

VILLAGE OF ESSEX JUNCTION, VERMONT

AUDIT REPORT

JUNE 30, 2004

VILLAGE OF ESSEX JUNCTION, VERMONT
AUDIT REPORT
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Sullivan, Powers & Co.

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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, 2004, 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. 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, 2004, 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 discussed in Note 1, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments", GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosure", as of July 1, 2003.

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 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.

Sullivan, Powers & Company

October 5, 2004
Montpelier, Vermont
Vt Lic. #92-000180

MANAGEMENT'S DISCUSSION AND 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, 2004.

Financial Highlights

Government-Wide Financial Statements (Exhibits A and B)

- Assets exceeded liabilities on June 30, 2004 by \$16,347,683 (*net assets*). Of this amount, \$1,702,222 (*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 \$876,673. Of this amount, net assets attributable to governmental activities increased by \$426,520. Net assets attributable to business-type activities increased by 450,153.

Fund Financial Statements (Exhibits C and D)

- Fund balances of governmental funds decreased by \$751,131 in fiscal FY04. The majority of the decrease was due to investment in capital construction projects and equipment.
- In future years this report will contain additional prior period comparative information which is not currently available in this the first year using this reporting model.

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. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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 a 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 balance governmental funds* is on a modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current assets, 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, public safety, community development 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
Current and other assets	\$ 1,175,273	\$ 1,079,307	\$ 2,254,580
Capital Assets	<u>\$ 5,032,841</u>	<u>\$ 9,723,734</u>	<u>\$ 14,756,575</u>
Total Assets	<u>\$ 6,208,114</u>	<u>\$10,803,041</u>	<u>\$ 17,011,155</u>
Current Liabilities	\$ 79,781	\$ 392,956	\$ 472,737
Long-term Liabilities	<u>\$ 50,104</u>	<u>\$ 140,631</u>	<u>\$ 190,735</u>
Total Liabilities	<u>\$ 129,885</u>	<u>\$ 533,587</u>	<u>\$ 663,472</u>
Net Assets			
Invested in capital assets, net of Related Debt	\$ 5,032,841	\$ 9,600,886	\$ 14,633,727
Restricted	\$ 11,734	\$ 0	\$ 11,734
Unrestricted	<u>\$ 1,033,654</u>	<u>\$ 668,568</u>	<u>\$ 1,702,222</u>
Total Net Assets	<u>\$ 6,078,229</u>	<u>\$10,269,454</u>	<u>\$ 16,347,683</u>

As stated above, net assets exceeded liabilities by \$16,347,683 at the end of fiscal year 2004. Net assets at the end of fiscal year 2003 are calculated to have exceeded liabilities by \$15,471,010.

The largest portion of the Village's net assets are in its investment in capital assets (89%). 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.

A very small portion (.07%) of the Village's assets are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,702,222) may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in unrestricted net assets have been designated by management for particular purposes (e.g. capital projects).

Village of Essex Junction, Vermont Statement of Activities (Change in Net Assets)

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ 83,728	\$ 3,324,138	\$ 3,407,866
Operating grants and contributions	\$ 158,743	\$ 0	\$ 158,743
Capital grants and contributions	\$ 190,474	\$ 569,633	\$ 760,107
General revenues			
Property taxes	\$ 2,098,843	\$ 0	\$ 2,098,843
Unrestricted investment earnings	\$ 14,165	\$ 3,594	\$ 17,759
Gain on sale of capital assets	\$ 8,500	\$ 0	\$ 8,500
Other revenues	<u>\$ 18,210</u>	<u>\$ 0</u>	<u>\$ 18,210</u>
Total Revenues	<u>\$ 2,572,663</u>	<u>\$ 3,897,365</u>	<u>\$ 6,470,028</u>
Expenses			
Governmental activities			
General Government	\$ 595,865	\$ 0	\$ 595,865
Public Safety	\$ 248,682	\$ 0	\$ 248,682
Public Works	\$ 687,684	\$ 0	\$ 687,684
Community Development	\$ 20,836	\$ 0	\$ 20,836
Culture and Recreation	\$ 623,217	\$ 0	\$ 623,217
Capital Outlay	\$ 26,359	\$ 0	\$ 26,359
Business-type activities			
Water	\$ 0	\$ 2,123,596	\$ 2,123,596
Sanitation	\$ 0	\$ 262,842	\$ 262,842
Wastewater	<u>\$ 0</u>	<u>\$ 1,004,274</u>	<u>\$ 1,004,274</u>
Total Expenses	<u>\$ 2,202,643</u>	<u>\$ 3,390,712</u>	<u>\$ 5,593,355</u>
Change in net assets before transfers	\$ 370,020	\$ 506,653	\$ 876,673
Transfers	<u>\$ 56,500</u>	<u>\$ (56,500)</u>	<u>\$ 0</u>
Change in net assets	\$ 426,520	\$ 450,153	\$ 876,673
Net assets - July 1, 2003	<u>\$ 5,651,709</u>	<u>\$ 9,819,301</u>	<u>\$ 15,471,010</u>
Net assets - June 30, 2004	<u>\$ 6,078,229</u>	<u>\$10,269,454</u>	<u>\$ 16,347,683</u>

At the end of FY04 the Village of Essex Junction has positive balances in all three categories of net assets for the entire government and all individual funds.

Governmental activities. Governmental activities increased the Village's net assets by \$426,520 in FY04. While expenditures exceeded revenues by \$751,131 thus reducing fund balance, the Village added \$1,154,010 to its inventory of capital assets net of current year depreciation. Major capital assets added in FY 04 included Cascade St. Reconstruction, Upper Main Sidewalk/Curbing, Railroad Ave. Streetscape and 2 pickup trucks. After taking into consideration the adjustments from Governmental fund reporting to Government-wide reporting, this resulted in the increase of \$426,520 in net assets.

Business-type activities. Business-type activities increased the Village's net assets by \$450,153.

The Water Fund had a budgetary net income of \$30,308 but a GAAP basis loss of \$17,013. Budgetary information does not include capital projects costs or depreciation expense. The budgetary net income was caused primarily by: 1) above budget water sales to Village residents, 2) more water connection fees than anticipated, and 3) lower system water loss than was budgeted. Unrestricted net assets (resources available to meet future obligations) increased by \$29,947. No capital projects were undertaken in the Water fund in FY04.

The Sanitation Fund had a budgetary net income of \$1,371 and a GAAP basis net income of \$109,018. The budgetary net income resulted from a combination of: 1) higher than anticipated revenues from Village residents, 2) more sewer connections coming on line than were budgeted and 3) higher than budgeted expenses primarily for sewer line repairs. The available unrestricted net assets decreased by \$43,026 due to the completion of sewer line improvements on Main St. and Pleasant St.

The Wastewater Treatment Fund had a budgetary net loss of \$38,133 and a GAAP basis net loss of \$211,485 before capital grants and contributions (the capital grants and contributions were incentives for the Co-generation project (\$80,000) and Williston's funding of an upgrade to the treatment process (\$489,067). The budgetary loss was due to a combination of 1) lower than anticipated revenues from member towns, 2) lower than anticipated other revenues, 3) higher than budgeted expenses from unanticipated necessary repairs, and 4) higher than anticipated processing costs. The available unrestricted net assets decreased by \$86,420 due to this loss combined with the planned completion of the Co-generation project and purchase of a pickup truck. Capital projects when funded by unrestricted net assets convert those available funds to capital assets thus reducing available unrestricted net assets.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund unrestricted fund balance decreased from \$424,439 at the end of fiscal year 2003 to \$296,201 at the end of fiscal year 2004. This decrease resulted from a voted transfer of \$222,772 to the Capital Reserve Fund combined with a net income in the General Fund of \$94,534. This net income can be attributed to the following:

- Revenues were higher than budgeted by about \$86,000. The majority of this unbudgeted revenue can be attributed to higher than anticipated License and Zoning fees and an unbudgeted Homeland Security Grant for the Fire Department.

- Expenditures were in total about \$8,000 less than budgeted. Major contributions to this amount were:
 - A) Under-spending in the Street Department by about \$32,000. Major line items that were under-spent were Salaries due to a change in personnel, Pavement Maintenance due to a change in paving plan, and Storm Sewer Permit fees which were not used as no permits were issued.
 - B) Under-spending in the Planning Department by about \$41,000 primarily due to not hiring an additional person in the department as planned.
 - C) Under-spending in the Administration Department by about \$18,000 due a number of line items being under-spent by a small amount. Line items with above average under-expenditures included Communications which saved money by not mailing the annual report, legal fees which were lower than average, and under-spending the training budget.
 - D) Unplanned expenditure of \$73,000 of Homeland Security Grant. \$50,500 in grant money was received in FY04. The balance was received in FY05.
 - E) Unplanned replacement of windows in Lincoln Hall caused that budget to be overspent by about \$12,000.
 - F) Other small variations from budget in the Library and Fire Departments.

Capital Reserve Fund

The Capital Reserve Fund had Unrestricted designated fund balance of \$1,004,142 as of June 30, 2003. The fund balance was \$303,562 as of June 30, 2004 due to the completion of several major construction projects and equipment purchases. Projects completed include: Cascade Street Reconstruction, Upper Main Sidewalk/curbing, Railroad Avenue Streetscape and Fire Department Air Packs Replacement. Total expenditures of the fund were \$1,164,252.

Long Term Debt

The Village has only one long term debt. This is a bond payment for a combined sewer overflow system. The Village retired \$124,890 of this debt in FY04. After this fiscal year there is only one payment left consisting of \$122,847 principal and \$3,037 interest due in FY05. This payment is made out of the Sanitation Enterprise Fund.

Economic Factors and Next Year's Budgets and Rates

- The taxable grand list for the Village of Essex Junction, Vermont increased by \$213,979 or 3.6% from FY04 to FY05. The FY05 grand list is \$6,014,801.
- The IBM Machinery and Equipment Subsidy decreased by \$67,532 from FY04 to FY05, from \$626,438 to \$558,906. This decrease resulted in an additional \$.011 on the FY05 tax rate. This subsidy will decrease each year by approximately this same amount until it is \$0 in FY14.
- The rate of inflation from September 2003 to September 2004 for Northeast urban communities was 3.7%. Costs for Health Care premiums, other insurances and gas heat are well above the inflation rate.

These factors were all taken into consideration when preparing the FY05 budgets.

- The FY05 General Fund budget increased by 2.68% from the FY04 budget. However, the tax rate increased by 6.6% from \$0.25 to \$0.2666 due to the decline in the IBM Subsidy.
- The FY05 General Fund budget contains another voted transfer of \$74,800 from the General Fund fund balance to the Capital Reserve Fund. In addition, the Trustees have voted to transfer another \$94,534 (FY 04 audited surplus excluding \$222,772 voted transfer) to the Capital Reserve Fund.
- Capital Projects being undertaken in FY05 include: Veterans Memorial Park \$212,520, Stormwater Compliance \$40,000, Fire Department Transmitter/Receiver \$12,424, Main Street Lighting \$202,276, Salt Shed \$141,481, and engineering for Marvin Heights Sidewalk/Curb Reconstruction \$22,120.
- The utility rates increased by 5% from FY04 to FY05. They increased from \$0.03119 per c.f. of metered water to \$0.03278 per c.f. of metered water.

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 Accountant, Village of Essex Junction, 2 Lincoln Street, Essex Junction, Vermont 05452.

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activites	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,085,534	\$ 382,200	\$ 1,467,734
Investments	10,013	0	10,013
Receivables (Net of Allowance for Uncollectibles):			
Taxes Receivable	12,295	0	12,295
Other Receivables	41,683	102,497	144,180
Accrued Interest Receivable	520	106	626
Estimated Unbilled Revenues	0	566,177	566,177
Inventories	0	19,532	19,532
Prepaid Expenses	25,228	8,795	34,023
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	27,679	556,570	584,249
Antiques and Works of Art	12,000	0	12,000
Other Capital Assets, (Net of Accumulated Depreciation)	4,937,420	9,049,087	13,986,507
Total Assets	<u>6,208,114</u>	<u>10,803,041</u>	<u>17,011,155</u>
<u>LIABILITIES</u>			
Accounts Payable	36,890	380,369	417,259
Accrued Payroll and Benefits Payable	29,453	12,081	41,534
Due to Other Governments	4,097	0	4,097
Due to Others	1,500	0	1,500
Accrued Interest Payable	0	506	506
Deferred Revenue	7,841	0	7,841
Noncurrent Liabilities:			
Due within One Year	0	122,848	122,848
Due in More than One Year	50,104	17,783	67,887
Total Liabilities	<u>129,885</u>	<u>533,587</u>	<u>663,472</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	5,032,841	9,600,886	14,633,727
Restricted for:			
Library	11,734	0	11,734
Unrestricted:	1,033,654	668,568	1,702,222
Total Net Assets	<u>\$ 6,078,229</u>	<u>\$ 10,269,454</u>	<u>\$ 16,347,683</u>

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, 2004

	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							
Primary Government:							
Governmental Activities:							
General Government	\$ 595,865	\$ 63,152	\$ 0	\$ 0	\$ (532,713)	\$ 0	\$ (532,713)
Public Safety	248,682	220	0	0	(248,462)	0	(248,462)
Public Works	687,684	4,060	93,791	0	(589,833)	0	(589,833)
Community Development	20,836	0	0	0	(20,836)	0	(20,836)
Culture and Recreation	623,217	4,603	64,952	0	(553,662)	0	(553,662)
Capital Outlay	26,359	11,693	0	190,474	175,808	0	175,808
Total Governmental Activities	2,202,643	83,728	158,743	190,474	(1,769,698)	0	(1,769,698)
Business-Type Activities:							
Water	2,123,596	2,136,010	0	0	0	12,414	12,414
Sanitation	262,842	387,951	0	0	0	125,109	125,109
Wastewater	1,004,274	800,177	0	569,633	0	365,536	365,536
Total Business-Type Activities	3,390,712	3,324,138	0	569,633	0	503,059	503,059
Total Primary Government	5,593,355	3,407,866	158,743	760,107	(1,769,698)	503,059	(1,266,639)
General Revenues:							
Property Taxes					2,098,843	0	2,098,843
Payment in Lieu of Taxes					1,198	0	1,198
Interest and Penalties on Delinquent Taxes					4,684	0	4,684
Unrestricted Investment Earnings					14,165	3,594	17,759
Other Revenues					12,328	0	12,328
Sale of Vehicle					8,500	0	8,500
Transfers					56,500	(56,500)	0
Total General Revenues and Transfers					2,196,218	(52,906)	2,143,312
Change in Net Assets					426,520	450,153	876,673
Net Assets - July 1, 2003					5,651,709	9,819,301	15,471,010
Net Assets, June 30, 2004					<u>\$ 6,078,229</u>	<u>\$ 10,269,454</u>	<u>\$ 16,347,683</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 319,216	\$ 308,370	\$ 457,948	\$ 1,085,534
Investments	0	0	10,013	10,013
Receivables (Net of Allowance for Uncollectibles)				
Taxes Receivable	12,295	0	0	12,295
Accounts Receivable	40,598	1,085	0	41,683
Accrued Interest Receivable	105	106	309	520
Prepaid Expenses	22,882	1,201	1,145	25,228
Total Assets	<u>\$ 395,096</u>	<u>\$ 310,762</u>	<u>\$ 469,415</u>	<u>\$ 1,175,273</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	\$ 25,362	\$ 7,200	\$ 4,328	\$ 36,890
Accrued Payroll and Benefits Payable	29,453	0	0	29,453
Due to Other Governments	4,097	0	0	4,097
Due to Others	1,500	0	0	1,500
Deferred Revenue	38,483	0	0	38,483
Total Liabilities	<u>98,895</u>	<u>7,200</u>	<u>4,328</u>	<u>110,423</u>
Fund Balances:				
Reserved for				
Prepaid Expenses	22,882	1,201	1,145	25,228
Other Purposes	0	0	11,734	11,734
Unreserved, Reported In				
General Fund	273,319	0	0	273,319
Special Revenue Funds	0	0	21,293	21,293
Capital Project Funds	0	302,361	430,915	733,276
Total Fund Balances	<u>296,201</u>	<u>303,562</u>	<u>465,087</u>	<u>1,064,850</u>
Total Liabilities and Fund Balances	<u>\$ 395,096</u>	<u>\$ 310,762</u>	<u>\$ 469,415</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.				5,032,841
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				30,642
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.				(50,104)
Net Assets of Governmental Activities				<u>\$ 6,078,229</u>

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, 2004

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,098,843	\$ 0	\$ 0	\$ 2,098,843
Penalties and Interest	4,684	0	0	4,684
Intergovernmental Revenues	162,089	0	163,609	325,698
Charges for Services	75,322	11,693	7,670	94,685
Investment Income	4,935	5,032	4,198	14,165
Fines and Forfeits	3,907	0	0	3,907
Licenses and Permits	40,843	0	0	40,843
Other Revenue	13,121	0	2,075	15,196
Sale of Vehicle	0	0	8,500	8,500
Total Revenues	<u>2,403,744</u>	<u>16,725</u>	<u>186,052</u>	<u>2,606,521</u>
Expenditures:				
Current:				
General Government	559,462	0	16,721	576,183
Public Safety	184,558	0	0	184,558
Public Works	574,189	0	0	574,189
Community Development	20,836	0	0	20,836
Culture & Recreation	471,841	0	51,759	523,600
Capital Outlay:				
General Government	30,414	2,021	0	32,435
Public Safety	80,213	63,903	0	144,116
Public Works	24,420	1,088,978	77,728	1,191,126
Culture & Recreation	2,077	9,350	99,182	110,609
Total Expenditures	<u>1,948,010</u>	<u>1,164,252</u>	<u>245,390</u>	<u>3,357,652</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>455,734</u>	<u>(1,147,527)</u>	<u>(59,338)</u>	<u>(751,131)</u>
Other Financing Sources/(Uses):				
Transfers In	0	446,947	140,797	587,744
Transfers Out	<u>(583,972)</u>	<u>0</u>	<u>(3,772)</u>	<u>(587,744)</u>
Total Other Financing Sources/ (Uses)	<u>(583,972)</u>	<u>446,947</u>	<u>137,025</u>	<u>0</u>
Net Change in Fund Balances	(128,238)	(700,580)	77,687	(751,131)
Fund Balances, July 1, 2003	<u>424,439</u>	<u>1,004,142</u>	<u>387,400</u>	<u>1,815,981</u>
Fund Balances, June 30, 2004	<u>\$ 296,201</u>	<u>\$ 303,562</u>	<u>\$ 465,087</u>	<u>\$ 1,064,850</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, 2004

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)	\$ (751,131)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,154,010
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,642
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>999</u>
Change in net assets of governmental activities (Exhibit B)	\$ <u><u>426,520</u></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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Current Property Taxes	\$ 1,472,745	\$ 1,472,405	\$ (340)
State of VT PILOT & Current Use	0	1,198	1,198
Penalties and Interest On Delinquent Taxes	5,000	4,684	(316)
IBM Subsidy	626,438	626,438	0
Licenses & Zoning Fees	22,000	40,623	18,623
Water Department Service Fees	32,000	32,000	0
Wastewater Service Fees	19,500	19,500	0
Sanitation Service Fees	5,000	5,000	0
State District Court Fines	3,000	3,907	907
State Highway Aid	89,000	93,791	4,791
Essex Junction School District			
Tax Collection Fees	16,953	16,838	(115)
Lincoln Hall Rentals	1,980	1,984	4
Miscellaneous Fire Receipts	200	220	20
Miscellaneous Street Receipts	3,000	4,060	1,060
Miscellaneous Library Receipts	500	640	140
Essex Town Library Contribution	15,000	16,500	1,500
Investment Interest	3,000	4,935	1,935
Miscellaneous Unclassified Receipts	2,000	3,421	1,421
CVE Contribution	0	5,000	5,000
Homeland Security Grant	0	50,500	50,500
Miscellaneous Library Grant	0	100	100
Total Revenue	<u>2,317,316</u>	<u>2,403,744</u>	<u>86,428</u>
Expenditures:			
Administration:			
Salaries - Regular	202,500	205,602	(3,102)
Salaries - Overtime	135	60	75
Salaries - Part-Time	11,600	11,497	103
Social Security	16,865	17,155	(290)
Unemployment Insurance	400	338	62
Workers Compensation Insurance	633	651	(18)
Health Insurance and Other Benefits	42,988	38,803	4,185
Retirement	20,250	21,025	(775)
Liability and Property Insurance	3,682	3,831	(149)
Public Officials Liability Insurance	1,489	1,510	(21)
Board Member Fees	2,500	2,500	0
Supplies	5,400	5,481	(81)
Postage	4,426	4,015	411
Computer Expenses	8,000	7,957	43
Training & Conferences	8,142	4,761	3,381
Telephone Services	2,800	2,546	254

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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Administration/(Cont'd):			
Communications	\$ 14,470	\$ 8,052	\$ 6,418
Vehicle Maintenance - Travel	1,800	1,800	0
Interview Costs	0	1,756	(1,756)
Leased Services	3,900	3,613	287
Legal Fees	12,000	7,517	4,483
Other Professional Services	6,000	4,992	1,008
Audit Service	2,401	2,528	(127)
Printing and Advertising	7,400	7,808	(408)
Palmer & Associates Study	250	180	70
Elections	620	538	82
Bank Collateral Charge	1,700	457	1,243
Holiday Expense	1,500	1,035	465
Economic Development	20,000	21,325	(1,325)
Trustees Expenditures	6,000	3,067	2,933
Tax Rebates	500	0	500
Capital Outlay	6,400	6,265	135
Total Administration	416,751	398,665	18,086
Lincoln Hall:			
Liability and Property Insurance	1,484	1,298	186
Supplies	2,100	3,226	(1,126)
Water and Sewer Charges	356	281	75
Telephone Services	1,427	1,402	25
Electrical Service	7,775	6,056	1,719
Heating	5,565	6,904	(1,339)
Maintenance - Buildings/Grounds	7,000	7,825	(825)
Rubbish Removal	1,450	1,349	101
Contractual Services	5,510	5,335	175
Capital Outlay	3,400	14,629	(11,229)
Total Lincoln Hall	36,067	48,305	(12,238)
Fire Department:			
Salaries - Part-time Firefighters	67,500	69,861	(2,361)
Social Security	5,164	5,360	(196)
Worker's Compensation Insurance	7,089	7,111	(22)
Accident & Disability Insurance	4,800	301	4,499
Liability and Property Insurance	4,513	4,139	374

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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Fire Department/(Cont'd):			
Supplies	\$ 2,200	\$ 1,984	\$ 216
Gas,Oil and Grease	800	810	(10)
Water and Sewer Charges	325	322	3
Training and Conferences	8,500	5,577	2,923
Telephone Services	2,825	3,101	(276)
Electrical Service	7,750	6,729	1,021
Heating	4,850	4,987	(137)
Maintenance - Buildings/Grounds	1,200	2,666	(1,466)
Radio Maintenance	2,500	1,443	1,057
Maintenance - Other	4,500	3,906	594
Vehicle Maintenance - Travel	8,400	13,657	(5,257)
Emergency Generator Maintenance	1,000	372	628
Uniforms and Boots	16,500	16,933	(433)
Fire Prevention	2,300	1,428	872
Physical Exams	6,000	5,394	606
Employee Assitance Program	925	216	709
Hydrant Rental	5,000	5,000	0
New Equipment - Radios	4,500	3,841	659
Capital Outlay	4,400	6,974	(2,574)
Routine Equipment Purchases	15,500	19,420	(3,920)
Total Fire Department	189,041	191,532	(2,491)
Street Department:			
Salaries - Regular	156,000	145,045	10,955
Salaries - Overtime	20,360	15,366	4,994
Salaries - Part-time	6,240	2,149	4,091
Social Security	14,030	12,811	1,219
Unemployment Insurance	422	332	90
Worker's Compensation Insurance	9,540	8,883	657
Health Insurance and Other Benefits	49,987	42,689	7,298
Employee Retirement	15,600	14,762	838
Liability and Property Insurance	8,542	7,990	552
Supplies	12,500	15,865	(3,365)
Winter Maintenance	58,000	52,581	5,419
Pavement Maintenance	55,000	26,926	28,074
Gravel and Topsoil	3,500	4,784	(1,284)
Signs and Posts	4,000	7,694	(3,694)
Gas, Grease and Oil	10,000	13,803	(3,803)
Water and Sewer Charge	200	1,331	(1,131)
Training and Conferences	1,000	1,418	(418)
Telephone Services	1,500	2,074	(574)
Electrical Service	3,400	3,889	(489)
Street Lights	91,000	94,982	(3,982)

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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Street Department Cont'd:			
Traffic Lights	\$ 5,000	\$ 3,244	\$ 1,756
Heating	4,000	3,971	29
Maintenance - Buildings/Grounds	2,000	6,421	(4,421)
Radio Maintenance	200	0	200
Maintenance - Other	750	2,277	(1,527)
Vehicle Maintenance - Travel	15,000	24,801	(9,801)
Streetscape Maintenance/ Improvements	4,500	11,977	(7,477)
Traffic Light Maintenance	4,500	622	3,878
Street Markings	7,000	3,913	3,087
Uniforms, Boots, Etc.	2,500	4,561	(2,061)
Interview Costs	0	643	(643)
Rubbish Removal	3,500	3,967	(467)
Contract Services	5,000	3,572	1,428
Accident Claims	0	0	0
Equipment Rentals	2,300	2,953	(653)
Engineering Services	6,500	8,851	(2,351)
Capital Outlay	10,000	24,420	(14,420)
Sidewalk and Curb Maintenance	8,000	7,190	810
Storm Sewer Maintenance	7,000	4,692	2,308
Storm Sewer Permit Fees	17,500	400	17,100
Storm Sewer Public Education	5,000	4,760	240
Total Street Department	631,071	598,609	32,462
Library:			
Salaries - Regular	195,000	194,059	941
Salaries - Part-Time	61,000	60,780	220
Social Security	20,730	21,140	(410)
Unemployment Insurance	921	641	280
Workers Compensation Insurance	756	784	(28)
Health Insurance and Other Benefits	32,610	30,128	2,482
Retirement	19,500	19,680	(180)
Liability and Property Insurance	6,312	6,250	62
Supplies	10,000	10,845	(845)
Postage	4,500	4,482	18
Computer Expenses	4,380	4,245	135
Water and Sewer Charge	1,000	284	716
Training and Conferences	2,500	3,503	(1,003)
Telephone Services	3,720	2,478	1,242
Technology Access	3,824	2,023	1,801
Electrical Services	12,200	13,004	(804)
Heating	6,000	5,904	96
Maintenance - Building/Grounds	3,500	5,840	(2,340)

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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Library/(Cont'd):			
Contract Services	\$ 16,800	\$ 17,091	\$ (291)
Adult Programs	500	510	(10)
Childrens Programs	1,500	1,508	(8)
Audit Service	350	375	(25)
Adult Collection - Print & Electronic	44,000	44,132	(132)
Juvenile Collection - Print & Electronic	22,000	22,005	(5)
Capital Outlay	<u>2,400</u>	<u>2,077</u>	<u>323</u>
Total Library	<u>477,682</u>	<u>473,818</u>	<u>3,864</u>
Planning and Zoning:			
Salaries -Regular	109,500	74,295	35,205
Salaries - Overtime	0	21	(21)
Salaries - Part Time	0	937	(937)
Social Security	8,898	6,052	2,846
Unemployment Insurance	240	179	61
Workers Compensation Insurance	889	559	330
Health Insurance and Other Benefits	28,971	16,948	12,023
Retirement	10,950	6,870	4,080
Liability Insurance and Property Insurance	1,141	1,310	(169)
Public Officials Liability Insurance	1,489	1,510	(21)
Boardmember Fee	3,000	2,900	100
Supplies	2,000	3,055	(1,055)
Postage	1,150	1,123	27
Compuer Expenses	0	1,587	(1,587)
Training and Conferences	1,950	2,437	(487)
Telephone Services	564	392	172
Communications	2,300	1,713	587
Vehicle Maintenance - Travel	2,400	1,496	904
Planning/Design/Landscaping	6,000	12,813	(6,813)
Legal Services	12,500	7,263	5,237
Printing and Advertising	4,000	3,727	273
Recording Fees	2,000	1,925	75
Capital Outlay	<u>0</u>	<u>9,520</u>	<u>(9,520)</u>
Total Planning and Zoning	<u>199,942</u>	<u>158,632</u>	<u>41,310</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, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Miscellaneous Transfers and Expenditures:			
Special Article Transfer to Capital Reserve	\$ 222,772	\$ 222,772	\$ 0
Rolling Stock Fund	110,500	110,500	0
Capital Reserve Fund	220,700	220,700	0
Land Acquisition Fund	25,000	25,000	0
Tax Stabilization Expense	5,600	4,511	1,089
Library Grant Expenditures	0	100	(100)
Fire Department Homeland Security Grant Expenses	0	73,239	(73,239)
Metropolitan Planning Organization	<u>4,962</u>	<u>5,599</u>	<u>(637)</u>
Total Miscellaneous Transfers and Expenditures	<u>589,534</u>	<u>662,421</u>	<u>(72,887)</u>
Total Expenditures	<u>2,540,088</u>	<u>2,531,982</u>	<u>8,106</u>
Excess/(Deficiency) of Revenue Over Expenditures	\$ <u>(222,772)</u>	(128,238)	\$ <u>94,534</u>
Fund Balance - July 1, 2003		<u>424,439</u>	
Fund Balance - June 30, 2004		\$ <u><u>296,201</u></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, 2004

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 317,757	\$ 103,417	\$ (38,974)	\$ 382,200
Receivables (Net of Allowance for Uncollectible Accounts)	10,839	8,957	82,701	102,497
Accrued Interest Receivable	106	0	0	106
Estimated Unbilled Revenues	276,070	93,875	196,232	566,177
Inventories	0	0	19,532	19,532
Other Current Assets	2,299	2,094	4,402	8,795
Total Current Assets	607,071	208,343	263,893	1,079,307
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	85	0	556,485	556,570
Buildings and Building Improvements	40,000	0	8,237,121	8,277,121
Vehicles, Machinery and Equipment	142,530	91,269	1,099,426	1,333,225
Transmission and Distribution Plant	7,118,215	6,121,179	0	13,239,394
Less Accumulated Depreciation	(6,064,494)	(4,399,811)	(3,336,348)	(13,800,653)
Total Noncurrent Assets	1,236,336	1,812,637	6,674,761	9,723,734
Total Assets	\$ 1,843,407	\$ 2,020,980	\$ 6,938,654	\$ 10,803,041
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 185,279	\$ 23,903	\$ 171,187	\$ 380,369
Accrued Payroll and Benefits Payable	2,184	2,965	6,932	12,081
Accrued Interest Payable	0	506	0	506
General Obligation Bonds Payable - Current Portion	0	122,848	0	122,848
Total Current Liabilities	187,463	150,222	178,119	515,804
Noncurrent Liabilities				
Accrued Compensated Absences Payable	1,234	2,581	13,968	17,783
Total Noncurrent Liabilities	1,234	2,581	13,968	17,783
Total Liabilities	188,697	152,803	192,087	533,587
<u>NET ASSETS</u>				
Investment in Capital Assets, Net of Related Debt Unrestricted	1,236,336 418,374	1,689,789 178,388	6,674,761 71,806	9,600,886 668,568
Total Net Assets	1,654,710	1,868,177	6,746,567	10,269,454
Total Liabilities and Net Assets	\$ 1,843,407	\$ 2,020,980	\$ 6,938,654	\$ 10,803,041

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, 2004

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 2,104,641	\$ 355,675	\$ 810,536	\$ 3,270,852
Miscellaneous	<u>31,369</u>	<u>32,276</u>	<u>775</u>	<u>64,420</u>
Total Operating Revenues	<u>2,136,010</u>	<u>387,951</u>	<u>811,311</u>	<u>3,335,272</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,080,420	185,511	803,988	3,069,919
Depreciation and Amortization	<u>75,176</u>	<u>81,520</u>	<u>219,786</u>	<u>376,482</u>
Total Operating Expenses	<u>2,155,596</u>	<u>267,031</u>	<u>1,023,774</u>	<u>3,446,401</u>
Operating Income/(Loss)	<u>(19,586)</u>	<u>120,920</u>	<u>(212,463)</u>	<u>(111,129)</u>
Nonoperating Revenues (Expenses):				
Investment Income	2,573	609	412	3,594
Interest Expense	0	(12,511)	0	(12,511)
Gain on Sale of Vehicles	<u>0</u>	<u>0</u>	<u>566</u>	<u>566</u>
Total Nonoperating Revenues (Expenses)	<u>2,573</u>	<u>(11,902)</u>	<u>978</u>	<u>(8,351)</u>
Income (Loss) Before Capital Contributions	<u>(17,013)</u>	<u>109,018</u>	<u>(211,485)</u>	<u>(119,480)</u>
Capital Contributions:	<u>0</u>	<u>0</u>	<u>569,633</u>	<u>569,633</u>
Total Capital Contributions	<u>0</u>	<u>0</u>	<u>569,633</u>	<u>569,633</u>
Change in Net Assets	(17,013)	109,018	358,148	450,153
Net Assets - July 1, 2003	<u>1,671,723</u>	<u>1,759,159</u>	<u>6,388,419</u>	<u>9,819,301</u>
Net Assets - June 30, 2004	\$ <u>1,654,710</u>	\$ <u>1,868,177</u>	\$ <u>6,746,567</u>	\$ <u>10,269,454</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, 2004

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,085,146	\$ 382,780	\$ 664,084	\$ 3,132,010
Receipts for Interfund Services	5,000	0	11,700	16,700
Other Receipts	0	0	90	90
Payments to Suppliers	(1,907,460)	(45,434)	(358,426)	(2,311,320)
Payments for Interfund Services	(32,000)	(16,700)	(19,500)	(68,200)
Payments for Wages and Benefits	(102,551)	(104,609)	(293,483)	(500,643)
Net Cash Provided by Operating Activities	48,135	216,037	4,465	268,637
Cash Flows From Noncapital Financing Activities:	0	0	0	0
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(28,216)	(108,675)	(671,670)	(808,561)
Proceeds from Sale of Capital Asset	0	0	7,882	7,882
Grant Income	0	0	569,633	569,633
Principal Paid on:				
General Obligation Bonds	0	(124,890)	0	(124,890)
Interest Paid on:				
General Obligation Bonds	0	(13,409)	0	(13,409)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(28,216)	(246,974)	(94,155)	(369,345)
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	2,522	611	413	3,546
Payments on Loan Receivable	0	568	0	568
Net Cash Provided by Investing Activities	2,522	1,179	413	4,114
Net Increase/(Decrease) in Cash	22,441	(29,758)	(89,277)	(96,594)
Cash - July 1, 2003	295,316	133,175	50,303	478,794
Cash - June 30, 2004	\$ 317,757	\$ 103,417	\$ (38,974)	\$ 382,200
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	(19,586)	120,920	(212,463)	(111,129)
Depreciation and Amortization	75,176	81,520	219,786	376,482
(Increase)/Decrease in Other Receivables	(3,163)	(1,101)	(42,018)	(46,282)
(Increase)/Decrease in Unbilled Revenues	(43,163)	(4,439)	(93,687)	(141,289)
(Increase)/Decrease in Inventory	0	0	(9,497)	(9,497)
Increase/(Decrease) in Accounts Payable	42,518	21,032	146,761	210,311
Increase/(Decrease) in Other Operating Assets/Liabilities	(3,647)	(1,895)	(4,417)	(9,959)
Net Cash Provided by Operating Activities	\$ 48,135	\$ 216,037	\$ 4,465	\$ 268,637

Supplemental Information:

Vehicles in the Wastewater Fund a cost of \$148,100 and accumulated depreciation of \$140,784 were sold for \$7,882 during the year.

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, 2004

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>2,005</u>
Total Assets	<u>2,005</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>2,005</u>
Total Liabilities	<u>2,005</u>
<u>NET ASSETS</u>	
Held in Trust For:	
Individuals and Organizations	<u>0</u>
Total Net Assets	\$ <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, 2004

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.

The Village, for financial reporting purposes, includes all of the funds and account groups relevant to the operations of the Village of Essex Junction. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Village of Essex Junction.

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. Changes in Accounting Methods and Basis of Financial Statement Presentation

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34 – "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments" (GASB 34), GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis" – For State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures. GASB Statement No. 34 makes the most significant changes in governmental financial reporting in over twenty years. The Village of Essex Junction, Vermont has implemented these standards effective July 1, 2003.

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Statements No. 34 and 37, among many other changes, adds two new "Government-Wide" financial statements as basic financial statements required for all governmental units. The Statement of Net Assets and the Statement of Activities are the two new required statements. Both statements are prepared on the full accrual basis of accounting. Previously, in accordance with accounting principles for governmental units, the Village used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements. In addition, all funds are reported as governmental activities, business-type activities, or fiduciary funds and the business-type entities present their cash flows on the direct method rather than the indirect method. The definitions for these types of activities are discussed in other portions of Note 1. Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

Statement No. 38 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of the GASB Statement No. 34 reporting model. The statement had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

C. 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.

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.

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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 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.

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.

The Village reports on the following major governmental funds:

General Fund – This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
Capital Reserve Fund – This fund accounts for the general capital expenditures of the Village.

The Village reports on the following major enterprise funds:

Water Fund
Sanitation Fund
Wastewater Fund

Additionally, the Village reports the following fund types:

Agency Funds – These funds account for monies maintained for School Impact Fees and Exposition Escrow deposits.

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D. 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). Fund equity (i.e., net total assets) is segregated into investment 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 reserved and unreserved fund balances. 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 spending resources during a period.

E. 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.

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.

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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, categorical block 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 issued on or before November 30, 1989, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, 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 Standards issued after November 30, 1989.

Statement of Financial Accounting Standards No. 107 "Disclosure about the Fair Value of Financial Instruments," requires disclosures of the fair value of certain financial statements. Recorded amounts for cash, accounts receivable, accounts payable, and investments approximate fair value.

F. 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.

G. 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.

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The Village engages in collateralization agreements as part of its cash management program. Under the terms of a typical collateralization agreement, the Village takes possession of an underlying security, subject to an obligation of the seller to repurchase, and the Village to resell the obligation at an agreed-upon price and time, thereby determining the yield during the Village's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counter-party default, the Village has the right to use the collateral to offset losses incurred. There is potential loss to the Village in the event the Village is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period the Village seeks to assert its rights. The securities allowed by the collateralization agreement are U.S. Government Securities, Federal Agency issued mortgaged backed securities, and General Obligation bonds of the State of Vermont and Vermont Municipal Bond Bank.

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

Accounts receivable 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.

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

The Village is responsible for assessing and collecting its own property taxes, as well as state and local property taxes for the School. Property taxes are assessed based on property valuations as of April 1 and the approved budgets. Taxes are collected two (2) times per year. During the tax year ended June 30, 2004, taxes became due and payable on September 15, 2003 and March 15, 2004. The Village assesses an 8% penalty of 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.

4. Inventories and Prepaid Items

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Proprietary Funds consist of fuel and materials.

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

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Prepaid expenses of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute “available expendable resources” even through they are a component of net current assets.

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 not report major general infrastructure assets retroactively.

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.

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 Depreciable
Buildings and building improvements	5,000	40 Years
Vehicles and equipment	15,000	8-20 Years
Roads, bridges, and sidewalks	25,000	30-50 Years
Water and wastewater systems	25,000	60 - 100 Years

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

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 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.

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7. Long-term Liabilities

Long-term liabilities include bonds payable. Long-term liabilities also include other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

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. Reservations of fund balances and retained earnings represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balance represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

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 operating expenses (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 for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

Long-term debt transaction differences arise because governmental funds report bond proceeds and principal payments as other financing sources and uses, whereas government-wide statements report those transactions as increases and decreases in liabilities.

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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	\$ 1,085,534	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,085,534
Investments	10,013	0	0	0	0	10,013
Receivables						
Taxes Receivable	12,295	0	0	0	0	12,295
Accounts Receivable	41,683	0	0	0	0	41,683
Accrued Interest	520	0	0	0	0	520
Other Current Assets	25,228	0	0	0	0	25,228
Capital Assets	<u>0</u>	<u>0</u>	<u>5,032,841</u>	<u>0</u>	<u>0</u>	<u>5,032,841</u>
Total Assets	<u>1,175,273</u>	<u>0</u>	<u>5,032,841</u>	<u>0</u>	<u>0</u>	<u>6,208,114</u>
LIABILITIES						
Accounts Payable	36,890	0	0	0	0	36,890
Accrued Payroll and						
Benefits Payable	29,453	0	0	0	0	29,453
Accrued Compensated						
Absences Payable	0	50,104	0	0	0	50,104
Due to Others	1,500	0	0	0	0	1,500
Due to Other						
Governments	4,097	0	0	0	0	4,097
Deferred Revenue	<u>38,483</u>	<u>(30,642)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,841</u>
Total Liabilities	<u>110,423</u>	<u>19,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>129,885</u>
NET ASSETS						
Invested in Capital Assets	0	0	5,032,841	0	0	5,032,841
Other	<u>1,064,850</u>	<u>(19,462)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,045,388</u>
Total Net Assets	<u>\$ 1,064,850</u>	<u>\$ (19,462)</u>	<u>\$ 5,032,841</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,078,229</u>

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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 Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 2,098,843	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,098,843
Penalties and Interest	4,684	0	0	0	0	4,684
Intergovernmental Revenues	325,698	22,642	0	0	0	348,340
Charges for Services	94,685	0	0	0	0	94,685
Fines and Forfeits	3,907	0	0	0	0	3,907
Licenses and Permits	40,843	0	0	0	0	40,843
Investment Income	14,165	0	0	0	0	14,165
Other Revenues	15,196	0	0	0	0	15,196
Sale of Equipment	8,500	0	0	0	0	8,500
Transfers from Other Funds	587,744	0	0	0	(587,744)	0
Total Revenues	3,194,265	22,642	0	0	(587,744)	2,629,163
EXPENDITURES						
General Government	576,183	9,332	10,350	0	0	595,865
Public Safety	184,558	0	64,124	0	0	248,682
Public Works	574,189	957	112,538	0	0	687,684
Community Development	20,836	0	0	0	0	20,836
Culture and Recreation	523,600	(11,288)	110,905	0	0	623,217
Capital Expenditures	1,478,286	0	(1,451,927)	0	0	26,359
Transfers to Other Funds	587,744	0	0	0	(587,744)	0
Total Expenditures	3,945,396	(999)	(1,154,010)	0	(587,744)	2,202,643
Net Change for the Year	\$ (751,131)	\$ 23,641	\$ 1,154,010	\$ 0	\$ 0	\$ 426,520

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual Village Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year.

B. Budgeted Deficit

The Village elected to budget expenditures in excess revenues by \$222,772 and \$19,500 in the General Fund and Water Fund, respectively, in order to reduce the prior years surplus. This is reflected as a current year's budgeted deficiency of revenues over expenditures in Exhibit F and Schedule 8, respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

An analysis of the Village's cash deposits by category at June 30, 2004 is as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	200,421	200,554
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	1,279,106	1,361,289
Petty Cash	225	0
	<u>1,479,752</u>	<u>1,561,843</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
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B. Accounts Receivable

Accounts receivable at June 30, 2004, 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	9,808	0	9,808
Delinquent Taxes	867	0	867
Penalties and Interest	1,620	0	1,620
Accrued Interest	520	106	626
Billed Services	2,430	28,464	30,894
Unbilled Services	560	566,177	566,737
Grants	22,642	0	22,642
Other Governments	16,500	74,033	90,533
Miscellaneous	551	0	551
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	<u>54,498</u>	<u>668,780</u>	<u>723,278</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2004, 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	350,352	0	322,673	27,679
Antiques and Works of Art	12,000	0	0	12,000
Total Capital Assets, Not Being Depreciated	<u>418,094</u>	<u>0</u>	<u>322,673</u>	<u>95,421</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,451,102	53,837	0	1,504,939
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	2,792,586	273,138	133,089	2,932,635
Library Books	712,259	78,032	63,681	726,610
Roads, Curbs, Sidewalks and Storm Sewers	455,091	1,382,993	0	1,838,084
Totals	<u>5,411,038</u>	<u>1,788,000</u>	<u>196,770</u>	<u>7,002,268</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	236,355	35,357	0	271,712
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,120,876	174,465	119,689	1,175,652
Roads, Curbs, Sidewalks and Storm Sewers	28,310	27,698	0	56,008
Library Books	564,760	60,397	63,681	561,476
Totals	<u>1,950,301</u>	<u>297,917</u>	<u>183,370</u>	<u>2,064,848</u>
Total Capital Assets, Being Depreciated	<u>3,460,737</u>	<u>1,490,083</u>	<u>13,400</u>	<u>4,937,420</u>
Governmental Activity Capital Assets, Net	<u>\$ 3,878,831</u>	<u>\$ 1,490,083</u>	<u>\$ 336,073</u>	<u>\$ 5,032,841</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 118,077	\$ 0	\$ 0	\$ 118,077
Construction in Progress	246,677	489,152	179,259	556,570
Total Capital Assets, Not Being Depreciated	<u>364,754</u>	<u>489,152</u>	<u>179,259</u>	<u>674,647</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,277,121	0	0	8,277,121
Vehicles, Machinery, Equipment and Furniture	1,116,487	383,551	166,815	1,333,223
Distribution and Collection Systems	13,124,279	115,117	0	13,239,396
Totals	<u>22,517,887</u>	<u>498,668</u>	<u>166,815</u>	<u>22,849,740</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	2,761,598	164,743	0	2,926,341
Vehicles, Machinery, Equipment and Furniture	659,752	69,839	159,498	570,093
Distribution and Collection Systems	10,162,319	141,900	0	10,304,219
Totals	<u>13,583,669</u>	<u>376,482</u>	<u>159,498</u>	<u>13,800,653</u>
Total Capital Assets, Being Depreciated	<u>8,934,218</u>	<u>122,186</u>	<u>7,317</u>	<u>9,049,087</u>
Business-Type Activity Capital Assets, Net	<u>\$ 9,298,972</u>	<u>\$ 611,338</u>	<u>\$ 186,576</u>	<u>\$ 9,723,734</u>

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 10,350	Water	\$ 75,176
Public Safety	64,124	Sanitation	81,520
Public Works	112,538	Wastewater	<u>219,786</u>
Culture and Recreation	<u>110,905</u>		
Total Depreciation Expense - Governmental	<u>\$ 297,917</u>	Total Depreciation Expense - Business-Type Activities	<u>\$ 376,482</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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D. Interfund Balances and Activity

The composition of interfund balances at June 30, 2004, is as follows:

There were no Due To/From Other Funds at June 30, 2004.

Interfund transfers for the year ended June 30, 2004, were as follows:

	<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Amount</u>
1)	General Fund	\$ 5,000	Block Party Fund	\$ 5,000
2)	General Fund	110,500	Rolling Stock Reserve Fund	110,500
3)	General Fund	443,472	Capital Reserve Fund	443,472
4)	General Fund	25,000	Land Acquisition Fund	25,000
5)	Amtrak Station Improvement Fund	3,475	Capital Reserve Fund	3,475
6)	Brownwell Library Trust Fund	<u>297</u>	Library Fund	<u>297</u>
	Total	\$ <u>587,744</u>		\$ <u>587,744</u>

Purpose

- 1) Subsidize Block Party
- 2) Annual Subsidy for Future Purchases
- 3) Annual Subsidy for Future Purchases
- 4) Annual Subsidy for Future Purchases
- 5) Excess Local Money to be Used for Capital
- 6) Transfer of Investment Income

E. Deferred Revenue

Deferred Revenue in the General Fund consists of \$8,000 of delinquent property taxes and penalty and interest on those taxes not collected within sixty (60) days after year-end, and \$22,642 in Grant Revenue not collected within sixty (60) days after year end, as these would not be available to liquidate current liabilities. It also includes \$7,841 of prepaid revenue and fees for fiscal-year 2005. Total Deferred Revenue in the General Fund is \$38,483.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

F. Long-term Liabilities

General Obligation Bonds. The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues. The Village has no bonds payable from Governmental Activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Village. New bonds generally are issued as 10 to 20 year bonds. Refunding bond are issued for various terms based on the debt service of the debt refunded.

Long-term liabilities outstanding as of June 30, 2004 were as follows:

Business-type Activities

Bond Payable - Vermont Municipal Bond Bank,
Storm Sewer Refunding, Principal Payments Ranging
from \$122,847 to \$144,015 Due Annually on December 1,
through 2005, Various Interest Rates, Currently at 6.8%, Due
Semi-Annually on December 1 and June 1

\$ 122,848

Total Business-type Activities

\$ 122,848

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Changes in all long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 51,103	\$ 0	\$ 999	\$ 50,104	\$ 0
Total Governmental Activities					
Long-term Liabilities	<u>51,103</u>	<u>0</u>	<u>999</u>	<u>50,104</u>	<u>\$ 0</u>
Business-type Activities					
General Obligation Bonds Payable	247,738	0	124,890	122,848	122,848
Compensated Absences	<u>13,965</u>	<u>3,818</u>	<u>0</u>	<u>17,783</u>	<u>0</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 261,703</u>	<u>\$ 3,818</u>	<u>\$ 124,890</u>	<u>140,631</u>	<u>\$ 122,848</u>

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

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ <u>122,848</u>	\$ <u>3,037</u>
Total	<u>\$ 122,848</u>	<u>\$ 3,037</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

G. Restricted and Designated Fund Balances/Net Assets

The reserved and designated fund balances of the Village as of June 30, 2004 consisted of the following:

Restricted:

Major Funds

General Fund

Restricted for Prepaid Expenses	\$ <u>22,882</u>
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Capital Reserve Fund

Restricted for Prepaid Expenses	<u>1,201</u>
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Nonmajor Funds

Special Revenue Funds

Restricted for Block Party Prepaid Expenses	1,145
---	-------

Restricted for Library Fund by Donations	1,709
--	-------

Restricted for Vermont Public Library Grant Fund by Grant Agreement	<u>12</u>
--	-----------

Total Special Revenue Funds	<u>2,866</u>
-----------------------------	--------------

Permanent Fund

Restricted for Brownell Library Fund by Trust Agreement	<u>10,013</u>
--	---------------

Total Restricted Fund Balances	<u>\$36,962</u>
--------------------------------	-----------------

Designated:

General Fund

Designated for Capital Reserve Fund Transfer as Approved by Voters at the 2004 Annual Meeting	<u>74,800</u>
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Total General Fund	<u>74,800</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Special Revenue Funds

Designated for Library Expenses	\$ 3,314
Designated for Engineering Expenses	12,669
Designated for Block Party Expenses	<u>5,310</u>
Total Special Revenue Funds	<u>21,293</u>

Capital Project Funds

Designated for Future Capital Project	254,085
Designated for Veterans Memorial Park	25,650
Designated for Stormwater Compliance	22,626
Designated for Rolling Stock	220,239
Designated for Land Acquisition	<u>210,676</u>
Total Capital Project Funds	<u>733,276</u>
Total Designated Fund Balances	\$ <u>829,369</u>

Enterprise Funds

Water Fund

Designated for Water Fund Expenditures	\$237,674
Designated for Water Fund Capital Expenditures	<u>180,700</u>
Total Water Fund	<u>418,374</u>

Sanitation Fund

Designated for Sanitation Fund Expenditures	151,248
Designated for Sanitation Fund Capital Expenditures	<u>27,140</u>
Total Sanitation Fund	<u>178,388</u>

Wastewater Fund

Designated for Wastewater Fund Expenditures	60,657
Designated for Wastewater Fund Capital Expenditures	<u>11,149</u>
Total Wastewater Fund	<u>71,806</u>

Total Designated Net Assets – Enterprise Funds \$ 668,568

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

H. RECONCILIATION OF BUDGETARY STATEMENTS

The "budget versus actual" statements of the following funds have been prepared to conform with their budgets. Therefore, to conform with Generally Accepted Accounting Principles (GAAP), certain adjustments are necessary. The following are the adjustments which reconcile the budgetary statements with the GAAP basis statements.

Water Fund

Net Income - Schedule 8 - Budgetary Basis	\$ 30,308
Adjustments:	
Purchase of Equipment	3,045
Capital Reserve Fund Transfer	23,150
Depreciation	(75,176)
Interest Earned Capital Reserve Fund	<u>1,660</u>
Change in Net Assets – Exhibit H	\$ <u>(17,013)</u>

Sanitation Fund

Net Income - Schedule 9 - Budgetary Basis	\$ 1,371
Adjustments	
Purchase of Equipment	17,988
Interest Earned on Capital Reserve Fund	391
Capital Reserve Fund Transfer	45,000
Debt Reduction	124,890
Decrease in Accrued Interest	898
Depreciation	<u>(81,520)</u>
Change in Net Assets – Exhibit H	\$ <u>109,018</u>

Wastewater Fund

Net Income/(Loss) - Schedule 10 - Budgetary Basis	\$ (38,133)
Adjustments:	
Purchases of Equipment	16,525
Capital Reserve Fund Transfer	20,000
Increase in Chemical Inventory	9,497
Interest Earned on Capital Reserve Fund	412
Capital Grants and Contributions	569,067
Depreciation	(219,786)
Gain on Sale of Equipment	<u>566</u>
Change in Net Assets – Exhibit H	\$ <u>358,148</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

V. OTHER INFORMATION

A. BENEFIT PLANS

The Village offers a 401(a) pension plan to all full time employees with ninety (90) days of service 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 from the employee with a 10% match by the Village. International City Manager's Association "ICMA" Retirement Corporation administers the Plan. The total payroll for the year was \$1,170,303 while the covered payroll was \$931,830. Pension expense for the years ended June 30, 2004, 2003 and 2002 were \$93,183, \$87,693, and \$84,103, respectively.

The Village also offers its employees a deferred compensation plan through the International City Manager's 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, 2004 was \$274,547.

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.

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, 2004, the Village received 47.4% of total property taxes from IBM and received 75.4% 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, 2004. The Village incurred \$1,860,794 in expenses to CWD.

C. CONTINGENT LIABILITIES

The Village is a participating member in the Chittenden Solid Waste District (CSWD). The Village could be subject to a portion of the District's debt if the District experiences financial problems.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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.

In addition, the Village of Essex Junction is a member of the Vermont League of Cities and Towns Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by the participating members. The agreement does not permit the Health Trust to make additional assessments to its members.

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
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Brownell Library Trust Fund	Total
<u>ASSETS</u>				
Cash	\$ 27,257	\$ 430,691	\$ 0	\$ 457,948
Investments	0	0	10,013	10,013
Accrued Interest Receivable	0	309	0	309
Prepaid Expenses	1,145	0	0	1,145
Total Assets	<u>\$ 28,402</u>	<u>\$ 431,000</u>	<u>\$ 10,013</u>	<u>\$ 469,415</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and Contracts Payable	\$ 4,243	\$ 85	\$ 0	\$ 4,328
Total Liabilities	<u>4,243</u>	<u>85</u>	<u>0</u>	<u>4,328</u>
Fund Balances:				
Reserved for:				
Restricted Purposes	1,721	0	10,013	11,734
Prepaid Expenses	1,145	0	0	1,145
Unreserved:				
Designated	21,293	430,915	0	452,208
Total Fund Balances	<u>24,159</u>	<u>430,915</u>	<u>10,013</u>	<u>465,087</u>
Total Liabilities and Fund Balances	<u>\$ 28,402</u>	<u>\$ 431,000</u>	<u>\$ 10,013</u>	<u>\$ 469,415</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Brownell Library Trust Fund	Total
Revenues:				
Intergovernmental Revenues	\$ 145,459	\$ 18,150	\$ 0	\$ 163,609
Charges for Services	7,670	0	0	7,670
Interest	178	3,713	307	4,198
Other Revenues	2,075	0	0	2,075
Sale of Asset	0	8,500	0	8,500
Total Revenues	<u>155,382</u>	<u>30,363</u>	<u>307</u>	<u>186,052</u>
Expenditures:				
Current Expenditures				
General Government	16,721	0	0	16,721
Culture & Recreation	51,759	0	0	51,759
Capital expenditures				
Public Works	0	77,728	0	77,728
Culture & Recreation	99,182	0	0	99,182
Total Expenditures	<u>167,662</u>	<u>77,728</u>	<u>0</u>	<u>245,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,280)</u>	<u>(47,365)</u>	<u>307</u>	<u>(59,338)</u>
Other Financing Sources/(Uses):				
Transfers in	5,297	135,500	0	140,797
Transfers out	0	(3,475)	(297)	(3,772)
Total Other Financing Sources/(Uses)	<u>5,297</u>	<u>132,025</u>	<u>(297)</u>	<u>137,025</u>
Net Change in Fund Balances	(6,983)	84,660	10	77,687
Fund Balances - July 1, 2003	<u>31,142</u>	<u>346,255</u>	<u>10,003</u>	<u>387,400</u>
Fund Balances - June 30, 2004	<u>\$ 24,159</u>	<u>\$ 430,915</u>	<u>\$ 10,013</u>	<u>\$ 465,087</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2004

	Library Fund	Engineering Fees Fund	Vermont Public Library Grant Fund	Block Party Fund	Total
<u>ASSETS</u>					
Cash	\$ 5,023	\$ 16,912	\$ 12	\$ 5,310	\$ 27,257
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,145</u>	<u>1,145</u>
TOTAL ASSETS	<u>\$ 5,023</u>	<u>\$ 16,912</u>	<u>\$ 12</u>	<u>\$ 6,455</u>	<u>\$ 28,402</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ <u>0</u>	\$ 4,243	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,243</u>
Total Liabilities	<u>0</u>	<u>4,243</u>	<u>0</u>	<u>0</u>	<u>4,243</u>
Fund Balances:					
Reserved For:					
Restricted Purposes	1,709	0	12	0	1,721
Prepaid Expenses	0	0	0	1,145	1,145
Unreserved:					
Designated	<u>3,314</u>	<u>12,669</u>	<u>0</u>	<u>5,310</u>	<u>21,293</u>
Total Fund Balances	<u>5,023</u>	<u>12,669</u>	<u>12</u>	<u>6,455</u>	<u>24,159</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,023</u>	<u>\$ 16,912</u>	<u>\$ 12</u>	<u>\$ 6,455</u>	<u>\$ 28,402</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Library Fund	Engineering Fees Fund	Vermont Public Library Grant Fund	Block Party Fund	Total
Revenue:					
Book Income	\$ 3,963	\$ 0	\$ 0	\$ 0	\$ 3,963
Grant Revenue	0	0	145,459	0	145,459
Contributions	0	0	0	2,075	2,075
Engineering Fees	0	3,707	0	0	3,707
Investment Income	56	122	0	0	178
Total Revenue	4,019	3,829	145,459	2,075	155,382
Expenditures:					
Library Expenses	4,731	0	145,547	0	150,278
Block Party Expenses	0	0	0	663	663
Engineering Expenses	0	16,721	0	0	16,721
Total Expenditures	4,731	16,721	145,547	663	167,662
Excess/(Deficiency) of Revenue Over Expenditures	(712)	(12,892)	(88)	1,412	(12,280)
Other Financing Sources:					
Operating Transfers In	297	0	0	5,000	5,297
Total Other Financing Sources	297	0	0	5,000	5,297
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	(415)	(12,892)	(88)	6,412	(6,983)
Fund Balance - July 1, 2003	5,438	25,561	100	43	31,142
Fund Balance - June 30, 2004	\$ 5,023	\$ 12,669	\$ 12	\$ 6,455	\$ 24,159

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2004

	Rolling Stock Reserve Fund	Land Acquisition Fund	Amtrak Station Improvement Fund	Total
<u>ASSETS</u>				
Cash	\$ 220,223	\$ 210,468	\$ 0	\$ 430,691
Accrued Interest Receivable	<u>101</u>	<u>208</u>	<u>0</u>	<u>309</u>
TOTAL ASSETS	<u>\$ 220,324</u>	<u>\$ 210,676</u>	<u>\$ 0</u>	<u>\$ 431,000</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ <u>85</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>85</u>
Total Liabilities	<u>85</u>	<u>0</u>	<u>0</u>	<u>85</u>
Fund Balances:				
Unreserved - Designated	<u>220,239</u>	<u>210,676</u>	<u>0</u>	<u>430,915</u>
Total Fund Balances	<u>220,239</u>	<u>210,676</u>	<u>0</u>	<u>430,915</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 220,324</u>	<u>\$ 210,676</u>	<u>\$ 0</u>	<u>\$ 431,000</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Rolling Stock Reserve Fund	Land Acquisition Fund	Amtrak Station Improvement Fund	Total
Revenue:				
Interest Earnings	\$ 1,761	\$ 1,952	\$ 0	\$ 3,713
Grant Income	0	0	18,150	18,150
Sale of Asset	<u>8,500</u>	<u>0</u>	<u>0</u>	<u>8,500</u>
Total Revenue	<u>10,261</u>	<u>1,952</u>	<u>18,150</u>	<u>30,363</u>
Expenditures:				
Construction	0	0	14,675	14,675
Equipment Purchases	<u>63,053</u>	<u>0</u>	<u>0</u>	<u>63,053</u>
Total Expenditures	<u>63,053</u>	<u>0</u>	<u>14,675</u>	<u>77,728</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(52,792)</u>	<u>1,952</u>	<u>3,475</u>	<u>(47,365)</u>
Other Financing Sources/(Uses):				
Transfers In	110,500	25,000	0	135,500
Transfers Out	<u>0</u>	<u>0</u>	<u>(3,475)</u>	<u>(3,475)</u>
Total Other Financing Sources/(Uses)	<u>110,500</u>	<u>25,000</u>	<u>(3,475)</u>	<u>132,025</u>
Excess of Revenue and Other Financing Sources Over Expenditures	57,708	26,952	0	84,660
Fund Balance - July 1, 2003	<u>162,531</u>	<u>183,724</u>	<u>0</u>	<u>346,255</u>
Fund Balance - June 30, 2004	<u>\$ 220,239</u>	<u>\$ 210,676</u>	<u>\$ 0</u>	<u>\$ 430,915</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2004

	Exposition Noise Escrow Account Fund	School Impact Fees Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ <u>2,000</u>	\$ <u>5</u>	\$ <u>2,005</u>
TOTAL ASSETS	\$ <u><u>2,000</u></u>	\$ <u><u>5</u></u>	\$ <u><u>2,005</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Others	\$ <u>2,000</u>	\$ <u>5</u>	\$ <u>2,005</u>
Total Liabilities	<u>2,000</u>	<u>5</u>	<u>2,005</u>
Fund Balances:	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u><u>2,000</u></u>	\$ <u><u>5</u></u>	\$ <u><u>2,005</u></u>

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

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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 459,572	\$ 483,459	\$ 23,887
Water Sales - IBM	1,470,950	1,552,867	81,917
Water Sales - IBM Fixed Charge	26,885	26,885	0
Water Sales - IBM Vermont Tax	31,673	32,977	1,304
IBM Share - Unaccounted Water	13,248	3,453	(9,795)
Hydrant Rentals	5,000	5,000	0
Penalties	2,000	3,194	1,194
Miscellaneous	16,500	28,175	11,675
Interest Income	0	912	912
Total Revenue	<u>2,025,828</u>	<u>2,136,922</u>	<u>111,094</u>
Expenses:			
Salaries - Regular	56,500	55,806	694
Salaries - Overtime	13,342	11,926	1,416
Salaries - Part-time	0	95	(95)
Social Security	5,381	5,214	167
Unemployment Insurance	160	117	43
Workers Compensation Insurance	2,185	2,236	(51)
Health Insurance and Other Benefits	23,360	21,888	1,472
Retirement	5,650	5,824	(174)
Liability and Property Insurance	1,648	1,640	8
Supplies	3,000	2,997	3
Postage	693	540	153
Gas, Oil and Grease	1,100	895	205
Meters and Parts	7,000	16,150	(9,150)
Distribution Materials	4,000	6,644	(2,644)
Computer Expenses	400	1,298	(898)
Water & Sewer Charges	50	125	(75)
Training and Conferences	750	1,009	(259)
Electrical Service	450	648	(198)
Heat	650	2,168	(1,518)
Maintenance - Other	800	569	231
Water Line Maintenance - Breaks	13,000	5,137	7,863
Uniforms and Boots	1,200	772	428
Contract Services	32,000	32,000	0
Other Professional Services	2,000	372	1,628
Audit Services	1,439	1,516	(77)
Water Purchases - Village	328,817	307,865	20,952
Water Purchases - IBM	1,470,950	1,552,929	(81,979)
Printing and Advertising	1,200	1,377	(177)
Transfer to Capital Reserve	23,150	23,150	0
Capital Outlay	5,700	4,215	1,485
State Water Tax - Village	7,080	6,514	566
State Water Tax - IBM	31,673	32,978	(1,305)
Total Expenses	<u>2,045,328</u>	<u>2,106,614</u>	<u>(61,286)</u>
Net Income/(Loss)	<u>\$ (19,500)</u>	<u>\$ 30,308</u>	<u>\$ 49,808</u>

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

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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 328,256	\$ 340,439	\$ 12,183
Sanitation Penalty	1,450	2,276	826
Essex Pump Station Fees	16,343	15,236	(1,107)
Miscellaneous	14,400	30,000	15,600
Interest Income	0	218	218
Total Revenue	<u>360,449</u>	<u>388,169</u>	<u>27,720</u>
Expenses:			
Storm Sewer Bond - Principal	124,890	124,890	0
Storm Sewer Bond - Interest	13,409	13,409	0
Salaries - Regular	58,500	60,454	(1,954)
Salaries - Overtime	13,612	11,623	1,989
Salaries - Part Time	0	95	(95)
Social Security	5,571	5,594	(23)
Unemployment Insurance	160	116	44
Workers Compensation Insurance	2,751	3,028	(277)
Health Insurance and Other Benefits	23,570	20,163	3,407
Retirement	5,850	6,207	(357)
Liability and Property Insurance	3,418	3,195	223
Interest Expense	800	7	793
Supplies	2,000	2,232	(232)
Postage	661	1,058	(397)
Gas, Grease and Oil	550	383	167
Computer Expenses	800	1,227	(427)
Training and Conferences	500	398	102
Shared Pump Station Alarm	1,200	691	509
Electrical Service	5,500	4,780	720
Shared Pump Station Utilities	8,000	8,468	(468)
Maintenance Other	1,500	2,410	(910)
Pump Station Maintenance	1,500	752	748
Sanitation Lines Maintenance	10,000	45,209	(35,209)
Shared Pump Station Maintenance Supplies	3,000	2,445	555
Uniforms, Boots, Etc.	1,200	1,104	96
Contractual Services	16,700	16,700	0
Right-Of-Way Agreements	5,087	4,030	1,057
Sanitation Line Backup Cleaning	1,500	0	1,500
Other Professional Services	2,500	372	2,128
Audit Services	720	758	(38)
Capital Reserve Fund Contributions	45,000	45,000	0
Total Expenses	<u>360,449</u>	<u>386,798</u>	<u>(26,349)</u>
Net Income	\$ <u>0</u>	\$ <u>1,371</u>	\$ <u>1,371</u>

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

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, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 180,526	\$ 191,162	\$ 10,636
Village User Penalties	1,000	1,251	251
Wastewater Charge - Essex	244,383	236,752	(7,631)
Wastewater Charge - Williston	283,174	274,387	(8,787)
Pump Station Maintenance Fee	11,700	11,700	0
Sewer Capacity Lease	18,735	18,753	18
Village Septage Discharge Income	12,000	17,891	5,891
Shared Septage Revenue	5,400	8,290	2,890
Village Leachate Revenues	36,000	30,960	(5,040)
Shared Leachate Revenues	24,000	20,640	(3,360)
Miscellaneous	0	90	90
Total Revenue	816,918	811,876	(5,042)
Expenses:			
Salaries - Regular	181,500	184,731	(3,231)
Salaries - Overtime	28,500	20,069	8,431
Salaries - Part-Time	11,000	5,762	5,238
Social Security	17,115	15,924	1,191
Unemployment Insurance	490	282	208
Workers Compensation Insurance	6,316	6,078	238
Health Insurance and Other Benefits	50,521	47,360	3,161
Retirement	18,150	18,635	(485)
Liability and Property Insurance	11,143	10,375	768
Interest Expense	2,000	497	1,503
Supplies	12,000	14,016	(2,016)
Chemicals	90,000	101,887	(11,887)
Gas, Grease and Oil	3,000	2,186	814
Water and Sewer Charge	500	561	(61)
Training and Conferences	3,500	2,931	569
Telephone Services	3,200	2,799	401
Electrical Service	68,000	73,784	(5,784)
Heating	3,500	4,690	(1,190)
Maintenance - Other	20,000	41,039	(21,039)
Vehicles Maintenance - Travel	4,000	5,219	(1,219)
Uniforms, Boots, Etc.	3,000	3,354	(354)
Contract Laboratory Service	4,500	5,210	(710)
Contract Services	19,500	19,500	0
Grit Disposal	4,000	5,383	(1,383)
Sludge Dewatering	85,000	68,835	16,165
Sludge Management	115,000	134,932	(19,932)
Other Professional Services	5,750	4,535	1,215
Audit Services	1,683	1,773	(90)
Capital Reserve Fund Contributions	20,000	20,000	0
Capital Outlay	24,050	27,662	(3,612)
Total Expenses	816,918	850,009	(33,091)
Net Income /(Loss)	\$ 0	\$ (38,133)	\$ (38,133)

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