above and a Pole Camera (\$15,090) and a Push Camera (\$4,995). The Sanitation Fund participates by paying 2/3 of the cost of the Meter Replacement Program as it funds the costs for both the Sanitation Fund (underground piping) and the Wastewater Treatment Fund (wastewater treatment). The High School Pump Station Upgrade has been started and will be funded by the State Revolving Loan Fund for Clean Water. Debt payments for this loan are not expected to increase the Sanitation rate. The current contribution to Capital will cover these payments. Because of repairs funded by a stimulus grant our underground sanitary sewer system is in good condition.

Wastewater Treatment Fund

The Wastewater Treatment Facility had budgetary net income of \$192,408 in FY11. \$139,380 of this income was from leachate and septage treatment processed against the Village's capacity allotment. This money has been transferred to the Sanitation Fund to help fund the upcoming Facility Refurbishment project. After eliminating the revenues to be transferred out, the Facility had budgetary income of \$53,028. \$20,000 of this was a budgeted surplus with the intention of building up the Wastewater Treatment Facility's fund balance. The \$33,028 balance of net income was made up of surplus revenue in the amount of \$59,786 and over expending of the expense budget by \$26,758. The majority of the excess revenue is related to the high volume of leachate and septage (brought in by septage haulers and from landfills) treated this year. Some of the revenue is allocated to the cost to treat and remains in the Wastewater Fund. The most significant over-expenditure in the expense budget was for electricity which is related to a significant problem with a high velocity blower.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund had net increase in fund balance of \$63,677 in FY11. This net income includes spending \$15,000 of designated funds from FY10 for the Park St. Traffic Light synchronization. Without this expenditure the General Fund would have shown a surplus of \$78,677. In addition, the Village added \$17,965 to a reserve for Termination benefits.

The General Fund fund balance increased from \$301,984 (as restated – see page 37 of report) at the end of fiscal year 2010 to \$365,661 at the end of fiscal year 2011. Of the \$365,661 of fund balance, \$83,840 is nonspendable (inventories and prepaid expenses), \$80,013 is assigned (see page 47 of notes for breakdown). This leaves \$201,808 of unassigned fund balance in the General Fund. To comply with the Governmental Accounting Standards Board Statement 54, the Village has adopted a fund balance policy. Basically this fund balance policy states that net assets of governmental fund type financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Trustees intended use of the resources); and unassigned. The Village General Fund has no restricted net assets. In addition to the change in how fund balance is classified, Statement 54 also required that our Block Party Fund be integrated into the General Fund because the majority of its support comes from tax revenue. This change necessitated the restatement of the FY10 General Fund fund balance. We also included \$1,700 of contributions to the Block Party in General Fund Revenue as well as an additional \$1,846 in expenditures above the budgeted amount of \$5,000.

- Excluding grants and donations received and expended in FY11, revenues were higher than budgeted by \$14,452. Revenues that were significantly higher than anticipated were Taxes (+\$3,758 due to a decrease in deferred tax revenue not collected within 60 days of the close of the year), and State Highway Aid was \$14,292 more than expected.
- Expenditures excluding those for grants and donations received in FY 11 were \$31,260 less than budgeted. The following departmental analysis will identify amounts varying substantially from budget and give an explanation of what transpired during the year.
 - A) The Administration Budget ended the year with a deficit of \$13,909. The over-expenditure in this department was due to the over-expenditure of the legal line item by \$20,660 due to the Recreation Department governance issue. The budget as a whole was over-expended by about \$7,000 less than the over-expenditure in the legal line item because several other line items were under-spent. Those line items include Training and Conferences (+\$3,150) – due to one employee not taking previously planned college courses; Printing and Advertising (+\$2,473) – due to fewer legal ads and charging the Enterprise Funds directly for their printing needs; Health Improvement Programs (+\$2,238) – the annual employee awards event was less than budgeted and employee awards for fitness programs were less than budgeted.

- B) Lincoln Hall budget had a surplus of \$5,660. Due to improved boilers, new doors, windows and additional insulation, the building is becoming more energy efficient. This is demonstrated by heating being under budget by \$3,658 and Building Maintenance being under budget by \$1,597. Some of the surplus in this budget was spent to replace the basement floor where the carpet had a mold issue.
- C) The Fire Department was over-spent by \$593. Items in the Fire Department budget that were significantly under-spent were Training & Conferences (+\$4,394), Heating (+\$1,442), Physical Exams (+\$1,716) New Radios (+\$2,390) and Routine Equipment (+\$1,436). Line items over-spent were Gas, Grease and Oil (-\$1,221) Building Maintenance (-\$2,173) due to maintenance repair of air cleaning system, the garage doors and the replacement of the hotwater heater, Maintenance Other (-\$3,959) with significant amounts spent on software support, hose testing and paint; and Vehicle Maintenance (-\$5,782) – the aging ladder truck required substantial amounts of maintenance. The Fire Department balanced the unexpected needs by spending less than budgeted in other areas.
- D) Street Department budget was over-spent by \$4,754. Due to a winter of record snowfall, the Street Department significantly overspent the Winter Maintenance line item (-\$27,474), the Pavement Maintenance Line item (-\$14,305), Gas, Grease & Oil (-\$8,295), Vehicle Maintenance (-\$6,181), Contract Services (contractors who remove snow (-\$8,483) and Streetscape Maintenance (-\$2,818). In addition there were over expenditures on Street Lights due to new lights on Pearl St. (6,262). Much of the over-expenditures were covered by the savings from the loss of an employee for the entire winter. These savings were shared between the Street Dept, the Sanitation Fund and the Water Fund with the majority of the savings allocated to the Street Department. Other accounts were under-spent including Supplies (+\$9,683), Gravel & Topsoil (+\$2,053), Maintenance Building Grounds (+\$2,223), Memorial Park (\$2,573), Street Markings (+\$2,613), Engineering Services (+\$3,080), and Sidewalk and Curb Maintenance (\$3,549). When it became obvious that the harsh winter would take its toll on this budget, numerous planned expenditures were postponed.
- E) The Brownell Library budget was under-spent by \$4,138. In the Library budget the area that was most overspent was salaries (-\$5,805). \$1,242 of the over expenditure can be attributed to the grade promotions of 2 employees from Grade 5 to 6 which was not budgeted. The part time line item was over spent by \$4,563. This is due to substitutes being employed to fill in while full time employees are absent. Additional funds were added to the FY12 budget to accommodate this spending. These over-expenditures were balanced by a better than usual Building Maintenance year (+\$6,880), decreased usage of postage (increased use of e-mail) (+\$1,994), and the reupholstering of chairs by a volunteer so that the Library did not have to purchase this work.
- F) Planning and Zoning budget was under-spent by \$27,224. Planning Department over-spent salaries by \$2,331 due to an adjustment to the Planning Director's wages to bring them more in line with others in similar positions in the county. Line items under-spent were: Part-time Salaries (+\$3,102) due to the elimination of this position; Health Insurance (+\$3,060) due to a change in family status of an employee; Training Conferences & Dues (+\$2,889) due to less time than planned for training; Legal Services (+\$9,092) due to fewer than anticipated legal zoning challenges; Other Professional Services (+\$6,620) was not spent as planned on an historic consultant – the historic work on the Land Development Code was written by the Planning Director and historic consultant work on the Village Center has been delayed; and \$1,440 of the Printing and Advertising budget was not spent due to fewer applications than expected.

- G) Economic Development was under-spent by \$25,698. The Village Business Promotion budget of \$50,000 was spent on salary for a management assistant to aid in procuring of grants for the Village and to coordinate volunteer community development activities, and for support of the Railroad Ave. Recess group involved in Village events, Farmers Market and Village Gardens. Salaries cost was \$17,109 and Community Development activities cost was \$11,335. \$21,556 of the Village Business Promotion budget was unspent. Also significantly under-spent by \$5,085 was the matching grant funds line item.
- H) Grants received and expended were Library Services & Technical Grant from the State of Vermont for \$1,432, The Winnie Bell Learned Library Grant with expenses of \$866, a VLCT Equipment Grant of \$2,723 and donation from the Friends of the Brownell Library for books and programs of \$2,395. Another small grant of \$100 was awarded to the Library. The Village also received a small grant from FEMA for storm cleanup aid.

Capital Reserve Fund

The Capital Reserve Fund had fund balance of \$154,729 as of July 1, 2010 and negative (\$794) as of June 30, 2011. This deficit was filled by the FY12 transfer from the General Fund. During the year the Pearl St. Earmark Project with improvements to Pearl St. Sidewalks, lighting and the entrance to the Champlain Valley Exposition was completed. Grant dollars of \$1,178,991 have been received for this project to date from a Federal Earmark. The balance of the grant of approximately \$71,000 will be paid in FY12. In addition, the Champlain Valley Exposition (CVE) contributed \$79,500 directly to the Village for the Pearl St. Project. Another \$15,000 was received from the Champlain Valley Exposition to support Economic Development in the Village. Other projects completed in FY11 included the Fairview Stormwater Facility (\$170,184) which was funded primarily by a Stormwater Mitigation Grant, South Summit Sidewalk and Roadway Reconstruction from Pearl to Cherry St. (done in conjunction with a water line replacement in the Water Fund) (\$211,891), Crescent Connector Study through the CCMPO (\$10,478), Pearl St. Linking Sidewalk Study (\$25,000) and the Summit St. Road Reconstruction was begun in FY11 (\$50,193).

Whitcomb Terrace Loan Fund

In April of 2004 the Village received a grant of up to \$275,000 from the Vermont Agency of Commerce and Community Development. This grant was used in FY05 to construct Whitcomb Terrace, 19 new barrier-free units of affordable housing at 128 West Street in Essex Junction. The grant money was used to provide a deferred loan to Whitcomb Terrace Housing Limited Partnership for the purpose of constructing Whitcomb Terrace. The interest free loan is due to be paid back to the Village on December 17, 2034. The Village has a note receivable that is not likely to be paid back and so is carrying a \$-0- balance for this note.

Rolling Stock Reserve Fund

The Rolling Stock Reserve Fund had fund balance of \$538,384 at the beginning of FY11 and \$629,707 as of the end of FY11. Expenditures in the Rolling Stock Fund in FY11 totaled \$53,431. The Village purchased a 2011 Chevrolet Silverado Pickup Truck for \$30,016 and also made a payment of \$22,000 plus interest on the State Municipal Equipment Loan for the 2008 Fire Department KME Rescue/Pumper. The principal balance on the loan is currently \$44,000.

Capital Assets

The Village of Essex's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totaled \$20,459,905 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, library books, park facilities, vehicles and distribution and collection systems.

The major capital asset transactions during the year for the Governmental Activities were as follows:

- Pearl Street Improvement Project (Funded with Federal Earmark through Senator Leahy's Office)
- Paving on Elm and Central Streets and Aspen Drive
- South Summit Street from Pearl Street to Cherry Street was reconstructed
- A stormwater facility was constructed in Fairview Farms
- An interconnecting traffic control system was installed on Park Street
- A 4 wheel drive truck was purchased
- A 4 wheel drive truck was traded in

The major capital assets transactions during the year for the business-type activities were as follows:

- South Summit Street water line replacement
- New meter interface units and reader
- Turbo blower at wastewater plant
- Methane boiler at wastewater plant
- Two chlorine tanks were disposed of

A table that shows the values of the Village's capital assets net of depreciation is shown below. Additional information can be found in Note IV.D. of this report.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	55,742	55,742	118,077	118,077	173,819	173,819
Construction in Progress	133,425	658,793	202,334	98,177	335,759	756,970
Antiques and Works of Art	12,000	12,000	0	0	12,000	12,000
Buildings and Building Improvements	1,839,670	1,839,670	8,343,215	8,343,215	10,182,885	10,182,885
Vehicles, Machinery, Equipment, Furniture & Traffic Signals	4,887,454	4,262,893	2,826,459	2,621,762	7,713,913	6,884,655
Library Books	840,668	834,331	0	0	840,668	834,331
Parks	210,984	208,090	0	0	210,984	208,090
Roads, Curbs, Sidewalks and Storm Sewers	6,765,952	5,707,974	45,539	45,539	6,811,491	5,753,513
Distribution and Collection Systems	0	0	14,716,451	14,575,498	14,716,451	14,575,498
Accumulated Depreciation	(3,859,823)	(3,411,937)	(16,678,242)	(16,225,809)	(20,538,065)	(19,637,746)
Total	10,886,072	10,167,556	9,573,833	9,576,459	20,459,905	19,744,015

Long Term Debt

The Village received a loan of \$110,000 from the Vermont Municipal Equipment Loan Fund for the purchase of the KME Rescue/Pumper. The interest rate on this loan is 2% with a 5 year pay back provision. As of 6/30/11 there was \$44,000 principal balance on the loan.

The Wastewater Treatment Facility took out a \$250,000 note from the People's United Bank in FY09 to cover the deficit in that fund created primarily by the cleaning of the digester and the drop in member-town revenues. The terms of this note are a yearly payment of \$50,000 plus 3.25% interest for 5 years. As of 6/30/11 there was a \$150,000 principal balance on this loan.

In FY10 the Village was awarded a loan of \$566,938 under the American Recovery and Reinvestment Act (ARRA) to fund two projects. The projects funded were a High Efficiency Blower for the Wastewater Treatment Facility and a comprehensive Rehabilitation of the Village's Sanitary Sewers. Under the ARRA funded project, half of this loan will be forgiven in the form of a grant. The Village will repay the other half over 20 years with no interest but a 2% administrative fee. The first payment is due in FY12.

In FY11 the Village began 2 long term projects in the Wastewater Treatment Fund and the Sanitation Fund. In a special meeting on April 12, 2011 the Village voters authorized the Village to issue bonds for \$15,230,000 for improvements to the Wastewater Treatment Facility and \$1,287,000 for the upgrade of Village pump stations. As of 6/30/11, the Village had borrowed \$63,373 for preliminary engineering for these projects. The first payment on this loan is due in FY17.

Economic Factors and Next Year's Budgets and Rates

- As of January 2012 the economy is still not recovered from the "Great Recession". Unemployment rates are better than a year ago. The national unemployment rate was at 8.5% in December 2011 according to the US Dept. of Labor Bureau of Labor Statics. According to the same source, Vermont unemployment was at 5.3% in November 2011.
- The CPI index for Northeast urban communities size B/C was 3.6% from November 2010 to November 2011. The national city average CPI index was 3.4% from November 2010 to November 2011.
- There has been and continues to be unrest in the Middle East and a debt crisis in Europe. The housing market is still in a slump. Gasoline prices in New England and the Nation are 30 cents higher this January than they were last January according to the US Energy Information Administration. The US average was \$3.382/gallon on 1/9/12 and the New England average was \$3.463/ gallon. Predictions of \$5.00/gallon gasoline are in the news. The national debt is estimated to be \$16.7 trillion in FY12 and at 100% of GDP.
- The IBM M&E Subsidy decreased by \$60,544 from FY11 to FY12, from \$181,667 to \$121,123. This decrease resulted in an additional \$.006 on the FY12 tax rate. This subsidy will decrease each year by approximately this same amount until it is \$0 in FY14.
- The Village continues to seek grant money to supplement tax revenues. In FY12 we have been awarded a grant of \$21,000 to replace the Emergency Generator for the Lincoln Hall Complex from the Vermont Department of Public Safety. Two grants for the extension of sidewalks and lighting on Lincoln Street have been awarded – one from the Chittenden County Regional Planning Commission in the amount of \$118,640 and a Transportation Enhancement Grant from Vermont Dept. of Transportation in the amount of \$220,000. At this time we are investigating whether these grants can be combined or if we must select just one. We have also been awarded along with the Town of Essex the Orton Heart and Soul Grant. This grant is \$100,000 for community planning with the Town of Essex and the Village splitting the match of \$25,000. We also have received a Building Healthy Communities grant for \$10,000. We continue to actively pursue grants large and small to supplement our tax dollars.
- The Wastewater Treatment Facility is in the Final Design of a major refurbishment project with cost estimated at about \$15,000,000. The Village held a bond vote for this project at Village Meeting which passed. The Wastewater Treatment Facility processes waste for three communities, the Village of Essex Junction, the Town of Essex and the Town of Williston. The cost of the project will be distributed to the municipalities according to current capacity allotment.

- The High School Pump Station is also in Final Design phase of a major upgrade. The cost of this project will be about \$1.5 Million. Bonding for this was approved at the April 2011 Village meeting. Construction is expected in the summer of 2012.
- In last year's discussion there was an issue of whether the Village would renew its contract with the School District for the oversight and administrative support of the Village Recreation Department. This issue has been resolved and the School District remains the entity to which the Recreation Department reports.
- The Governor has stated that it is time to move on from the Circumferential Highway plans and find alternative transportation routes to move traffic in Chittenden County. One of the alternative routes that has been looked on with favor is the "Crescent Connector". This Village initiative is a street that will connect Park St. with Maple St. and Main St. and provide an alternate route around the 5 Corners. VTrans has proposed funding the project in their State Transportation Plan. The new road will also open up 6 ½ acres of underutilized land in our designated Village Center to social, environmental, and economic opportunities.
- The FY12 General Fund budget increased by 3.85% from the FY11 budget. The tax rate increased by 4.52% from \$0.2331 to \$0.2438. At this time in January of 2012, the Trustees are formulating a budget in which revenues are dropping due to the IBM Subsidy drop. The draft FY13 budget proposes a 2.77% increase at this time which will necessitate approximately a 4.8% increase in the tax rate.
- Capital Projects being undertaken or continued in FY12 and their budgeted or actual amounts if available include:
 - Fire House siding/soffit/gutters - \$17,150 (FY12 actual) The volunteer fire fighters saved the Village a considerable amount by painting the Fire House themselves with funds from the Fire Department operating budget.
 - Summit St. Reconstruction - \$306,948 (FY12 actual)
 - Emergency Generator Replacement - \$39,730 – to be partially funded by Public Safety Grant (FY12 actual)
 - Algonquin Roadway Reconstruction – Design Engineering - \$10,843 budget
 - Lincoln Hall Roof – \$14,144 (FY12 actual)
 - Crescent Connector Design Development \$30,000 contract amount
 - Technology Upgrade – Village Office \$6,000 budget
 - Paving – Due to winter of 2010/2011 Main St. was paved in FY12 – \$83,217 (FY12 actual)

The water/sewer utility rates increased by 4.3% from FY11 to FY12. They increased from \$0.05927 per c.f. of metered water to \$0.06184 per c.f. of metered water. The increase is primarily due to inflationary pressures and also efforts to bring the Wastewater Treatment Facility back to a positive financial position.

This financial report is designed to provide a general overview of the Village of Essex Junction, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village Finance Director, Village of Essex Junction, 2 Lincoln Street, Essex Junction, Vermont 05452.

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,506,560	\$ 929,325	\$ 2,435,885
Receivables (Net of Allowance for Uncollectibles)	244,977	780,742	1,025,719
Internal Balances	21,664	(21,664)	0
Inventories	50,536	32,614	83,150
Prepaid Expenses	33,304	17,238	50,542
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	133,425	202,334	335,759
Antiques and Works of Art	12,000	0	12,000
Other Capital Assets, (Net of Accumulated Depreciation)	10,684,905	9,253,422	19,938,327
Total Assets	12,743,113	11,312,088	24,055,201
<u>LIABILITIES</u>			
Accounts Payable	202,779	338,819	541,598
Accrued Payroll and Benefits Payable	19,636	8,368	28,004
Due to Others	15,076	0	15,076
Deferred Revenue	2,222	0	2,222
Accrued Interest	0	668	668
Noncurrent Liabilities:			
Due Within One Year	22,000	61,666	83,666
Due in More than One Year	161,900	484,738	646,638
Total Liabilities	423,613	894,259	1,317,872
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	10,842,072	9,226,991	20,069,063
Restricted	4,775	0	4,775
Unrestricted	1,472,653	1,190,838	2,663,491
Total Net Assets	\$ 12,319,500	\$ 10,417,829	\$ 22,737,329

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
General Government	\$ 585,232	\$ 82,898	\$ 1,654	\$ 0	\$ (500,680)	\$ 0	\$ (500,680)
Public Safety	314,186	5	0	0	(314,181)	0	(314,181)
Public Works	1,099,563	3,321	110,887	685,948	(299,407)	0	(299,407)
Community Development	1,162,759	0	1,121,871	15,000	(25,888)	0	(25,888)
Culture and Recreation	682,314	4,187	21,754	1,069	(655,304)	0	(655,304)
Total Governmental Activities	3,844,054	90,411	1,256,166	702,017	(1,795,460)	0	(1,795,460)
Business-Type Activities:							
Water	2,775,228	2,824,923	0	643	0	50,338	50,338
Sanitation	460,382	446,820	0	151,069	0	137,507	137,507
Wastewater	1,740,991	1,682,112	0	1,643	0	(57,236)	(57,236)
Total Business-Type Activities	4,976,601	4,953,855	0	153,355	0	130,609	130,609
Total	\$ 8,820,655	\$ 5,044,266	\$ 1,256,166	\$ 855,372	(1,795,460)	130,609	(1,664,851)
General Revenues:							
Property Taxes					2,385,584	0	2,385,584
Payment in Lieu of Taxes					184,294	0	184,294
Interest and Penalties on Delinquent Taxes					7,671	0	7,671
Unrestricted Investment Earnings					3,118	1,342	4,460
Gain on Sale of Equipment					880	0	880
Other Revenues					10,280	0	10,280
Total General Revenues					2,591,827	1,342	2,593,169
Change in Net Assets					796,367	131,951	928,318
Net Assets - July 1, 2010					11,523,133	10,285,878	21,809,011
Net Assets - June 30, 2011					\$ 12,319,500	\$ 10,417,829	\$ 22,737,329

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

VILLAGE OF ESSEX JUNCTION, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 315,532	\$ 138,539	\$ 629,802	\$ 422,687	\$ 1,506,560
Receivables (Net of Allowance for Uncollectibles)	25,626	218,784	0	567	244,977
Due from Other Funds	21,664	743	0	0	22,407
Inventories	50,536	0	0	0	50,536
Prepaid Expenses	33,304	0	0	0	33,304
Total Assets	<u>\$ 446,662</u>	<u>\$ 358,066</u>	<u>\$ 629,802</u>	<u>\$ 423,254</u>	<u>\$ 1,857,784</u>
<u>LIABILITIES</u>					
Liabilities:					
Accounts Payable	\$ 29,324	\$ 172,793	\$ 95	\$ 567	\$ 202,779
Accrued Payroll and Benefits Payable	19,636	0	0	0	19,636
Due to Other Funds	743	0	0	0	743
Due to Others	15,076	0	0	0	15,076
Deferred Revenue	16,222	186,067	0	0	202,289
Total Liabilities	<u>81,001</u>	<u>358,860</u>	<u>95</u>	<u>567</u>	<u>440,523</u>
Fund Balances/(Deficit):					
Nonspendable	83,840	0	0	0	83,840
Restricted	0	0	0	4,775	4,775
Committed	0	0	629,707	407,129	1,036,836
Assigned	80,013	0	0	10,783	90,796
Unassigned	201,808	(794)	0	0	201,014
Total Fund Balances/(Deficit)	<u>365,661</u>	<u>(794)</u>	<u>629,707</u>	<u>422,687</u>	<u>1,417,261</u>
Total Liabilities and Fund Balances	<u>\$ 446,662</u>	<u>\$ 358,066</u>	<u>\$ 629,802</u>	<u>\$ 423,254</u>	

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.

10,886,072

Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.

200,067

Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.

(183,900)

Net Assets of Governmental Activities

\$ 12,319,500

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,388,584	\$ 0	\$ 0	\$ 0	\$ 2,388,584
Payment in Lieu of Taxes	184,294	0	0	0	184,294
Penalties and Interest	7,671	0	0	0	7,671
Intergovernmental Revenues	127,419	1,669,371	0	0	1,796,790
Charges for Services	315,201	0	0	12,153	327,354
Investment Income	1,169	33	1,130	786	3,118
Fines and Forfeits	1,952	0	0	0	1,952
Licenses and Permits	29,158	0	0	0	29,158
Contributions	7,685	49,500	0	260	57,445
Other Revenue	12,107	0	0	0	12,107
Total Revenues	<u>3,075,240</u>	<u>1,718,904</u>	<u>1,130</u>	<u>13,199</u>	<u>4,808,473</u>
Expenditures:					
Current:					
General Government	823,824	0	0	7,509	831,333
Public Safety	251,226	0	0	0	251,226
Public Works	726,739	0	0	0	726,739
Community Development	40,780	1,121,871	0	0	1,162,651
Culture & Recreation	543,826	0	0	800	544,626
Debt Service:					
Principal	0	0	22,000	0	22,000
Interest	0	0	1,320	0	1,320
Capital Outlay:					
General Government	8,150	0	0	0	8,150
Public Safety	4,136	82	0	0	4,218
Public Works	102,510	1,021,796	30,111	0	1,154,417
Culture & Recreation	73,306	0	0	4,680	77,986
Total Expenditures	<u>2,574,497</u>	<u>2,143,749</u>	<u>53,431</u>	<u>12,989</u>	<u>4,784,666</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>500,743</u>	<u>(424,845)</u>	<u>(52,301)</u>	<u>210</u>	<u>23,807</u>
Other Financing Sources/(Uses):					
Sale of Equipment	880	0	0	0	880
Transfers In	0	269,322	143,624	25,000	437,946
Transfers Out	(437,946)	0	0	0	(437,946)
Total Other Financing Sources/(Uses)	<u>(437,066)</u>	<u>269,322</u>	<u>143,624</u>	<u>25,000</u>	<u>880</u>
Net Change in Fund Balances	63,677	(155,523)	91,323	25,210	24,687
Fund Balances - July 1, 2010, As Reclassified	<u>301,984</u>	<u>154,729</u>	<u>538,384</u>	<u>397,477</u>	<u>1,392,574</u>
Fund Balances/(Deficit) - June 30, 2011	<u>\$ 365,661</u>	<u>\$ (794)</u>	<u>\$ 629,707</u>	<u>\$ 422,687</u>	<u>\$ 1,417,261</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ 24,687
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,244,771) is allocated over their estimated useful lives and reported as depreciation expense (\$564,033). This is the amount by which capital outlays exceeded depreciation in the current period.	680,738
The effect of donated capital assets is to increase net assets. This was a contribution from the Chittenden County Municipal Planning Organization for the Crescent Connector Study	38,342
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, gain/(loss) on disposals, trade-ins) is to decrease net assets.	(564)
The repayment of the principal of long-term debt (\$22,000) consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.	22,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the increase in deferred revenues from the prior year.	61,696
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(30,532)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 796,367</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Current Property Taxes	\$ 2,384,826	\$ 2,388,584	\$ 3,758
State of VT PILOT & Current Use	2,000	2,627	627
Penalties and Interest On Delinquent Taxes	7,000	7,671	671
IBM Subsidy	181,664	181,667	3
Licenses & Zoning Fees	30,000	29,157	(843)
Water Department Service Fees	107,588	107,588	0
Wastewater Service Fees	53,794	53,794	0
Sanitation Service Fees	107,588	107,588	0
State District Court Fines	2,000	1,952	(48)
State Highway Aid	95,000	109,292	14,292
Essex Junction School District			
Tax Collection Fees	50,486	45,943	(4,543)
Lincoln Hall Rentals	289	288	(1)
Miscellaneous Fire Receipts	20	5	(15)
Miscellaneous Street Receipts	4,500	3,321	(1,179)
Miscellaneous Library Receipts	600	453	(147)
Brownell Library Grants	0	2,398	2,398
Donation to Brownell Library	0	2,396	2,396
Donations to Block Party	0	1,700	1,700
Essex Town Library Contribution	15,000	15,000	0
Investment Interest	1,000	1,169	169
Miscellaneous Grants	0	2,723	2,723
Miscellaneous Unclassified Receipts	7,500	8,328	828
FEMA Disaster Assistance	0	1,596	1,596
Sale of Equipment	0	880	880
Total Revenue	3,050,855	3,076,120	25,265
Expenditures:			
Administration:			
Salaries - Regular	313,900	313,958	(58)
Salaries - Overtime	400	544	(144)
Salaries - Part-Time	572	791	(219)
Social Security	25,019	24,871	148
Unemployment Insurance	702	933	(231)
Workers Compensation Insurance	1,389	1,310	79
Health Insurance and Other Benefits	73,526	71,564	1,962
Retirement	36,173	36,156	17
Liability and Property Insurance	6,535	7,116	(581)
Public Officials Liability Insurance	7,438	7,173	265
Health Improvement Programs	3,700	1,462	2,238
Board Member Fees	2,500	2,458	42
Supplies	6,500	6,728	(228)
Postage	4,100	4,420	(320)
Computer Expenses	10,263	11,094	(831)
Training & Conferences	12,266	9,116	3,150
Telephone Services	3,450	3,688	(238)

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Administration/(Cont'd):			
Communications	\$ 11,550	\$ 12,638	\$ (1,088)
Vehicle Maintenance - Travel	3,600	3,600	0
Village Promotion	1,000	829	171
Interview Costs	0	30	(30)
Leased Services	4,380	4,094	286
Legal Fees	12,800	33,460	(20,660)
Other Professional Services	2,000	2,000	0
Audit Service	4,838	4,759	79
Printing and Advertising	7,500	5,027	2,473
Pay & Classification Study	4,000	3,268	732
Elections	1,205	2,106	(901)
Holiday Expense	1,525	1,172	353
Trustees Expenditures	4,000	3,478	522
Capital Outlay	900	1,797	(897)
Total Administration	567,731	581,640	(13,909)
Lincoln Hall:			
Liability and Property Insurance	5,998	5,438	560
Supplies	1,700	1,664	36
Water and Sewer Charges	1,000	892	108
Telephone Services	1,452	849	603
Electrical Service	6,941	6,142	799
Heating	10,300	6,642	3,658
Maintenance - Buildings/Grounds	7,200	5,603	1,597
Rubbish Removal	1,911	1,746	165
Contractual Services	7,503	6,778	725
Capital Outlay	0	2,591	(2,591)
Total Lincoln Hall	44,005	38,345	5,660
Fire Department:			
Salaries - Part-time Firefighters	114,000	114,499	(499)
Social Security	8,721	8,759	(38)
Worker's Compensation Insurance	11,234	11,465	(231)
Accident & Disability Insurance	4,200	3,599	601
Liability and Property Insurance	8,614	8,242	372

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Fire Department/(Cont'd):			
Supplies	\$ 2,400	\$ 2,383	\$ 17
EMS Supplies	1,800	1,329	471
Gas, Oil and Grease	4,000	5,221	(1,221)
Water and Sewer Charges	400	711	(311)
Training and Conferences	7,000	2,606	4,394
Telephone Services	4,400	3,657	743
Electrical Service	7,000	6,116	884
Heating	6,500	5,058	1,442
Maintenance - Buildings/Grounds	4,000	6,173	(2,173)
Radio Maintenance	2,000	2,167	(167)
Maintenance - Other	8,000	11,959	(3,959)
Vehicle Maintenance - Travel	9,000	14,782	(5,782)
Emergency Generator Maintenance	1,500	1,665	(165)
Uniforms and Boots	17,500	18,288	(788)
Fire Prevention	1,800	1,561	239
Physical Exams	6,000	4,284	1,716
Employee Assistance Program	900	864	36
Hydrant Rental	5,000	5,000	0
New Equipment - Radios	4,300	1,910	2,390
Routine Equipment Purchases	14,500	13,064	1,436
Total Fire Department	254,769	255,362	(593)
Street Department:			
Salaries - Regular	180,167	165,893	14,274
Salaries - Overtime	19,522	10,789	8,733
Salaries - Part-time	12,842	9,856	2,986
Social Security	16,327	13,766	2,561
Unemployment Insurance	871	879	(8)
Worker's Compensation Insurance	14,483	12,399	2,084
Health Insurance and Other Benefits	76,790	69,751	7,039
Employee Retirement	18,017	16,316	1,701
Liability and Property Insurance	16,143	15,441	702
Supplies	20,000	10,317	9,683
Winter Maintenance	68,000	95,474	(27,474)
Pavement Maintenance	90,000	104,305	(14,305)
Gravel and Topsoil	4,000	1,947	2,053
Signs and Posts	4,000	3,922	78
Gas, Grease and Oil	20,000	28,295	(8,295)
Water and Sewer Charge	1,000	1,159	(159)
Training and Conferences	500	215	285
Telephone Services	1,400	1,628	(228)
Electrical Service	4,800	4,266	534
Street Lights	112,748	119,010	(6,262)

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Street Department/(Cont'd):			
Traffic Lights	\$ 5,200	\$ 5,095	\$ 105
Heating	4,500	3,490	1,010
Maintenance - Buildings/Grounds	3,000	777	2,223
Radio Maintenance	200	0	200
Maintenance - Other	1,000	347	653
Vehicle Maintenance - Travel	27,000	33,181	(6,181)
Streetscape Maintenance/ Improvements	6,000	8,818	(2,818)
Village Garden Spots	3,000	1,064	1,936
Traffic/Street Light Maintenance	3,500	6,255	(2,755)
Memorial Park	4,000	1,427	2,573
Street Markings	6,250	3,637	2,613
Uniforms, Boots, Etc.	4,000	3,520	480
Interview Costs	0	30	(30)
Rubbish Removal	5,904	5,201	703
Contract Services	9,000	17,483	(8,483)
Accident Claims	0	1,000	(1,000)
Equipment Rentals	1,000	0	1,000
Traffic Light Sys Improvements	5,000	6,845	(1,845)
Engineering Services	15,000	11,920	3,080
Traffic Calming	1,500	0	1,500
Sidewalk and Curb Maintenance	6,000	2,451	3,549
Storm Sewer Maintenance	8,500	8,115	385
Storm Sewer Permit Fees	3,000	2,734	266
Storm Sewer Public Education	5,100	5,000	100
Total Street Department	809,264	814,018	(4,754)
Library:			
Salaries - Regular	239,241	240,483	(1,242)
Salaries - Part-Time	92,957	97,520	(4,563)
Social Security	26,762	26,122	640
Unemployment Insurance	1,846	1,901	(55)
Workers Compensation Insurance	1,468	1,410	58
Health Insurance and Other Benefits	46,637	45,539	1,098
Retirement	23,924	23,880	44
Liability and Property Insurance	11,284	11,488	(204)
Supplies	13,000	12,390	610
Postage	4,300	2,306	1,994
Computer Expenses	6,000	6,355	(355)
Water and Sewer Charge	560	498	62
Training and Conferences	2,000	2,281	(281)
Telephone Services	1,992	2,114	(122)
Technology Access	2,800	3,195	(395)
Electrical Services	14,405	13,701	704
Heating	8,000	7,164	836

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Library/(Cont'd):			
Maintenance - Building/Grounds	\$ 12,500	\$ 5,620	\$ 6,880
Alarm System Maintenance	500	1,070	(570)
Interview Costs	200	539	(339)
Contract Services	22,000	21,666	334
Adult Programs	700	679	21
Childrens Programs	3,000	3,063	(63)
Computer Replacement	1,500	2,049	(549)
Adult Collection - Print & Electronic	46,827	48,669	(1,842)
Juvenile Collection - Print & Electronic	22,000	21,863	137
Capital Outlay	1,300	0	1,300
Total Library	607,703	603,565	4,138
Planning and Zoning:			
Salaries -Regular	105,868	108,199	(2,331)
Salaries - Overtime	0	710	(710)
Salaries - Part Time	3,422	320	3,102
Social Security	8,682	8,649	33
Unemployment Insurance	473	376	97
Workers Compensation Insurance	1,232	437	795
Health Insurance and Other Benefits	38,787	35,727	3,060
Retirement	10,587	10,820	(233)
Liability Insurance and Property Insurance	2,238	2,443	(205)
Public Officials Liability Insurance	7,438	7,173	265
Boardmember Fee	3,600	3,500	100
Supplies	2,000	1,164	836
Postage	1,000	652	348
Computer Expenses	1,795	1,047	748
Training and Conferences	5,450	2,561	2,889
Telephone Services	540	1,006	(466)
Communications	2,300	1,475	825
Vehicle Maintenance - Travel	3,000	2,449	551
Legal Services	15,000	5,908	9,092
Other Professional Services	12,000	5,380	6,620
Printing and Advertising	4,800	3,360	1,440
Recording Fees	2,200	1,820	380
Capital Outlay	1,200	1,212	(12)
Total Planning and Zoning	233,612	206,388	27,224
Economic Development:			
Salaries Overtime	0	160	(160)
Salaries Part Time	23,000	15,472	7,528
Social Security	1,759	1,200	559
Unemployment Insurance	0	222	(222)
Workers Comp Insurance	0	55	(55)
Block Party Expenses	5,000	6,846	(1,846)

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Favorable (Unfavorable)
Economic Development/(Cont'd):			
Community Events & Programs	\$ 25,241	\$ 11,335	\$ 13,906
Annual Support of Organizations	7,860	7,407	453
New Programs	1,000	550	450
Matching Grant Funds	14,000	8,915	5,085
Total Economic Development	<u>77,860</u>	<u>52,162</u>	<u>25,698</u>
Miscellaneous Transfers and Expenditures:			
Rolling Stock Fund	143,624	143,624	0
Capital Reserve Fund	269,322	269,322	0
Land Acquisition Fund	25,000	25,000	0
Termination Benefits	17,965	0	17,965
Total Miscellaneous Transfers and Expenditures	<u>455,911</u>	<u>437,946</u>	<u>17,965</u>
Grant and Other Unanticipated Expenditures			
IBM Recreation Land Lease	0	500	(500)
Library Grant Expenditures	0	2,398	(2,398)
Library Donation Expenditures	0	2,396	(2,396)
Street Dept. Grant Expenditure	0	2,723	(2,723)
FY10 Designated for Park Street Traffic Light Synchronization	0	15,000	(15,000)
Total Grant and Other Unanticipated Expenditures	<u>0</u>	<u>23,017</u>	<u>(23,017)</u>
Total Expenditures	<u>3,050,855</u>	<u>3,012,443</u>	<u>38,412</u>
Excess of Revenue Over Expenditures	\$ <u>0</u>	63,677	\$ <u>63,677</u>
Fund Balance - July 1, 2010, As Reclassified		<u>301,984</u>	
Fund Balance - June 30, 2011		<u>\$ 365,661</u>	

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 278,569	\$ 543,799	\$ 106,957	\$ 929,325
Receivables (Net of Allowance for Uncollectible Accounts)	186,279	8,238	20,869	215,386
Estimated Unbilled Revenues	230,994	115,137	219,225	565,356
Due from Other Funds	5,374	139,380	0	144,754
Inventories	2,781	0	29,833	32,614
Other Current Assets	3,279	5,590	8,369	17,238
Total Current Assets	707,276	812,144	385,253	1,904,673
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	16,590	29,837	155,907	202,334
Buildings and Building Improvements	40,000	0	8,303,215	8,343,215
Vehicles, Machinery and Equipment	0	0	2,297,293	2,297,293
Infrastructure	223,395	305,768	45,539	574,702
Transmission and Distribution Plant	7,756,747	6,959,705	0	14,716,452
Less Accumulated Depreciation	(6,625,007)	(4,968,801)	(5,084,432)	(16,678,240)
Total Noncurrent Assets	1,411,725	2,326,509	5,835,599	9,573,833
Total Assets	\$ 2,119,001	\$ 3,138,653	\$ 6,220,852	\$ 11,478,506
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 250,770	\$ 12,895	\$ 75,154	\$ 338,819
Accrued Payroll and Benefits Payable	1,840	1,316	5,212	8,368
Due to Other Funds	0	26,874	139,544	166,418
Interest Payable	0	0	668	668
Note Payable - Current Portion	0	10,013	51,653	61,666
Total Current Liabilities	252,610	51,098	272,231	575,939
Noncurrent Liabilities				
Accrued Compensated Absences Payable	5,924	3,503	40,135	49,562
Note Payable - Noncurrent Portion	0	240,845	194,331	435,176
Total Noncurrent Liabilities	5,924	244,348	234,466	484,738
Total Liabilities	258,534	295,446	506,697	1,060,677
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	1,411,725	2,075,651	5,739,615	9,226,991
Unrestricted/(Deficit)	448,742	767,556	(25,460)	1,190,838
Total Net Assets	1,860,467	2,843,207	5,714,155	10,417,829
Total Liabilities and Net Assets	\$ 2,119,001	\$ 3,138,653	\$ 6,220,852	\$ 11,478,506

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

VILLAGE ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 2,811,601	\$ 421,859	\$ 1,681,762	\$ 4,915,222
Miscellaneous	<u>13,322</u>	<u>24,961</u>	<u>1,530</u>	<u>39,813</u>
Total Operating Revenues	<u>2,824,923</u>	<u>446,820</u>	<u>1,683,292</u>	<u>4,955,035</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,692,212	350,806	1,301,819	4,344,837
Depreciation	<u>83,015</u>	<u>109,577</u>	<u>286,900</u>	<u>479,492</u>
Total Operating Expenses	<u>2,775,227</u>	<u>460,383</u>	<u>1,588,719</u>	<u>4,824,329</u>
Operating Income/(Loss)	<u>49,696</u>	<u>(13,563)</u>	<u>94,573</u>	<u>130,706</u>
Nonoperating Revenues (Expenses):				
Investment Income	459	960	(77)	1,342
Net Loss on Disposal of Capital Assets	0	0	(6,905)	(6,905)
Interest Expense	<u>0</u>	<u>0</u>	<u>(7,168)</u>	<u>(7,168)</u>
Total Nonoperating Revenues (Expenses)	<u>459</u>	<u>960</u>	<u>(14,150)</u>	<u>(12,731)</u>
Income/(Loss) Before Capital Contribution and Transfers	50,155	(12,603)	80,423	117,975
Capital Contributions	643	11,690	1,643	13,976
Transfer In	0	139,380	0	139,380
Transfers Out	<u>0</u>	<u>0</u>	<u>(139,380)</u>	<u>(139,380)</u>
Change in Net Assets	50,798	138,467	(57,314)	131,951
Net Assets - July 1, 2010	<u>1,809,669</u>	<u>2,704,740</u>	<u>5,771,469</u>	<u>10,285,878</u>
Net Assets - June 30, 2011	<u><u>\$ 1,860,467</u></u>	<u><u>\$ 2,843,207</u></u>	<u><u>\$ 5,714,155</u></u>	<u><u>\$ 10,417,829</u></u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,788,312	\$ 441,782	\$ 1,598,817	\$ 4,828,911
Receipts for Interfund Services	5,000	0	24,200	29,200
Other Receipts		0	1,529	1,529
Payments to Suppliers	(2,396,895)	(70,479)	(891,900)	(3,359,274)
Payments for Interfund Services	(107,588)	(131,788)	(53,763)	(293,139)
Payments for Wages and Benefits	(158,957)	(145,173)	(423,466)	(727,596)
Net Cash Provided by Operating Activities	<u>129,872</u>	<u>94,342</u>	<u>255,417</u>	<u>479,631</u>
Cash Flows From Noncapital Financing Activities:				
Principal Paid on Note Payable	0	0	(50,000)	(50,000)
Interest Paid on Note Payable	0	0	(6,500)	(6,500)
Interest Paid on Pooled Cash	(89)	(15)	(296)	(400)
Increase/(Decrease) in Due to/from Other Funds	(5,375)	33,790	(6,930)	21,485
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(5,464)</u>	<u>33,775</u>	<u>(63,726)</u>	<u>(35,415)</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Capital Grants	643	35,907	10,401	46,951
Proceeds from Long-Term Debt	0	31,779	64,570	96,349
Acquisition and Construction of Capital Assets	(185,112)	(101,505)	(154,815)	(441,432)
Increase/(Decrease) in Due To/From Other Funds for Capital Purposes	0	5,108	(5,108)	0
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(184,469)</u>	<u>(28,711)</u>	<u>(84,952)</u>	<u>(298,132)</u>
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	548	976	218	1,742
Net Cash Provided by Investing Activities	<u>548</u>	<u>976</u>	<u>218</u>	<u>1,742</u>
Net Increase/(Decrease) in Cash	(59,513)	100,382	106,957	147,826
Cash - July 1, 2010	<u>338,082</u>	<u>443,417</u>	<u>0</u>	<u>781,499</u>
Cash - June 30, 2011	<u>\$ 278,569</u>	<u>\$ 543,799</u>	<u>\$ 106,957</u>	<u>\$ 929,325</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Operating Income/(Loss)	\$ 49,696	\$ (13,563)	\$ 94,573	\$ 130,706
Depreciation	83,015	109,577	286,900	479,492
(Increase)/Decrease in Other Receivables	(27,864)	(400)	1,594	(26,670)
(Increase)/Decrease in Unbilled Revenues	(3,746)	(4,638)	(60,339)	(68,723)
(Increase)/Decrease in Inventory	4,446	0	(6,627)	(2,181)
Increase/(Decrease) in Accounts Payable	21,444	1,883	(58,227)	(34,900)
Increase/(Decrease) in Accrued Payroll and Compensated Absences	2,907	313	(933)	2,287
Increase/(Decrease) in Other Operating Assets/Liabilities	(26)	1,170	(1,524)	(380)
Net Cash Provided by Operating Activities	<u>\$ 129,872</u>	<u>\$ 94,342</u>	<u>\$ 255,417</u>	<u>\$ 479,631</u>

Supplemental Information:

Equipment with a cost of \$33,964 and accumulated depreciation of \$27,059 in the Wastewater Fund was disposed of or traded in during the year.

\$51,808 and \$9,469 of capital assets purchases are included in accounts payable at June 30, 2011 and 2010, respectively.

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Fund</u>
	Exposition Noise Escrow Account Fund
	<u> </u>
<u>ASSETS</u>	
Cash	\$ <u>2,001</u>
Total Assets	<u>2,001</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>2,001</u>
Total Liabilities	<u>2,001</u>
<u>NET ASSETS</u>	\$ <u><u>0</u></u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The Village of Essex Junction, Vermont, (herein the "Village") operates under a Board of Trustees-Manager form of government and provides the following services as authorized by its charter: public safety, library, highways and streets, sanitation, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, water, sanitation, wastewater treatment and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Village of Essex Junction (the "Village") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Village of Essex Junction, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no other entities that should be combined with the financial statements of the Village.

B. Basis of Presentation

The accounts of the Village are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Village include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Village as a whole and present a longer-term view of the Village's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Village and present a shorter-term view of how operations were financed and what remains available for future spending.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the Village. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities and for each segment of the Village's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Village reports on the following major governmental funds:

General Fund – This is the Village's main operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund.

Capital Reserve Fund – This fund accounts for the general capital expenditures of the Village.

Rolling Stock Reserve Fund – This fund accounts for general rolling stock (vehicles) purchases of the Village.

The Village reports on the following major enterprise funds:

Water Fund – This fund accounts for the operations of the Water Department.

Sanitation Fund – This fund accounts for the operations of the Sanitation Department.

Wastewater Fund – This fund accounts for the operations of the Wastewater Department.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Village reports the following fund type:

Agency Fund – This fund accounts for monies maintained for Exposition Escrow deposits.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Equity (i.e., net total assets) is segregated into invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

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.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Village has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities and Equity

1. Cash

Cash balances of most Village funds are deposited with and invested by the Village Treasurer. The Village considers all short-term investments of ninety (90) days or less to be cash equivalents.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

2. Investments

The Village invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

4. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Proprietary Funds consist of chemicals and materials. Inventory in the General Fund consists of salt and calcium chloride.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

5. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The Village has elected to report major general infrastructure assets constructed since 1990.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 1,000	Not Depreciated
Antiques and Works of Art	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	40 Years
Vehicles, Machinery, Equipment , Furniture and Traffic Signals	\$ 1,000	8-20 Years
Library Books	\$ 1	7 Years
Parks	\$ 5,000	20-100 Years
Roads, Curbs, Sidewalks and Storm Sewers	\$ 5,000	30-50 Years
Water, Sanitation and Wastewater Distribution and Collection Systems	\$ 5,000	60-100 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

6. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The Village also pays 50% of accumulated sick time over 800 hours at retirement if the employee has 15 years of service. The maximum payout amount is limited to 500 hours. The Village evaluates all employees who have reached ten (10) years of service and, depending on accrued leave time at that point, determines if they will likely meet the eligibility threshold. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund type financial statements.

Payments for unused compensated absences are recorded as expenditures in the year they are paid.

7. Noncurrent Liabilities

Noncurrent liabilities are comprised of notes payable and compensated absences. Noncurrent liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any noncurrent liabilities as those statements use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

8. Fund Equity

Fund Balances and Retained Earnings are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net assets in the government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund Balances of governmental fund type financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Trustee's intended use of the resources); and unassigned.

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as an other financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as an other financing source and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-Term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash and Cash						
Equivalents	\$ 1,506,560	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,506,560
Receivables	244,977	0	0	0	0	244,977
Due from Other Funds	22,407	0	0	0	(743)	21,664
Inventories	50,536	0	0	0	0	50,536
Prepaid Expenses	33,304	0	0	0	0	33,304
Capital Assets	0	0	10,886,072	0	0	10,886,072
	<u>1,857,784</u>	<u>0</u>	<u>10,886,072</u>	<u>0</u>	<u>(743)</u>	<u>12,743,113</u>
Total Assets						
	<u>1,857,784</u>	<u>0</u>	<u>10,886,072</u>	<u>0</u>	<u>(743)</u>	<u>12,743,113</u>
LIABILITIES						
Accounts Payable	202,779	0	0	0	0	202,779
Accrued Payroll and						
Benefits Payable	19,636	0	0	0	0	19,636
Due to Other Funds	743	0	0	0	(743)	0
Due to Others	15,076	0	0	0	0	15,076
Deferred Revenue	202,289	(200,067)	0	0	0	2,222
Non-Current Liabilities	0	139,900	0	44,000	0	183,900
	<u>440,523</u>	<u>(60,167)</u>	<u>0</u>	<u>44,000</u>	<u>(743)</u>	<u>423,613</u>
Total Liabilities						
	<u>440,523</u>	<u>(60,167)</u>	<u>0</u>	<u>44,000</u>	<u>(743)</u>	<u>423,613</u>
NET ASSETS						
Invested in Capital Assets	0	0	10,886,072	(44,000)	0	10,842,072
Other	1,417,261	60,167	0	0	0	1,477,428
	<u>1,417,261</u>	<u>60,167</u>	<u>10,886,072</u>	<u>(44,000)</u>	<u>0</u>	<u>12,319,500</u>
Total Net Assets						
	<u>\$ 1,417,261</u>	<u>\$ 60,167</u>	<u>\$ 10,886,072</u>	<u>\$ (44,000)</u>	<u>\$ 0</u>	<u>\$ 12,319,500</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences between the governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities are as follows:

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-Term Debt Items	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 2,388,584	\$ (3,000)	\$ 0	\$ 0	\$ 0	\$ 2,385,584
Payment in Lieu of Taxes	184,294	0	0	0	0	184,294
Penalties and Interest	7,671	0	0	0	0	7,671
Intergovernmental Revenues	1,796,790	(63,742)	0	0	(1,733,048)	0
Charges for Services	327,354	0	0	0	(236,943)	90,411
Investment Income	3,118	0	0	0	0	3,118
Fines and Forfeits	1,952	0	0	0	(1,952)	0
Licenses and Permits	29,158	0	0	0	(29,158)	0
Contributions	57,445	0	0	0	(57,445)	0
Other Revenues	12,107	0	0	0	(1,827)	10,280
Operating Grants and Contributions	0	0	0	0	0	0
Capital Grants and Contributions	0	128,438	38,342	0	535,237	702,017
Sale of Equipment	880	0	0	0	0	880
Transfers from Other Funds	437,946	0	0	0	(437,946)	0
Total Revenues	5,247,299	61,696	38,342	0	(706,916)	4,640,421
EXPENDITURES						
General Government	831,333	11,084	14,679	0	(271,864)	585,232
Public Safety	251,226	0	61,558	0	1,402	314,186
Public Works	726,739	8,259	364,647	0	(82)	1,099,563
Community Development	1,162,651	0	108	0	0	1,162,759
Culture and Recreation	544,626	11,189	123,605	0	2,894	682,314
Debt Service	23,320	0	0	(22,000)	(1,320)	0
Capital Expenditures	1,244,771	0	(1,244,771)	0	0	0
Transfers to Other Funds	437,946	0	0	0	(437,946)	0
Total Expenditures	5,222,612	30,532	(680,174)	(22,000)	(706,916)	3,844,054
Net Change for the Year	\$ 24,687	\$ 31,164	\$ 718,516	\$ 22,000	\$ 0	\$ 796,367

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund Budget is approved at the annual Village Meeting in April. Any budget changes require voter approval. There were no budget changes during the year.

Enterprise fund budgets are approved by the Trustees.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Reclassification of Fund Balances

The Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". As a result of adopting this standard, a fund previously reported as a Special Revenue Fund no longer qualified under the new definition, therefore, is now reported as part of the General fund. The reclassification is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance – June 30, 2010 – As Originally Reported	\$294,382	\$405,079
Reclassification:		
Block Party Fund	<u>7,602</u>	<u>(7,602)</u>
Fund Balance – June 30, 2010 – As Reclassified	<u>\$301,984</u>	<u>\$397,477</u>

C. Fund Balance Policy

At the April, 2011 annual meeting, the Voters approved maintaining an unassigned fund balance of no more than ten percent (10%) of the prior year's budget.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Village's Trustees have established an investment policy which indicates which types of investments the Village can own. There are no outside restrictions on the types of investments the Village may invest in.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Village's policy only allows deposits in banks that are FDIC insured and agree to collateralize amounts in excess of FDIC limits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 372,100	\$ 372,100
Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backed Securities and/or General Obligation Vermont Municipal Notes and Bonds Held by the Bank's Trust Department with a Security Interest Granted to the Village	2,065,561	2,223,690
Petty Cash	225	N/A
	<u>\$ 2,437,886</u>	<u>\$ 2,595,790</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2011, the Village is not exposed to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Village's policy does not allow investment in securities that are subject to credit risk unless issued by the Federal Government. As of June 30, 2011, the Village is not exposed to credit risk.

Concentration of Credit Risk

The Village has no limit on the amount that they may invest with any one issuer. As of June 30, 2011, the Village is not exposed to concentration of credit risk.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Receivables

Receivables at June 30, 2011, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Current Taxes	\$ 13,184	\$ 0	\$ 13,184
Delinquent Taxes	6,574	0	6,574
Penalties and Interest	3,786	0	3,786
Billed Services	932	212,102	213,034
Unbilled Services	2,717	565,356	568,073
Grants	218,784	0	218,784
Other Governments	0	3,284	3,284
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	<u>\$ 244,977</u>	<u>\$ 780,742</u>	<u>\$ 1,025,719</u>

C. Note Receivable

The Village has a note receivable as follows:

Note Receivable – Whitcomb Terrace Housing Limited Partnership, Principal Deferred Until December 17, 2034, at Which Time the Note is Due, Interest at 0%, Secured by a 2 nd Position on Building	\$ 260,000
Allowance for Receivable	<u>(260,000)</u>
Net Note Receivable	<u>\$ 0</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 55,742	\$ 0	\$ 0	\$ 55,742
Construction in Progress	658,793	124,190	649,558	133,425
Antiques and Works of Art	12,000	0	0	12,000
Total Capital Assets, Not Being Depreciated	<u>726,535</u>	<u>124,190</u>	<u>649,558</u>	<u>201,167</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,839,670	0	0	1,839,670
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	4,262,893	678,722	54,161	4,887,454
Library Books	834,331	73,387	67,051	840,667
Parks	208,090	2,894	0	210,984
Roads, Curbs, Sidewalks and Storm Sewers	5,707,974	1,057,978	0	6,765,952
Totals	<u>12,852,958</u>	<u>1,812,981</u>	<u>121,212</u>	<u>14,544,727</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	504,046	42,155	0	546,201
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,616,915	226,708	49,097	1,794,526
Library Books	567,752	76,894	67,051	577,595
Parks	11,471	2,564	0	14,035
Roads, Curbs, Sidewalks and Storm Sewers	711,753	215,712	0	927,465
Totals	<u>3,411,937</u>	<u>564,033</u>	<u>116,148</u>	<u>3,859,822</u>
Total Capital Assets, Being Depreciated	<u>9,441,021</u>	<u>1,248,948</u>	<u>5,064</u>	<u>10,684,905</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,167,556</u>	<u>\$ 1,373,138</u>	<u>\$ 654,622</u>	<u>\$ 10,886,072</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 118,077	\$ 0	\$ 0	\$ 118,077
Construction in Progress	98,177	198,125	93,968	202,334
Total Capital Assets, Not Being Depreciated	<u>216,254</u>	<u>198,125</u>	<u>93,968</u>	<u>320,411</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,343,215	0	0	8,343,215
Vehicles, Machinery, Equipment and Furniture	2,621,762	238,661	33,964	2,826,459
Infrastructure	45,539	0	0	45,539
Distribution and Collection Systems	14,575,498	140,953	0	14,716,451
Totals	<u>25,586,014</u>	<u>379,614</u>	<u>33,964</u>	<u>25,931,664</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	3,923,057	168,047	0	4,091,104
Vehicles, Machinery, Equipment and Furniture	1,077,320	142,468	27,059	1,192,729
Infrastructure	12,523	2,277	0	14,800
Distribution and Collection Systems	11,212,909	166,700	0	11,379,609
Totals	<u>16,225,809</u>	<u>479,492</u>	<u>27,059</u>	<u>16,678,242</u>
Total Capital Assets, Being Depreciated	9,360,205	(99,878)	6,905	9,253,422
Business-Type Activities Capital Assets, Net	<u>\$ 9,576,459</u>	<u>\$ 98,247</u>	<u>\$ 100,873</u>	<u>\$ 9,573,833</u>

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 14,679	Water	\$ 83,015
Public Safety	60,994	Sanitation	109,577
Community Development	108	Wastewater	<u>286,900</u>
Public Works	364,647		
Culture and Recreation	<u>123,605</u>		
Total Depreciation		Total Depreciation Expense	
Expense - Governmental		- Business-Type Activities	\$ <u>479,492</u>
Activities	<u>\$ 564,033</u>		

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2011 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 21,664	\$ 743
Capital Reserve Fund	743	0
Water Fund	5,374	0
Sanitation Fund	139,380	26,874
Wastewater Fund	<u>0</u>	<u>139,544</u>
Total	\$ <u><u>167,161</u></u>	\$ <u><u>167,161</u></u>

The Interfund transfers during the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Rolling Stock Reserve Fund	\$ 143,624	Annual Subsidy
General Fund	Capital Reserve Fund	269,322	Annual Subsidy
General Fund	Land Acquisition Fund	25,000	Annual Subsidy
Wastewater Fund	Sanitation Fund	<u>139,380</u>	Fund Future Capital Projects
Total		\$ <u><u>577,326</u></u>	

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$14,000 of delinquent property taxes and penalty and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Deferred Revenue also includes \$589 of property taxes received in advance for fiscal year 2012 and \$1,633 of deferred Library grant revenue. Total Deferred Revenue in the General Fund is \$16,222.

Deferred Revenue in the Capital Reserve Fund consists of \$186,067 of grant money earned but not received within 60 days after year-end as these funds are not available to liquidate current liabilities.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

G. Long-term Liabilities

Other Notes Payable - The Village has notes payable to finance various capital projects and purchases through local banks and the State of Vermont Municipal Equipment Loan Fund.

No-Interest Revolving Loans - The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Village has borrowed money from the Vermont Special Environmental Revolving Fund for sanitation and wastewater projects.

Compensated Absences – Unused vacation time can be accumulated up to 240 hours as of an employee's anniversary date. Compensatory time for hourly employees can be accrued up to 160 hours and for salaried employees up to 120 hours at any time. Employees with more than 15 years of service to the Village will be paid for half of their accumulated sick hours in excess of 800 hours at their current rate of pay upon retirement, termination or death.

Long-term liabilities outstanding as of June 30, 2011 were as follows:

Notes Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
Note Payable - State of Vermont Municipal Equipment Loan Fund, Fire truck Purchase, Interest at 2%, \$22,000 Due Annually Plus Interest, Due June, 2013	\$ <u>66,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>44,000</u>
Total Governmental Activities	\$ <u>66,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>44,000</u>

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
<u>Business-Type Activities</u>				

Note Payable – Peoples United Bank, Wastewater Deficit Funding Note, Interest at 3.25%, \$50,000 Plus Interest Due Annually, Due June, 2014	\$ 200,000	\$ 0	\$ 50,000	\$ 150,000
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note Payable – State of Vermont
Special Environmental Revolving
Fund, Sanitation and Wastewater
Improvements, Authorized to
\$566,938 but was Eligible for 50%
Forgiveness, Interest at 0%,
An Administration fee of 2% is
Assessed, Payments of \$17,336
Begin October, 2011, Due
October, 2030

\$ 250,493	\$32,976	\$ 0	\$283,469
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Note Payable – State of Vermont
Special Environmental Revolving
Fund, Sanitation and Waste Water
Improvements, Authorized to
\$828,200, Interest at 0%, Payments
of \$55,213 Begin February, 2017,
Due February, 2031

<u>0</u>	<u>63,373</u>	<u>0</u>	<u>63,373</u>
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Total Business-Type Activities	\$ <u>450,493</u>	\$ <u>96,349</u>	\$ <u>50,000</u>	\$ <u>496,842</u>
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Changes in all long-term liabilities during the year were as follows:

Compensated Absences are paid by the applicable fund where the employee is charged.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 66,000	\$ 0	\$ 22,000	\$ 44,000	\$ 22,000
Compensated Absences	<u>109,367</u>	<u>30,533</u>	<u>0</u>	<u>139,900</u>	<u>0</u>
 Total Governmental Activities Long-Term Liabilities	 <u>175,367</u>	 <u>30,533</u>	 <u>22,000</u>	 <u>183,900</u>	 <u>\$ 22,000</u>
Business-type Activities					
Notes Payable	450,493	96,349	50,000	496,842	61,666
Compensated Absences	<u>49,714</u>	<u>0</u>	<u>152</u>	<u>49,562</u>	<u>0</u>
 Total Business-type Activities Long-Term Liabilities	 <u>\$ 500,207</u>	 <u>\$ 96,349</u>	 <u>\$ 50,152</u>	 <u>\$ 546,404</u>	 <u>\$ 61,666</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Maturities of notes and bonds payable are anticipated to be as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 22,000	\$ 880	\$ 61,667	\$ 10,544
2013	22,000	440	61,900	8,686
2014	0	0	62,138	6,823
2015	0	0	12,381	4,955
2016	0	0	25,303	4,708
2017-2021	0	0	117,731	19,647
2022-2026	0	0	74,010	12,670
2027-2031	0	0	81,712	4,967
Total	\$ 44,000	\$ 1,320	\$ 496,842	\$ 73,000

H. Fund Balances

The Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Trustee's intended use of the resources); and unassigned.

This statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion. It makes clear, for example, that special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund. The Village did change one of the governmental fund types as disclosed in Note III.B., therefore, there was a reclassification of fund balances. The Village has changed the classifications of governmental fund balances but this has not changed the total net assets.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Information about amounts set aside for emergencies is very important to financial statement users. Because of the importance associated with these balances, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The Village does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The Village does have a minimum fund balance policy which is no greater than ten percent (10%) of the prior year's budget.

Under Statement 54, governments are required to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent, in circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications. When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Village's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

In addition, governments also are required to disclose the purpose for each major special revenue fund – identifying which specific revenues and other resources are authorized to be reported in each. The purpose and specific revenues are described in the following section.

The fund balances in the following fund is nonspendable as follows:

Major Funds

General Fund:

Nonspendable Inventories	\$ 50,536
Nonspendable Prepaid Expenses	<u>33,304</u>
Total General Fund	\$ <u>83,840</u>

The fund balances in the following fund is restricted as follows:

Restricted for Veterans Memorial Park by Donation (Source of Revenue is Donations)	\$ <u>4,775</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The fund balances in the following funds are committed as follows:

Capital Projects Funds

Committed for Rolling Stock	\$ 629,707
Committed for Land Acquisition	<u>407,129</u>
Total Committed Fund Balances	<u>\$1,036,836</u>

The fund balances in the following funds are assigned as follows:

Major Funds:

General Fund

Assigned to Reduce Property Taxes raised in Fiscal Year 2012	\$ 34,587
Assigned for Block Party	7,461
Assigned for Technology Upgrade & Surveillance Camera at 5 Corners	10,000
Assigned for Termination Benefits	17,965
Assigned for Future Health Reimbursement Arrangement Expenses	<u>10,000</u>
Total General Fund	<u>80,013</u>

Nonmajor Funds:

Special Revenue Funds

Assigned for Library Expenses (Source of Revenue is book replacement fines)	3,096
Assigned for Engineering Expenses (Source of Revenue is engineering fees from developers)	<u>7,687</u>
Total Special Revenue Funds	<u>10,783</u>
Total Assigned Fund Balances	<u>\$ 90,796</u>

The unassigned deficit of \$794 in the Capital Reserve Fund will be funded in fiscal year 2012 as receivables are collected.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

I. Restricted Net Assets

The restricted net assets as of June 30, 2011 is as follows:

Restricted for Veterans Memorial Park by Donation	\$ <u>4,775</u>
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J. Designated Net Assets

The designated net assets of the Village as of June 30, 2011 are as follows:

Water Fund

Designated for Water Fund Expenditures	\$ 195,029
Designated for Water Fund Capital Expenditures	<u>253,713</u>
Total Water Fund	<u>448,742</u>

Sanitation Fund

Designated for Sanitation Fund Expenditures	124,027
Designated for WWTF Upgrades	202,434
Designated for Sanitation Fund Capital Expenditures	<u>441,095</u>
Total Sanitation Fund	<u>767,556</u>

Wastewater Fund

Designated for Wastewater Fund Capital Expenditures	196,437
Amount Designated in Excess of Available Net Assets	<u>(196,437)</u>
Total Wastewater Fund	<u>0</u>

Total Designated Net Assets	<u>\$1,216,298</u>
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The \$25,460 undesignated deficit in the Wastewater Fund will be funded over a three year period with excess revenues.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

V. OTHER INFORMATION

A. BENEFIT PLANS

The Village offers a 401(a) pension plan to all full time employees with 100% vesting after three (3) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The plan requires a 5% contribution of base pay from the employee with a 10% match of base pay by the Village for all employees except the Village Manager who receives 15% of base pay. The International City/County Management Association "ICMA" Retirement Corporation administers the Plan. All of the investments are self-directed by each employee. The total payroll for the year was \$1,558,156 while the covered payroll was \$1,234,298. Pension expenses for the years ended June 30, 2011, 2010 and 2009 were \$128,031, \$125,551, and \$82,514 respectively. In fiscal year 2009, an accumulated "forfeiture" account with ICMA totaling \$37,979 was used to fund a portion of retirement expense.

The Village also offers its employees a deferred compensation plan through the International City/County Management Association "ICMA" Retirement Corporation in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Village has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee. The balance of the assets in the plan, at fair market value, as of June 30, 2011 was \$495,630.

The Village also offers its employees a Cafeteria Plan in accordance with Internal Revenue Code Section 125. This allows employees to pay for health benefits and dependent care pre-tax and pre-social security.

All Village employees receive a \$50,000 group life insurance policy. In addition to this, the Village pays the premium for another life insurance policy that is owned by the Village Manager. The cost of this policy is \$1,589 per year.

B. CONCENTRATION OF REVENUE/EXPENSES

The Village receives a major portion of its revenue from International Business Machines "IBM". For the year ended June 30, 2011, the Village received 17.7% of total property taxes from IBM and received 73% of total water sales from IBM.

The Village purchased a major portion of their water from Champlain Water District "CWD" for the year ended June 30, 2011. The Village incurred \$2,378,212 in expenses to CWD.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

C. PROPERTY TAXES

The Village is responsible for assessing and collecting its own property taxes, as well as state and local property taxes and recreation taxes for the School District. Property taxes are assessed based on property valuations as of April 1, the approved budgets and the State education property tax liability. Taxes are collected two (2) times per year. During the tax year ended June 30, 2011, taxes became due and payable on September 15, 2010 and March 15, 2011. The Village assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for fiscal year 2011 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Village	.2331	.2331
Education	1.3562	1.3694
Recreation Tax	<u>.0651</u>	<u>.0651</u>
Total	<u>\$1.6544</u>	<u>\$1.6676</u>

D. RISK MANAGEMENT

The Village of Essex Junction is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village of Essex Junction maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village of Essex Junction. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Village must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Village of Essex Junction is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

E. CONTINGENT LIABILITIES

The Village is a participating member in the Chittenden Solid Waste District (CSWD) and Champlain Water District (CWD). The Village could be subject to a portion of the two district's debt if the districts experience financial problems.

F. AUTHORIZED BORROWING

In June, 2010, the Village voters authorized the borrowing of up to \$3,200,000 contingent upon other Federal and State aid for the purpose of making public improvements to the Village highways and sidewalks. The total estimated cost of such improvements is \$11,531,000. No action has taken place as of June 30, 2011.

In April, 2011, the Village Voters authorized the financing of \$15,230,000 in wastewater upgrades and \$1,287,000 in sanitation upgrades.

G. SUBSEQUENT EVENT

Subsequent to year end, the Village issued \$1,705,000 in bonds from the Vermont Municipal Bond Bank to assist in the funding of future wastewater upgrades.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
	<hr/>	<hr/>	<hr/>
<u>ASSETS</u>			
Cash	\$ 15,558	\$ 407,129	\$ 422,687
Receivables	<u>567</u>	<u>0</u>	<u>567</u>
Total Assets	<u>\$ 16,125</u>	<u>\$ 407,129</u>	<u>\$ 423,254</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>567</u>	\$ <u>0</u>	\$ <u>567</u>
Total Liabilities	<u>567</u>	<u>0</u>	<u>567</u>
Fund Balances:			
Restricted	4,775	0	4,775
Committed	0	407,129	407,129
Assigned	<u>10,783</u>	<u>0</u>	<u>10,783</u>
Total Fund Balances	<u>15,558</u>	<u>407,129</u>	<u>422,687</u>
Total Liabilities and Fund Balances	<u>\$ 16,125</u>	<u>\$ 407,129</u>	<u>\$ 423,254</u>

See Disclaimer in Accompanying Independent Auditor's Report.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
Revenues:			
Charges for Services	\$ 12,153	\$ 0	\$ 12,153
Interest	28	758	786
Contributions	<u>260</u>	<u>0</u>	<u>260</u>
Total Revenues	<u>12,441</u>	<u>758</u>	<u>13,199</u>
Expenditures:			
Current Expenditures			
General Government	7,509	0	7,509
Culture & Recreation	800	0	800
Capital Outlay:			
Culture & Recreation	<u>4,680</u>	<u>0</u>	<u>4,680</u>
Total Expenditures	<u>12,989</u>	<u>0</u>	<u>12,989</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(548)</u>	<u>758</u>	<u>210</u>
Other Financing Sources:			
Transfers in	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Total Other Financing Sources	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Net Change in Fund Balances	(548)	25,758	25,210
Fund Balances - July 1, 2010, As Reclassified	<u>16,106</u>	<u>381,371</u>	<u>397,477</u>
Fund Balances - June 30, 2011	<u><u>\$ 15,558</u></u>	<u><u>\$ 407,129</u></u>	<u><u>\$ 422,687</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	Library Fund	Engineering Fees Fund	Veterans Memorial Park Fund	Total
<u>ASSETS</u>				
Cash	\$ 3,096	\$ 7,687	\$ 4,775	\$ 15,558
Receivables	<u>0</u>	<u>567</u>	<u>0</u>	<u>567</u>
TOTAL ASSETS	<u>\$ 3,096</u>	<u>\$ 8,254</u>	<u>\$ 4,775</u>	<u>\$ 16,125</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ <u>0</u>	\$ <u>567</u>	\$ <u>0</u>	\$ <u>567</u>
Total Liabilities	<u>0</u>	<u>567</u>	<u>0</u>	<u>567</u>
Fund Balances:				
Restricted	0	0	4,775	4,775
Assigned	<u>3,096</u>	<u>7,687</u>	<u>0</u>	<u>10,783</u>
Total Fund Balances	<u>3,096</u>	<u>7,687</u>	<u>4,775</u>	<u>15,558</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,096</u>	<u>\$ 8,254</u>	<u>\$ 4,775</u>	<u>\$ 16,125</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Library Fund	Engineering Fees Fund	Veterans Memorial Park Fund	Total
Revenue:				
Book Income	\$ 3,733	\$ 0	\$ 0	\$ 3,733
Contributions	0	0	260	260
Engineering Fees	0	8,420	0	8,420
Investment Income	<u>3</u>	<u>13</u>	<u>12</u>	<u>28</u>
Total Revenue	<u>3,736</u>	<u>8,433</u>	<u>272</u>	<u>12,441</u>
Expenditures:				
Engineering Expenses	0	7,509	0	7,509
Memorial Park Expenses			800	800
Capital Outlay:				
Memorial Park	0	0	2,894	2,894
Library	<u>1,786</u>	<u>0</u>	<u>0</u>	<u>1,786</u>
Total Expenditures	<u>1,786</u>	<u>7,509</u>	<u>3,694</u>	<u>12,989</u>
Net Change in Fund Balances	1,950	924	(3,422)	(548)
Fund Balance - July 1, 2010	<u>1,146</u>	<u>6,763</u>	<u>8,197</u>	<u>16,106</u>
Fund Balance - June 30, 2011	<u>\$ 3,096</u>	<u>\$ 7,687</u>	<u>\$ 4,775</u>	<u>\$ 15,558</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 735,755	\$ 739,967	\$ 4,212
Water Sales - IBM	1,806,750	1,941,975	135,225
Water Sales - IBM Vermont Tax	39,311	42,224	2,913
Water Sales - Large Users	81,809	78,397	(3,412)
Hydrant Rentals	5,000	5,000	0
Penalties	3,000	4,226	1,226
Miscellaneous	16,500	13,135	(3,365)
Federal STAG Grant	0	643	643
Interest Earnings	0	57	57
Total Revenue	<u>2,688,125</u>	<u>2,825,624</u>	<u>137,499</u>
Expenses:			
Salaries - Regular	92,147	90,531	1,616
Salaries - Overtime	15,472	11,934	3,538
Salaries - Part-time	3,045	3,463	(418)
Social Security	8,512	7,751	761
Unemployment Insurance	380	452	(72)
Workers Compensation Insurance	4,963	5,221	(258)
Health Insurance and Other Benefits	36,335	33,682	2,653
Retirement	9,215	8,830	385
Liability and Property Insurance	3,350	3,456	(106)
Interest Expense	625	89	536
Supplies	7,000	4,275	2,725
Postage	700	707	(7)
Gas, Oil and Grease	2,500	2,032	468
Meters and Parts	12,000	10,698	1,302
Distribution Materials	6,000	11,011	(5,011)
Computer Expenses	550	537	13
Water & Sewer Charges	185	89	96
Training and Conferences	1,500	910	590
Electrical Service	600	589	11
Heat	4,000	3,024	976
Maintenance - Other	1,500	1,057	443
Water Line Maintenance - Breaks	16,000	9,567	6,433
Uniforms and Boots	1,000	884	116
Contract Services	107,588	107,588	0
Other Professional Services	1,500	1,267	233
Audit Services	2,890	2,843	47
Water Purchases - Village	396,872	385,630	11,242
Water Purchases - IBM	1,806,750	1,941,975	(135,225)
Printing and Advertising	2,000	1,885	115
Transfer to Capital Reserve	80,000	80,000	0
State Water Tax - Village	8,635	8,383	252
State Water Tax - IBM	39,311	42,224	(2,913)
Refunds of Prior Period Customer Overpayments	0	676	(676)
Capital Outlay	15,000	17,508	(2,508)
Total Expenses	<u>2,688,125</u>	<u>2,800,768</u>	<u>(112,643)</u>
Net Income	<u>\$ 0</u>	24,856	<u>\$ 24,856</u>

Adjustments to Reconcile to GAAP Basis Statements:

Purchase of Equipment	28,467
Capital Reserve Fund Transfer	80,000
Interest Earned on Capital Reserve Fund	490
Depreciation	<u>(83,015)</u>

Change in Net Assets - Exhibit H \$ 50,798

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 380,620	\$ 379,031	\$ (1,589)
Sanitation Penalty	1,400	1,778	378
Essex Pump Station Fees	25,550	26,050	500
2 Party Agreement Revenue	15,000	15,000	0
Miscellaneous	17,000	24,961	7,961
Federal STAG Grant	0	3,390	3,390
Interest Earnings	0	51	51
Total Revenue	439,570	450,261	10,691
Expenses:			
Salaries - Regular	86,201	76,484	9,717
Salaries - Overtime	15,242	12,045	3,197
Salaries - Part Time	3,045	7,347	(4,302)
Social Security	8,039	7,500	539
Unemployment Insurance	381	344	37
Workers Compensation Insurance	4,672	4,108	564
Health Insurance and Other Benefits	34,186	29,661	4,525
Retirement	8,620	7,998	622
Liability and Property Insurance	5,755	5,613	142
Interest Expense	200	15	185
Supplies	1,500	2,280	(780)
Postage	1,500	1,385	115
Gas, Grease and Oil	2,200	4,418	(2,218)
Meters and Parts	0	11,559	(11,559)
Computer Expenses	700	1,073	(373)
Training and Conferences	500	0	500
Electrical Service	7,560	7,729	(169)
Maintenance - Other	1,500	359	1,141
Pump Station Maintenance	5,000	5,292	(292)
Sanitation Lines Maintenance	13,500	3,282	10,218
Susie Wilson Pump Station Costs	9,000	6,749	2,251
West St. Pump Station Costs	10,500	17,640	(7,140)
Uniforms, Boots, Etc.	1,000	531	469
Contractual Services	131,788	131,788	0
Right-Of-Way Agreements	7,536	7,164	372
Sanitation Line Backup Cleaning	0	852	(852)
Other Professional Services	1,500	2,710	(1,210)
Audit Services	1,445	1,422	23
Capital Reserve Fund Contributions	75,000	82,961	(7,961)
Refunds of Prior Period Customer Overpayments	0	686	(686)
Capital Outlay	1,500	4,995	(3,495)
Total Expenses	439,570	445,990	(6,420)
Net Income	\$ 0	4,271	\$ 4,271
Adjustments to Reconcile to GAAP Basis Statements:			
Non-budgetary Operating Expenses		(7,400)	
Purchase of Equipment		19,608	
Interest Earned on Capital Reserve Fund		924	
Capital Grants received		8,300	
Transfer in from WWTF Fund		139,380	
Capital Reserve Fund Transfer		82,961	
Depreciation		(109,577)	
Change in Net Assets - Exhibit H		\$ 138,467	

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 566,070	\$ 565,082	\$ (988)
Village User Penalties	1,750	2,644	894
Wastewater Charge - Essex	359,322	352,879	(6,443)
Wastewater Charge - Williston	459,932	456,503	(3,429)
Pump Station Maintenance Fee	24,200	24,200	0
Sewer Capacity Lease	5,324	5,425	101
Village Septage Discharge Income	22,445	41,649	19,204
Shared Septage Revenue	11,055	20,514	9,459
Village Leachate Revenues	22,445	142,621	120,176
Shared Leachate Revenues	11,055	70,246	59,191
Federal STAG Grant	0	643	643
Interest	0	9	9
Miscellaneous	0	349	349
Total Revenue	1,483,598	1,682,764	199,166
Expenses:			
Salaries - Regular	243,597	238,750	4,847
Salaries - Overtime	25,761	28,011	(2,250)
Salaries - Part-Time	13,142	11,108	2,034
Social Security	21,611	21,042	569
Unemployment Insurance	860	980	(120)
Workers Compensation Insurance	12,451	12,737	(286)
Health Insurance and Other Benefits	93,364	85,874	7,490
Retirement	24,360	24,031	329
Liability and Property Insurance	23,290	22,186	1,104
Interest Expense	4,000	296	3,704
Supplies	15,000	14,858	142
Chemicals	175,000	175,921	(921)
Gas, Grease and Oil	4,000	5,390	(1,390)
Water and Sewer Charge	1,000	3,686	(2,686)
Training and Conferences	3,500	5,297	(1,797)
Telephone Services	2,600	3,263	(663)
Electrical Service	98,325	135,971	(37,646)
Heating	6,000	5,222	778
Maintenance - Other	70,000	66,970	3,030
Vehicles Maintenance - Travel	4,000	2,348	1,652
Uniforms, Boots, Etc.	3,000	3,852	(852)
Interview Costs	0	816	(816)
Contract Laboratory Service	8,000	6,626	1,374
Contract Services	53,794	53,794	0
Legal Services	1,000	4,516	(3,516)
Grit Disposal	8,000	6,630	1,370
Sludge Dewatering	178,750	186,030	(7,280)
Sludge Management	170,300	160,198	10,102
Other Professional Services	2,000	0	2,000
Audit Services	3,393	3,338	55
WWTF Annual Permit Fee	7,000	5,528	1,472
Capital Reserve Fund Contributions	130,000	130,000	0
Loan Payment	56,500	57,168	(668)
Capital Outlay	0	7,919	(7,919)
Total Expenses	1,463,598	1,490,356	(26,758)
Net Income	\$ 20,000	192,408	\$ 172,408
Adjustments to Reconcile to GAAP Basis Statements:			
Purchases of Equipment		11,877	
Non-budgetary Operating Expenses		(9,623)	
Paydown of Loan Principal		50,000	
Gain/(Loss) on Disposal of Capital Asset		(6,905)	
Capital Reserve Fund Transfer		130,000	
Capital Grants Received		1,000	
Transfer to Sanitation Fund		(139,380)	
Interest Earned on Capital Reserve Fund		209	
Depreciation		(286,900)	
Change in Net Assets - Exhibit H		\$ (57,314)	

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Sullivan, Powers & Co.
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
“Government Auditing Standards”

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Board of Trustees
Village of Essex Junction
Essex Junction, VT 05452-3685

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Essex Junction, Vermont as of and for the year ended June 30, 2011, which collectively comprise the Village of Essex Junction, Vermont’s basic financial statements and have issued our report thereon dated February 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in “Government Auditing Standards”, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the Village of Essex Junction, Vermont’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Essex Junction, Vermont’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Essex Junction, Vermont’s internal control over financial reporting.

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

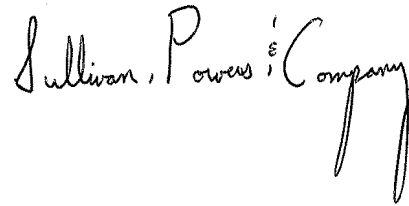
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

February 23, 2012
Montpelier, Vermont
Vt Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned to the right of the date and location information.