

VILLAGE OF ESSEX JUNCTION, VERMONT

AUDIT REPORT

JUNE 30, 2010

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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, 2010, 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.

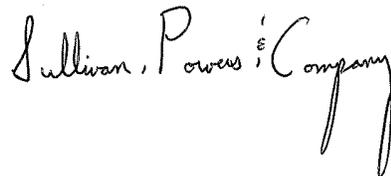
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2010 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.

February 18, 2011
Montpelier, Vermont
Vt Lic. #92-000180

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

MANAGEMENT'S DISCUSSION & ANALYSIS

The Village of Essex Junction (the "Village") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2010.

Financial Highlights

- Assets exceeded liabilities on June 30, 2010 by \$21,809,011 (*net assets*). Of this amount, \$2,381,489 (*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 \$1,258,974. Of this amount, net assets attributable to governmental activities increased by \$985,166. Net assets attributable to business-type activities increased by \$273,808.
- Fund balances of governmental funds increased by \$326,700 in fiscal FY10. The General Fund had \$187,170 of unreserved, undesignated fund balance at 6/30/10. This is equal to 6.1% of the approved FY11 General Fund Budget. As of 6/30/09 the General Fund had \$95,367 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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Current and Other Assets	\$1,899,667	\$1,311,870	\$1,546,966	\$1,272,011	\$3,446,633	\$2,583,881
Capital Assets	<u>\$10,167,556</u>	<u>\$9,513,828</u>	<u>\$9,576,460</u>	<u>\$9,346,352</u>	<u>\$19,744,016</u>	<u>\$18,860,180</u>
Total Assets	\$12,067,223	\$10,825,698	\$11,123,426	\$10,618,363	\$23,190,649	\$21,444,061
Current Liabilities	\$390,723	\$197,904	\$387,341	\$561,455	\$778,064	\$759,359
Long-term Liabilities	<u>\$153,367</u>	<u>\$89,827</u>	<u>\$450,207</u>	<u>\$44,838</u>	<u>\$603,574</u>	<u>\$134,665</u>
Total Liabilities	\$544,090	\$287,731	\$837,548	\$606,293	\$1,381,638	\$894,024
Net Assets						
Invested in capital assets, net of						
Related Debt	\$10,101,556	\$9,425,828	\$9,325,966	\$9,346,352	\$19,427,522	\$18,772,180
Restricted	\$0	\$97,531	\$0	\$0	\$0	\$97,531
Unrestricted	<u>\$1,421,577</u>	<u>\$1,014,608</u>	<u>\$959,912</u>	<u>\$665,718</u>	<u>\$2,381,489</u>	<u>\$1,680,326</u>
Total Net Assets	<u>\$11,523,133</u>	<u>\$10,537,967</u>	<u>\$10,285,878</u>	<u>\$10,012,070</u>	<u>\$21,809,011</u>	<u>\$20,550,037</u>

As stated above, assets exceeded liabilities by \$21,809,011 at the end of fiscal year 2010. Net assets at the end of fiscal year 2009 exceeded liabilities by \$20,550,037.

The largest portion of the Village's net assets is in its investment in capital assets (89.1%). 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.

None of the Village's assets are subject to restrictions on how they may be used. Unrestricted net assets (\$2,381,489) 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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues						
Program Revenues						
Charges for services	\$107,036	\$120,159	\$4,475,946	\$3,840,862	\$4,582,982	\$3,961,021
Operating grants and contributions	\$170,898	\$120,910	\$0	\$0	\$170,898	\$120,910
Capital grants and contributions	\$1,020,344	\$1,022,219	\$397,328	\$57,732	\$1,417,672	\$1,079,951
General Revenues						
Property taxes and PILOT	\$2,429,166	\$2,388,908	\$0	\$0	\$2,429,166	\$2,388,908
Unrestricted investment earnings	\$3,055	\$15,608	\$779	\$2,003	\$3,834	\$17,611
Other revenues	\$19,234	\$19,329	\$2,202	\$0	\$21,436	\$19,329
Total Revenues	\$3,749,733	\$3,687,133	\$4,876,255	\$3,900,597	\$8,625,988	\$7,587,730
Expenses						
Governmental activities						
General Government	\$569,475	\$708,773	\$0	\$0	\$569,475	\$708,773
Public Safety	\$334,250	\$351,104	\$0	\$0	\$334,250	\$351,104
Public Works	\$1,025,051	\$1,277,388	\$0	\$0	\$1,025,051	\$1,277,388
Community Development	\$163,325	\$10,544	\$0	\$0	\$163,325	\$10,544
Culture and Recreation	\$672,466	\$653,812	\$0	\$0	\$672,466	\$653,812
Business-type activities						
Water	\$0	\$0	\$2,601,297	\$2,299,451	\$2,601,297	\$2,299,451
Sanitation	\$0	\$0	\$452,094	\$330,181	\$452,094	\$330,181
Wastewater	\$0	\$0	\$1,549,056	\$1,690,732	\$1,549,056	\$1,690,732
Total Expenses	\$2,764,567	\$3,001,621	\$4,602,447	\$4,320,364	\$7,367,014	\$7,321,985
Change in net assets	\$985,166	\$685,512	\$273,808	-\$419,767	\$1,258,974	\$265,745
Net assets - Beginning of Year	\$10,537,967	\$9,852,455	\$10,012,070	\$10,431,837	\$20,550,037	\$20,284,292
Net assets - End of Year	\$11,523,133	\$10,537,967	\$10,285,878	\$10,012,070	\$21,809,011	\$20,550,037

At the end of FY10, the Village of Essex Junction has positive balances in all three categories of net assets for all funds except the Wastewater Treatment Fund. The Wastewater Treatment Fund has a negative net asset balance of \$135,533 in unrestricted net assets.

Governmental activities. Governmental activities increased the Village's net assets by \$985,166 in FY10. Revenues in governmental funds exceeded expenditures by \$326,700. The Village added \$590,391 of new assets to its inventory of capital assets. Major capital assets added in FY10 included energy efficiency improvements to Lincoln Hall (new windows, doors and insulation), smart salt spreaders for our trucks, Pearl Street from McDonalds to Susie Wilson Rd. and the West/Pearl St. traffic Light. Orchard Terrace and Seneca Ave. were repaved. In addition, \$587,899 of work in progress was done on the Pearl St. Earmark Project. This project is being funded primarily by a Federal Earmark through Senator Leahy's Office. After taking into consideration the adjustments from Governmental fund reporting to Government-wide reporting, this has resulted in the increase of \$985,166 in net assets. Unrestricted net assets increased by \$406,969.

Business-type activities. Business-type activities increased the Village's net assets by \$273,808.

Water Fund

The Water Fund had budgetary net income of \$53,757 in FY10. Disregarding IBM pass through revenues and expenses, water fund revenues were \$30,601 less than budget, but expenditures were \$84,358 less than budgeted. Water Lines Maintenance-Breaks was under-spent by \$14,465 and CWD water purchases for Village Residents was under-spent by \$54,787. Because water breaks were lower and residents used less water, the Village purchased less water. Overtime and health expense under-expenditures also added to the net income.

Sanitation Fund

The Sanitation Fund had budgetary net income of \$30,307 in FY10. Revenues from the user rate were \$9,010 lower than budgeted, however due to miscellaneous income total revenues were \$160 more than budgeted. Expenses were also under budget by \$30,147 resulting in the net income of \$30,307. Line items that were significantly under-spent were Health Insurance (+\$6,000), Overtime (\$7,400), Sanitation Lines Maintenance (+\$10,100), Sanitation Line backup cleaning (+\$1,500) and Capital Outlay (+\$3,000). Due to the major ARRA Stimulus project which funded sliplining and repairs to all deteriorating sanitary sewer lines in the Village, maintenance of the lines was lower than anticipated.

Wastewater Treatment Fund

The Wastewater Treatment Facility had budgetary net income of \$8,925 in FY10. The expense budget was \$17,610 under-spent while the Revenue budget was \$8,685 under budget. While some line items in the expense budget were significantly over-spent Chemicals (-\$25,600), Electricity (-\$21,300) and Maintenance Other (-\$10,800). Other line items were significantly under-spent such as Sludge Dewatering (+\$20,200) and Sludge Management (+\$27,800) and Health Insurance (+\$7,700). The result was the net income stated above. This year sewage flows were significantly below anticipated levels and for this reason at the end of the year the revenues from each Town were reconciled to expenditures and adjusted by percentage of total flow.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund had net income of \$65,667 in FY10. We had budgeted for a \$59,000 loss. Therefore the difference between budget and actual was \$124,667. The Village budgeted a current year's deficit of \$59,000 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. However, the General Fund spent \$44,959 less than budgeted and had \$79,708 more in revenues than anticipated. Rather than using \$59,000 of prior year's surpluses, the Village added \$65,667 to the fund balance.

The General Fund fund balance increased from \$228,715 at the end of fiscal year 2009 to \$294,382 at the end of fiscal year 2010. Of the \$294,382 of fund balance, \$73,512 is reserved for prepaid expenses and inventory and \$33,700 is designated. This leaves an unreserved, undesignated fund balance of \$187,170.

- Excluding grants and donations received and expended in FY10, revenues were higher than budgeted by \$17,123. Revenues that were higher than anticipated were Taxes (+\$4,100) due to a decrease in deferred tax revenue not collected within 60 days of the close of the year, Miscellaneous Fire Receipts (+\$4,800) for assistance at the Saputo Cheese fire in Hinesburg in 2008 and State Highway Aid was \$8,700 more than expected.
- Expenditures excluding those for grants and donations received in FY 10 were \$107,543 less than budgeted as stated above. The following departmental analysis will identify amounts varying substantially from budget and give an explanation of what transpired during the year.
 - A) The Administration Budget ended the year with a deficit of \$10,107. The over-expenditure in this department was due to the conversion of a part-time position (Bookkeeper) into a full time position (Assistant to the Finance Director) in October.
 - B) Lincoln Hall budget had a surplus of \$9,058. Due to a warmer than anticipated winter, heating and electric costs were lower than anticipated. Also, less building maintenance was required than budgeted. Through a US Dept of Energy Grant, windows and doors were replaced in Lincoln Hall. Through a grant from the CCRPC insulation was blown into the upstairs.
 - C) The Fire Department had a surplus of \$5,723. Items in the Fire Department budget that were significantly under-spent were Salaries (+\$1,700), Workers Comp (+\$3,000), Training & Conferences (+\$3,600), Heating (+\$3,200), New Radios (\$2,100) and Routine Equipment (+\$2,900). Line items over-spent were Building Maintenance (-\$1,400) due to maintenance of air cleaning system and roof repair, Maintenance Other (-\$7,200) with significant amounts spent on computers and software and hose testing, and Vehicle Maintenance (-\$7,900). The Fire Department received a Homeland Security Grant in FY10 of \$8,430 with which they purchased 22 new pagers.
 - D) Street Department budget was under spent by \$45,924. The Street Dept over and under-spent many accounts. Due to the relatively easy winter significant under-expenditures occurred in: Winter Maintenance (+\$5,200), Supplies (+\$5,700), and Overtime and part time salaries (+\$9,700). In addition, Health Insurance was under-spent (+\$9,400) due to change in plans to the High Deductible Plan, and Pavement Maintenance was under-spent (+24,700) due to favorable pricing and a need to cover expenditures in the Administration budget. Over-expenditures occurred in Street Lights (-\$9,800) due to the increase in the number of lights being paid for (5 Corners, Whitcomb II etc.) and Vehicle Maintenance (-\$6,620) due to the aging of the vehicles.
 - E) The Brownell Library budget was under-spent by \$8,795. The change in Health insurance plans, change in incentive for not taking the Village insurance and a change in plan type for one employee resulted in a surplus of \$13,500 in the Health Insurance line item. While Health Insurance was significantly under-spent, Part-time salaries was over-spent by \$6,000. This was due to additional coverage being needed when work shops were attended and long time employees took vacations. The Library also under-spent the Capital Outlay line item due to a better price for replacing the Kolvoord Room floor than was anticipated.
 - F) Planning and Zoning budget was under-spent by \$31,572. Planning Department under-spent the Health Insurance Line Item by \$11,700 partially due to the new insurance plan and partially due to a change in plan type for one employee. Legal Services was under-spent by \$12,200 due to very few legal zoning issues in FY10. Other line items under-spent due to a delay in the code update were Other Professional Services (+\$4,000), Supplies (+\$1,600), and Printing and Advertising (+\$2,900).

- G) Economic Development was under-spent by \$16,578. The Economic Development General Line Item was under-spent by \$15,500 due to the obtaining of grants to fund economic development projects. The Rt.2A Circulation study 20% match came out of this line item. In addition the Multimodal Study (partially funded by a grant from the CCMPO) was expensed to the Capital Reserve Fund.
- H) Grants received and expended were a U.S. Department of Energy Grant for \$50,000 with which the Village purchased new doors and windows for Lincoln Hall, Library Services & Technical Grant from the State of Vermont for \$1,148. Chittenden County Regional Planning Organization provided a grant of \$1,985 for insulating Lincoln Hall and the Fire Department received \$8,430 from Homeland Security with which they purchased new pagers for the Firefighters. The Friends of the Brownell Library purchased \$886 in books for the Brownell Library. Other small grants of \$100 and \$135 were awarded to the Library.

Capital Reserve Fund

The Capital Reserve Fund had fund balance of negative (\$34,060) as of June 30, 2009. This deficit was quickly filled by the FY10 transfer from the General Fund. During the year, the 5 Corners Redevelopment project was completed and \$596,672 was spent on the Pearl St. Earmark Project with improvements to Pearl St. Sidewalks, lighting and the entrance to the Champlain Valley Exposition. Grant dollars of \$509,621 were received for this project from a Federal Earmark. In addition contributions of \$16,826 from the Champlain Valley Exposition (CVE) were received directly for the Pearl St. Project. Another \$15,000 was received from the Champlain Valley Exposition to support Economic Development in the Village. A Multimodal Study of Pearl Street was completed for a net of 10,000. \$40,000 was provided by the Chittenden County Metropolitan Organization for the study which cost \$50,000. A culvert that had collapsed on Warner Ave. was repaired for \$30,111, and other projects were begun. The Capital Reserve Fund ended FY10 with a fund balance of \$154,729.

Whitcomb Terrace Loan Fund

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

General Fund Rolling Stock Fund

The General Fund Rolling Stock Fund had net assets of \$470,920 at the beginning of FY10. The net assets at 6/30/10 were \$538,384. Total expenditures in the Rolling Stock Fund were \$119,322. The Rolling Stock Fund in conjunction with the Sanitation, Water and Wastewater Treatment Funds purchased a Pipeline Jetter Vacuum Truck. The total cost of the truck was \$245,407. The Village received a Storm Water Mitigation Grant for \$150,000 for part of the cost. The balance of \$95,407 was shared among the funds that use the machine. The net cost to Rolling Stock Fund for the Jetter Truck was \$28,622. We also purchased 3 electric salt spreader controls or "Smart Salt Spreaders" for \$20,682. The Rolling Stock Fund also made a payment of \$22,000 plus interest on the State Municipal Equipment Loan for the 2008 Fire Department KME Rescue/Pumper. The principal balance on the loan is currently \$66,000.

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 in fiscal year 2009. The interest rate on this loan is 2% with a 5 year pay back provision. As of 6/30/10 there was a \$66,000 principal balance on the loan.

The Wastewater Treatment Facility took out a \$250,000 note from the Chittenden Bank in FY09 to cover the deficit in that fund created primarily by the cleaning of the digester and the drop in member-town revenues. The terms of this note are a yearly payment of \$50,000 plus 3.25% interest for 5 years. As of 6/30/10 there was a \$200,000 principal balance on this loan.

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

Economic Factors and Next Year's Budgets and Rates

- As of January 2011 it appears the nation is slowly pulling out of the "Great Recession". Unemployment is still high and the country is still dealing with a slumping housing market and large numbers of foreclosures. Unemployment for the nation was at 9.6% in September of 2010. Vermont unemployment was at 5.7% in September 2010. The national unemployment rate in December 2010 was 9.4%
- The CPI index for Northeast urban communities size B/C was 2% from December 2009 to December of 2010. The national city average CPI index was 1.5% from December 2009 to December of 2010.
- In 2010 a new universal health care coverage bill was enacted in the nation. The Village's health insurance premiums increased by 17.5% in January 2011. It is yet to be determined how this bill will affect the cost of health care going forward. Currently the nation's legislators are determining whether or not the nation's debt ceiling should be increased. The national debt is about \$14 trillion at this time.

- The IBM M&E Subsidy decreased by \$60,545 from FY10 to FY11, from \$242,211 to \$181,664. This decrease resulted in an additional \$.006 on the FY11 tax rate. This subsidy will decrease each year by approximately this same amount until it is \$0 in FY14.
- The Village continues to seek grant money to supplement tax revenues. We are currently seeking grants for the following: Replacement of the emergency generator which backs up the 5 Corners traffic lights, the Fire Station and Lincoln Hall; Sidewalk grants; a grant to facilitate fire hose connections to fire hydrants; a grant for a multi-use path from Central St to North St. along the rail path; a grant to replace the bridge on Main St.; an EPA climate change grant; a grant to install traffic signal preemption for the Fire Department.
- The Wastewater Treatment Facility is looking at a major refurbishment with cost estimated at about \$15,000,000. The Village is contemplating a bond vote for this project during Village Meeting. The Wastewater Treatment Facility processes waste for three communities, the Village of Essex Junction, the Town of Essex and the Town of Williston. The cost of the project will be distributed to the municipalities according to current capacity allotment.
- The High School Pump Station is also looking at a major upgrade. The cost of this project will be about \$1.5 Million. This will also be voted on at Village meeting in 2011.
- At the present time there is discussion of whether the Village should renew its contract with the School District for the oversight and administrative support of the Village Recreation Department. The contract is due for renewal as of July 1. A decision will be made determining the future governance of the Recreation Department by March of this year.
- In relation to Economic Development the Village has received a grant from the Chittenden County Metropolitan Planning Organization to study the feasibility of constructing a connector road from Park St. to Maple St. This is called the “Crescent Connector”. We are awaiting this study.
- The FY11 General Fund budget increased by 3.5% from the FY10 budget. The tax rate increased by 8.09% from \$0.2149 to \$0.2331. At this time in January of 2011, the Trustees are formulating a budget in which revenues are dropping due to the IBM Subsidy drop. The draft FY12 budget proposes a 3.85% increase at this time which will necessitate approximately a 5.8% increase in the tax rate.
- Capital Projects being undertaken or continued in FY11 include:
 - The Pearl Street Improvements Project (\$2,580,954). This project has improved sidewalks, curbing and lighting on Pearl Street from KFC Restaurant to the signalized shopping centers intersection. It also replaced fencing along CVE’s frontage and built a new ticket booth for CVE and a bus shelter. A Federal Earmark for this project is \$2,250,000. This project is nearly complete at this time.
 - 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.
 - Crescent Connector Study \$55,497 is being paid for by a grant from CCMPO. The Village match is 20% or \$11,099.
 - So. Summit St. road, sidewalk and water line replacement. Total cost \$330,217. (\$207,489 from the General Fund Cap Reserve and \$122,728 from the Water Cap Reserve).
 - Summit St. road, sidewalk and water line replacement will be engineered in FY11 and constructed in FY12. Cost to the General Fund Capital Reserve is estimated at \$373,904 and to the Water Fund Cap Reserve at \$234,838.
 - Missing sidewalk link study (From the Fire house to the shopping center traffic light on Pearl St.) - \$25,000.

- River St. culvert repair, \$20,000
- Fire House siding/soffit/gutters - \$16,146

The utility rates increased by 9% from FY10 to FY11. They increased from \$0.05438 per c.f. of metered water to \$0.05928 per c.f. of metered water. The primary reason for this increase is the more accurate flow measuring implemented by the towns of Essex and Williston. The resultant reduction in flow reported by the Town has the effect of increasing the percentage attributable to the Village significantly and the Town of Williston moderately. The plant measures total flows and subtracts the flows of Essex and Williston to determine the flows from the Village. When the Village's percentage of flow increases our rate payers must pay more of the costs of treating the wastewater.

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, 2010

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,363,088	\$ 781,499	\$ 2,144,587
Receivables (Net of Allowance for Uncollectibles)	462,022	718,325	1,180,347
Internal Balances	148	(148)	0
Inventories	49,865	30,434	80,299
Prepaid Expenses	24,544	16,857	41,401
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	658,793	98,177	756,970
Antiques and Works of Art	12,000	0	12,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>9,441,021</u>	<u>9,360,205</u>	<u>18,801,226</u>
Total Assets	<u>12,067,223</u>	<u>11,123,426</u>	<u>23,190,649</u>
<u>LIABILITIES</u>			
Accounts Payable	351,932	331,412	683,344
Accrued Payroll and Benefits Payable	13,756	5,929	19,685
Due to Others	1,500	0	1,500
Deferred Revenue	1,535	0	1,535
Noncurrent Liabilities:			
Due Within One Year	22,000	50,000	72,000
Due in More than One Year	<u>153,367</u>	<u>450,207</u>	<u>603,574</u>
Total Liabilities	<u>544,090</u>	<u>837,548</u>	<u>1,381,638</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	10,101,556	9,325,966	19,427,522
Unrestricted	<u>1,421,577</u>	<u>959,912</u>	<u>2,381,489</u>
Total Net Assets	<u>\$ 11,523,133</u>	<u>\$ 10,285,878</u>	<u>\$ 21,809,011</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, 2010

	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	\$ 569,475	\$ 94,066	\$ 2,036	\$ 51,851	\$ (421,522)	\$ 0	\$ (421,522)
Public Safety	334,250	4,807	8,430	0	(321,013)	0	(321,013)
Public Works	1,025,051	3,754	98,785	952,608	30,096	0	30,096
Community Development	163,325	0	40,000	15,000	(108,325)	0	(108,325)
Culture and Recreation	672,466	4,409	21,647	885	(645,525)	0	(645,525)
Total Governmental Activities	<u>2,764,567</u>	<u>107,036</u>	<u>170,898</u>	<u>1,020,344</u>	<u>(1,466,289)</u>	<u>0</u>	<u>(1,466,289)</u>
Business-Type Activities:							
Water	2,601,297	2,638,520	0	7,500	0	44,723	44,723
Sanitation	452,094	437,458	0	338,405	0	323,769	323,769
Wastewater	1,549,056	1,399,968	0	51,423	0	(97,665)	(97,665)
Total Business-Type Activities	<u>4,602,447</u>	<u>4,475,946</u>	<u>0</u>	<u>397,328</u>	<u>0</u>	<u>270,827</u>	<u>270,827</u>
Total	<u>\$ 7,367,014</u>	<u>\$ 4,582,982</u>	<u>\$ 170,898</u>	<u>\$ 1,417,672</u>	<u>(1,466,289)</u>	<u>270,827</u>	<u>(1,195,462)</u>
General Revenues:							
Property Taxes					2,184,537	0	2,184,537
Payment in Lieu of Taxes					244,629	0	244,629
Interest and Penalties on Delinquent Taxes					7,437	0	7,437
Unrestricted Investment Earnings					3,055	779	3,834
Gain on Sale of Equipment					750	2,202	2,952
Other Revenues					11,047	0	11,047
Total General Revenues					<u>2,451,455</u>	<u>2,981</u>	<u>2,454,436</u>
Change in Net Assets					985,166	273,808	1,258,974
Net Assets - July 1, 2009					<u>10,537,967</u>	<u>10,012,070</u>	<u>20,550,037</u>
Net Assets - June 30, 2010					<u>\$ 11,523,133</u>	<u>\$ 10,285,878</u>	<u>\$ 21,809,011</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 249,935	\$ 172,107	\$ 538,384	\$ 402,662	\$ 1,363,088
Receivables (Net of Allowance for Uncollectibles)	34,265	424,417	0	3,340	462,022
Due from Other Funds	280	0	0	0	280
Inventories	49,865	0	0	0	49,865
Prepaid Expenses	23,647	0	0	897	24,544
Total Assets	\$ 357,992	\$ 596,524	\$ 538,384	\$ 406,899	\$ 1,899,799
<u>LIABILITIES</u>					
Liabilities:					
Accounts Payable	\$ 29,819	\$ 321,203	\$ 0	\$ 910	\$ 351,932
Accrued Payroll and Benefits Payable	13,756	0	0	0	13,756
Due to Other Funds	0	132	0	0	132
Due to Others	1,500	0	0	0	1,500
Deferred Revenue	18,535	120,460	0	910	139,905
Total Liabilities	63,610	441,795	0	1,820	507,225
Fund Balances:					
Reserved for					
Prepaid Expenses and Inventory	73,512	0	0	897	74,409
Unreserved, Reported In					
General Fund	220,870	0	0	0	220,870
Special Revenue Funds	0	0	0	22,811	22,811
Capital Projects Funds	0	154,729	538,384	381,371	1,074,484
Total Fund Balances	294,382	154,729	538,384	405,079	1,392,574
Total Liabilities and Fund Balances	\$ 357,992	\$ 596,524	\$ 538,384	\$ 406,899	
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					10,167,556
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					138,370
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.					(175,367)
Net Assets of Governmental Activities					\$ 11,523,133

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, 2010

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,189,037	\$ 0	\$ 0	\$ 0	\$ 2,189,037
Payment in Lieu of Taxes	244,629	0	0	0	244,629
Penalties and Interest	7,437	0	0	0	7,437
Intergovernmental Revenues	175,351	566,681	45,000	0	787,032
Charges for Services	298,881	123	0	18,454	317,458
Investment Income	1,188	26	936	905	3,055
Fines and Forfeits	1,844	0	0	0	1,844
Licenses and Permits	32,753	0	0	0	32,753
Contributions	2,920	31,827	0	5,364	40,111
Other Revenue	13,668	0	0	0	13,668
Total Revenues	<u>2,967,708</u>	<u>598,657</u>	<u>45,936</u>	<u>24,723</u>	<u>3,637,024</u>
Expenditures:					
Current:					
General Government	775,448	0	0	15,568	791,016
Public Safety	249,394	0	0	0	249,394
Public Works	687,712	13,439	0	0	701,151
Community Development	15,483	50,203	0	0	65,686
Culture & Recreation	535,719	0	0	5,689	541,408
Debt Service:					
Principal	0	0	22,000	0	22,000
Interest	0	0	1,760	0	1,760
Capital Outlay:					
General Government	54,919	0	0	0	54,919
Public Safety	1,299	0	0	0	1,299
Public Works	57,253	661,771	95,562	0	814,586
Culture & Recreation	66,169	0	0	3,686	69,855
Total Expenditures	<u>2,443,396</u>	<u>725,413</u>	<u>119,322</u>	<u>24,943</u>	<u>3,313,074</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>524,312</u>	<u>(126,756)</u>	<u>(73,386)</u>	<u>(220)</u>	<u>323,950</u>
Other Financing Sources/(Uses):					
Sale of Equipment	0	0	2,750	0	2,750
Transfers In	0	315,545	138,100	5,000	458,645
Transfers Out	(458,645)	0	0	0	(458,645)
Total Other Financing Sources/(Uses)	<u>(458,645)</u>	<u>315,545</u>	<u>140,850</u>	<u>5,000</u>	<u>2,750</u>
Net Change in Fund Balances	65,667	188,789	67,464	4,780	326,700
Fund Balances/(Deficit) - July 1, 2009	<u>228,715</u>	<u>(34,060)</u>	<u>470,920</u>	<u>400,299</u>	<u>1,065,874</u>
Fund Balances - June 30, 2010	<u>\$ 294,382</u>	<u>\$ 154,729</u>	<u>\$ 538,384</u>	<u>\$ 405,079</u>	<u>\$ 1,392,574</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, 2010

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)	\$	326,700
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$940,659) is allocated over their estimated useful lives and reported as depreciation expense (\$526,673). This is the amount by which capital outlays exceeded depreciation in the current period.		413,986
The effect of donated capital assets is to increase net assets. The largest aspect of this was the Pearl Street improvements paid by others.		260,700
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, gain/(loss) on disposals, trade-ins and donations) is to decrease net assets.		(20,958)
The repayment of the principal of long-term debt (\$22,000) consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.		22,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the increase in deferred revenues from the prior year.		2,278
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>(19,540)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>985,166</u></u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Current Property Taxes	\$ 2,184,894	\$ 2,189,037	\$ 4,143
State of VT PILOT & Current Use	1,200	2,418	1,218
Penalties and Interest On Delinquent Taxes	6,000	7,437	1,437
IBM Subsidy	242,211	242,211	0
Licenses & Zoning Fees	32,000	32,753	753
Water Department Service Fees	99,420	99,420	0
Wastewater Service Fees	49,710	49,710	0
Sanitation Service Fees	99,420	99,420	0
State District Court Fines	4,000	1,844	(2,156)
State Highway Aid	90,000	98,785	8,785
Essex Junction School District			
Tax Collection Fees	48,184	45,456	(2,728)
Lincoln Hall Rentals	140	288	148
Miscellaneous Fire Receipts	20	4,807	4,787
Miscellaneous Street Receipts	3,000	3,631	631
Miscellaneous Donations	0	1,900	1,900
Miscellaneous Library Receipts	300	614	314
Brownell Library Grants	0	1,283	1,283
Donation to Brownell Library	0	885	885
Essex Town Library Contribution	15,000	15,000	0
Investment Interest	5,000	1,188	(3,812)
Other Miscellaneous	7,500	9,203	1,703
Homeland Security Grant 02140-71115-076	0	8,430	8,430
Federal Energy Block Grant	0	50,000	50,000
Chittenden County Energy Grant	0	1,987	1,987
	<u>2,887,999</u>	<u>2,967,707</u>	<u>79,708</u>
Total Revenue			
Expenditures:			
Administration:			
Salaries - Regular	267,885	293,613	(25,728)
Salaries - Overtime	400	151	249
Salaries - Part-Time	18,333	6,800	11,533
Social Security	22,636	23,663	(1,027)
Unemployment Insurance	506	638	(132)
Workers Compensation Insurance	1,689	1,637	52
Health Insurance and Other Benefits	72,633	73,344	(711)
Retirement	31,691	33,810	(2,119)
Liability and Property Insurance	9,105	8,813	292
Public Officials Liability Insurance	8,329	7,598	731
Health Improvement Programs	1,172	874	298
Board Member Fees	2,500	2,500	0
Supplies	6,000	4,790	1,210
Postage	4,100	3,990	110
Computer Expenses	8,787	8,100	687
Training & Conferences	6,505	7,746	(1,241)
Telephone Services	3,210	3,467	(257)

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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Administration/(Cont'd):			
Communications	\$ 10,425	\$ 10,548	\$ (123)
Vehicle Maintenance - Travel	3,600	3,600	0
Village Promotion	1,000	827	173
Interview Costs	0	352	(352)
Leased Services	4,372	3,946	426
Legal Fees	12,800	9,904	2,896
Other Professional Services	2,000	256	1,744
Audit Service	4,770	4,747	23
Printing and Advertising	7,500	5,112	2,388
Pay & Classification Study	210	20	190
Elections	852	1,344	(492)
Holiday Expense	2,405	2,223	182
Trustees Expenditures	3,500	4,884	(1,384)
Capital Outlay	<u>2,300</u>	<u>2,025</u>	<u>275</u>
 Total Administration	 <u>521,215</u>	 <u>531,322</u>	 <u>(10,107)</u>
Lincoln Hall:			
Liability and Property Insurance	5,845	4,863	982
Supplies	1,800	1,801	(1)
Water and Sewer Charges	1,000	1,074	(74)
Telephone Services	1,368	1,546	(178)
Electrical Service	6,796	5,694	1,102
Heating	9,788	6,202	3,586
Maintenance - Buildings/Grounds	6,400	4,098	2,302
Rubbish Removal	1,772	1,706	66
Contractual Services	7,703	7,179	524
Capital Outlay	<u>1,612</u>	<u>863</u>	<u>749</u>
 Total Lincoln Hall	 <u>44,084</u>	 <u>35,026</u>	 <u>9,058</u>
Fire Department:			
Salaries - Part-time Firefighters	102,000	100,295	1,705
Social Security	7,758	7,672	86
Worker's Compensation Insurance	16,364	13,136	3,228
Accident & Disability Insurance	4,200	3,776	424
Liability and Property Insurance	10,063	8,813	1,250

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Fire Department/(Cont'd):			
Supplies	\$ 2,400	\$ 2,730	\$ (330)
EMS Supplies	1,800	919	881
Gas, Oil and Grease	4,000	4,586	(586)
Water and Sewer Charges	500	816	(316)
Training and Conferences	7,000	3,334	3,666
Telephone Services	4,400	3,959	441
Electrical Service	7,500	6,141	1,359
Heating	7,500	4,236	3,264
Maintenance - Buildings/Grounds	4,000	5,437	(1,437)
Radio Maintenance	2,000	1,201	799
Maintenance - Other	5,000	12,224	(7,224)
Vehicle Maintenance - Travel	9,000	16,877	(7,877)
Emergency Generator Maintenance	1,500	1,347	153
Uniforms and Boots	17,500	17,475	25
Fire Prevention	1,800	1,602	198
Physical Exams	7,000	6,079	921
Employee Assistance Program	900	864	36
Hydrant Rental	5,000	5,000	0
New Equipment - Radios	4,300	2,146	2,154
Routine Equipment Purchases	14,500	11,597	2,903
	<u>247,985</u>	<u>242,262</u>	<u>5,723</u>
Total Fire Department			
Street Department:			
Salaries - Regular	173,438	171,296	2,142
Salaries - Overtime	18,432	15,724	2,708
Salaries - Part-time	14,068	6,991	7,077
Social Security	15,754	14,607	1,147
Unemployment Insurance	631	627	4
Worker's Compensation Insurance	16,055	14,208	1,847
Health Insurance and Other Benefits	83,966	74,545	9,421
Employee Retirement	17,595	17,471	124
Liability and Property Insurance	16,996	15,030	1,966
Supplies	19,500	13,776	5,724
Winter Maintenance	68,000	62,780	5,220
Pavement Maintenance	98,500	73,788	24,712
Gravel and Topsoil	3,500	4,330	(830)
Signs and Posts	6,500	6,063	437
Gas, Grease and Oil	25,000	19,944	5,056
Water and Sewer Charge	1,000	1,271	(271)
Training and Conferences	1,000	195	805
Telephone Services	1,000	1,611	(611)
Electrical Service	4,700	4,133	567
Street Lights	103,000	112,792	(9,792)

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Street Department/(Cont'd):			
Traffic Lights	\$ 4,000	\$ 5,236	\$ (1,236)
Heating	4,500	2,733	1,767
Maintenance - Buildings/Grounds	2,500	2,154	346
Radio Maintenance	200	345	(145)
Maintenance - Other	1,000	1,074	(74)
Vehicle Maintenance - Travel	25,000	31,621	(6,621)
Streetscape Maintenance/ Improvements	6,000	3,088	2,912
Village Garden Spots	3,000	1,061	1,939
Traffic/Street Light Maintenance	3,000	5,042	(2,042)
Memorial Park	4,000	2,636	1,364
Street Markings	6,250	7,673	(1,423)
Uniforms, Boots, Etc.	4,000	4,333	(333)
Rubbish Removal	4,700	5,762	(1,062)
Contract Services	7,500	8,065	(565)
Accident Claims	0	500	(500)
Equipment Rentals	1,000	42	958
Engineering Services	6,000	11,559	(5,559)
Traffic Calming	3,000	624	2,376
Capital Outlay	0	3,184	(3,184)
Sidewalk and Curb Maintenance	6,000	2,942	3,058
Storm Sewer Maintenance	7,000	9,796	(2,796)
Storm Sewer Permit Fees	2,300	3,009	(709)
Storm Sewer Public Education	5,000	5,000	0
Total Street Department	<u>794,585</u>	<u>748,661</u>	<u>45,924</u>
Library:			
Salaries - Regular	231,142	231,785	(643)
Salaries - Part-Time	89,645	95,603	(5,958)
Social Security	26,536	25,644	892
Unemployment Insurance	1,315	1,684	(369)
Workers Compensation Insurance	1,893	1,891	2
Health Insurance and Other Benefits	56,431	42,972	13,459
Retirement	23,022	22,994	28
Liability and Property Insurance	13,771	12,336	1,435
Supplies	10,791	12,676	(1,885)
Postage	4,300	3,715	585
Computer Expenses	4,000	5,000	(1,000)
Water and Sewer Charge	400	495	(95)
Training and Conferences	2,000	2,484	(484)
Telephone Services	1,992	1,922	70
Technology Access	2,800	3,687	(887)
Electrical Services	13,311	14,197	(886)
Heating	7,933	6,169	1,764

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Library/(Cont'd):			
Maintenance - Building/Grounds	\$ 12,500	\$ 13,056	\$ (556)
Alarm System Maintenance	600	619	(19)
Interview Costs	200	287	(87)
Contract Services	22,000	21,423	577
Adult Programs	500	378	122
Childrens Programs	1,500	1,444	56
Computer Replacement	1,600	1,234	366
Adult Collection - Print & Electronic	44,610	43,947	663
Juvenile Collection - Print & Electronic	21,576	21,437	139
Capital Outlay	<u>9,510</u>	<u>8,004</u>	<u>1,506</u>
Total Library	<u>605,878</u>	<u>597,083</u>	<u>8,795</u>
Planning and Zoning:			
Salaries -Regular	102,461	102,089	372
Salaries - Overtime	0	248	(248)
Salaries - Part Time	3,422	8,595	(5,173)
Social Security	8,375	9,201	(826)
Unemployment Insurance	314	423	(109)
Workers Compensation Insurance	1,780	633	1,147
Health Insurance and Other Benefits	49,737	38,026	11,711
Retirement	10,779	10,219	560
Liability Insurance and Property Insurance	1,803	1,949	(146)
Public Officials Liability Insurance	8,329	7,597	732
Boardmember Fee	3,600	3,375	225
Supplies	3,000	1,332	1,668
Postage	1,250	435	815
Computer Expenses	1,795	1,040	755
Training and Conferences	3,000	2,042	958
Telephone Services	325	836	(511)
Communications	2,300	940	1,360
Vehicle Maintenance - Travel	3,000	2,539	461
Legal Services	15,000	2,726	12,274
Other Professional Services	10,000	5,836	4,164
Printing and Advertising	4,800	1,892	2,908
Recording Fees	2,200	2,300	(100)
Capital Outlay	<u>0</u>	<u>1,425</u>	<u>(1,425)</u>
Total Planning and Zoning	<u>237,270</u>	<u>205,698</u>	<u>31,572</u>
Economic Development:			
Block Party Expense	5,000	5,000	0
Village Business Promotion Committee	11,000	9,964	1,036
Economic Development General	<u>20,000</u>	<u>4,458</u>	<u>15,542</u>
Total Economic Development	<u>36,000</u>	<u>19,422</u>	<u>16,578</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Miscellaneous Transfers and Expenditures:			
Rolling Stock Fund	\$ 138,100	\$ 138,100	\$ 0
Capital Reserve Fund	315,545	315,545	0
Metropolitan Planning Organization	<u>6,337</u>	<u>6,337</u>	<u>0</u>
Total Miscellaneous Transfers and Expenditures	<u>459,982</u>	<u>459,982</u>	<u>0</u>
Grant and Other Unanticipated Expenditures			
Library Grant Expenditures	0	1,283	(1,283)
Library Donation Expenditures	0	886	(886)
Federal Energy Grant Expenditures	0	50,000	(50,000)
CCRC Energy Grant Expenditures	0	1,985	(1,985)
Homeland Security Grant Expenditures	<u>0</u>	<u>8,430</u>	<u>(8,430)</u>
Total Grant and Other Unanticipated Expenditures	<u>0</u>	<u>62,584</u>	<u>(62,584)</u>
Total Expenditures	<u>2,946,999</u>	<u>2,902,040</u>	<u>44,959</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>\$ (59,000)</u>	65,667	<u>\$ 124,667</u>
Fund Balance - July 1, 2009		<u>228,715</u>	
Fund Balance - June 30, 2010		<u>\$ 294,382</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, 2010

<u>ASSETS</u>	Water Fund	Sanitation Fund	Wastewater Fund	Total
Current Assets:				
Cash	\$ 338,082	\$ 443,417	\$ 0	\$ 781,499
Receivables (Net of Allowance for Uncollectible Accounts)	158,415	32,057	22,117	212,589
Due from Other Funds	0	12,038	0	12,038
Due from Other Governments	0	0	9,103	9,103
Estimated Unbilled Revenues	227,247	110,500	158,886	496,633
Inventories	7,227	0	23,207	30,434
Other Current Assets	3,253	6,759	6,845	16,857
Total Current Assets	734,224	604,771	220,158	1,559,153
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	11,629	4,208	82,340	98,177
Buildings and Building Improvements	40,000	0	8,303,215	8,343,215
Vehicles, Machinery and Equipment	178,388	229,536	2,213,837	2,621,761
Infrastructure	0	0	45,539	45,539
Transmission and Distribution Plant	7,615,793	6,959,705	0	14,575,498
Less Accumulated Depreciation	(6,541,992)	(4,859,224)	(4,824,592)	(16,225,808)
Total Noncurrent Assets	1,303,818	2,334,225	5,938,416	9,576,459
Total Assets	\$ 2,038,042	\$ 2,938,996	\$ 6,158,574	\$ 11,135,612
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 223,516	\$ 10,657	\$ 97,239	\$ 331,412
Accrued Payroll and Benefits Payable	1,331	1,263	3,335	5,929
Due to Other Funds	0	14	12,172	12,186
Note Payable - Current Portion	0	0	50,000	50,000
Total Current Liabilities	224,847	11,934	162,746	399,527
Noncurrent Liabilities				
Accrued Compensated Absences Payable	3,526	3,243	42,945	49,714
Note Payable - Noncurrent Portion	0	219,079	181,414	400,493
Total Noncurrent Liabilities	3,526	222,322	224,359	450,207
Total Liabilities	228,373	234,256	387,105	849,734
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,303,818	2,115,146	5,907,002	9,325,966
Unrestricted/(Deficit)	505,851	589,594	(135,533)	959,912
Total Net Assets	1,809,669	2,704,740	5,771,469	10,285,878
Total Liabilities and Net Assets	\$ 2,038,042	\$ 2,938,996	\$ 6,158,574	\$ 11,135,612

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, 2010

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 2,620,515	\$ 408,544	\$ 1,399,710	\$ 4,428,769
Miscellaneous	<u>18,005</u>	<u>28,914</u>	<u>258</u>	<u>47,177</u>
Total Operating Revenues	<u>2,638,520</u>	<u>437,458</u>	<u>1,399,968</u>	<u>4,475,946</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,520,454	355,687	1,250,383	4,126,524
Depreciation	<u>80,843</u>	<u>96,407</u>	<u>285,440</u>	<u>462,690</u>
Total Operating Expenses	<u>2,601,297</u>	<u>452,094</u>	<u>1,535,823</u>	<u>4,589,214</u>
Operating Income/(Loss)	<u>37,223</u>	<u>(14,636)</u>	<u>(135,855)</u>	<u>(113,268)</u>
Nonoperating Revenues (Expenses):				
Investment Income	441	556	133	1,130
Gain on Sale of Capital Assets	0	102	2,100	2,202
Interest Expense	<u>0</u>	<u>0</u>	<u>(8,476)</u>	<u>(8,476)</u>
Total Nonoperating Revenues (Expenses)	<u>441</u>	<u>658</u>	<u>(6,243)</u>	<u>(5,144)</u>
Income/(Loss) Before Capital Contribution and Transfers	37,664	(13,978)	(142,098)	(118,412)
Capital Contributions	7,500	333,297	51,423	392,220
Transfer In	0	5,108	0	5,108
Transfer Out	<u>0</u>	<u>0</u>	<u>(5,108)</u>	<u>(5,108)</u>
Change in Net Assets	45,164	324,427	(95,783)	273,808
Net Assets - July 1, 2009	<u>1,764,505</u>	<u>2,380,313</u>	<u>5,867,252</u>	<u>10,012,070</u>
Net Assets - June 30, 2010	<u>\$ 1,809,669</u>	<u>\$ 2,704,740</u>	<u>\$ 5,771,469</u>	<u>\$ 10,285,878</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, 2010

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,610,125	\$ 433,739	\$ 1,428,688	\$ 4,472,552
Receipts for Interfund Services	5,000	0	24,232	29,232
Other Receipts	0	0	258	258
Payments to Suppliers	(2,214,863)	(88,485)	(690,507)	(2,993,855)
Payments for Interfund Services	(99,420)	(123,638)	(49,576)	(272,634)
Payments for Wages and Benefits	(160,498)	(149,096)	(427,076)	(736,670)
Net Cash Provided by Operating Activities	140,344	72,520	286,019	498,883
Cash Flows From Noncapital Financing Activities:				
Principal Paid on Note Payable	0	0	(50,000)	(50,000)
Interest Paid on Note Payable	0	0	(8,125)	(8,125)
Interest Paid on Pooled Cash	(123)	(77)	(351)	(551)
Increase/(Decrease) in Due to/from Other Funds	0	82,861	(82,861)	0
Net Cash Provided/(Used) by Noncapital Financing Activities	(123)	82,784	(141,337)	(58,676)
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Capital Grants	7,500	309,079	42,665	359,244
Proceeds from ARRA Loan	0	219,079	31,414	250,493
Proceeds from Sale of Capital Assets	0	102	2,100	2,202
Acquisition and Construction of Capital Assets	(17,502)	(590,675)	(163,262)	(771,439)
Increase/(Decrease) in Due To/From Other Funds for Capital Purposes	0	57,732	(57,732)	0
Net Cash Provided/(Used) by Capital and Related Financing Activities	(10,002)	(4,683)	(144,815)	(159,500)
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	564	633	133	1,330
Net Cash Provided by Investing Activities	564	633	133	1,330
Net Increase/(Decrease) in Cash	130,783	151,254	0	282,037
Cash - July 1, 2009	207,299	292,163	0	499,462
Cash - June 30, 2010	\$ 338,082	\$ 443,417	\$ 0	\$ 781,499
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Operating Income/(Loss)	\$ 37,223	\$ (14,636)	\$ (135,855)	\$ (113,268)
Depreciation	80,843	96,407	285,440	462,690
(Increase)/Decrease in Other Receivables	(4,029)	(1,012)	23,496	18,455
(Increase)/Decrease in Unbilled Revenues	(19,366)	(2,707)	29,714	7,641
(Increase)/Decrease in Inventory	(1,995)	0	12,722	10,727
Increase/(Decrease) in Accounts Payable	48,121	(5,730)	71,363	113,754
Increase/(Decrease) in Accrued Payroll and Compensated Absences	(1,029)	(1,118)	(2,088)	(4,235)
Increase/(Decrease) in Other Operating Assets/Liabilities	576	1,316	1,227	3,119
Net Cash Provided by Operating Activities	\$ 140,344	\$ 72,520	\$ 286,019	\$ 498,883

Supplemental Information:

Equipment with a Cost and Accumulated Depreciation of \$27,000 in the Sanitation Fund was Sold during the year for \$102.

Vehicles and Equipment with a Cost of \$28,060 and Accumulated Depreciation of \$23,060 in the Wastewater Fund were Disposed/Traded During the Year.

Vehicles with a Cost and Accumulated Depreciation of \$78,000 in the Wastewater Fund were Sold for \$2,100 During the Year.

The Sanitation Fund acquired \$8,647 and \$87,289 of Capital Assets that are included in Accounts Payable at June 30, 2010 and 2009, respectively.

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>15,275</u>
Total Assets	<u>15,275</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>15,275</u>
Total Liabilities	<u>15,275</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, 2010

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, 2010

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

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

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

The Village reports on the following major governmental funds:

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

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

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

The Village reports on the following major enterprise funds:

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

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

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

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

Additionally, the Village reports the following fund type:

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

C. Measurement Focus

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

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into 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, 2010

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, 2010

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 and calcium chloride.

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

Inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a 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, 2010

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 Distribution and Collection Systems	\$ 5,000	60 - 100 Years

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

6. Compensated Absences

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

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

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

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

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-Term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash and Cash						
Equivalents	\$ 1,363,088	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,363,088
Receivables	462,022	0	0	0	0	462,022
Due from Other Funds	280	0	0	0	(132)	148
Inventories	49,865	0	0	0	0	49,865
Prepaid Expenses	24,544	0	0	0	0	24,544
Capital Assets	0	0	10,167,556	0	0	10,167,556
Total Assets	1,899,799	0	10,167,556	0	(132)	12,067,223
LIABILITIES						
Accounts Payable	351,932	0	0	0	0	351,932
Accrued Payroll and						
Benefits Payable	13,756	0	0	0	0	13,756
Due to Other Funds	132	0	0	0	(132)	0
Due to Others	1,500	0	0	0	0	1,500
Deferred Revenue	139,905	(138,370)	0	0	0	1,535
Non-Current Liabilities	0	109,367	0	66,000	0	175,367
Total Liabilities	507,225	(29,003)	0	66,000	(132)	544,090
NET ASSETS						
Invested in Capital Assets	0	0	10,167,556	(66,000)	0	10,101,556
Other	1,392,574	29,003	0	0	0	1,421,577
Total Net Assets	\$ 1,392,574	\$ 29,003	\$ 10,167,556	\$ (66,000)	\$ 0	\$ 11,523,133

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-Term Debt Items	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 2,189,037	\$ (4,500)	\$ 0	\$ 0	\$ 0	\$ 2,184,537
Payment in Lieu of Taxes	244,629	0	0	0	0	244,629
Penalties and Interest	7,437	0	0	0	0	7,437
Intergovernmental Revenues	787,032	103,399	0	0	(890,431)	0
Charges for Services	317,458	910	0	0	(211,332)	107,036
Investment Income	3,055	0	0	0	0	3,055
Fines and Forfeits	1,844	0	0	0	(1,844)	0
Licenses and Permits	32,753	0	0	0	(32,753)	0
Contributions	40,111	0	0	0	(40,111)	0
Other Revenues	13,668	0	0	0	(2,621)	11,047
Operating Grants and Contributions	0	0	0	0	170,898	170,898
Capital Grants and Contributions	0	0	260,700	0	759,644	1,020,344
Sale of Equipment	2,750	0	(2,000)	0	0	750
Transfers from Other Funds	458,645	0	0	0	(458,645)	0
Total Revenues	4,098,419	99,809	258,700	0	(707,195)	3,749,733
EXPENDITURES						
General Government	791,016	13,412	13,597	0	(248,550)	569,475
Public Safety	249,394	0	83,096	0	1,760	334,250
Public Works	701,151	135	323,765	0	0	1,025,051
Community Development	65,686	97,531	108	0	0	163,325
Culture and Recreation	541,408	5,994	125,064	0	0	672,466
Debt Service	23,760	0	0	(22,000)	(1,760)	0
Capital Expenditures	940,659	0	(940,659)	0	0	0
Transfers to Other Funds	458,645	0	0	0	(458,645)	0
Total Expenditures	3,771,719	117,072	(395,029)	(22,000)	(707,195)	2,764,567
Net Change for the Year	\$ <u>326,700</u>	\$ <u>(17,263)</u>	\$ <u>653,729</u>	\$ <u>22,000</u>	\$ <u>0</u>	\$ <u>985,166</u>

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, 2010

B. Budgeted Deficit

The Village budgeted a current year’s deficit of \$59,000 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. However, the General Fund spent \$44,959 less than budgeted and had \$79,708 more in revenues than anticipated. Rather than using \$59,000 of prior year’s surpluses, the Village added \$65,667 to the fund balance.

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	\$ 337,662	\$ 337,662
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	1,821,975	1,914,890
Petty Cash	225	N/A
	<u>\$ 2,159,862</u>	<u>\$ 2,252,552</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, 2010

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, 2010, 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, 2010, 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, 2010, the Village is not exposed to concentration of credit risk.

B. Receivables

Receivables at June 30, 2010, 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	\$ 15,627	\$ 0	\$ 15,627
Delinquent Taxes	9,441	0	9,441
Penalties and Interest	4,884	1,219	6,103
Billed Services	4,180	178,394	182,574
Unbilled Services	2,486	496,633	499,119
Grants	411,404	32,976	444,380
Contributions	15,000	0	15,000
Other Governments	0	9,103	9,103
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	<u>\$ 462,022</u>	<u>\$ 718,325</u>	<u>\$ 1,180,347</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 nd Position on Building	\$ 260,000
Allowance for Receivable	(260,000)
Net Note Receivable	<u>\$ 0</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 55,742	\$ 0	\$ 0	\$ 55,742
Construction in Progress	47,825	611,077	109	658,793
Antiques and Works of Art	12,000	0	0	12,000
Total Capital Assets, Not Being Depreciated	115,567	611,077	109	726,535
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,787,819	51,851	0	1,839,670
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	4,164,073	163,601	64,781	4,262,893
Library Books	820,943	69,855	56,467	834,331
Parks	208,090	0	0	208,090
Roads, Curbs, Sidewalks and Storm Sewers	5,402,890	305,084	0	5,707,974
Totals	12,383,815	590,391	121,248	12,852,958
Less accumulated depreciation for:				
Buildings and Building Improvements	460,641	43,405	0	504,046
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,444,240	216,498	43,823	1,616,915
Library Books	547,228	76,991	56,467	567,752
Parks	8,922	2,549	0	11,471
Roads, Curbs, Sidewalks and Storm Sewers	524,523	187,230	0	711,753
Totals	2,985,554	526,673	100,290	3,411,937
Total Capital Assets, Being Depreciated	9,398,261	63,718	20,958	9,441,021
Governmental Activities Capital Assets, Net	\$ 9,513,828	\$ 674,795	\$ 21,067	\$ 10,167,556

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 118,077	\$ 0	\$ 0	\$ 118,077
Construction in Progress	123,271	80,230	105,324	98,177
Total Capital Assets, Not Being Depreciated	<u>241,348</u>	<u>80,230</u>	<u>105,324</u>	<u>216,254</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,343,215	0	0	8,343,215
Vehicles, Machinery, Equipment and Furniture	2,502,254	252,568	133,060	2,621,762
Infrastructure	45,539	0	0	45,539
Distribution and Collection Systems	14,105,175	470,323	0	14,575,498
Totals	<u>24,996,183</u>	<u>722,891</u>	<u>133,060</u>	<u>25,586,014</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	3,755,010	168,047	0	3,923,057
Vehicles, Machinery, Equipment and Furniture	1,074,069	131,311	128,060	1,077,320
Infrastructure	10,246	2,277	0	12,523
Distribution and Collection Systems	11,051,854	161,055	0	11,212,909
Totals	<u>15,891,179</u>	<u>462,690</u>	<u>128,060</u>	<u>16,225,809</u>
Total Capital Assets, Being Depreciated	<u>9,105,004</u>	<u>260,201</u>	<u>5,000</u>	<u>9,360,205</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,346,352</u>	<u>\$ 340,431</u>	<u>\$ 110,324</u>	<u>\$ 9,576,459</u>

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 13,599	Water	\$ 80,843
Public Safety	64,622	Sanitation	96,407
Community Development	108	Wastewater	<u>285,440</u>
Public Works	323,765		
Culture and Recreation	<u>124,579</u>		
Total Depreciation		Total Depreciation Expense	
Expense - Governmental		- Business-Type Activities	
Activities	<u>\$ 526,673</u>		<u>\$ 462,690</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2010 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 280	\$ 0
Capital Reserve Fund	0	132
Sanitation Fund	12,038	14
Wastewater Fund	<u>0</u>	<u>12,172</u>
Total	<u>\$ 12,318</u>	<u>\$ 12,318</u>

The Interfund transfers during the year ended June 30, 2010 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Rolling Stock Reserve Fund	\$ 138,100	Annual Subsidy
General Fund	Capital Reserve Fund	315,545	Annual Subsidy
General Fund	Block Party Fund	5,000	Annual Subsidy
Wastewater Fund	Sanitation Fund	<u>5,108</u>	Fund Future Capital Projects
Total		<u>\$ 463,753</u>	

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$17,000 of delinquent property taxes and penalty and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Deferred Revenue also includes \$103 of property taxes received in advance for fiscal year 2011 and \$1,432 of deferred Library grant revenue. Total Deferred Revenue in the General Fund is \$18,535.

Deferred Revenue in the Capital Reserve Fund consists of \$120,460 of grant and donation money earned but not received within 60 days after year-end as these funds are not available to liquidate current liabilities.

Deferred Revenue in Other Governmental Funds consists of \$910 owed to the Village by developers for engineering fees.

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.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Long-term liabilities outstanding as of June 30, 2010 were as follows:

Notes Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2010</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>88,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>66,000</u>
Total Governmental Activities	\$ <u>88,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>66,000</u>

	Beginning Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2010</u>
<u>Business-Type Activities</u>				

Note Payable – Peoples United Bank, Wastewater Deficit Funding Note, Interest at 3.25%, \$50,000 Plus Interest Due Annually, Due June, 2014	\$ 250,000	\$ 0	\$50,000	\$200,000
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Note Payable – State of Vermont Special Environmental Revolving Fund, Sanitation and Wastewater Improvements, Authorized to \$506,938 but was Eligible for 50% Forgiveness, Interest at 0%, An Administration fee of 2% is Assessed, Payments of \$17,336 Begin October, 2011, Due October, 2030	<u>0</u>	<u>250,493</u>	<u>0</u>	<u>250,493</u>
Total Business-Type Activities	\$ <u>250,000</u>	\$ <u>250,493</u>	\$ <u>50,000</u>	\$ <u>450,493</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 88,000	\$ 0	\$ 22,000	\$ 66,000	\$ 22,000
Compensated Absences	<u>89,827</u>	<u>19,540</u>	<u>0</u>	<u>109,367</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>177,827</u>	<u>19,540</u>	<u>22,000</u>	<u>175,367</u>	<u>\$ 22,000</u>
Business-type Activities					
Notes Payable	250,000	250,493	50,000	450,493	50,000
Compensated Absences	<u>44,838</u>	<u>4,876</u>	<u>0</u>	<u>49,714</u>	<u>0</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 294,838</u>	<u>\$ 255,369</u>	<u>\$ 50,000</u>	<u>\$ 500,207</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 anticipated to be as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 22,000	\$ 1,732	\$ 50,000	\$ 6,500
2012	22,000	880	61,667	12,169
2013	22,000	440	61,900	10,311
2014	0	0	62,138	8,448
2015	0	0	12,381	6,580
2016-2020	0	0	65,718	24,356
2021-2025	0	0	72,559	12,670
2026-2030	<u>0</u>	<u>0</u>	<u>64,130</u>	<u>4,967</u>
Total	<u>\$ 66,000</u>	<u>\$ 3,052</u>	<u>\$ 450,493</u>	<u>\$ 86,001</u>

H. Reserved Governmental Fund Balances

The Reserved Governmental Fund Balances of the Village as of June 30, 2010 consisted of the following:

General Fund

Reserved for Prepaid Expenses and Inventory \$73,512

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Special Revenue Funds

Reserved for Block Party Fund Prepaid Expenses	\$ <u>897</u>
Total Reserved Governmental Fund Balances	<u>\$74,409</u>

I. Designated Governmental Fund Balances

The Designated Governmental Fund Balances of the Village as of June 30, 2010 consisted of the following:

General Fund

Designated for Synchronization of Park Street Traffic Lights	\$ 15,000
Designated for Surveillance Cameras at Train Station	10,000
Designated for future Health Reimbursement Arrangement Expenses	<u>8,700</u>
Total General Fund	<u>33,700</u>

Special Revenue Funds

Designated for Library Expenses	1,146
Designated for Engineering Expenses	6,763
Designated for Block Party Expenses	6,705
Designated for Veterans Memorial Park	<u>8,197</u>
Total Special Revenue Funds	<u>22,811</u>

Capital Projects Funds

Designated for Capital Projects	154,729
Designated for Rolling Stock	538,384
Designated for Land Acquisition	<u>381,371</u>
Total Capital Projects Funds	<u>1,074,484</u>
Total Designated Governmental Fund Balances	<u>\$1,130,995</u>

J. Restricted Net Assets

The Village does not have any restricted net assets as of June 30, 2010.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

K. Designated Proprietary Net Assets

The designated proprietary net assets of the Village as of June 30, 2010 consisted of the following:

Water Fund

Designated for Water Fund Expenditures	\$ 188,174
Designated for Water Fund Capital Expenditures	<u>317,677</u>
 Total Water Fund	 <u>505,851</u>

Sanitation Fund

Designated for Sanitation Fund Expenditures	143,976
Designated for WWTF Upgrades	62,939
Designated for Sanitation Fund Capital Expenditures	<u>382,679</u>
 Total Sanitation Fund	 <u>589,594</u>

Wastewater Fund

Designated for Wastewater Fund Capital Expenditures	80,541
Amount Designated in Excess of Available Net Assets	<u>(80,541)</u>
 Total Wastewater Fund	 <u>0</u>

Total Designated Proprietary Net Assets \$1,095,445

The \$135,533 undesignated deficit in the Wastewater Fund will be funded over a four 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 \$1,510,211 while the covered payroll was \$1,211,892. Pension expenses for the years ended June 30, 2010, 2009 and 2008 were \$125,511, \$82,514, and \$105,953 respectively. In fiscal year 2009, 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, 2010

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, 2010 was \$349,541.

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, 2010, the Village received 19.1% of total property taxes from IBM and received 72.9% 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, 2010. The Village incurred \$2,214,645 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 District. 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, 2010, taxes became due and payable on September 15, 2009 and March 15, 2010. 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 2010 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Village	.2149	.2149
Education	1.3027	1.3667
Local Agreement	.0009	.0009
Recreation Tax	<u>.0651</u>	<u>.0651</u>
Total	<u>\$1.5836</u>	<u>\$1.6476</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 unless the member leaves the Trust during the calendar year. An exit fee equivalent to the final monthly premium paid by that member will be assessed.

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.

F. AUTHORIZED BORROWING

In June, 2010, the Village voters authorized the borrowing of up to \$3,200,000 contingent upon other Federal and State aid for the purpose of making public improvements to the Village highways and sidewalks, the total estimated cost of such improvements being \$11,531,000.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ 21,291	\$ 381,371	\$ 402,662
Receivables	3,340	0	3,340
Prepaid Expenses	<u>897</u>	<u>0</u>	<u>897</u>
Total Assets	<u>\$ 25,528</u>	<u>\$ 381,371</u>	<u>\$ 406,899</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 910	\$ 0	\$ 910
Deferred Revenue	<u>910</u>	<u>0</u>	<u>910</u>
Total Liabilities	<u>1,820</u>	<u>0</u>	<u>1,820</u>
Fund Balances:			
Reserved for:			
Prepaid Expenses	897	0	897
Unreserved:			
Designated	<u>22,811</u>	<u>381,371</u>	<u>404,182</u>
Total Fund Balances	<u>23,708</u>	<u>381,371</u>	<u>405,079</u>
Total Liabilities and Fund Balances	<u>\$ 25,528</u>	<u>\$ 381,371</u>	<u>\$ 406,899</u>

See Disclaimer in Accompanying Independent Auditor's Report.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for Services	\$ 18,454	\$ 0	\$ 18,454
Interest	33	872	905
Contributions	<u>5,364</u>	<u>0</u>	<u>5,364</u>
Total Revenues	<u>23,851</u>	<u>872</u>	<u>24,723</u>
Expenditures:			
Current Expenditures			
General Government	15,568	0	15,568
Culture & Recreation	5,689	0	5,689
Capital Outlay:			
Culture & Recreation	<u>3,686</u>	<u>0</u>	<u>3,686</u>
Total Expenditures	<u>24,943</u>	<u>0</u>	<u>24,943</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,092)</u>	<u>872</u>	<u>(220)</u>
Other Financing Sources:			
Transfers in	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Other Financing Sources	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Net Change in Fund Balances	3,908	872	4,780
Fund Balances - July 1, 2009	<u>19,800</u>	<u>380,499</u>	<u>400,299</u>
Fund Balances - June 30, 2010	<u><u>\$ 23,708</u></u>	<u><u>\$ 381,371</u></u>	<u><u>\$ 405,079</u></u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Whitcomb Terrace Loan Fund	Library Fund	Engineering Fees Fund	Block Party Fund	Veterans Memorial Park Fund	Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 1,146	\$ 5,243	\$ 6,705	\$ 8,197	\$ 21,291
Receivables	0	0	3,340	0	0	3,340
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>897</u>	<u>0</u>	<u>897</u>
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 1,146</u>	<u>\$ 8,583</u>	<u>\$ 7,602</u>	<u>\$ 8,197</u>	<u>\$ 25,528</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 0	\$ 0	\$ 910	\$ 0	\$ 0	\$ 910
Deferred Revenue	<u>0</u>	<u>0</u>	<u>910</u>	<u>0</u>	<u>0</u>	<u>910</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,820</u>	<u>0</u>	<u>0</u>	<u>1,820</u>
Fund Balances:						
Reserved For:						
Prepaid Expenses	0	0	0	897	0	897
Unreserved:						
Designated	<u>0</u>	<u>1,146</u>	<u>6,763</u>	<u>6,705</u>	<u>8,197</u>	<u>22,811</u>
Total Fund Balances	<u>0</u>	<u>1,146</u>	<u>6,763</u>	<u>7,602</u>	<u>8,197</u>	<u>23,708</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 1,146</u>	<u>\$ 8,583</u>	<u>\$ 7,602</u>	<u>\$ 8,197</u>	<u>\$ 25,528</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Whitcomb Terrace Loan Fund	Library Fund	Engineering Fees Fund	Block Party Fund	Veterans Memorial Park Fund	Total
Revenue:						
Book Income	\$ 0	\$ 3,796	\$ 0	\$ 0	\$ 0	\$ 3,796
Contributions	0	0	0	1,575	3,789	5,364
Engineering Fees	0	0	14,658	0	0	14,658
Investment Income	0	3	14	7	9	33
Total Revenue	<u>0</u>	<u>3,799</u>	<u>14,672</u>	<u>1,582</u>	<u>3,798</u>	<u>23,851</u>
Expenditures:						
Block Party Expenses	0	0	0	5,689	0	5,689
Engineering Expenses	0	0	15,568	0	0	15,568
Capital Outlay:						
Library	0	3,686	0	0	0	3,686
Total Expenditures	<u>0</u>	<u>3,686</u>	<u>15,568</u>	<u>5,689</u>	<u>0</u>	<u>24,943</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>0</u>	<u>113</u>	<u>(896)</u>	<u>(4,107)</u>	<u>3,798</u>	<u>(1,092)</u>
Other Financing Sources:						
Transfers In	0	0	0	5,000	0	5,000
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Net Change in Fund Balances	0	113	(896)	893	3,798	3,908
Fund Balance - July 1, 2009	<u>0</u>	<u>1,033</u>	<u>7,659</u>	<u>6,709</u>	<u>4,399</u>	<u>19,800</u>
Fund Balance - June 30, 2010	<u>\$ 0</u>	<u>\$ 1,146</u>	<u>\$ 6,763</u>	<u>\$ 7,602</u>	<u>\$ 8,197</u>	<u>\$ 23,708</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS - AGENCY FUNDS
 JUNE 30, 2010

	Exposition Noise Escrow Account Fund	School Impact Fees Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ <u>2,070</u>	\$ <u>13,205</u>	\$ <u>15,275</u>
Total Assets	\$ <u><u>2,070</u></u>	\$ <u><u>13,205</u></u>	\$ <u><u>15,275</u></u>
<u>LIABILITIES</u>			
Due to Other Organizations	\$ <u>2,070</u>	\$ <u>13,205</u>	\$ <u>15,275</u>
Total Liabilities	<u>2,070</u>	<u>13,205</u>	<u>15,275</u>
<u>NET ASSETS</u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 704,030	\$ 689,996	\$ (14,034)
Water Sales - IBM	1,898,000	1,827,113	(70,887)
Water Sales - IBM Vermont Tax	42,586	40,977	(1,609)
Water Sales - Large Users	72,515	57,429	(15,086)
Hydrant Rentals	5,000	5,000	0
Penalties	3,000	3,572	572
Miscellaneous	16,500	14,433	(2,067)
Interest Earnings	0	14	14
Total Revenue	2,741,631	2,638,534	(103,097)
Expenses:			
Salaries - Regular	89,117	89,557	(440)
Salaries - Overtime	15,523	9,362	6,161
Salaries - Part-time	5,983	3,213	2,770
Social Security	8,486	7,700	786
Unemployment Insurance	304	336	(32)
Workers Compensation Insurance	4,679	4,664	15
Health Insurance and Other Benefits	39,172	35,645	3,527
Retirement	9,216	8,991	225
Liability and Property Insurance	3,744	3,592	152
Interest Expense	2,100	123	1,977
Supplies	8,000	7,111	889
Postage	700	645	55
Gas, Oil and Grease	3,000	1,684	1,316
Meters and Parts	12,000	9,195	2,805
Distribution Materials	4,000	13,746	(9,746)
Computer Expenses	400	537	(137)
Water & Sewer Charges	185	222	(37)
Training and Conferences	1,500	1,267	233
Electrical Service	600	520	80
Heat	4,000	2,400	1,600
Maintenance - Other	1,500	2,525	(1,025)
Water Line Maintenance - Breaks	16,000	1,535	14,465
Uniforms and Boots	1,000	1,490	(490)
Contract Services	99,420	99,420	0
Other Professional Services	1,000	232	768
Audit Services	2,850	2,806	44
Water Purchases - Village	393,734	338,947	54,787
Water Purchases - IBM	1,898,000	1,827,113	70,887
Printing and Advertising	2,000	1,614	386
Transfer to Capital Reserve	60,000	60,000	0
State Water Tax - Village	8,832	7,608	1,224
State Water Tax - IBM	42,586	40,977	1,609
Capital Outlay	2,000	0	2,000
Total Expenses	2,741,631	2,584,777	156,854
Net Income	\$ 0	53,757	\$ 53,757
Adjustments to Reconcile to GAAP Basis Statements:			
Purchase of Equipment		4,200	
Capital Reserve Fund Transfer		60,000	
Capital Grants received		7,500	
Interest Earned on Capital Reserve Fund		550	
Depreciation		(80,843)	
Change in Net Assets - Exhibit H		\$ 45,164	

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 381,382	\$ 372,283	\$ (9,099)
Sanitation Penalty	1,800	1,914	114
Essex Pump Station Fees	22,126	21,261	(865)
2 Party Agreement Revenue	15,000	15,000	0
Miscellaneous	17,000	27,000	10,000
Interest Earnings	0	10	10
	<u>437,308</u>	<u>437,468</u>	<u>160</u>
Total Revenue			
Expenses:			
Salaries - Regular	84,155	83,314	841
Salaries - Overtime	15,771	8,341	7,430
Salaries - Part Time	5,983	3,211	2,772
Social Security	8,102	7,148	954
Unemployment Insurance	304	320	(16)
Workers Compensation Insurance	4,489	4,356	133
Health Insurance and Other Benefits	38,929	32,961	5,968
Retirement	8,494	8,327	167
Liability and Property Insurance	7,227	6,470	757
Interest Expense	1,500	77	1,423
Supplies	1,500	177	1,323
Postage	1,350	1,264	86
Gas, Grease and Oil	2,000	3,692	(1,692)
Computer Expenses	700	1,073	(373)
Water and Sewer Charge	0	701	(701)
Training and Conferences	1,000	20	980
Electrical Service	7,250	6,926	324
Maintenance - Other	1,500	242	1,258
Pump Station Maintenance	5,000	2,406	2,594
Sanitation Lines Maintenance	13,550	3,401	10,149
Susie Wilson Pump Station Costs	9,000	5,490	3,510
West St. Pump Station Costs	10,500	12,934	(2,434)
Uniforms, Boots, Etc.	1,000	1,288	(288)
Contractual Services	123,620	123,620	0
Right-Of-Way Agreements	6,959	6,839	120
Sanitation Line Backup Cleaning	1,500	0	1,500
Other Professional Services	1,500	1,160	340
Audit Services	1,425	1,403	22
Capital Reserve Fund Contributions	70,000	80,000	(10,000)
Capital Outlay	3,000	0	3,000
	<u>437,308</u>	<u>407,161</u>	<u>30,147</u>
Total Expenses			
Net Income	\$ <u>0</u>	30,307	\$ <u>30,307</u>

Adjustments to Reconcile to GAAP Basis Statements:

Non-budgetary Operating Expenses	(28,603)
Gain on Sale of Capital Asset	102
Interest Earned on Capital Reserve Fund	623
Capital Grants received	333,297
Transfer in from WWTF Fund	5,108
Capital Reserve Fund Transfer	80,000
Depreciation	<u>(96,407)</u>

Change in Net Assets - Exhibit H \$ 324,427

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 466,913	\$ 482,493	\$ 15,580
Village User Penalties	1,500	2,343	843
Wastewater Charge - Essex	364,892	373,999	9,107
Wastewater Charge - Williston	445,979	429,786	(16,193)
Pump Station Maintenance Fee	24,200	24,200	0
Sewer Capacity Lease	5,169	5,324	155
Village Septage Discharge Income	33,500	26,659	(6,841)
Shared Septage Revenue	16,500	13,131	(3,369)
Village Leachate Revenues	33,500	27,989	(5,511)
Shared Leachate Revenues	16,500	13,786	(2,714)
Miscellaneous	0	258	258
Total Revenue	1,408,653	1,399,968	(8,685)
Expenses:			
Salaries - Regular	234,654	240,238	(5,584)
Salaries - Overtime	25,867	22,589	3,278
Salaries - Part-Time	11,968	12,195	(227)
Social Security	20,845	20,602	243
Unemployment Insurance	665	743	(78)
Workers Compensation Insurance	11,978	11,274	704
Health Insurance and Other Benefits	101,410	93,649	7,761
Retirement	23,670	23,699	(29)
Liability and Property Insurance	24,739	21,759	2,980
Interest Expense	5,000	351	4,649
Supplies	13,000	13,663	(663)
Chemicals	165,000	190,639	(25,639)
Gas, Grease and Oil	6,500	4,572	1,928
Water and Sewer Charge	1,000	2,451	(1,451)
Training and Conferences	3,500	4,114	(614)
Telephone Services	2,677	3,333	(656)
Electrical Service	95,000	116,335	(21,335)
Heating	6,000	3,453	2,547
Maintenance - Other	65,000	75,826	(10,826)
Vehicles Maintenance - Travel	4,000	1,294	2,706
Uniforms, Boots, Etc.	3,000	2,115	885
Contract Laboratory Service	8,000	6,924	1,076
Contract Services	49,710	49,710	0
Legal Services	1,000	433	567
Grit Disposal	10,000	5,113	4,887
Sludge Dewatering	168,500	148,323	20,177
Sludge Management	165,500	137,628	27,872
Other Professional Services	2,000	1,768	232
Audit Services	3,345	3,294	51
WWTF Annual Permit Fee	7,000	4,831	2,169
Capital Reserve Fund Contributions	110,000	110,000	0
Loan Payment	58,125	58,125	0
Total Expenses	1,408,653	1,391,043	17,610
Net Income	\$ 0	8,925	\$ 8,925
Adjustments to Reconcile to GAAP Basis Statements:			
Purchases of Equipment		1,060	
Non-budgetary Operating Expenses		(28,876)	
Paydown of Loan Principal		50,000	
Gain on Sale of Capital Asset		2,100	
Capital Reserve Fund Transfer		110,000	
Capital Grants Received		51,423	
Transfer to Sanitation Fund		(5,108)	
Interest Earned on Capital Reserve Fund		133	
Depreciation		(285,440)	
Change in Net Assets - Exhibit H		\$ (95,783)	

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