

**VILLAGE OF ESSEX JUNCTION, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2009**

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AUDIT REPORT  
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Essex Junction, Vermont as of and for the year ended June 30, 2009, 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.

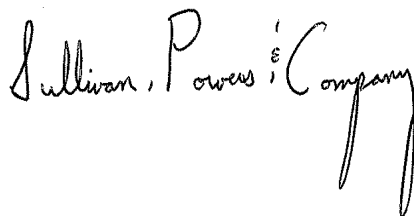
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2009 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.

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

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

March 1, 2010  
Montpelier, Vermont  
Vt Lic. #92-000180

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

## 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, 2009.

### ***Financial Highlights***

- Assets exceeded liabilities on June 30, 2009 by \$20,550,037 (*net assets*). Of this amount, \$1,680,326 (*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 \$265,745. Of this amount, net assets attributable to governmental activities increased by \$685,512. Net assets attributable to business-type activities decreased by \$419,767.
- Fund balances of governmental funds decreased by \$843,690 in fiscal FY09. The General Fund had \$95,367 of unreserved, undesignated fund balance at 6/30/09. This is equal to 3.2% of the approved FY10 General Fund Budget. As of 6/30/08, the General Fund had \$209,171 of unreserved, undesignated fund balance.

### ***Overview of the Village's Financial Statements:***

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

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

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village has three types of funds: governmental funds, proprietary funds, and fiduciary funds. The proprietary funds of the Village are all Enterprise Funds. Fund financial statements can be found in Exhibits C through J of this report.

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

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

### ***Government-wide Financial Analysis***

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

	Governmental Activities		Business-type Activities		Total	
	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008
Current and Other Assets	\$1,311,870	\$2,486,342	\$1,272,011	\$1,176,928	\$2,583,881	\$3,663,270
Capital Assets	<u>\$9,513,828</u>	<u>\$7,825,699</u>	<u>\$9,346,352</u>	<u>\$9,687,515</u>	<u>\$18,860,180</u>	<u>\$17,513,214</u>
Total Assets	\$10,825,698	\$10,312,041	\$10,618,363	\$10,864,443	\$21,444,061	\$21,176,484
Current Liabilities	\$109,904	\$388,497	\$561,455	\$389,329	\$671,359	\$777,826
Long-term Liabilities	<u>\$177,827</u>	<u>\$71,089</u>	<u>\$44,838</u>	<u>\$43,277</u>	<u>\$222,665</u>	<u>\$114,366</u>
Total Liabilities	\$287,731	\$459,586	\$606,293	\$432,606	\$894,024	\$892,192
Net Assets						
Invested in capital assets, net of						
Related Debt	\$9,425,828	\$7,825,699	\$9,346,352	\$9,687,515	\$18,772,180	\$17,513,214
Restricted	\$97,531	\$93,779	\$0	\$0	\$97,531	\$93,779
Unrestricted	<u>\$1,014,608</u>	<u>\$1,932,977</u>	<u>\$665,718</u>	<u>\$744,322</u>	<u>\$1,680,326</u>	<u>\$2,677,299</u>
Total Net Assets	<u>\$10,537,967</u>	<u>\$9,852,455</u>	<u>\$10,012,070</u>	<u>\$10,431,837</u>	<u>\$20,550,037</u>	<u>\$20,284,292</u>

As stated above, net assets exceeded liabilities by \$20,550,037 at the end of fiscal year 2009. Net assets at the end of fiscal year 2008 exceeded liabilities by \$20,284,292.

The largest portion of the Village's net assets is in its investment in capital assets (91.3%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, infrastructure). Therefore these assets are not available for future spending.

A very small portion (.5%) of the Village's assets is subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,680,326) 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's Statement of Activities (Change in Net Assets)

	Governmental Activities		Business-type Activities		Total	
	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008
Revenues						
Program Revenues						
Charges for services	\$120,159	\$94,354	\$3,840,862	\$3,947,785	\$3,961,021	\$4,042,139
Operating grants and contributions	\$120,910	\$141,646	\$0	\$0	\$120,910	\$141,646
Capital grants and contributions	\$1,022,219	\$669,195	\$57,732	\$0	\$1,079,951	\$669,195
General Revenues						
Property taxes	\$2,388,908	\$2,478,738	\$0	\$0	\$2,388,908	\$2,478,738
Unrestricted investment earnings	\$15,608	\$61,434	\$2,003	\$14,242	\$17,611	\$75,676
Other revenues	\$19,329	\$18,316	\$0	\$0	\$19,329	\$18,316
Total Revenues	\$3,687,133	\$3,463,683	\$3,900,597	\$3,962,027	\$7,587,730	\$7,425,710
Expenses						
Governmental activities						
General Government	\$708,773	\$621,931	\$0	\$0	\$708,773	\$621,931
Public Safety	\$351,104	\$330,185	\$0	\$0	\$351,104	\$330,185
Public Works	\$1,277,388	\$862,300	\$0	\$0	\$1,277,388	\$862,300
Community Development	\$10,544	\$1,384	\$0	\$0	\$10,544	\$1,384
Culture and Recreation	\$653,812	\$623,317	\$0	\$0	\$653,812	\$623,317
Business-type activities						
Water	\$0	\$0	\$2,299,451	\$2,343,556	\$2,299,451	\$2,343,556
Sanitation	\$0	\$0	\$330,181	\$313,638	\$330,181	\$313,638
Wastewater	\$0	\$0	\$1,690,732	\$1,407,183	\$1,690,732	\$1,407,183
Total Expenses	\$3,001,621	\$2,439,117	\$4,320,364	\$4,064,377	\$7,321,985	\$6,503,494
Change in net assets	\$685,512	\$1,024,566	(\$419,767)	(\$102,350)	\$265,745	\$922,216
Net assets - Beginning of Year	\$9,852,455	\$8,827,889	\$10,431,837	\$10,534,187	\$20,284,292	\$19,362,076
Net assets - End of Year	\$10,537,967	\$9,852,455	\$10,012,070	\$10,431,837	\$20,550,037	\$20,284,292

At the end of FY09 the Village of Essex Junction has positive balances in all three categories of net assets for all funds except the Capital Reserve Fund and the Wastewater Fund. The Capital Reserve Fund had a year-end deficit of \$34,060 which will be funded by future General Fund appropriations. The Wastewater Fund has a net negative net asset balance of \$193,342 in unrestricted net assets. The Wastewater Fund has \$85,305 set aside for capital, however, it is offset by a \$278,647 operations deficit.

**Governmental activities.** Governmental activities increased the Village's net assets by \$685,513 in FY09. Expenditures in governmental funds exceeded revenues by \$843,690. The Village added \$2,970,661 of new assets to its inventory of capital assets. Major capital assets added in FY09 included assets provided by the 5 Corners Redevelopment Project including street lamps, sidewalks and parking spaces and new traffic poles and signals; Taft Street Reconstruction, the new Fire Rescue/Pumper and the Belos Sidewalk Plow. After taking into consideration the adjustments from Governmental fund reporting to Government-wide reporting, this resulted in the increase of \$685,512 in net assets. Unrestricted net assets decreased by \$918,369 due to the fact the Village sets aside funds to purchase assets, so when major assets are acquired, "Invested in Capital Assets" increase and "Unrestricted Net Assets" decrease.



**Business-type activities.** Business-type activities decreased the Village's net assets by \$419,767.

### **Water Fund**

The Water Fund had a budgetary income of \$53,366 and a GAAP basis net loss of \$38,850. Budgetary information does not include capital projects costs or depreciation expense. Water revenues except for IBM "pass-through" water sales (which were low) were about \$41,000 over-budget. Large User Fees were \$29,000 higher than anticipated due to a change in how that rate is calculated. IBM "pass-through revenues" are matched exactly by IBM water purchases and so do not affect net income of the fund. Village user revenues came in 3% over budget but new hookup fees were lower than anticipated. Water expenditures were under budget primarily due to lower than budgeted water line break repairs and lower than anticipated Village water purchases from the Champlain Water District. The result was the net budgetary income detailed above. The GAAP basis loss is due to the transfer of a sidewalk constructed as part of the Pearl St. Water Line Replacement Project to the General Fund and to depreciation. Unrestricted Net Assets (resources available to meet future obligations) increased by \$69,530 in FY09. The Pearl Street Water Line Replacement project was completed in FY09.

### **Sanitation Fund**

The Sanitation Fund had a budgetary gain of \$36,032 and a GAAP basis net income of \$112,584. Sales to Village residents were 9.5% higher than anticipated primarily because of the substantial increase in the Sanitation Rate from FY09 to FY10. Estimated sales of water/sewer used from April through September are accrued into the current fiscal year (FY09 in this case) at the subsequent year's billing rate. Thus, when the rate increases from year to year the accrual is affected (increased). In addition, tap-on fees were higher than anticipated. This year there was also a transfer out of the Wastewater Treatment Fund of "Village Specific" revenues received from Septage and Leachate haulers over the budgeted amount. This money has been set aside for the Village to pay for any major upgrades to the Wastewater Treatment Facility. Expenditures in the Sanitation Fund, including a transfer of an additional \$30,000 to Sanitation Capital Reserve in compliance with the Trustees Policy Regarding Water/Sewer Tap-on Fees, were \$20,396 over budget. Had the transfer mentioned above not been done expenses would have been about \$10,000 under budget mostly due to lower than anticipated sanitation line problems. The Capital Project undertaken in FY09 but not completed was the Sanitary Sewer Rehabilitation Project. This project is being paid for partially (50%) by an ARRA (Stimulus) grant. Unrestricted Net Assets increased by \$85,772 in FY09.

### **Wastewater Treatment Fund**

The Wastewater Treatment Fund had a budgetary loss of \$241,593 and a GAAP basis loss of \$493,501. Village Specific Revenues (from Septage and Leachate haulers using the Village's excess sewage capacity) were very strong. Amounts above the budgeted amount for these revenues were transferred to the Sanitation Fund to build a reserve for future major upgrades to the Wastewater Treatment Facility. Revenues from the other Towns were under budget collectively by \$68,712 due to more accurate metering of flow and a dry year. Expenses were over budget by \$268,003. A major portion of the over-expenditure was related to the cleaning of the digester. A regularly scheduled maintenance item became a major expense due to the failure of a piece of screening equipment that was replaced in FY08. This digester cleaning process also caused other line items to be overspent (i.e. Chemicals, Electricity and Gas Heat). Due to the deficit, a 5 year note for \$250,000 was obtained from the Chittenden Bank to help with cash flow. Two capital projects were undertaken. One project was the Aeration Manifold Replacement which was completed in FY09. The other is the purchase of a new High-Efficiency Aeration Blower which is being paid for partially (50%) by an ARRA (Stimulus) grant.

The GAAP basis net loss of \$493,501 takes into account depreciation of \$283,217 and the transfer of \$57,732 of Village Specific revenues to the Sanitation Fund. Unrestricted Net Assets decreased in FY09 by \$233,906 to (\$193,342).

## ***Financial Analysis of Major Governmental Funds***

### **The General Fund**

There was a focused effort in FY09 to identify Capital Infrastructure projects and to apply for ARRA (American Recovery and Reinvestment Act) grant money. We were awarded 2 grants in the form of 50% loan forgiveness grants in the Sanitation and Wastewater Treatment Funds. Although we were not awarded any ARRA paving or sidewalk enhancement grants, our efforts did produce a comprehensive listing of Capital needs in the Village including cost estimates.

The General Fund fund balance decreased from \$378,890 at the end of fiscal year 2008 to \$228,715 at the end of fiscal year 2009. Of the \$228,715 of fund balance, \$74,348 is reserved for prepaid expenses and inventory and \$59,000 is designated for reduction of the tax rate in FY10. This leaves an unreserved, undesignated fund balance of \$95,367. The decrease is due to net loss in the fund of \$150,175. \$70,000 of this excess of expenditures over revenues was a planned deficit using prior years' surpluses to reduce the tax rate. That leaves \$80,175 of net loss. This net loss can be attributed to the following:

- Excluding grants and donations received and expended in FY09 revenues were lower than budgeted by \$2,782. Revenues that were lower than anticipated were State Court Fines (-\$4,054), Essex Junction School Tax Collection Fees (-\$7,700) and Investment Interest (-\$10,771). Revenues that exceeded budget were License & Zoning Fees (+\$9,899) and CVE Noise Violation (+\$11,000). The ups and downs resulted in revenues that were very close to budget.
- Expenditures excluding those for grants and donations received in FY 09 were \$80,175 more than budgeted as stated above. Of the \$80,175, \$29,809 was amounts unspent in the FY08 budget that the Trustees designated to be expended in FY09. This leaves \$50,366 of over-expenditures in the FY09 budget. The following departmental analysis will identify amounts varying substantially from budget and give an explanation of what transpired during the year.
  - A) The Administration Budget ended the year with a \$2,158 surplus. Items that deviated significantly from budget were Legal Fees (\$2,348 over budget), and communications (\$2,068) over-budget. Legal fees were high due to a number of different issues requiring legal advice including collective bargaining issues, stimulus grant issues and questions concerning the Pearl St. Improvements project and local option tax. Communications budget was over due to more than budgeted spending for meeting minutes and for Annual Reports.
  - B) Lincoln Hall budget was overspent by \$2,101 because of a number of building and grounds maintenance needs. Among those needs were heating system repair, phone system repair, and electrical repairs.
  - C) Fire Department budget was overspent by \$18,471. Line items contributing to this over-expenditure were Fire-Fighters wages (\$25,512 over), and Vehicle Maintenance (\$6,500 over). The wages were over because the Department was able to attract a number of new volunteers and turn-out increased. In addition, there was a very high number of fire calls. Vehicle Maintenance was over because of some aging vehicles, in particular the ladder truck, needing maintenance.

- D) Street Department budget was overspent by \$56,836. Particular areas that were over-spent were Winter Maintenance (-\$25,335), Street Lights (-\$4,544) and Engineering (-\$25,799). Salt usage was extremely high due to a large number of small storms. The salt suppliers were running out of supplies and prices were high. Street Lights budget went over because of the addition of newly accepted roads with street lights. The Engineering fees were related to preparing Capital plans and applying for ARRA grant money. All in all it was a difficult year for the Street department budget.
- E) The Brownell Library budget was under-spent by \$4,486. Some line items were over-spent, some under-spent. Part-time salaries, in particular, were over-spent primarily due to the administering of the Love & Forgiveness Grant by one of the part-time librarians.
- F) Planning and Zoning budget was under-spent by \$14,589. Specific line items that were under-spent were Legal Fees (+\$7,895) and Other Professional Services (+\$4,962). There were fewer than average decision appeals and the need for consultants was lower than anticipated.
- G) Economic Development was under-spent by \$9,564. This money was set aside for matching grants and other initiatives in FY09. Due to pressure in other areas of the budget this money was not spent.
- H) Grants received and expended were the Love & Forgiveness Grant from the American Library Association for \$2,500 and Library Services & Technical Grant from the State of Vermont for \$1,031. The Brownell Library Foundation donated \$993 which was used by the Library for a Wii System.

### **Capital Reserve Fund**

The Capital Reserve Fund had fund balance of \$366,695 as of June 30, 2008. The fund balance was negative (\$34,060) as of June 30, 2009. Projects completed include: 5 Corners Essex Junction Redevelopment project, Taft Street Reconstruction, 5 Corners Paving Overlay, Improvements to the Fire House, Removal of the Fuel Tank at the Public Works Compound, and Replacement of 10 windows in the Teen Center in Lincoln Hall, . Projects continued or initiated but not completed include: Fairview Pond Stormwater Mitigation project, South Summit Sidewalk & Road Reconstruction and the Pearl Street Improvement Project. Total expenditures in the Capital Reserve Fund were \$1,494,732. Transfers into the Capital Reserve Fund from the General Fund were \$300,519. \$763,626 was received from the Federal Government for the Essex Junction Redevelopment Project. \$28,173 was received from the Champlain Valley Exposition for Preliminary Engineering of the Pearl Street Improvement Project.

### **Whitcomb Terrace Loan Fund**

In April of 2004 the Village received a grant of up to \$275,000 from the Vermont Agency of Commerce and Community Development. This grant was used in FY05 to construct Whitcomb Terrace, 19 new barrier-free units of affordable housing at 128 West Street in Essex Junction. The grant money was used to provide a deferred loan to Whitcomb Terrace Housing Limited Partnership for the purpose of constructing Whitcomb Terrace. The interest free loan is due to be paid back to the Village on December 17, 2034.

## **General Fund Rolling Stock Fund**

The General Fund Rolling Stock Fund had net assets of \$794,132 at the beginning of FY09. The net assets at 6/30/09 were \$470,920. Total expenditures in the Rolling Stock Fund were \$574,790 excluding debt service payments. The Village purchased a 2008 KME Predator Rescue/Pumper, a 2008 Belos Sidewalk Plow, and a 2009 Chevrolet Silverado Pickup Truck. The 1988 Pierce Dash Pumper was sold for \$22,000. A loan from the Vermont Municipal Equipment Loan Fund was received for \$110,000 for the purchase of the Rescue/Pumper.

## ***Long Term Debt***

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

The Wastewater Treatment Facility took out a \$250,000 note from the Chittenden Bank to cover the deficit in that fund created primarily by the cleaning of the digester and the drop in member-town revenues. The terms of this note are a yearly payment of \$50,000 plus 3.25% interest for 5 years.

## ***Economic Factors and Next Year's Budgets and Rates***

- As of January 2010, the nation's economy is still struggling. Unemployment in the country is still over 10% and many homes have been foreclosed. The ARRA or Stimulus bill has helped some but jobs are still lagging. The President has stated that jobs will be the focus of this year.
- The CPI index for Northeast urban communities size B/C was -.7% from September 2008 to September of 2009. It was 3.6% from December 2008 to December 2009. The CPI showed deflation from Aug. 2007 through Sept. 2009 due to the economic situation. In the last quarter of 2009, the inflation figures reflect a major change.
- The IBM M&E Subsidy decreased by \$60,545 from FY09 to FY10, from \$302,755 to \$242,211. This decrease resulted in an additional \$.006 on the FY10 tax rate. This subsidy will decrease each year by approximately this same amount until it is \$0 in FY14.
- As revenues decline from IBM and our reserves are depleted, the Village is continuing to seek new funding sources. In March 2009, the Town voted whether to adopt a local option tax of 1% to supplement property tax revenue. The Village and Town would have evenly split 70% of the taxes collected. This was voted down. At the April 2010 Annual Meeting, the Village voters will be asked to consider adopting a 1% local option tax for the Village alone. The Village has also signed an agreement with the Champlain Valley Exposition for support of \$15,000 per year for 5 years.
- The Village has been aggressive in pursuing grant money to supplement tax revenue and Utility user fees. Grants awarded in FY09 and being spent in FY10 include a Federal Energy grant for Lincoln Hall (\$50,000), a grant from the Chittenden County Metropolitan Organization for \$40,000 for a Multimodal Study, ARRA Stimulus grants for Sanitary Sewer Rehabilitation and a High Efficiency Blower for the Wastewater Treatment Facility (\$283,469), and the Pearl Street Improvements Grant for \$2,250,000. The Village is continuing to seek more grants to supplement tax revenues.

- Economic Development is a priority in Essex Junction. The Pearl Street Improvements project which is being funded primarily by a Federal Earmark will improve Pearl Street and in particular the entrance to the Champlain Valley Exposition. The work in the Village ROW will be partially funded by the Village and the work in the CVE ROW will be partially funded by the Champlain Valley Exposition.
- In relation to Economic Development, the Village is holding a forum on February 10 to help the community establish a more focused vision for Railroad Ave. and Main Street, prioritize strategies for moving forward, and provide an opportunity for citizens to get involved with Railroad Avenue Revitalization projects that are already underway.
- The FY10 General Fund budget increased by 6.4% from the FY09 budget. This was after the budget was reduced by \$117,000 at the April 2009 Village Annual Meeting. The tax rate increased by 3.5% from \$0.2075 to \$0.2149.  
The tax rate was kept from increasing much more than this by an adjustment (increase) in the administrative fees paid to the General Fund by the Enterprise Funds (Water Fund, Wastewater Treatment Fund, and Sanitation Fund). At this time in February of 2010, the Trustees are formulating a budget in which revenues are dropping due to the IBM Subsidy drop and the discontinuance of using surplus to reduce the tax rate.
- Capital Projects being undertaken or continued in FY10 include:
  - The Pearl Street Improvements Project (\$2,580,954). This project will improve sidewalks, curbing and lighting on Pearl Street from KFC Restaurant to the signalized shopping centers intersection. It will also replace CVE fencing along its frontage and build a new ticket booth for CVE and a bus shelter. A water line will be replaced and there will be drainage improvements. The Federal Earmark for this project is \$2,250,000. CVE will provide \$225,000 of the costs and the Village's portion should be approximately \$105,954.
  - Warner Ave. Culvert repair (\$29,110)
  - Fairview Pond Stormwater Mitigation Project (\$224,086) \$159,600 of this project to be paid for by a Federal grant administered through the Vermont Agency of Transportation.
  - Multimodal Study (\$50,000) \$40,000 is being paid for by a grant from CCMPO.
- The utility rates increased by 26% from FY09 to FY10. They increased from \$0.04303 per c.f. of metered water to \$0.05438 per c.f. of metered water. Reasons for this large increase include a substantial increase in the Champlain Water District wholesale rate for water (15%), the deficit in the Wastewater Treatment Fund due to the digester cleaning, and a considerable increase in the administrative fees paid by the Utility Funds to the General Fund. These fees had not been adjusted in 20 years.

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,068,621	\$ 499,462	\$ 1,568,083
Receivables (Net of Allowance for Uncollectibles)	70,471	711,414	781,885
Note Receivable	97,531	0	97,531
Inventories	41,315	41,160	82,475
Prepaid Expenses	33,932	19,975	53,907
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	47,825	123,271	171,096
Antiques and Works of Art	12,000	0	12,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>9,398,261</u>	<u>9,105,004</u>	<u>18,503,265</u>
Total Assets	<u>10,825,698</u>	<u>10,618,363</u>	<u>21,444,061</u>
<u>LIABILITIES</u>			
Accounts Payable	65,975	296,415	362,390
Accrued Payroll and Benefits Payable	31,013	15,040	46,053
Due to Others	3,475	0	3,475
Deferred Revenue	9,441	0	9,441
Noncurrent Liabilities:			
Due Within One Year	22,000	50,000	72,000
Due in More than One Year	<u>155,827</u>	<u>244,838</u>	<u>400,665</u>
Total Liabilities	<u>287,731</u>	<u>606,293</u>	<u>894,024</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	9,425,828	9,346,352	18,772,180
Restricted	97,531	0	97,531
Unrestricted	<u>1,014,608</u>	<u>665,718</u>	<u>1,680,326</u>
Total Net Assets	<u>\$ 10,537,967</u>	<u>\$ 10,012,070</u>	<u>\$ 20,550,037</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, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
General Government	\$ 708,773	\$ 110,977	\$ 0	\$ 0	\$ (597,796)	\$ 0	\$ (597,796)
Public Safety	351,104	0	0	0	(351,104)	0	(351,104)
Public Works	1,277,388	5,318	95,624	0	(1,176,446)	0	(1,176,446)
Community Development	10,544	3,864	3,752	0	(2,928)	0	(2,928)
Culture and Recreation	653,812	0	21,534	0	(632,278)	0	(632,278)
Capital Outlay	0	0	0	1,022,219	1,022,219	0	1,022,219
Total Governmental Activities	3,001,621	120,159	120,910	1,022,219	(1,738,333)	0	(1,738,333)
Business-Type Activities:							
Water	2,299,451	2,259,363	0	0	0	(40,088)	(40,088)
Sanitation	330,181	382,818	0	57,732	0	110,369	110,369
Wastewater	1,690,732	1,198,681	0	0	0	(492,051)	(492,051)
Total Business-Type Activities	4,320,364	3,840,862	0	57,732	0	(421,770)	(421,770)
Total	\$ 7,321,985	\$ 3,961,021	\$ 120,910	\$ 1,079,951	(1,738,333)	(421,770)	(2,160,103)
General Revenues:							
Property Taxes					2,388,908	0	2,388,908
Payment in Lieu of Taxes					5,611	0	5,611
Interest and Penalties on Delinquent Taxes					7,267	0	7,267
Unrestricted Investment Earnings					15,608	2,003	17,611
Other Revenues					6,451	0	6,451
Total General Revenues					2,423,845	2,003	2,425,848
Change in Net Assets					685,512	(419,767)	265,745
Net Assets - July 1, 2008					9,852,455	10,431,837	20,284,292
Net Assets - June 30, 2009					\$ 10,537,967	\$ 10,012,070	\$ 20,550,037

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General Fund	Whitcomb Terrace Loan Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 197,884	\$ 0	\$ 0	\$ 470,920	\$ 399,817	\$ 1,068,621
Receivables (Net of Allowance for Uncollectibles)	29,451	0	35,234	0	5,786	70,471
Due from Other Funds	39,204	0	0	0	0	39,204
Note Receivable	0	97,531	0	0	0	97,531
Inventories	41,315	0	0	0	0	41,315
Prepaid Expenses	33,033	0	0	0	899	33,932
Total Assets	<u>\$ 340,887</u>	<u>\$ 97,531</u>	<u>\$ 35,234</u>	<u>\$ 470,920</u>	<u>\$ 406,502</u>	<u>\$ 1,351,074</u>
<u>LIABILITIES</u>						
Liabilities:						
Accounts Payable	\$ 46,743	\$ 0	\$ 13,029	\$ 0	\$ 6,203	\$ 65,975
Accrued Payroll and Benefits Payable	31,013	0	0	0	0	31,013
Due to Other Funds	0	0	39,204	0	0	39,204
Due to Others	3,475	0	0	0	0	3,475
Deferred Revenue	30,941	97,531	17,061	0	0	145,533
Total Liabilities	<u>112,172</u>	<u>97,531</u>	<u>69,294</u>	<u>0</u>	<u>6,203</u>	<u>285,200</u>
Fund Balances/(Deficit):						
Reserved for						
Prepaid Expenses and Inventory	74,348	0	0	0	899	75,247
Unreserved, Reported In						
General Fund	154,367	0	0	0	0	154,367
Special Revenue Funds	0	0	0	0	18,901	18,901
Capital Projects Funds	0	0	(34,060)	470,920	380,499	817,359
Total Fund Balances/(Deficit)	<u>228,715</u>	<u>0</u>	<u>(34,060)</u>	<u>470,920</u>	<u>400,299</u>	<u>1,065,874</u>
Total Liabilities and Fund Balances	<u>\$ 340,887</u>	<u>\$ 97,531</u>	<u>\$ 35,234</u>	<u>\$ 470,920</u>	<u>\$ 406,502</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.						9,513,828
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						136,092
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.						(177,827)
Net Assets of Governmental Activities						<u>\$ 10,537,967</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, 2009

	General Fund	Whitcomb Terrace Loan Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 2,393,019	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,393,019
Penalties and Interest	7,267	0	0	0	0	7,267
Intergovernmental Revenues	111,755	0	764,024	0	0	875,779
Charges for Services	122,761	0	0	0	27,076	149,837
Investment Income	4,229	0	1,261	5,678	4,440	15,608
Fines and Forfeits	11,946	0	0	0	0	11,946
Licenses and Permits	34,898	0	0	0	0	34,898
Contributions	3,493	0	28,173	0	2,903	34,569
Other Revenue	11,428	0	0	0	0	11,428
Total Revenues	<u>2,700,796</u>	<u>0</u>	<u>793,458</u>	<u>5,678</u>	<u>34,419</u>	<u>3,534,351</u>
Expenditures:						
Current:						
General Government	737,381	0	3,825	0	23,808	765,014
Public Safety	251,275	0	0	0	0	251,276
Public Works	725,871	0	262,372	0	0	988,243
Community Development	10,436	0	0	0	0	10,436
Culture & Recreation	506,161	0	0	0	7,337	513,498
Debt Service:						
Principal - Public Safety	0	0	0	22,000	0	22,000
Interest - Public Safety	0	0	0	2,200	0	2,200
Capital Outlay:						
Community Development			3,951	0	0	3,951
General Government	6,150	0	16,968	0	0	23,118
Public Safety	0	0	532	442,201	0	442,733
Public Works	63,029	0	1,207,084	132,589	0	1,402,702
Culture & Recreation	82,049	0	0	0	2,822	84,870
Total Expenditures	<u>2,382,352</u>	<u>0</u>	<u>1,494,732</u>	<u>598,990</u>	<u>33,967</u>	<u>4,510,041</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>318,444</u>	<u>0</u>	<u>(701,274)</u>	<u>(593,312)</u>	<u>452</u>	<u>(975,690)</u>
Other Financing Sources/(Uses):						
Proceeds of Long-Term Debt	0	0	0	110,000	0	110,000
Sale of Equipment	0	0	0	22,000	0	22,000
Transfers In	0	0	300,519	138,100	30,000	468,619
Transfers Out	(468,619)	0	0	0	0	(468,619)
Total Other Financing Sources/(Uses)	<u>(468,619)</u>	<u>0</u>	<u>300,519</u>	<u>270,100</u>	<u>30,000</u>	<u>132,000</u>
Net Change in Fund Balances	(150,175)	0	(400,755)	(323,212)	30,452	(843,690)
Fund Balances - July 1, 2008	<u>378,890</u>	<u>0</u>	<u>366,695</u>	<u>794,132</u>	<u>369,847</u>	<u>1,909,564</u>
Fund Balances/(Deficit) - June 30, 2009	<u>\$ 228,715</u>	<u>\$ 0</u>	<u>\$ (34,060)</u>	<u>\$ 470,920</u>	<u>\$ 400,299</u>	<u>\$ 1,065,874</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, 2009

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)	\$ (843,690)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,957,374) is allocated over their estimated useful lives and reported as depreciation expense (\$472,660). This is the amount by which capital outlays exceeded depreciation in the current period.	1,484,714
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, gain/(loss) on disposals, trade-ins and donations) is to increase net assets.	203,415
The issuance of long-term debt (\$110,000) (e.g., bonds, notes and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$22,000) consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This amount is the net effect of those differences in the treatment of long-term debt and related items.	(88,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(52,189)
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>(18,738)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 685,512</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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Current Property Taxes	\$ 2,086,843	\$ 2,084,653	\$ (2,190)
State of VT PILOT & Current Use	1,800	5,611	3,811
Penalties and Interest On Delinquent Taxes	5,000	7,267	2,267
IBM Subsidy	302,755	302,755	0
Licenses & Zoning Fees	25,000	34,899	9,899
Water Department Service Fees	42,000	42,000	0
Wastewater Service Fees	24,500	24,500	0
Sanitation Service Fees	15,000	15,000	0
State District Court Fines	5,000	946	(4,054)
State Highway Aid	98,000	95,624	(2,376)
Essex Junction School District			
Tax Collection Fees	48,499	40,799	(7,700)
Lincoln Hall Rentals	427	462	35
Miscellaneous Fire Receipts	30	0	(30)
Miscellaneous Street Receipts	6,000	5,318	(682)
Miscellaneous Library Receipts	600	604	4
Brownell Library Grants	0	3,631	3,631
Donation to Brownell Library	0	993	993
Essex Town Library Contribution	15,000	15,000	0
Investment Interest	15,000	4,229	(10,771)
Other Miscellaneous	7,500	5,505	(1,995)
CVE Noise Violation Fine	0	11,000	11,000
Total Revenue	2,698,954	2,700,796	1,842
Expenditures:			
Administration:			
Salaries - Regular	252,577	247,371	5,206
Salaries - Overtime	135	0	135
Salaries - Part-Time	17,429	17,577	(148)
Social Security	20,949	20,576	373
Unemployment Insurance	507	509	(2)
Workers Compensation Insurance	1,474	1,440	34
Health Insurance and Other Benefits	61,356	61,073	283
Retirement	20,874	20,184	690
Liability and Property Insurance	9,527	9,648	(121)
Public Officials Liability Insurance	8,329	7,919	410
Board Member Fees	2,500	2,500	0
Supplies	5,400	6,333	(933)
Postage	4,000	3,646	354
Computer Expenses	8,339	8,352	(13)
Training & Conferences	5,915	5,023	892
Telephone Services	2,094	2,451	(357)

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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Administration/(Cont'd):			
Communications	\$ 5,173	\$ 7,241	\$ (2,068)
Vehicle Maintenance - Travel	2,400	2,439	(39)
Interview Costs	0	488	(488)
Leased Services	4,372	4,265	107
Legal Fees	12,800	15,148	(2,348)
Other Professional Services	2,000	2,017	(17)
Audit Service	4,543	4,587	(44)
Printing and Advertising	7,500	6,946	554
Pay & Classification Study	4,500	3,750	750
Elections	620	1,228	(608)
Holiday Expense	1,500	2,457	(957)
Trustees Expenditures	2,500	2,247	253
Capital Outlay	1,700	1,440	260
Total Administration	471,013	468,855	2,158
Lincoln Hall:			
Liability and Property Insurance	6,063	5,436	627
Supplies	1,800	1,552	248
Water and Sewer Charges	800	722	78
Telephone Services	1,380	1,219	161
Electrical Service	7,547	6,611	936
Heating	9,853	10,281	(428)
Maintenance - Buildings/Grounds	6,400	10,654	(4,254)
Rubbish Removal	1,574	1,634	(60)
Contractual Services	7,757	7,166	591
Total Lincoln Hall	43,174	45,275	(2,101)
Fire Department:			
Salaries - Part-time Firefighters	92,700	118,212	(25,512)
Social Security	7,092	9,043	(1,951)
Worker's Compensation Insurance	12,150	12,567	(417)
Accident & Disability Insurance	4,200	3,792	408
Liability and Property Insurance	9,963	9,312	651

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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Fire Department/(Cont'd):			
Supplies	\$ 2,400	\$ 1,929	\$ 471
EMS Supplies	1,800	1,708	92
Gas, Oil and Grease	3,200	4,306	(1,106)
Water and Sewer Charges	400	387	13
Training and Conferences	7,000	3,295	3,705
Telephone Services	4,400	3,640	760
Electrical Service	8,250	6,070	2,180
Heating	8,250	5,624	2,626
Maintenance - Buildings/Grounds	2,500	2,424	76
Radio Maintenance	2,000	1,770	230
Maintenance - Other	5,000	9,605	(4,605)
Vehicle Maintenance - Travel	9,000	15,569	(6,569)
Emergency Generator Maintenance	1,500	1,197	303
Uniforms and Boots	17,500	13,806	3,694
Fire Prevention	1,800	638	1,162
Physical Exams	7,000	5,426	1,574
Employee Assistance Program	900	864	36
Hydrant Rental	5,000	5,000	0
New Equipment - Radios	4,300	4,064	236
Routine Equipment Purchases	14,500	11,028	3,472
Total Fire Department	232,805	251,276	(18,471)
Street Department:			
Salaries - Regular	165,666	163,891	1,775
Salaries - Overtime	15,411	17,166	(1,755)
Salaries - Part-time	11,669	12,856	(1,187)
Social Security	14,745	14,867	(122)
Unemployment Insurance	512	551	(39)
Worker's Compensation Insurance	22,230	14,273	7,957
Health Insurance and Other Benefits	69,917	72,185	(2,268)
Employee Retirement	11,009	11,945	(936)
Liability and Property Insurance	15,327	14,531	796
Supplies	16,000	23,190	(7,190)
Winter Maintenance	62,000	87,335	(25,335)
Pavement Maintenance	88,641	84,383	4,258
Gravel and Topsoil	3,500	3,683	(183)
Signs and Posts	6,500	2,958	3,542
Gas, Grease and Oil	20,000	19,751	249
Water and Sewer Charge	1,000	891	109
Training and Conferences	1,000	189	811
Telephone Services	1,068	1,321	(253)
Electrical Service	4,160	4,558	(398)
Street Lights	102,000	106,544	(4,544)

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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Street Department/(Cont'd):			
Traffic Lights	\$ 3,500	\$ 4,054	\$ (554)
Heating	4,000	4,203	(203)
Maintenance - Buildings/Grounds	2,500	6,809	(4,309)
Radio Maintenance	200	0	200
Maintenance - Other	1,000	1,023	(23)
Vehicle Maintenance - Travel	23,800	25,210	(1,410)
Streetscape Maintenance/ Improvements	6,000	10,456	(4,456)
Traffic Light Maintenance	3,000	4,711	(1,711)
Memorial Park	3,500	2,892	608
Street Markings	5,000	4,902	98
Uniforms, Boots, Etc.	4,000	2,599	1,401
Rubbish Removal	4,300	4,198	102
Contract Services	6,000	5,655	345
Equipment Rentals	1,000	42	958
Engineering Services	5,000	30,799	(25,799)
Traffic Calming	4,000	656	3,344
Capital Outlay	5,000	4,350	650
Sidewalk and Curb Maintenance	6,500	2,858	3,642
Storm Sewer Maintenance	7,000	11,310	(4,310)
Storm Sewer Permit Fees	2,300	2,896	(596)
Storm Sewer Public Education	5,000	5,100	(100)
Total Street Department	734,955	791,791	(56,836)
Library:			
Salaries - Regular	219,980	217,122	2,858
Salaries - Part-Time	86,725	94,428	(7,703)
Social Security	25,804	25,712	92
Unemployment Insurance	1,315	1,338	(23)
Workers Compensation Insurance	1,600	1,736	(136)
Health Insurance and Other Benefits	43,557	40,995	2,562
Retirement	14,617	14,954	(337)
Liability and Property Insurance	14,070	13,977	93
Supplies	12,066	14,889	(2,823)
Postage	5,000	4,243	757
Computer Expenses	5,565	2,153	3,412
Water and Sewer Charge	400	443	(43)
Training and Conferences	3,250	2,198	1,052
Telephone Services	1,992	1,995	(3)
Technology Access	4,300	5,599	(1,299)
Electrical Services	15,913	13,745	2,168
Heating	9,583	8,528	1,055

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Library/(Cont'd):			
Maintenance - Building/Grounds	\$ 10,000	\$ 11,447	\$ (1,447)
Alarm System Maintenance	800	449	351
Interview Costs	450	1,051	(601)
Contract Services	22,000	21,014	986
Adult Programs	1,000	881	119
Childrens Programs	3,000	2,957	43
Computer Replacement	5,694	1,689	4,005
Adult Collection - Print & Electronic	50,900	48,264	2,636
Juvenile Collection - Print & Electronic	25,600	25,224	376
Capital Outlay	<u>0</u>	<u>3,664</u>	<u>(3,664)</u>
Total Library	<u>585,181</u>	<u>580,695</u>	<u>4,486</u>
Planning and Zoning:			
Salaries -Regular	98,642	99,755	(1,113)
Salaries - Overtime	0	334	(334)
Salaries - Part Time	3,863	4,243	(380)
Social Security	8,117	8,395	(278)
Unemployment Insurance	256	343	(87)
Workers Compensation Insurance	1,665	526	1,139
Health Insurance and Other Benefits	36,791	39,305	(2,514)
Retirement	6,554	6,797	(243)
Liability Insurance and Property Insurance	1,794	2,028	(234)
Public Officials Liability Insurance	8,329	7,919	410
Boardmember Fee	3,000	3,450	(450)
Supplies	3,000	1,729	1,271
Postage	1,150	723	427
Computer Expenses	1,500	1,222	278
Training and Conferences	3,000	1,212	1,788
Telephone Services	325	348	(23)
Communications	2,100	1,999	101
Vehicle Maintenance - Travel	2,400	2,470	(70)
Legal Services	15,000	7,105	7,895
Other Professional Services	8,000	3,038	4,962
Printing and Advertising	3,500	1,842	1,658
Recording Fees	<u>1,900</u>	<u>1,514</u>	<u>386</u>
Total Planning and Zoning	<u>210,886</u>	<u>196,297</u>	<u>14,589</u>
Economic Development:			
Block Party Expense	5,000	5,000	0
Economic Development General	<u>15,000</u>	<u>5,436</u>	<u>9,564</u>
Total Economic Development	<u>20,000</u>	<u>10,436</u>	<u>9,564</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Miscellaneous Transfers and Expenditures:			
Rolling Stock Fund	\$ 138,100	\$ 138,100	\$ 0
Capital Reserve Fund	300,519	300,519	0
Land Acquisition Fund	25,000	25,000	0
Metropolitan Planning Organization	<u>7,321</u>	<u>7,321</u>	<u>0</u>
Total Miscellaneous Transfers and Expenditures	<u>470,940</u>	<u>470,940</u>	<u>0</u>
Grant and Other Unanticipated Expenditures			
Tax Rebates	0	973	(973)
Library Grant Expenditures	0	3,631	(3,631)
Library Donation Expenditures	0	993	(993)
FY08 Designated for Communications	0	5,471	(5,471)
FY08 Designated for Salaries & Benefits	0	17,100	(17,100)
FY08 Designated for Economic Development	0	5,000	(5,000)
FY08 Designated for Lincoln Hall Sprinkler	<u>0</u>	<u>2,238</u>	<u>(2,238)</u>
Total Grant and Other Unanticipated Expenditures	<u>0</u>	<u>35,406</u>	<u>(35,406)</u>
Total Expenditures	<u>2,768,954</u>	<u>2,850,971</u>	<u>(82,017)</u>
Excess/(Deficiency) of Revenue Over Expenditures	\$ <u>(70,000)</u>	(150,175)	\$ <u>(80,175)</u>
Fund Balance - July 1, 2008		<u>378,890</u>	
Fund Balance - June 30, 2009		\$ <u>228,715</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, 2009

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 207,299	\$ 292,163	\$ 0	\$ 499,462
Receivables (Net of Allowance for Uncollectible Accounts)	154,386	6,827	45,927	207,140
Due from Other Funds	0	147,523	32	147,555
Estimated Unbilled Revenues	207,881	107,793	188,600	504,274
Inventories	5,232	0	35,928	41,160
Other Current Assets	3,829	8,073	8,072	19,974
Total Current Assets	578,627	562,379	278,559	1,419,565
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	10,807	108,057	4,407	123,271
Buildings and Building Improvements	40,000	0	8,303,215	8,343,215
Vehicles, Machinery and Equipment	165,908	106,777	2,229,569	2,502,254
Infrastructure	0	0	45,539	45,539
Transmission and Distribution Plant	7,611,593	6,493,582	0	14,105,175
Less Accumulated Depreciation	(6,461,149)	(4,789,817)	(4,640,213)	(15,891,179)
Total Noncurrent Assets	1,367,159	1,918,599	6,060,594	9,346,352
Total Assets	\$ 1,945,786	\$ 2,480,978	\$ 6,339,153	\$ 10,765,917
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 175,395	\$ 95,009	\$ 26,010	\$ 296,414
Accrued Payroll and Benefits Payable	2,948	2,760	9,332	15,040
Due to Other Funds	0	32	147,523	147,555
Note Payable - Current Portion	0	0	50,000	50,000
Total Current Liabilities	178,343	97,801	232,865	509,009
Noncurrent Liabilities				
Accrued Compensated Absences Payable	2,938	2,864	39,036	44,838
Note Payable - Noncurrent Portion	0	0	200,000	200,000
Total Noncurrent Liabilities	2,938	2,864	239,036	244,838
Total Liabilities	181,281	100,665	471,901	753,847
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	1,367,159	1,918,599	6,060,594	9,346,352
Unrestricted	397,346	461,714	(193,342)	665,718
Total Net Assets	1,764,505	2,380,313	5,867,252	10,012,070
Total Liabilities and Net Assets	\$ 1,945,786	\$ 2,480,978	\$ 6,339,153	\$ 10,765,917

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, 2009

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 2,245,957	\$ 327,398	\$ 1,198,652	\$ 3,772,007
Miscellaneous	<u>13,406</u>	<u>55,421</u>	<u>29</u>	<u>68,856</u>
Total Operating Revenues	<u>2,259,363</u>	<u>382,819</u>	<u>1,198,681</u>	<u>3,840,863</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,142,042	244,981	1,330,957	3,717,980
Depreciation	<u>83,369</u>	<u>85,200</u>	<u>283,217</u>	<u>451,786</u>
Total Operating Expenses	<u>2,225,411</u>	<u>330,181</u>	<u>1,614,174</u>	<u>4,169,766</u>
Operating Income/(Loss)	<u>33,952</u>	<u>52,638</u>	<u>(415,493)</u>	<u>(328,903)</u>
Nonoperating Revenues (Expenses):				
Investment Income	1,851	2,347	210	4,408
Loss on Disposal of Equipment	0	0	(18,826)	(18,826)
Interest Expense	<u>(613)</u>	<u>(133)</u>	<u>(1,660)</u>	<u>(2,406)</u>
Total Nonoperating Revenues (Expenses)	<u>1,238</u>	<u>2,214</u>	<u>(20,276)</u>	<u>(16,824)</u>
Income/(Loss) Before Transfers	35,190	54,852	(435,769)	(345,727)
Transfer In	0	57,732	0	57,732
Transfer Out	0	0	(57,732)	(57,732)
Transfer Out - Infrastructure	<u>(74,040)</u>	<u>0</u>	<u>0</u>	<u>(74,040)</u>
Change in Net Assets	(38,850)	112,584	(493,501)	(419,767)
Net Assets - July 1, 2008	<u>1,803,355</u>	<u>2,267,729</u>	<u>6,360,753</u>	<u>10,431,837</u>
Net Assets - June 30, 2009	<u>\$ 1,764,505</u>	<u>\$ 2,380,313</u>	<u>\$ 5,867,252</u>	<u>\$ 10,012,070</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, 2009

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,209,331	\$ 349,883	\$ 1,192,360	\$ 3,751,574
Receipts for Interfund Services	5,000	0	17,968	22,968
Other Receipts	0	0	29	29
Payments to Suppliers	(2,099,079)	(60,625)	(927,144)	(3,086,848)
Payments for Interfund Services	(42,000)	(33,000)	(24,500)	(99,500)
Payments for Wages and Benefits	(152,688)	(150,874)	(398,258)	(701,820)
Net Cash Provided/(Used) by Operating Activities	(79,436)	105,384	(139,545)	(113,597)
Cash Flows From Noncapital Financing Activities:				
Proceeds of Note Payable	0	0	250,000	250,000
Interest Paid on Pooled Cash	(613)	(133)	(1,660)	(2,406)
Increase/(Decrease) in Due to/from Other Funds	0	(89,759)	89,791	32
Net Cash Provided/(Used) by Noncapital Financing Activities	(613)	(89,892)	338,131	247,626
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(14,152)	(24,724)	(42,447)	(81,323)
Acquisition of Infrastructure Transferred to Government-Wide Governmental Capital Assets	(34,877)	0	0	(34,877)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(49,029)	(24,724)	(42,447)	(116,200)
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	1,851	2,347	210	4,408
Net Cash Provided by Investing Activities	1,851	2,347	210	4,408
Net Increase/(Decrease) in Cash	(127,227)	(6,885)	156,349	22,237
Cash - July 1, 2008	334,526	299,048	(156,349)	477,225
Cash - June 30, 2009	\$ 207,299	\$ 292,163	\$ 0	\$ 499,462
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Operating Income/(Loss)	\$ 33,952	\$ 52,638	\$ (415,493)	\$ (328,903)
Depreciation	83,369	85,200	283,217	451,786
(Increase)/Decrease in Other Receivables	(8,182)	(58)	22,465	14,225
(Increase)/Decrease in Unbilled Revenues	(36,850)	(32,878)	(10,757)	(80,485)
(Increase)/Decrease in Inventory	765	0	(2,488)	(1,723)
Increase/(Decrease) in Accounts Payable	(151,467)	2,675	(20,090)	(168,882)
Increase/(Decrease) in Accrued Payroll and Compensated Absences	638	(342)	4,953	5,249
Increase/(Decrease) in Other Operating Assets/Liabilities	(1,661)	(1,851)	(1,352)	(4,864)
Net Cash Provided/(Used) by Operating Activities	\$ (79,436)	\$ 105,384	\$ (139,545)	\$ (113,597)

## Supplemental Information:

Construction in Progress with a Cost of \$39,163 was Transferred to the Government-Wide Governmental Activities Capital Assets During the Year.

Equipment with a Cost of \$50,135 and Accumulated Depreciation of \$31,309 in the Wastewater Fund was Disposed of During the Year.

The Sanitation Fund acquired \$87,289 of Capital Assets that are Included in Accounts Payable at June 30, 2009.

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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>6,324</u>
Total Assets	<u>6,324</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>6,324</u>
Total Liabilities	<u>6,324</u>
<u>NET ASSETS</u>	\$ <u><u>0</u></u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. The Financial Reporting Entity**

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

### **B. Basis of Presentation**

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

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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

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

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

The Village reports on the following major governmental funds:

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

Whitcomb Terrace Loan Fund – This fund accounts for the loan made by the Village to Whitcomb Terrace Housing Limited Partnership. The loan was made with funds provided by the Vermont Community Development Program (VDCP).

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

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

The Village reports on the following major enterprise funds:

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

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

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

Additionally, the Village reports the following fund types:

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

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.

### **C. Measurement Focus**

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

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

### **D. Basis of Accounting**

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

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

#### **E. Use of Estimates**

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



VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**F. Assets, Liabilities and Equity**

**1. Cash**

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

**2. Investments**

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

**3. Receivables**

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

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

**4. Inventories and Prepaid Expenses**

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

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

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

## 5. Capital Assets

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

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

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

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

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

## 6. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The Village also pays 50% of accumulated sick time over 800 hours at retirement if the employee has 15 years of service. The maximum payout amount is limited to 500 hours. The 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.

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

## **7. Noncurrent Liabilities**

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

## **8. Fund Equity**

Fund balances and net assets 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 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 balances and net assets represent tentative management plans that are subject to change. Undesignated fund balances 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 expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

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

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**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 Transaction	Elimination of Interfund Balances	Statement of Net Assets
<b>ASSETS</b>						
Cash and Cash						
Equivalents	\$ 1,068,621	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,068,621
Receivables	70,471	0	0	0	0	70,471
Note Receivable	97,531	0	0	0	0	97,531
Due from Other Funds	39,204	0	0	0	(39,204)	0
Inventories	41,315	0	0	0	0	41,315
Prepaid Expenses	33,932	0	0	0	0	33,932
Capital Assets	0	0	9,513,828	0	0	9,513,828
<b>Total Assets</b>	<b>1,351,074</b>	<b>0</b>	<b>9,513,828</b>	<b>0</b>	<b>(39,204)</b>	<b>10,825,698</b>
<b>LIABILITIES</b>						
Accounts Payable	65,975	0	0	0	0	65,975
Accrued Payroll and						
Benefits Payable	31,013	0	0	0	0	31,013
Due to Other Funds	39,204	0	0	0	(39,204)	0
Due to Others	3,475	0	0	0	0	3,475
Deferred Revenue	145,533	(136,092)	0	0	0	9,441
Non-Current Liabilities	0	89,827	0	88,000	0	177,827
<b>Total Liabilities</b>	<b>285,200</b>	<b>(46,265)</b>	<b>0</b>	<b>88,000</b>	<b>(39,204)</b>	<b>287,731</b>
<b>NET ASSETS</b>						
Invested in Capital Assets	0	0	9,513,828	(88,000)	0	9,425,828
Other	1,065,874	46,265	0	0	0	1,112,139
<b>Total Net Assets</b>	<b>\$ 1,065,874</b>	<b>\$ 46,265</b>	<b>\$ 9,513,828</b>	<b>\$ (88,000)</b>	<b>\$ 0</b>	<b>\$ 10,537,967</b>

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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

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

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-Term Debt Items	Reclassifications and Elimination of Interfund Activity	Statement of Activities
<b>REVENUES</b>						
Taxes	\$ 2,387,408	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 2,388,908
Payment in Lieu of Taxes	5,611	0	0	0	0	5,611
Penalties and Interest	7,267	0	0	0	0	7,267
Intergovernmental Revenues	875,779	(57,441)	0	0	(818,338)	0
Charges for Services	149,837	0	0	0	(29,678)	120,159
Investment Income	15,608	0	0	0	0	15,608
Fines and Forfeits	11,946	0	0	0	(11,946)	0
Licenses and Permits	34,898	0	0	0	(34,898)	0
Contributions	34,569	0	0	0	(34,569)	0
Other Revenues	11,428	0	0	0	(4,977)	6,451
Operating Grants and Contributions	0	3,752	0	0	117,158	120,910
Capital Grants and Contributions	0	0	286,471	0	735,748	1,022,219
Proceeds of Long-Term Debt	110,000	0	0	(110,000)	0	0
Sale of Equipment	22,000	0	(22,000)	0	0	0
Transfers from Other Funds	468,619	0	0	0	(468,619)	0
<b>Total Revenues</b>	<b>4,134,970</b>	<b>(52,189)</b>	<b>264,471</b>	<b>(110,000)</b>	<b>(550,119)</b>	<b>3,687,133</b>
<b>EXPENDITURES</b>						
General Government	765,014	10,672	14,587	0	(81,500)	708,773
Public Safety	251,276	0	97,628	0	2,200	351,104
Public Works	988,243	(76)	289,221	0	0	1,277,388
Community Development	10,436	0	108	0	0	10,544
Culture and Recreation	513,498	8,142	132,172	0	0	653,812
Debt Service	24,200	0	0	(22,000)	(2,200)	0
Capital Expenditures	1,957,374	0	(1,957,374)	0	0	0
Transfers to Other Funds	468,619	0	0	0	(468,619)	0
<b>Total Expenditures</b>	<b>4,978,660</b>	<b>18,738</b>	<b>(1,423,658)</b>	<b>(22,000)</b>	<b>(550,119)</b>	<b>3,001,621</b>
Net Change for the Year	\$ (843,690)	\$ (70,927)	\$ 1,688,129	\$ (88,000)	\$ 0	\$ 685,512

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

Enterprise fund budgets are approved by the Trustees.

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2009, expenditures exceeded appropriations in the General Fund by \$82,017. These were funded primarily with prior year surpluses.

**C. Budgeted Deficit**

The Village budgeted a current year's deficit of \$70,000 in the General Fund in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenue over expenditures in Exhibit F.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 187,381	\$ 187,381
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	1,386,801	1,576,290
Petty Cash	225	0
	<u>\$ 1,574,407</u>	<u>\$ 1,763,671</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2009, the Village is not exposed to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Village's policy does not allow investment in securities that are subject to credit risk unless issued by the Federal Government. As of June 30, 2009, the Village is not exposed to credit risk.

Concentration of Credit Risk

The Village has no limit on the amount that they may invest with any one issuer. As of June 30, 2009, the Village is not exposed to concentration of credit risk.

**B. Receivables**

Receivables at June 30, 2009, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Taxes	15,824	0	15,824
Delinquent Taxes	7,754	0	7,754
Penalties and Interest	4,179	1,348	5,527
Billed Services	23,960	179,718	203,678
Unbilled Services	2,693	504,275	506,968
Grants	17,061	0	17,061
Other Governments	0	26,073	26,073
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	<u>70,471</u>	<u>711,414</u>	<u>781,885</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**C. Note Receivable**

The Note Receivable is as follows:

Note Receivable – Whitcomb Terrace Housing Limited Partnership, Principal Deferred Until December 17, 2034, at Which Time the Note is Due, Interest at 0%, Secured by a 2 <sup>nd</sup> Position on Building	\$ 260,000
Discount on Note Receivable	<u>(162,469)</u>
Net Note Receivable	\$ <u>97,531</u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 55,742	\$ 0	\$ 0	\$ 55,742
Construction in Progress	764,704	47,825	764,704	47,825
Antiques and Works of Art	12,000	0	0	12,000
Total Capital Assets, Not Being Depreciated	<u>832,446</u>	<u>47,825</u>	<u>764,704</u>	<u>115,567</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,764,647	23,172	0	1,787,819
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	2,953,038	1,757,559	546,524	4,164,073
Library Books	806,534	76,060	61,651	820,943
Parks	208,090	0	0	208,090
Roads, Curbs, Sidewalks and Storm Sewers	4,289,020	1,113,870	0	5,402,890
Totals	<u>10,021,329</u>	<u>2,970,661</u>	<u>608,175</u>	<u>12,383,815</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	418,262	42,379	0	460,641
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,705,279	192,492	453,531	1,444,240
Library Books	527,280	81,599	61,651	547,228
Parks	6,373	2,549	0	8,922
Roads, Curbs, Sidewalks and Storm Sewers	370,882	153,641	0	524,523
Totals	<u>3,028,076</u>	<u>472,660</u>	<u>515,182</u>	<u>2,985,554</u>
Total Capital Assets, Being Depreciated	<u>6,993,253</u>	<u>2,498,001</u>	<u>92,993</u>	<u>9,398,261</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,825,699</u>	<u>\$ 2,545,826</u>	<u>\$ 857,697</u>	<u>\$ 9,513,828</u>

\* The beginning balances of cost for Vehicles, Machinery, Equipment, Furniture and Traffic Lights and Roads, Curbs, Sidewalks and Storm Sewers have been reclassified to correct the recording of new assets in the fiscal year ended June 30, 2008. Vehicles, Machinery, Equipment, Furniture and Traffic Lights has been decreased by \$50,255 and Roads, Curbs, Sidewalks and Storm Sewers has been increased by \$50,255.



VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 118,077	\$ 0	\$ 0	\$ 118,077
Construction in Progress	169,028	120,537	166,294	123,271
Total Capital Assets, Not Being Depreciated	<u>287,105</u>	<u>120,537</u>	<u>166,294</u>	<u>241,348</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,343,215	0	0	8,343,215
Vehicles, Machinery, Equipment and Furniture	2,504,313	48,076	50,135	2,502,254
Infrastructure	45,539	0	0	45,539
Distribution and Collection Systems	13,978,045	127,130	0	14,105,175
Totals	<u>24,871,112</u>	<u>175,206</u>	<u>50,135</u>	<u>24,996,183</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	3,586,963	168,047	0	3,755,010
Vehicles, Machinery, Equipment and Furniture	979,598	125,780	31,309	1,074,069
Infrastructure	7,969	2,277	0	10,246
Distribution and Collection Systems	10,896,172	155,682	0	11,051,854
Totals	<u>15,470,702</u>	<u>451,786</u>	<u>31,309</u>	<u>15,891,179</u>
Total Capital Assets, Being Depreciated	<u>9,400,410</u>	<u>(276,580)</u>	<u>18,826</u>	<u>9,105,004</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,687,515</u>	<u>\$ (156,043)</u>	<u>\$ 185,120</u>	<u>\$ 9,346,352</u>

Depreciation was charged as follows:

<b>Governmental Activities:</b>		<b>Business - Type Activities:</b>	
General Government	\$ 14,587	Water	\$ 83,369
Public Safety	61,132	Sanitation	85,200
Community Development	108	Wastewater	<u>283,217</u>
Public Works	265,071		
Culture and Recreation	<u>131,762</u>		
Total Depreciation		Total Depreciation Expense	
Expense - Governmental		- Business-Type Activities	
Activities	<u>\$ 472,660</u>		<u>\$ 451,786</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**E. Interfund Balances and Activity**

The composition of interfund balances at June 30, 2009 are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 39,204	\$ 0
Capital Reserve Fund	0	39,204
Sanitation Fund	147,523	32
Wastewater Fund	<u>32</u>	<u>147,523</u>
Total	<u>\$ 186,759</u>	<u>\$186,759</u>

The Interfund transfers during the year ended June 30, 2009 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Block Party Fund	\$ 5,000	Annual Subsidy
General Fund	Rolling Stock Reserve Fund	138,100	Annual Subsidy
General Fund	Capital Reserve Fund	300,519	Annual Subsidy
General Fund	Land Acquisition Capital Reserve Fund	<u>25,000</u>	Annual Subsidy
Total		<u>\$ 468,619</u>	

**F. Deferred Revenue**

Deferred Revenue in the General Fund consists of \$21,500 of delinquent property taxes and penalty and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Deferred Revenue also includes \$8,393 of property taxes received in advance for fiscal year 2010 and \$1,048 of deferred Library grant revenue. Total Deferred Revenue in the General Fund is \$30,941.

Deferred Revenue in the Whitcomb Terrace Loan Fund consists of \$97,531 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Capital Reserve Fund consists of \$17,061 of grant money earned but not received within 60 days after year-end as these funds are not available to liquidate current liabilities.

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**G. Long-term Liabilities**

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

Compensated Absences - All earned vacation time must be used by June 30 unless a carry-over is approved by the Town Manager. Employees with more than 10 years of service to the Town will be paid the value of their unused sick leave at their current rate of pay upon retirement, termination or death.

Long-term liabilities outstanding as of June 30, 2009 were as follows:

Notes Payable:

Governmental Activities:

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2009</u>
Note Payable - State of Vermont Municipal Equipment Loan Fund, Fire truck Purchase, Interest at 2%, \$22,000 Due Annually Plus Interest, Due June, 2013	\$ <u>0</u>	\$ <u>110,000</u>	\$ <u>22,000</u>	\$ <u>88,000</u>
Total Governmental Activities	\$ <u>0</u>	\$ <u>110,000</u>	\$ <u>22,000</u>	\$ <u>88,000</u>

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2009</u>
<u>Business-Type Activities</u>				
Note Payable – Chittenden Bank, Wastewater Deficit Funding Note, Interest at 3.25%, \$50,000 Plus Interest Due Annually, Due June, 2014	\$ <u>0</u>	\$ <u>250,000</u>	\$ <u>0</u>	\$ <u>250,000</u>
Total Business-Type Activities	\$ <u>0</u>	\$ <u>250,000</u>	\$ <u>0</u>	\$ <u>250,000</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Notes Payable	\$ 0	\$ 110,000	\$ 22,000	\$ 88,000	\$ 22,000
Compensated Absences	<u>71,089</u>	<u>18,738</u>	<u>0</u>	<u>89,827</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>71,089</u>	<u>128,738</u>	<u>22,000</u>	<u>177,827</u>	<u>\$ 22,000</u>
<b>Business-type Activities</b>					
Notes Payable	0	250,000	0	250,000	50,000
Compensated Absences	<u>43,277</u>	<u>1,561</u>	<u>0</u>	<u>44,838</u>	<u>0</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 43,277</u>	<u>\$ 251,561</u>	<u>\$ 0</u>	<u>\$ 294,838</u>	<u>\$ 50,000</u>

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

Maturities of notes and bonds payable are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 22,000	\$ 1,760	\$ 50,000	\$ 8,125
2011	22,000	1,732	50,000	6,500
2012	22,000	880	50,000	4,875
2013	22,000	440	50,000	3,250
2014	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>1,625</u>
Total	<u>\$ 88,000</u>	<u>\$ 4,812</u>	<u>\$ 250,000</u>	<u>\$ 24,375</u>

#### H. Reserved Governmental Fund Balances

The Reserved Governmental Fund Balances of the Village as of June 30, 2009 consisted of the following:

##### General Fund

Reserved for Prepaid Expenses and Inventory \$74,348

##### Special Revenue Funds

Reserved for Block Party Fund Prepaid Expenses 899

Total Reserved Governmental Fund Balances \$75,247

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**I. Designated Governmental Fund Balances**

The Designated Governmental Fund Balances of the Village as of June 30, 2009 consisted of the following:

General Fund

Designated for Tax Reduction in Fiscal Year 2010	\$ <u>59,000</u>
Total General Fund	<u>59,000</u>

Special Revenue Funds

Designated for Library Expenses	1,033
Designated for Engineering Expenses	7,659
Designated for Block Party Expenses	5,810
Designated for Veterans Memorial Park	<u>4,399</u>
Total Special Revenue Funds	<u>18,901</u>

Capital Projects Funds

Designated for Rolling Stock	470,920
Designated for Land Acquisition	<u>380,499</u>
Total Capital Projects Funds	<u>851,419</u>
Total Designated Governmental Fund Balances	\$ <u>929,320</u>

The \$34,060 deficit in the Capital Reserve Fund will be funded in 2010 with an appropriation from the General Fund.

**J. Restricted Net Assets**

The Restricted Net Assets of the Governmental Activities as of June 30, 2008 consisted of the following:

Restricted for Community Development By Loan Agreement	\$ <u>97,531</u>
Total Restricted Governmental Net Assets	\$ <u>97,531</u>

The Village does not have any restricted business-type net assets or restricted proprietary net assets as of June 30, 2009.

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**K. Designated Proprietary Net Assets**

The designated proprietary net assets of the Village as of June 30, 2009 consisted of the following:

Water Fund

Designated for Water Fund Expenditures	\$ 134,416
Designated for Water Fund Capital Expenditures	<u>262,930</u>
Total Water Fund	<u>397,346</u>

Sanitation Fund

Designated for Sanitation Fund Expenditures	89,449
Designated for WWTF Upgrades	57,732
Designated for Sanitation Fund Capital Expenditures	<u>314,533</u>
Total Sanitation Fund	<u>461,714</u>

Wastewater Fund

Designated for Wastewater Fund Capital Expenditures	85,305
Amount Designated in Excess of Available Net Assets	<u>(85,305)</u>
Total Wastewater Fund	<u>0</u>

Total Designated Proprietary Net Assets      \$ 859,060

The \$193,342 undesignated deficit in the Wastewater Fund will be funded over a five year period with excess revenues.

**V. OTHER INFORMATION**

**A. BENEFIT PLANS**

The Village offers a 401(a) pension plan to all full time employees with 100% vesting after three (3) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The plan requires a 5% contribution of base pay from the employee with a 10% match of base pay by the Village for all employees except the village Manager who receives 15% of base pay. International City/County Management Association "ICMA" Retirement Corporation administers the Plan. All of the investments are self-directed by each employee. The total payroll for the year was \$1,468,704 while the covered payroll was \$1,128,025. Pension expense for the years ended June 30, 2009, 2008 and 2007 were \$82,514, \$105,953, and \$98,962, respectively. In FY2009 an accumulated "forfeiture" account with ICMA totaling \$37,979 was used to fund a portion of retirement expense.

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

The Village also offers its employees a deferred compensation plan through the International City/County Management Association "ICMA" Retirement Corporation in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Village has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee. The balance of the assets in the plan, at fair market value, as of June 30, 2009 was \$296,054.

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

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

**B. CONCENTRATION OF REVENUE/EXPENSES**

The Village receives a major portion of its revenue from International Business Machines "IBM". For the year ended June 30, 2009, the Village received 24.8% of total property taxes from IBM and received 72.7% 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, 2009. The Village incurred \$1,906,974 in expenses to CWD.

**C. PROPERTY TAXES**

The Village is responsible for assessing and collecting its own property taxes, as well as state and local property taxes and recreation taxes for the School. 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, 2009, taxes became due and payable on September 15, 2008 and March 16, 2009. The Village assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for fiscal year 2009 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Village	.2075	.2075
Education	1.3233	1.3297
Local Agreement	.0023	.0023
Recreation Tax	<u>.0677</u>	<u>.0677</u>
Total	\$ <u>1.6008</u>	\$ <u>1.6072</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**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.

**E. CONTINGENT LIABILITIES**

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



VILLAGE OF ESSEX JUNCTION, VERMONT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash	\$ 19,318	\$ 380,499	\$ 399,817
Receivables	5,786	0	5,786
Prepaid Expenses	<u>899</u>	<u>0</u>	<u>899</u>
Total Assets	<u>\$ 26,003</u>	<u>\$ 380,499</u>	<u>\$ 406,502</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>6,203</u>	\$ <u>0</u>	\$ <u>6,203</u>
Total Liabilities	<u>6,203</u>	<u>0</u>	<u>6,203</u>
Fund Balances:			
Reserved for:			
Prepaid Expenses	899	0	899
Unreserved:			
Designated	<u>18,901</u>	<u>380,499</u>	<u>399,400</u>
Total Fund Balances	<u>19,800</u>	<u>380,499</u>	<u>400,299</u>
Total Liabilities and Fund Balances	<u>\$ 26,003</u>	<u>\$ 380,499</u>	<u>\$ 406,502</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
Revenues:			
Charges for Services	\$ 27,076	\$ 0	\$ 27,076
Interest	76	4,364	4,440
Contributions	<u>2,903</u>	<u>0</u>	<u>2,903</u>
Total Revenues	<u>30,055</u>	<u>4,364</u>	<u>34,419</u>
Expenditures:			
Current Expenditures			
General Government	23,808	0	23,808
Culture & Recreation	7,337	0	7,337
Capital Outlay:			
Culture & Recreation	<u>2,822</u>	<u>0</u>	<u>2,822</u>
Total Expenditures	<u>33,967</u>	<u>0</u>	<u>33,967</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,912)</u>	<u>4,364</u>	<u>452</u>
Other Financing Sources:			
Transfers in	<u>5,000</u>	<u>25,000</u>	<u>30,000</u>
Total Other Financing Sources	<u>5,000</u>	<u>25,000</u>	<u>30,000</u>
Net Change in Fund Balances	1,088	29,364	30,452
Fund Balances - July 1, 2008	<u>18,712</u>	<u>351,135</u>	<u>369,847</u>
Fund Balances - June 30, 2009	<u><u>\$ 19,800</u></u>	<u><u>\$ 380,499</u></u>	<u><u>\$ 400,299</u></u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2009

	Library Fund	Engineering Fees Fund	Block Party Fund	Veterans Memorial Park Fund	Total
<u>ASSETS</u>					
Cash	\$ 1,450	\$ 7,659	\$ 5,810	\$ 4,399	\$ 19,318
Receivables	0	5,786	0	0	5,786
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>899</u>	<u>0</u>	<u>899</u>
TOTAL ASSETS	\$ <u>1,450</u>	\$ <u>13,445</u>	\$ <u>6,709</u>	\$ <u>4,399</u>	\$ <u>26,003</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ <u>417</u>	\$ <u>5,786</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>6,203</u>
Total Liabilities	<u>417</u>	<u>5,786</u>	<u>0</u>	<u>0</u>	<u>6,203</u>
Fund Balances:					
Reserved For:					
Prepaid Expenses	0	0	899	0	899
Unreserved:					
Designated	<u>1,033</u>	<u>7,659</u>	<u>5,810</u>	<u>4,399</u>	<u>18,901</u>
Total Fund Balances	<u>1,033</u>	<u>7,659</u>	<u>6,709</u>	<u>4,399</u>	<u>19,800</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,450</u>	\$ <u>13,445</u>	\$ <u>6,709</u>	\$ <u>4,399</u>	\$ <u>26,003</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

	Library Fund	Engineering Fees Fund	Block Party Fund	Veterans Memorial Park Fund	Total
Revenue:					
Book Income	\$ 3,259	\$ 0	\$ 0	\$ 0	\$ 3,259
Contributions	0	0	2,853	50	2,903
Engineering Fees	0	23,817	0	0	23,817
Investment Income	8	36	24	8	76
Total Revenue	<u>3,267</u>	<u>23,853</u>	<u>2,877</u>	<u>58</u>	<u>30,055</u>
Expenditures:					
Park Expenses	0	0	0	1,072	1,072
Block Party Expenses	0	0	6,266	0	6,266
Engineering Expenses	0	23,807	0	0	23,807
Capital Outlay:					
Library	2,822	0	0	0	2,822
Total Expenditures	<u>2,822</u>	<u>23,807</u>	<u>6,266</u>	<u>1,072</u>	<u>33,967</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>445</u>	<u>46</u>	<u>(3,389)</u>	<u>(1,014)</u>	<u>(3,912)</u>
Other Financing Sources:					
Transfers In	0	0	5,000	0	5,000
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Net Change in Fund Balances	445	46	1,611	(1,014)	1,088
Fund Balance - July 1, 2008	<u>588</u>	<u>7,613</u>	<u>5,098</u>	<u>5,413</u>	<u>18,712</u>
Fund Balance - June 30, 2009	<u>\$ 1,033</u>	<u>\$ 7,659</u>	<u>\$ 6,709</u>	<u>\$ 4,399</u>	<u>\$ 19,800</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 FIDUCIARY FUNDS - AGENCY FUNDS  
 JUNE 30, 2009

	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>4,324</u>	\$ <u>6,324</u>
Total Assets	\$ <u><u>2,000</u></u>	\$ <u><u>4,324</u></u>	\$ <u><u>6,324</u></u>
<u>LIABILITIES</u>			
Due to Other Organizations	\$ <u>2,000</u>	\$ <u>4,324</u>	\$ <u>6,324</u>
Total Liabilities	<u>2,000</u>	<u>4,324</u>	<u>6,324</u>
<u>NET ASSETS</u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 580,201	\$ 598,158	\$ 17,957
Water Sales - IBM	1,770,058	1,535,349	(234,709)
Water Sales - IBM Vermont Tax	45,715	39,587	(6,128)
Water Sales - Large Users	38,203	67,862	29,659
Hydrant Rentals	5,000	5,000	0
Penalties	3,000	3,341	341
Miscellaneous	20,350	10,066	(10,284)
Interest Earnings	0	4	4
Total Revenue	2,462,527	2,259,367	(203,160)
Expenses:			
Salaries - Regular	84,458	84,171	287
Salaries - Overtime	12,825	11,799	1,026
Salaries - Part-time	2,915	5,492	(2,577)
Social Security	7,665	7,770	(105)
Unemployment Insurance	239	276	(37)
Workers Compensation Insurance	3,105	4,631	(1,526)
Health Insurance and Other Benefits	28,045	33,146	(5,101)
Retirement	5,612	6,041	(429)
Liability and Property Insurance	3,768	3,789	(21)
Interest Expense	3,000	613	2,387
Supplies	5,000	2,966	2,034
Postage	600	674	(74)
Gas, Oil and Grease	2,500	1,273	1,227
Meters and Parts	10,000	9,355	645
Distribution Materials	3,500	5,086	(1,586)
Computer Expenses	400	553	(153)
Water & Sewer Charges	150	86	64
Training and Conferences	1,500	945	555
Electrical Service	600	528	72
Heat	3,500	3,261	239
Maintenance - Other	2,000	775	1,225
Water Line Maintenance - Breaks	16,000	931	15,069
Uniforms and Boots	1,000	741	259
Contract Services	42,000	42,000	0
Other Professional Services	1,000	2,646	(1,646)
Audit Services	2,714	2,711	3
Water Purchases - Village	332,325	323,680	8,645
Water Purchases - IBM	1,770,058	1,535,349	234,709
Printing and Advertising	1,750	1,531	219
Transfer to Capital Reserve	60,000	60,000	0
State Water Tax - Village	8,583	8,358	225
State Water Tax - IBM	45,715	39,587	6,128
Capital Outlay	0	5,237	(5,237)
Total Expenses	2,462,527	2,206,001	256,526
Net Income	\$ 0	53,366	\$ 53,366
Adjustments to Reconcile to GAAP Basis Statements:			
Purchase of Equipment		3,345	
Capital Reserve Fund Transfer		60,000	
Transfer of Pearl Street Sidewalk to General Fund		(74,040)	
Interest Earned on Capital Reserve Fund		1,848	
Depreciation		(83,369)	
Change in Net Assets - Exhibit H		\$ (38,850)	

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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 265,032	\$ 290,449	\$ 25,417
Sanitation Penalty	1,800	1,421	(379)
Essex Pump Station Fees	20,575	21,948	1,373
2 Party Agreement Revenue	15,000	15,000	0
Miscellaneous	24,000	54,000	30,000
Interest Earnings	0	17	17
Total Revenue	326,407	382,835	56,428
Expenses:			
Salaries - Regular	82,411	78,519	3,892
Salaries - Overtime	14,681	13,297	1,384
Salaries - Part Time	4,785	6,566	(1,781)
Social Security	7,794	7,587	207
Unemployment Insurance	256	276	(20)
Workers Compensation Insurance	3,164	4,494	(1,330)
Health Insurance and Other Benefits	38,819	34,296	4,523
Retirement	5,476	5,498	(22)
Liability and Property Insurance	7,003	6,696	307
Interest Expense	3,000	133	2,867
Supplies	1,000	957	43
Postage	1,200	1,349	(149)
Gas, Grease and Oil	1,300	2,209	(909)
Computer Expenses	700	840	(140)
Training and Conferences	600	0	600
Electrical Service	6,000	7,214	(1,214)
Maintenance - Other	1,500	632	868
Pump Station Maintenance	2,000	3,280	(1,280)
Sanitation Lines Maintenance	16,000	6,344	9,656
Susie Wilson Pump Station Costs	8,415	7,702	713
West St. Pump Station Costs	10,215	12,984	(2,769)
Uniforms, Boots, Etc.	1,000	701	299
Contractual Services	33,000	33,000	0
Right-Of-Way Agreements	6,731	6,618	113
Sanitation Line Backup Cleaning	1,500	0	1,500
Other Professional Services	1,500	2,567	(1,067)
Audit Services	1,357	1,355	2
Capital Reserve Fund Contributions	65,000	95,000	(30,000)
Capital Outlay	0	6,689	(6,689)
Total Expenses	326,407	346,803	(20,396)
Net Income	\$ 0	36,032	\$ 36,032
Adjustments to Reconcile to GAAP Basis Statements:			
Purchase of Equipment		6,689	
Interest Earned on Capital Reserve Fund		2,331	
Transfer in from WWTF Fund		57,732	
Capital Reserve Fund Transfer		95,000	
Depreciation		(85,200)	
Change in Net Assets - Exhibit H		\$ 112,584	

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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 404,387	\$ 412,654	\$ 8,267
Village User Penalties	1,500	2,168	668
Wastewater Charge - Essex	314,853	291,893	(22,960)
Wastewater Charge - Williston	387,862	342,110	(45,752)
Pump Station Maintenance Fee	18,000	18,000	0
Sewer Capacity Lease	5,169	5,361	192
Village Septage Discharge Income	19,000	31,993	12,993
Shared Septage Revenue	9,500	15,757	6,257
Village Leachate Revenues	8,000	52,740	44,740
Shared Leachate Revenues	4,000	25,976	21,976
Miscellaneous	0	29	29
Total Revenue	<u>1,172,271</u>	<u>1,198,681</u>	<u>26,410</u>
Expenses:			
Salaries - Regular	228,872	227,686	1,186
Salaries - Overtime	26,126	23,898	2,228
Salaries - Part-Time	7,699	14,812	(7,113)
Social Security	20,096	20,176	(80)
Unemployment Insurance	545	623	(78)
Workers Compensation Insurance	8,161	11,610	(3,449)
Health Insurance and Other Benefits	85,921	88,310	(2,389)
Retirement	15,208	16,095	(887)
Liability and Property Insurance	23,985	22,580	1,405
Interest Expense	4,500	1,660	2,840
Supplies	13,000	13,864	(864)
Chemicals	145,000	197,624	(52,624)
Gas, Grease and Oil	4,500	2,842	1,658
Water and Sewer Charge	1,000	775	225
Training and Conferences	3,500	1,993	1,507
Telephone Services	2,772	2,108	664
Electrical Service	90,000	130,797	(40,797)
Heating	6,000	19,365	(13,365)
Maintenance - Other	60,000	67,389	(7,389)
Vehicles Maintenance - Travel	4,000	5,212	(1,212)
Uniforms, Boots, Etc.	3,000	2,656	344
Contract Laboratory Service	7,200	4,716	2,484
Contract Services	24,500	24,500	0
Grit Disposal	8,000	16,837	(8,837)
Sludge Dewatering	155,000	140,253	14,747
Sludge Management	110,000	118,585	(8,585)
Other Professional Services	6,500	11,097	(4,597)
Audit Services	3,186	3,182	4
Digester Cleaning	0	149,990	(149,990)
Capital Reserve Fund Contributions	95,000	95,000	0
Capital Outlay	9,000	4,039	4,961
Total Expenses	<u>1,172,271</u>	<u>1,440,274</u>	<u>(268,003)</u>
Net Income/(Loss)	<u>\$ 0</u>	(241,593)	<u>\$ (241,593)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Purchases of Equipment		12,657	
Capital Reserve Fund Transfer		95,000	
Transfer to Sanitation Fund		(57,732)	
Interest Earned on Capital Reserve Fund		210	
Loss on Disposition of Equipment		(18,826)	
Depreciation		<u>(283,217)</u>	
Change in Net Assets - Exhibit H		<u>\$ (493,501)</u>	