

VILLAGE OF ESSEX JUNCTION, VERMONT

AUDIT REPORT

JUNE 30, 2012

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AUDIT REPORT
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77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
802/223-3578 FAX

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

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, 2012, which collectively comprise the Village of Essex Junction, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Essex Junction, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

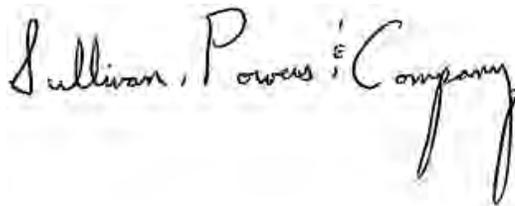
In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Essex Junction, Vermont, as of June 30, 2012 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with "Government Auditing Standards", we have also issued our report dated February 21, 2013, on our consideration of the Village of Essex Junction, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

February 21, 2013
Montpelier, Vermont
VT Lic. #92-000180

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

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, 2012.

Financial Highlights

- Assets exceeded liabilities on June 30, 2012 by \$23,142,002 (*net assets*). Of this amount, \$2,666,962 (*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 \$404,673. Of this amount, net assets attributable to governmental activities increased by \$205,611. Net assets attributable to business-type activities increased by \$199,062.
- Fund balances of governmental funds increased by \$148,141 in fiscal FY12. The General Fund had \$238,187 of unassigned fund balance at 6/30/12. This is equal to 7.3% of the approved FY13 General Fund Budget. As of 6/30/11 the General Fund had \$201,808 of unassigned fund balance.

Overview of the Village's Financial Statements:

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Current and Other Assets	\$1,704,351	\$1,857,041	\$3,522,220	\$1,738,255	\$5,226,571	\$3,595,296
Capital Assets	<u>\$11,105,872</u>	<u>\$10,886,072</u>	<u>\$10,594,699</u>	<u>\$9,573,833</u>	<u>\$21,700,571</u>	<u>\$20,459,905</u>
Total Assets	<u>\$12,810,223</u>	<u>\$12,743,113</u>	<u>\$14,116,919</u>	<u>\$11,312,088</u>	<u>\$26,927,142</u>	<u>\$24,055,201</u>
Current Liabilities	\$106,953	\$239,713	\$494,162	\$347,855	\$601,115	\$587,568
Non-Current Liabilities	<u>\$178,159</u>	<u>\$183,900</u>	<u>\$3,005,866</u>	<u>\$546,404</u>	<u>\$3,184,025</u>	<u>\$730,304</u>
Total Liabilities	<u>\$285,112</u>	<u>\$423,613</u>	<u>\$3,500,028</u>	<u>\$894,259</u>	<u>\$3,785,140</u>	<u>\$1,317,872</u>
Net Assets						
Invested in capital assets, net of						
Related Debt	\$11,083,872	\$10,842,072	\$9,386,384	\$9,226,991	\$20,470,256	\$20,069,063
Restricted	\$4,784	\$4,775	\$0	\$0	\$4,784	\$4,775
Unrestricted	<u>\$1,436,455</u>	<u>\$1,472,653</u>	<u>\$1,230,507</u>	<u>\$1,190,838</u>	<u>\$2,666,962</u>	<u>\$2,663,491</u>
Total Net Assets	<u>\$12,525,111</u>	<u>\$12,319,500</u>	<u>\$10,616,891</u>	<u>\$10,417,829</u>	<u>\$23,142,002</u>	<u>\$22,737,329</u>

As stated above, net assets exceeded liabilities by \$23,142,002 at the end of fiscal year 2012. Net assets at the end of fiscal year 2011 exceeded liabilities by \$22,737,329.

The largest portion of the Village's net assets is in its investment in capital assets (88.4%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, infrastructure). Therefore these assets are not available for future spending.

\$4,784 of the Village's assets are subject to restrictions on how they may be used. Unrestricted net assets (\$2,666,962) may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in unrestricted net assets are committed by the Village or assigned by the Board of Trustees for particular purposes (e.g. capital projects).

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

	Governmental Activities		Business-type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Revenues						
Program Revenues						
Charges for services	\$120,923	\$90,411	\$5,073,014	\$4,953,855	\$5,193,937	\$5,044,266
Operating grants and contributions	\$132,937	\$1,256,166	\$0	\$0	\$132,937	\$1,256,166
Capital grants and contributions	\$68,191	\$702,017	\$206,790	\$153,355	\$274,981	\$855,372
General Revenues						
Property taxes	\$2,644,086	\$2,569,878	\$0	\$0	\$2,644,086	\$2,569,878
Unrestricted investment earnings	\$3,412	\$3,118	\$8,693	\$1,342	\$12,105	\$4,460
Other revenues	\$16,239	\$18,831	\$0	\$0	\$16,239	\$18,831
Total Revenues	<u>\$2,985,788</u>	<u>\$4,640,421</u>	<u>\$5,288,497</u>	<u>\$5,108,552</u>	<u>\$8,274,285</u>	<u>\$9,748,973</u>
Expenses						
Governmental activities						
General Government	\$601,735	\$585,232	\$0	\$0	\$601,735	\$585,232
Public Safety	\$318,691	\$314,186	\$0	\$0	\$318,691	\$314,186
Public Works	\$1,105,751	\$1,099,563	\$0	\$0	\$1,105,751	\$1,099,563
Community Development	\$46,341	\$1,162,759	\$0	\$0	\$46,341	\$1,162,759
Culture and Recreation	\$707,659	\$682,314	\$0	\$0	\$707,659	\$682,314
Business-type activities						
Water	\$0	\$0	\$2,902,945	\$2,775,228	\$2,902,945	\$2,775,228
Sanitation	\$0	\$0	\$465,532	\$460,382	\$465,532	\$460,382
Wastewater	\$0	\$0	\$1,720,958	\$1,740,991	\$1,720,958	\$1,740,991
Total Expenses	<u>\$2,780,177</u>	<u>\$3,844,054</u>	<u>\$5,089,435</u>	<u>\$4,976,601</u>	<u>\$7,869,612</u>	<u>\$8,820,655</u>
Change in net assets	\$205,611	\$796,367	\$199,062	\$131,951	\$404,673	\$928,318
Net assets - Beginning of Year	<u>\$12,319,500</u>	<u>\$11,523,133</u>	<u>\$10,417,829</u>	<u>\$10,285,878</u>	<u>\$22,737,329</u>	<u>\$21,809,011</u>
Net assets - End of Year	<u>\$12,525,111</u>	<u>\$12,319,500</u>	<u>\$10,616,891</u>	<u>\$10,417,829</u>	<u>\$23,142,002</u>	<u>\$22,737,329</u>

At the end of FY12 the Village of Essex Junction has positive balances in all three categories of net assets for all funds.

Governmental activities. Governmental activities increased the Village's net assets by \$205,611 in FY12. Revenues in governmental funds exceeded expenditures by \$148,141. The Village increased its investment in capital assets by \$241,800 and unrestricted net assets decreased by \$36,198. Restricted net assets increased by \$9.

Business-type activities. Business-type activities increased the Village's net assets by \$199,062.

Water Fund

The Water Fund had budgetary net income of \$28,735 in FY12. Disregarding IBM pass through revenues and expenses, Water Fund revenues were \$18,026 more than budget while expenditures were \$10,709 less than budgeted. Water Lines Maintenance-Breaks was under-spent by \$14,376 but CWD water purchases for Village Residents was over-budget by \$15,732. Unaccounted water (water purchased but not metered to users) was higher than budget which increased the revenue from large employers. Due to the minimal number of water line breaks, overtime expenses were under-budget. Supplies and distribution materials were also under-budget which added to the surplus. Summit Street Water line replacement was completed for a total cost of \$218,516, The project was begun in FY11. The Meter Replacement Program was continued at a cost of \$34,084. Four hundred fifty (450) 5/8 inch meters were replaced, and a study of the Village's Water/Sewer Rate structure was begun. The Algonquin Water Loop Extension project was begun.

Sanitation Fund

The Sanitation Fund had budgetary net income of \$32,541. Tap on fees were \$82,728 more than budgeted, and this surplus was transferred to the Sanitation Capital Reserve per the Trustees Policy Regarding Water/Sewer Fees Collected in Excess of Budgeted Amounts. Sanitation personnel costs were lower than budgeted due to the loss of an employee during the year. The Sanitation Fund participates by paying 2/3 of the cost of the Meter Replacement Program as it funds the costs for both the Sanitation Fund (underground piping) and the Wastewater Treatment Fund (wastewater treatment). Meter replacement costs totaled \$63,373 in FY12. The West St Pump Station Isolation Valve was installed at a cost of \$16,494. The Town of Essex pays 75% of West St. Pump Station Costs or \$12,370 of this valve was paid for by the Town of Essex. The Sanitation Fund purchased software through a STAG grant. The High School Pump Station Upgrade was continued and is being funded by the State Revolving Loan Fund for Clean Water. Debt payments for this loan are not expected to increase the Sanitation rate. The current contribution to Capital will cover these payments. Because of repairs funded by a stimulus grant, our underground sanitary sewer system is in good condition.

Wastewater Treatment Fund

The Wastewater Treatment Facility had budgetary net income of \$9,906 in FY12. A \$20,000 surplus was budgeted and intended to replenish the fund's operating net assets. At year end, a reconciliation was done of revenues versus expenses, and surcharges were assessed to the Tri-town communities (Essex, Williston and Essex Junction) in order to meet budget. The Village transferred an additional \$10,074 from the Sanitation Fund. This is above and beyond the \$45,036 previously transferred in. Three accounts were significantly over budget. These included overtime which was higher than anticipated due to more employees taking pay for their overtime rather than accumulating compensatory time. Other accounts significantly over budget were Chemicals and Electricity. The Chemical overage can be attributed to the economy, the increase in chemical prices and process related chemical use. The electrical overage is due to a malfunction with the Co-Generation process as well as increased process organic load to the aeration basins which resulted in increased aeration demands. The Wastewater Treatment Facility is in the midst of a major refurbishment project. The project has been authorized to bond for \$15,230,000. A majority of the funding for this project will be from the State Clean Water Revolving Fund. This funding has a 2% admin fee and is subject to reduction by subsidies.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund had a surplus of \$129,959 in FY12. It was budgeted to have a deficit of \$34,587 but instead added to fund balance. The General Fund fund balance increased from \$365,661 at the end of fiscal year 2011 to \$495,620 at the end of fiscal year 2012. Of the \$495,620 fund balance, \$87,991 is nonspendable (inventories and prepaid expenses), \$169,442 is assigned (see page 44 of notes for breakdown). This leaves \$238,187 of unassigned fund balance in the General Fund. To comply with the Governmental Accounting Standards Board Statement 54, the Village has adopted a fund balance policy. Basically this fund balance policy states that net assets of governmental fund type financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Trustees intended use of the resources); and unassigned. The Village General Fund has no restricted net assets. In addition to the change in how fund balance is classified, Statement 54 also required that our Library Replacement Fund and Engineering Fund be integrated into the General Fund. The balances in these two funds were transferred into the General Fund.

- Excluding grants and donations received and expended in FY12 and transfers in to combine special revenue funds with General Fund, revenues were higher than budgeted by \$56,413. Revenues that were significantly higher than anticipated were License and Zoning Fees (+\$29,060) due higher than anticipated zoning permit activity; State Highway Aid (+\$14,059) and parking space revenue (+\$4,800) which was a new revenue source in FY12.
- Expenditures excluding those for grants and donations received in FY 12 and Expense designated from prior years were \$106,965 less than budgeted. The following departmental analysis will identify amounts varying substantially from budget and give an explanation of what transpired during the year.
 - A) The Administration Budget ended the year with a surplus of \$6,172. One line item significantly overspent was legal fees by \$6,035 due to a number of issues such as Land Development Code/Ordinance enforcement, a property boundary line agreement, and various other issues. Capital Outlay was overspent by \$6,512 as replacement computers budgeted for FY13 were purchased in advance to allow for a change in the FY13 budget to allow for the conversion of a part-time employee to full time. Line items underspent that contributed to the surplus were Pay & Classification Study ó (+\$2,643) as this study was not done as agreed upon in Association contract negotiations, and Health Insurance and Other Benefits which was underspent by \$11,522 due to a change in January from Cigna through the VLCT to a brokered Health Plan with Blue Cross/Blue Shield. Employees were given a choice of plan and all in the Admin Department opted for the less expensive plan.
 - B) Lincoln Hall Budget was underspent by \$4,579. The Capital Outlay line item was underspent by 3,999. Money had been budgeted for insulation, carpet replacement and Main Office rearrangement. The insulation cost more than anticipated and the carpet and office renovations were postponed due to lack of funds. The renovations are part of the FY14 Capital Plan.

- C) The Fire Department was over-spent by \$856. Among significant line item overexpenditures were Salaries of Part-time Firefighters (\$7,440), Gas Grease and Oil (\$2,470), Maintenance Buildings/Grounds (\$2,801), Maintenance of Other (\$2,268) and Vehicle Maintenance (\$4,117). The overage in Salaries is due to the high number of fire calls and the excellent attendance of the Fire Fighters. We have increased this line item in subsequent budgets. Building and other maintenance for the Fire House and equipment has increased of future budgets have been increased to recognize this reality. Vehicle Maintenance was high due to maintenance of the aging Ladder Truck. This truck will be replaced in FY13 and future budgets reflect an anticipated drop in vehicle maintenance costs. The Fire Department balanced unexpected needs by spending less in other areas. The Trustees voted to cover this over-expenditure in the Fire Department with surplus funds in the Street Department.
- D) The Street Department ended FY12 with a surplus of \$57,860. Due to a very mild winter, the Winter Maintenance line item was under-spent by \$21,591; and Contract Services, which pays for contracted help with snow removal, was under-spent by \$8,921. Overtime reflects the mild winter with an under-expenditure of \$5,312. Regular Salaries was under-spent by \$26,294 while Part-time salaries were overspent by \$9,796. The Department did not replace a full-time employee who left Village employment but relied on a part-time worker to help with plowing. Due to the uncharacteristically mild winter this arrangement did not give a realistic picture of whether it would work or not. The Street Department is relying on part-time and contract help again in FY13 to see if the department can function with one less full-time employee. Because of the surplus created by the mild winter and the employee situation, a lawn mower was replaced, extra plow blades were purchased and traffic light system improvements were made.
- E) The Brownell Library budget was under-spent by \$10,639. Capacity was created to purchase iPads and replacement computers by an under-expenditure in Health Insurance of \$16,242. As in the Administration Department, Library employees chose the less expensive health insurance plan which resulted in some of the under-expenditure. In addition, the anticipated family status of an employee was incorrect which added to this under-expenditure.
- F) The Planning and Zoning budget was under-spent by \$24,876. Nearly half of this (\$11,396) was from the Other Professional Services line item. The Comprehensive Plan update scheduled to be accomplished in FY12 was postponed in order to take advantage of information to be produced in the Heart and Soul Grant process. An additional \$3,506 surplus from Printing and Advertising can also be attributed to the delay in the Comprehensive Plan update. The Health Insurance change contributed \$7,311 to the surplus in Planning and Zoning.
- G) The Economic Development Budget was underspent by \$3,695. Most of this can be attributed to Matching Grant Funds which were not used. Funds budgeted for a Community Forum were used to pay the Village's match on the Orton Heart and Soul Grant.
- H) Grants received and expended were received for the Library, Fire Department, Community Development Department, and the Street Department. The Library received from the State of Vermont a grant for the 1st Wednesdays program (\$400) and also a Library Services and Technical Grant of \$961. The Library also received a donation of a grand piano and donations from the Friends of the Brownell Library for books and equipment totaling \$4,436. The Fire Department spent \$3,688 of donated money and \$2,351 of Fire Department money for gas meters. \$1,844 came from the Essex Junction Fire Fighters Association, and \$1,844 was received in the form of a VLCT grant that did not arrive within 60 days of the end of the year and so was deferred in the governmental reports. The Fire Department also received a Thermal Camera from the Essex Junction Fire Fighters Association. The Economic Development Department received a Federal Grant for "Building Healthy Communities". The money was used for a walkability, bikeability assessment of the Village. As a result the Village was awarded a bronze award for walkability from Walk Friendly Communities and an honorable mention from the American Bicyclists Association. In addition, the Village of Essex Junction and the Town of Essex were awarded a Heart and Soul Community Planning Grant from the Orton Foundation for \$100,000. This money is being used to determine a shared vision for the Village and the Town. It will be completed by December of 2013.

Capital Reserve Fund

The Capital Reserve Fund had a negative fund balance of (\$794) as of June 30, 2011 and a positive fund balance of \$346,940 as of June 30, 2012. During the year, \$322,875 was transferred into the Capital Reserve Fund from the Land Acquisition Fund per a vote at Village Meeting. Also, during the year, Summit Street Reconstruction in conjunction with the water line replacement was completed for \$306,948. Algonquin Roadway Reconstruction was begun. This project also includes water line work to be paid out of the Water Fund. Other projects completed in FY12 included Fire House Siding/Soffit/Gutters (\$17,150), Lincoln Hall Roof Replacement (\$14,144), Crescent Connector Design (\$36,696), Technical Upgrade and Server Replacement in the Administrative Offices (\$19,770), and Road resurfacing (\$83,217). The road resurfaced was Main Street. The following grants were awarded: From the US Department of Homeland Security an Emergency Management Grant which paid \$16,362 of \$39,729 for a new emergency generator for Lincoln Hall and the Fire Station; from the US Department of Transportation passed through the Vermont Agency of Transportation \$3,600,000 for the Crescent Connector Road Project, and \$338,640 for Lincoln Street Sidewalks. The Crescent Connector and Lincoln Street Sidewalk projects were just begun in FY12. They will continue through FY13.

Whitcomb Terrace Loan Fund

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

Rolling Stock Reserve Fund

The Rolling Stock Reserve Fund had fund balance of \$629,707 at the beginning of FY12 and \$618,013 as of the end of FY11. Expenditures in the Rolling Stock Fund in FY12 totaled \$176,498. The Village purchased a 2012 International Dump Truck for \$123,470 plus trade in, a 2011 Chevrolet Silverado for \$30,147 plus trade in, and also made a payment of \$22,000 plus interest on the State Municipal Equipment Loan for the 2008 Fire Department KME Rescue/Pumper. The principal balance on the loan is currently \$22,000.

Capital Assets

The Village of Essex Junction's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totaled \$21,700,571 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, library books, park facilities, vehicles and distribution and collection systems.

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

- Paving on Main Street
- Summit Street Reconstruction
- An Emergency Generator was replaced at Lincoln Hall/Fire Station
- A dump truck was purchased
- A dump truck was traded in
- A 4 wheel drive truck was purchased
- A 4 wheel drive truck was traded in

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

- Summit Street water line replacement
- 450 New meters installed
- High School Pump Station Upgrade was begun
- Wastewater Treatment Facility Upgrade was begun

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
	Land	55,742	55,742	118,077	118,077	173,819
Construction in Progress	151,404	133,425	1,327,124	202,334	1,478,528	335,759
Antiques and Works of Art	12,000	12,000	0	0	12,000	12,000
Buildings and Building Improvements	1,870,964	1,839,670	8,343,215	8,343,215	10,214,179	10,182,885
Vehicles, Machinery, Equipment, Furniture & Traffic Signals	5,029,223	4,887,454	2,990,692	2,826,459	8,019,915	7,713,913
Library Books	857,943	840,668	0	0	857,943	840,668
Parks	210,984	210,984	0	0	210,984	210,984
Roads, Curbs, Sidewalks and Storm Sewers	7,214,379	6,765,952	45,539	45,539	7,259,918	6,811,491
Distribution and Collection Systems	0	0	14,941,337	14,716,451	14,941,337	14,716,451
Accumulated Depreciation	(4,296,767)	(3,859,823)	(17,171,285)	(16,678,242)	(21,468,052)	(20,538,065)
	<u>11,105,872</u>	<u>10,886,072</u>	<u>10,594,699</u>	<u>9,573,833</u>	<u>21,700,571</u>	<u>20,459,905</u>

Long Term Debt

The Village received a loan of \$110,000 from the Vermont Municipal Equipment Loan Fund for the purchase of the KME Rescue/Pumper. The interest rate on this loan is 2% with a 5 year pay back provision. As of 6/30/12 there was \$22,000 principal balance on the loan.

The Wastewater Treatment Facility took out a \$250,000 note from the People's United Bank in FY09 to cover the deficit in that fund created primarily by the cleaning of the digester and the drop in member-town revenues. The terms of this note are a yearly payment of \$50,000 plus 3.25% interest for 5 years. As of 6/30/12 there was a \$100,000 principal balance on this loan.

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

In FY11 the Village began 2 long term projects in the Wastewater Treatment Fund and the Sanitation Fund. In a special meeting on April 12, 2011, the Village voters authorized the Village to issue bonds for \$15,230,000 for improvements to the Wastewater Treatment Facility and \$1,287,000 for the upgrade of Village pump stations. As of 6/30/12, the Village had borrowed \$115,900 and received a subsidy of \$12,110 from the State Clean Water Revolving Fund for the High School Pump Station project in the Sanitation Fund. Payments on this loan are scheduled to begin February 2014. As of 6/30/12 the Village had received \$820,613 for the Wastewater Treatment Refurbishment Project from the State Clean Water Revolving Fund. The first payment on this loan is due in FY17. A bond payable for the Wastewater Treatment Refurbishment Project for \$1,705,000 has been assumed from the Town of Bradford. Principal and interest payments were started in FY12.

Economic Factors and Next Year's Budgets and Rates

- As of January 2013, the economy is a little better than a year ago although many are still out of work. The national unemployment rate was at 7.8 % in December 2012, down from 8.5% in December 2011 according to the US Dept. of Labor Bureau of Labor Statics. According to the same source, Vermont unemployment was at 5.2% in November 2012, down slightly from 5.3% in November 2011.
- The CPI index for Northeast urban communities was 1.8 from November 2011 to November 2012. The national city average CPI index was 1.7% from December 2011 to December 2012 .
- There has been and continues to be unrest in the Middle East. The housing market is improving. Gasoline prices in New England and the Nation are only a little higher this December than they were last January according to the US Energy Information Administration. The US average was \$3.299/gallon on 1/7/13 and the New England average was \$3.516/ gallon. The national debt is approximately \$16.5 trillion, and we have reached the debt ceiling again.
- In January 2014, Vermonters will be required to buy their health insurance through an exchange. Vermont is working on the Vermont Health Connect Exchange to be operational by October 2013. At this point details about what that will mean to consumers and businesses in terms of cost are still substantially unknown.
- In October of 2012, the Village manager of four years, David Crawford, resigned. The Village Trustees are exploring, in conjunction with the Town Selectboard, the possibility of combining managers for the Village and Town. In the interim, Susan McNamara-Hill, Village Clerk/Treasurer/Tax Collector, and Lauren Morrisseau, Finance Director, are acting as interim Co-managers.
- The IBM M&E Subsidy decreased by \$60,545 from FY12 to FY13, from \$121,123 to \$60,578. This decrease resulted in an additional \$.006 on the FY13 tax rate. FY13 is the last year that the Village will receive this subsidy payment.
- Planning applications in the Village remain strong. Among them are the Master Plan from IBM for 300,000 square feet of development at the northern end of their property along Maple Street where the new Police Station will be constructed. Another large application is for 300 apartments at on Thasha Lane (Autumn Pond). Seventeen units on Pearl St. were approved.
- The Village continues to seek grant money to supplement tax revenues. The Village has received a grant from the Chittenden County Regional Planning Commission (CCRPC) for \$139,000 for a path from Central Street to North Street along the rail path (called the Multiuse Path North). We are also seeking an additional grant for \$274,964 from the Vermont Transportation Agency (VTrans) for this project. The Crescent Connector Road project is progressing with the State of Vermont committing \$4,500,000 with no match to this project. We are also, through the Circ Alternative task force, optimistic that we will receive funds for the Missing Link project which will improve transportation and lighting from Post Office Square to the Five Corners. The Lincoln St. Project which is funded by two grants, one from CCRPC for \$118,640 and one from VTrans for \$220,000, will be entering construction phase in the summer of 2013. Another grant currently in process is the Orton Heart and Soul Grant which is a community planning grant awarded to the Town of Essex and the Village of Essex Junction. This grant will be completed by December 2013.
- The Wastewater Treatment Facility Refurbishment project is in construction. The project will cost about \$15,000,000. The Village held a bond vote for this project at Village Meeting in 2011. 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. Currently the Village has assumed a bond in the amount of \$1,705,000 and has received \$1,853,254 in Vermont Clean Water Revolving Loan funds for the project.

- The High School Pump Station Upgrade project is almost complete. It is on-line at this time. The Vermont Clean Water Revolving Fund loan amount borrowed as of January 1, 2013 is \$1,101,971.
- The FY13 General Fund budget increased by 2.77% from the FY12 budget. The tax rate increased by 4.75% from \$0.2438 to \$0.2554. At this time in January 2013, the Trustees are formulating a budget in which revenues are dropping due to the IBM Subsidy elimination. The draft FY14 budget proposes a 3.14% increase at this time which will necessitate approximately a 4.8% increase in the tax rate.
- Capital projects being undertaken or continued in FY13 and their budgeted or actual amounts, if available, include:
 - Algonquin Roadway Reconstruction - \$113,367 (actual)
 - Crescent Connector Road ó budget \$4,500,000 to be funded by Vt. Dept. of Transportation
 - Lincoln St. Sidewalk Extension ó budget \$423,300 to be funded 80% by grants from CCRPC and VTrans
 - Algonquin Roadway Reconstruction ó \$113,367 actual
 - By-Way Sign - \$10,000 budget
 - Conference Room Improvements - \$15,746 actual
 - Paving ó \$100,000 budget ó Beech St., Brickyard Rd.

The water/sewer utility rates increased by 10% from FY12 to FY13. They increased from \$0.06184 per c.f. of metered water to \$0.06781 per c.f. of metered water. The increase is primarily due to inflationary pressures and also efforts to bring the Wastewater Treatment Facility back to a positive financial position. Additionally, the Sanitation Rate was increased to accommodate the debt payment for the Wastewater Treatment Facility Refurbishment Project. The Village intends to increase the Sanitation rate over 5 years so that the impact of the bond payment will not be realized all in one year. The Village is undertaking a rate structure study to see if there is a way to set rates that will yield more predictable and stable revenues. If there is a change in structure it should be in place by FY14.

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, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,553,442	\$ 2,647,173	\$ 4,200,615
Receivables (Net of Allowance for Uncollectibles)	62,918	830,905	893,823
Inventories	58,334	24,233	82,567
Prepaid Expenses	29,657	19,909	49,566
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	151,404	1,327,124	1,478,528
Antiques and Works of Art	12,000	0	12,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>10,886,726</u>	<u>9,149,498</u>	<u>20,036,224</u>
Total Assets	<u>12,810,223</u>	<u>14,116,919</u>	<u>26,927,142</u>
 <u>LIABILITIES</u>			
Accounts Payable	62,272	471,749	534,021
Accrued Payroll and Benefits Payable	30,672	17,889	48,561
Due to Others	5,218	0	5,218
Deferred Revenue	8,791	0	8,791
Accrued Interest	0	4,524	4,524
Noncurrent Liabilities:			
Due Within One Year	22,000	121,900	143,900
Due in More than One Year	<u>156,159</u>	<u>2,883,966</u>	<u>3,040,125</u>
Total Liabilities	<u>285,112</u>	<u>3,500,028</u>	<u>3,785,140</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	11,083,872	9,386,384	20,470,256
Restricted	4,784	0	4,784
Unrestricted	<u>1,436,455</u>	<u>1,230,507</u>	<u>2,666,962</u>
Total Net Assets	<u>\$ 12,525,111</u>	<u>\$ 10,616,891</u>	<u>\$ 23,142,002</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, 2012

	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	\$ 601,735	\$ 107,629	\$ 0	\$ 0	\$ (494,106)	\$ 0	\$ (494,106)
Public Safety	318,691	25	0	27,205	(291,461)	0	(291,461)
Public Works	1,105,751	9,231	109,059	18,926	(968,535)	0	(968,535)
Community Development	46,341	0	3,592	15,000	(27,749)	0	(27,749)
Culture and Recreation	707,659	4,038	20,286	7,060	(676,275)	0	(676,275)
Total Governmental Activities	<u>2,780,177</u>	<u>120,923</u>	<u>132,937</u>	<u>68,191</u>	<u>(2,458,126)</u>	<u>0</u>	<u>(2,458,126)</u>
Business-Type Activities:							
Water	2,902,945	2,945,324	0	129,046	0	171,425	171,425
Sanitation	465,532	538,333	0	77,744	0	150,545	150,545
Wastewater	1,720,958	1,589,357	0	0	0	(131,601)	(131,601)
Total Business-Type Activities	<u>5,089,435</u>	<u>5,073,014</u>	<u>0</u>	<u>206,790</u>	<u>0</u>	<u>190,369</u>	<u>190,369</u>
Total	<u>\$ 7,869,612</u>	<u>\$ 5,193,937</u>	<u>\$ 132,937</u>	<u>\$ 274,981</u>	<u>(2,458,126)</u>	<u>190,369</u>	<u>(2,267,757)</u>
General Revenues:							
Property Taxes					2,520,386	0	2,520,386
Payment in Lieu of Taxes					123,700	0	123,700
Interest and Penalties on Delinquent Taxes					7,346	0	7,346
Unrestricted Investment Earnings					3,412	8,693	12,105
Other Revenues					8,893	0	8,893
Total General Revenues					<u>2,663,737</u>	<u>8,693</u>	<u>2,672,430</u>
Change in Net Assets					205,611	199,062	404,673
Net Assets - July 1, 2011					<u>12,319,500</u>	<u>10,417,829</u>	<u>22,737,329</u>
Net Assets - June 30, 2012					<u>\$ 12,525,111</u>	<u>\$ 10,616,891</u>	<u>\$ 23,142,002</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 474,413	\$ 356,187	\$ 618,013	\$ 104,829	\$ 1,553,442
Receivables (Net of Allowance for Uncollectibles)	45,652	17,266	0	0	62,918
Due from Other Funds	0	1,610	0	0	1,610
Inventories	58,334	0	0	0	58,334
Prepaid Expenses	29,657	0	0	0	29,657
 Total Assets	<u>\$ 608,056</u>	<u>\$ 375,063</u>	<u>\$ 618,013</u>	<u>\$ 104,829</u>	<u>\$ 1,705,961</u>
<u>LIABILITIES</u>					
Liabilities:					
Accounts Payable	\$ 51,415	\$ 10,857	\$ 0	\$ 0	\$ 62,272
Accrued Payroll and Benefits Payable	30,672	0	0	0	30,672
Due to Other Funds	1,610	0	0	0	1,610
Due to Others	5,218	0	0	0	5,218
Deferred Revenue	23,521	17,266	0	0	40,787
 Total Liabilities	<u>112,436</u>	<u>28,123</u>	<u>0</u>	<u>0</u>	<u>140,559</u>
Fund Balances:					
Nonspendable	87,991	0	0		87,991
Restricted	0	0	0	4,784	4,784
Committed	0	346,940	618,013	100,045	1,064,998
Assigned	169,442	0	0	0	169,442
Unassigned	238,187	0	0	0	238,187
 Total Fund Balances	<u>495,620</u>	<u>346,940</u>	<u>618,013</u>	<u>104,829</u>	<u>1,565,402</u>
 Total Liabilities and Fund Balances	<u>\$ 608,056</u>	<u>\$ 375,063</u>	<u>\$ 618,013</u>	<u>\$ 104,829</u>	
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					11,105,872
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					31,996
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.					<u>(178,159)</u>
Net Assets of Governmental Activities					<u>\$ 12,525,111</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,520,386	\$ 0	\$ 0	\$ 0	\$ 2,520,386
Payment in Lieu of Taxes	123,700	0	0	0	123,700
Penalties and Interest	7,346	0	0	0	7,346
Intergovernmental Revenues	130,272	202,429	0	0	332,701
Charges for Services	337,274	0	0	0	337,274
Investment Income	1,432	0	1,180	800	3,412
Fines and Forfeits	1,929	0	0	0	1,929
Licenses and Permits	61,060	0	0	0	61,060
Contributions	20,569	16,660	0	0	37,229
Other Revenue	11,305	0	0	0	11,305
Total Revenues	3,215,273	219,089	1,180	800	3,436,342
Expenditures:					
Current:					
General Government	852,836	259	0	0	853,095
Public Safety	258,342	0	0	0	258,342
Public Works	689,606	0	0	0	689,606
Community Development	52,363	6,715	0	0	59,078
Culture & Recreation	583,521	0	0	0	583,521
Debt Service:					
Principal	0	0	22,000	0	22,000
Interest	0	0	880	0	880
Capital Outlay:					
General Government	5,701	33,914	0	0	39,615
Public Safety	17,527	56,880	0	0	74,407
Public Works	14,856	469,250	153,618	0	637,724
Culture & Recreation	69,933	0	0	0	69,933
Total Expenditures	2,544,685	567,018	176,498	0	3,288,201
Excess/(Deficiency) of Revenues Over Expenditures	670,588	(347,929)	(175,318)	800	148,141
Other Financing Sources/(Uses):					
Transfers In	10,783	695,663	163,624	15,000	885,070
Transfers Out	(551,412)	0	0	(333,658)	(885,070)
Total Other Financing Sources/(Uses)	(540,629)	695,663	163,624	(318,658)	0
Net Change in Fund Balances	129,959	347,734	(11,694)	(317,858)	148,141
Fund Balances/(Deficit) - July 1, 2011	365,661	(794)	629,707	422,687	1,417,261
Fund Balances - June 30, 2012	\$ 495,620	\$ 346,940	\$ 618,013	\$ 104,829	\$ 1,565,402

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, 2012

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)	\$	148,141
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$821,679) is allocated over their estimated useful lives and reported as depreciation expense (\$596,000). This is the amount by which capital outlays exceeded depreciation in the current period.		225,679
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, gain/(loss) on disposals, trade-ins) is to decrease net assets.		(5,880)
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 decrease in deferred revenues from the prior year.		(168,071)
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>(16,258)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>205,611</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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Current Property Taxes	\$ 2,519,354	\$ 2,520,386	\$ 1,032
State of VT PILOT & Current Use	2,000	2,577	577
Penalties and Interest On Delinquent Taxes	7,000	7,346	346
IBM Subsidy	121,123	121,123	0
Licenses & Zoning Fees	32,000	61,060	29,060
Water Department Service Fees	112,993	112,993	0
Wastewater Service Fees	56,497	56,497	0
Sanitation Service Fees	112,993	112,993	0
State District Court Fines	2,000	1,929	(71)
State Highway Aid	95,000	109,059	14,059
Essex Junction School District			
Tax Collection Fees	47,000	46,569	(431)
Lincoln Hall Rentals	289	0	(289)
Parking Space Fees	0	4,800	4,800
Miscellaneous Fire Receipts	20	25	5
Miscellaneous Street Receipts	3,000	3,701	701
Miscellaneous Library Receipts	600	641	41
Brownell Library Grants	0	2,620	2,620
Donation to Brownell Library	0	7,936	7,936
Donations to Block Party	0	1,790	1,790
Essex Town Library Contribution	15,000	15,000	0
Investment Interest	1,000	1,432	432
Miscellaneous Grants	0	3,592	3,592
Miscellaneous Unclassified Receipts	6,000	6,964	964
Library Replacement Receipts	0	3,397	3,397
Donation to Fire Department	0	10,844	10,844
Transfer in From Engineering Fund	0	7,687	7,687
Transfer in From Library Replacement Fund	0	3,096	3,096
	<u>3,133,869</u>	<u>3,226,057</u>	<u>92,188</u>
Total Revenue			
Expenditures:			
Administration:			
Salaries - Regular	324,445	325,863	(1,418)
Salaries - Overtime	400	1,453	(1,053)
Salaries - Part-Time	5,500	5,632	(132)
Social Security	26,220	26,007	213
Unemployment Insurance	962	1,090	(128)
Workers Compensation Insurance	1,771	1,341	430
Health Insurance and Other Benefits	78,659	67,137	11,522
Retirement	37,385	37,216	169
Liability and Property Insurance	7,076	6,934	142
Public Officials Liability Insurance	7,325	6,778	547
Health Improvement Programs	3,000	2,432	568
Board Member Fees	2,500	2,458	42
Supplies	6,500	6,477	23
Postage	4,200	2,973	1,227
Computer Expenses	10,424	11,753	(1,329)
Training & Conferences	12,000	11,332	668
Telephone Services	3,900	4,247	(347)

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Administration/(Cont'd):			
Communications	\$ 13,798	\$ 12,927	\$ 871
Vehicle Maintenance - Travel	3,600	3,600	0
Village Promotion	1,000	1,174	(174)
Interview Costs	0	172	(172)
Leased Services	4,540	4,127	413
Legal Fees	12,800	18,835	(6,035)
Other Professional Services	2,000	0	2,000
Audit Service	4,957	5,121	(164)
Printing and Advertising	6,600	5,523	1,077
Pay & Classification Study	4,200	1,557	2,643
Elections	1,350	1,401	(51)
Holiday Expense	1,500	1,438	62
Trustees Expenditures	4,000	2,930	1,070
Capital Outlay	<u>1,740</u>	<u>8,252</u>	<u>(6,512)</u>
Total Administration	<u>594,352</u>	<u>588,180</u>	<u>6,172</u>
Lincoln Hall:			
Liability and Property Insurance	6,643	5,443	1,200
Supplies	2,000	1,733	267
Water and Sewer Charges	1,200	1,262	(62)
Telephone Services	480	458	22
Electrical Service	5,958	5,920	38
Heating	7,000	6,582	418
Maintenance - Buildings/Grounds	7,000	8,688	(1,688)
Rubbish Removal	1,750	1,785	(35)
Contractual Services	7,503	7,083	420
Capital Outlay	<u>11,550</u>	<u>7,551</u>	<u>3,999</u>
Total Lincoln Hall	<u>51,084</u>	<u>46,505</u>	<u>4,579</u>
Fire Department:			
Salaries - Part-time Firefighters	120,000	127,440	(7,440)
Social Security	9,180	9,749	(569)
Worker's Compensation Insurance	12,000	12,506	(506)
Accident & Disability Insurance	3,800	3,599	201
Liability and Property Insurance	9,496	8,194	1,302

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire Department/(Cont'd):			
Supplies	\$ 2,400	\$ 2,060	\$ 340
EMS Supplies	1,800	645	1,155
Gas, Oil and Grease	4,800	7,270	(2,470)
Water and Sewer Charges	850	495	355
Training and Conferences	6,000	4,629	1,371
Telephone Services	4,400	3,507	893
Electrical Service	6,600	5,994	606
Heating	5,500	4,530	970
Maintenance - Buildings/Grounds	4,000	6,801	(2,801)
Radio Maintenance	2,000	1,575	425
Maintenance - Other	8,000	10,268	(2,268)
Vehicle Maintenance - Travel	10,000	14,117	(4,117)
Emergency Generator Maintenance	1,500	574	926
Uniforms and Boots	17,500	14,054	3,446
Fire Prevention	1,800	1,867	(67)
Physical Exams	6,000	5,097	903
Employee Assistance Program	900	864	36
Hydrant Rental	5,000	5,000	0
New Equipment - Radios	4,300	0	4,300
Routine Equipment Purchases	14,500	12,347	2,153
	<u>262,326</u>	<u>263,182</u>	<u>(856)</u>
Total Fire Department			
Street Department:			
Salaries - Regular	186,376	160,082	26,294
Salaries - Overtime	18,470	13,158	5,312
Salaries - Part-time	12,948	22,744	(9,796)
Social Security	16,730	14,416	2,314
Unemployment Insurance	1,106	907	199
Worker's Compensation Insurance	12,522	10,362	2,160
Health Insurance and Other Benefits	82,542	69,005	13,537
Employee Retirement	18,637	16,382	2,255
Liability and Property Insurance	16,682	14,418	2,264
Supplies	20,000	27,252	(7,252)
Winter Maintenance	70,000	48,409	21,591
Pavement Maintenance	10,000	15,443	(5,443)
Gravel and Topsoil	5,000	3,157	1,843
Signs and Posts	4,500	6,215	(1,715)
Gas, Grease and Oil	20,000	20,849	(849)
Water and Sewer Charge	1,500	2,572	(1,072)
Training and Conferences	500	81	419
Telephone Services	1,800	1,839	(39)
Electrical Service	4,800	3,997	803
Street Lights	128,000	125,292	2,708

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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Street Department/(Cont'd):			
Traffic Lights	\$ 5,500	\$ 5,529	\$ (29)
Heating	4,000	2,865	1,135
Maintenance - Buildings/Grounds	5,000	6,725	(1,725)
Radio Maintenance	200	965	(765)
Maintenance - Other	1,500	874	626
Vehicle Maintenance - Travel	30,000	27,889	2,111
Streetscape Maintenance/ Improvements	5,000	5,005	(5)
Village Garden Spots	2,500	1,752	748
Traffic/Street Light Maintenance	4,500	13,641	(9,141)
Memorial Park	3,500	3,239	261
Street Markings	6,000	10,644	(4,644)
Uniforms, Boots, Etc.	4,500	3,855	645
Interview Costs	0	185	(185)
Rubbish Removal	6,000	5,963	37
Contract Services	10,000	1,079	8,921
Accident Claims	0	500	(500)
Equipment Rentals	1,000	1,692	(692)
Traffic Light Sys Improvements	0	2,127	(2,127)
Engineering Services	15,000	8,342	6,658
Traffic Calming	2,000	618	1,382
Capital Outlay	0	4,250	(4,250)
Sidewalk and Curb Maintenance	6,000	2,627	3,373
Storm Sewer Maintenance	8,500	10,011	(1,511)
Storm Sewer Permit Fees	3,500	1,988	1,512
Storm Sewer Public Education	9,500	9,008	492
	<u>765,813</u>	<u>707,953</u>	<u>57,860</u>
Total Street Department			
Library:			
Salaries - Regular	279,262	283,916	(4,654)
Salaries - Part-Time	84,602	78,979	5,623
Social Security	28,531	27,852	679
Unemployment Insurance	2,344	2,155	189
Workers Compensation Insurance	2,037	1,459	578
Health Insurance and Other Benefits	64,176	47,934	16,242
Retirement	27,926	28,049	(123)
Liability and Property Insurance	12,036	11,113	923
Supplies	13,000	13,174	(174)
Postage	3,000	2,936	64
Computer Expenses	6,000	3,293	2,707
Water and Sewer Charge	500	563	(63)
Training and Conferences	2,000	2,062	(62)
Telephone Services	1,925	1,271	654
Technology Access	3,000	4,347	(1,347)
Electrical Services	14,850	14,041	809
Heating	7,200	7,486	(286)

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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Library/(Cont'd):			
Maintenance - Building/Grounds	\$ 13,000	\$ 12,492	\$ 508
Alarm System Maintenance	500	488	12
Interview Costs	300	240	60
Contract Services	22,548	22,548	0
Adult Programs	500	468	32
Childrens Programs	2,000	1,980	20
Computer Replacement	2,000	5,741	(3,741)
Adult Collection - Print & Electronic	31,060	32,277	(1,217)
Juvenile Collection - Print & Electronic	15,531	15,548	(17)
Capital Outlay	<u>500</u>	<u>7,277</u>	<u>(6,777)</u>
Total Library	<u>640,328</u>	<u>629,689</u>	<u>10,639</u>
Planning and Zoning:			
Salaries -Regular	115,921	117,287	(1,366)
Salaries - Overtime	600	162	438
Social Security	9,243	9,202	41
Unemployment Insurance	602	408	194
Workers Compensation Insurance	680	474	206
Health Insurance and Other Benefits	42,240	34,929	7,311
Retirement	11,592	11,529	63
Liability Insurance and Property Insurance	2,434	2,395	39
Public Officials Liability Insurance	7,977	6,778	1,199
Boardmember Fee	3,600	3,600	0
Supplies	2,000	3,191	(1,191)
Postage	1,000	813	187
Computer Expenses	1,281	1,287	(6)
Training and Conferences	5,450	2,395	3,055
Telephone Services	1,032	1,221	(189)
Communications	2,300	890	1,410
Vehicle Maintenance - Travel	3,000	2,400	600
Legal Services	10,000	10,972	(972)
Other Professional Services	12,000	604	11,396
Printing and Advertising	5,000	1,494	3,506
Recording Fees	2,500	2,180	320
Capital Outlay	<u>0</u>	<u>1,365</u>	<u>(1,365)</u>
Total Planning and Zoning	<u>240,452</u>	<u>215,576</u>	<u>24,876</u>
Economic Development:			
Salaries Overtime	0	20	(20)
Salaries Part Time	21,251	21,254	(3)
Social Security	1,626	1,593	33
Unemployment Insurance	192	235	(43)
Workers Comp Insurance	120	74	46
Block Party Expenses	5,500	5,475	25

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Economic Development/(Cont'd):			
Community Events & Programs	\$ 7,000	\$ 5,755	\$ 1,245
Annual Support of Organizations	8,000	7,562	438
Community Forum	5,000	5,000	0
New Programs	2,000	4,982	(2,982)
Matching Grant Funds	<u>7,000</u>	<u>2,044</u>	<u>4,956</u>
Total Economic Development	<u>57,689</u>	<u>53,994</u>	<u>3,695</u>
Miscellaneous Transfers and Expenditures:			
Rolling Stock Fund	163,624	163,624	0
Capital Reserve Fund	372,788	372,788	0
Land Acquisition Fund	15,000	15,000	0
Termination Benefits	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Miscellaneous Transfers and Expenditures	<u>556,412</u>	<u>551,412</u>	<u>5,000</u>
Grant and Other Unanticipated Expenditures:			
IBM Recreation Land Lease	0	500	(500)
Library Replacement Expenditures	0	3,995	(3,995)
Library Grant Expenditures	0	2,621	(2,621)
Library Donation Expenditures	0	7,936	(7,936)
Fire Department Grant Expenditures	0	1,843	(1,843)
Fire Department Donation Expenditures	0	10,844	(10,844)
Street Department Grant Expenditures	0	1,500	(1,500)
Other Grants Expenditures	0	2,092	(2,092)
FY11 Designated for Technology	<u>0</u>	<u>8,276</u>	<u>(8,276)</u>
Total Grant and Other Unanticipated Expenditures	<u>0</u>	<u>39,607</u>	<u>(39,607)</u>
Total Expenditures	<u>3,168,456</u>	<u>3,096,098</u>	<u>72,358</u>
Excess/(Deficiency) of Revenue Over Expenditures	\$ <u>(34,587)</u>	129,959	\$ <u>164,546</u>
Fund Balance - July 1, 2012		<u>365,661</u>	
Fund Balance - June 30, 2013		<u>\$ 495,620</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, 2012

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 129,588	\$ 600,573	\$ 1,917,012	\$ 2,647,173
Receivables (Net of Allowance for Uncollectible Accounts)	21,952	10,461	20,116	52,529
Estimated Unbilled Revenues	440,381	139,325	198,670	778,376
Due from Other Funds	0	0	10,094	10,094
Inventories	514	0	23,719	24,233
Other Current Assets	3,789	8,064	8,056	19,909
Total Current Assets	<u>596,224</u>	<u>758,423</u>	<u>2,177,667</u>	<u>3,532,314</u>
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	6,159	469,801	851,165	1,327,125
Buildings and Building Improvements	40,000	0	8,303,215	8,343,215
Vehicles, Machinery and Equipment	257,480	402,121	2,331,088	2,990,689
Infrastructure	0	0	45,539	45,539
Transmission and Distribution Plant	7,975,263	6,966,075	0	14,941,338
Less Accumulated Depreciation	<u>(6,712,276)</u>	<u>(5,083,865)</u>	<u>(5,375,143)</u>	<u>(17,171,284)</u>
Total Noncurrent Assets	<u>1,566,626</u>	<u>2,754,132</u>	<u>6,273,941</u>	<u>10,594,699</u>
Total Assets	<u>\$ 2,162,850</u>	<u>\$ 3,512,555</u>	<u>\$ 8,451,608</u>	<u>\$ 14,127,013</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 248,628	\$ 157,110	\$ 66,011	\$ 471,749
Accrued Payroll and Benefits Payable	2,424	2,083	13,382	17,889
Due to Other Funds	0	10,094	0	10,094
Interest Payable	0	0	4,524	4,524
Notes Payable - Current Portion	<u>0</u>	<u>10,213</u>	<u>111,687</u>	<u>121,900</u>
Total Current Liabilities	<u>251,052</u>	<u>179,500</u>	<u>195,604</u>	<u>626,156</u>
Noncurrent Liabilities				
Accrued Compensated Absences Payable	8,767	2,778	41,006	52,551
Notes Payable - Noncurrent Portion	<u>0</u>	<u>338,970</u>	<u>2,492,445</u>	<u>2,831,415</u>
Total Noncurrent Liabilities	<u>8,767</u>	<u>341,748</u>	<u>2,533,451</u>	<u>2,883,966</u>
Total Liabilities	<u>259,819</u>	<u>521,248</u>	<u>2,729,055</u>	<u>3,510,122</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	1,566,626	2,404,949	5,414,809	9,386,384
Unrestricted	<u>336,405</u>	<u>586,358</u>	<u>307,744</u>	<u>1,230,507</u>
Total Net Assets	<u>1,903,031</u>	<u>2,991,307</u>	<u>5,722,553</u>	<u>10,616,891</u>
Total Liabilities and Net Assets	<u>\$ 2,162,850</u>	<u>\$ 3,512,555</u>	<u>\$ 8,451,608</u>	<u>\$ 14,127,013</u>

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, 2012

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 2,922,907	\$ 438,605	\$ 1,589,218	\$ 4,950,730
Miscellaneous	<u>22,417</u>	<u>99,728</u>	<u>139</u>	<u>122,284</u>
Total Operating Revenues	<u>2,945,324</u>	<u>538,333</u>	<u>1,589,357</u>	<u>5,073,014</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,815,676	345,602	1,360,604	4,521,882
Depreciation	<u>87,269</u>	<u>115,064</u>	<u>291,730</u>	<u>494,063</u>
Total Operating Expenses	<u>2,902,945</u>	<u>460,666</u>	<u>1,652,334</u>	<u>5,015,945</u>
Operating Income/(Loss)	<u>42,379</u>	<u>77,667</u>	<u>(62,977)</u>	<u>57,069</u>
Nonoperating Revenues (Expenses):				
Investment Income	185	1,363	7,145	8,693
Net Loss on Disposal of Capital Assets	0	0	(680)	(680)
Interest Expense	<u>0</u>	<u>(4,866)</u>	<u>(67,944)</u>	<u>(72,810)</u>
Total Nonoperating Revenues (Expenses)	<u>185</u>	<u>(3,503)</u>	<u>(61,479)</u>	<u>(64,797)</u>
Income/(Loss) Before Capital Contribution and Transfers	42,564	74,164	(124,456)	(7,728)
Capital Contributions	0	129,046	77,744	206,790
Transfer In	0	0	55,110	55,110
Transfers Out	<u>0</u>	<u>(55,110)</u>	<u>0</u>	<u>(55,110)</u>
Change in Net Assets	42,564	148,100	8,398	199,062
Net Assets - July 1, 2011	<u>1,860,467</u>	<u>2,843,207</u>	<u>5,714,155</u>	<u>10,417,829</u>
Net Assets - June 30, 2012	<u>\$ 1,903,031</u>	<u>\$ 2,991,307</u>	<u>\$ 5,722,553</u>	<u>\$ 10,616,891</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, 2012

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,894,908	\$ 511,922	\$ 1,586,327	\$ 4,993,157
Receipts for Interfund Services	5,000	0	24,200	29,200
Other Receipts	357	0	139	496
Payments to Suppliers	(2,530,911)	(72,703)	(854,347)	(3,457,961)
Payments for Interfund Services	(112,993)	(138,462)	(56,497)	(307,952)
Payments for Wages and Benefits	(163,445)	(139,082)	(429,598)	(732,125)
Net Cash Provided by Operating Activities	<u>92,916</u>	<u>161,675</u>	<u>270,224</u>	<u>524,815</u>
Cash Flows From Noncapital Financing Activities:				
Principal Paid on Note Payable	0	0	(50,000)	(50,000)
Interest Paid on Note Payable	0	0	(4,875)	(4,875)
Interest Paid on Pooled Cash	(75)	(7)	(98)	(180)
Increase/(Decrease) in Due to/from Other Funds	5,375	(26,874)	(165)	(21,664)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>5,300</u>	<u>(26,881)</u>	<u>(55,138)</u>	<u>(76,719)</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Capital Grants	0	16,675	0	16,675
Contributed Capital	0	12,371	77,744	90,115
Proceeds from Sale of WWTF Capacity	0	100,000	0	100,000
Proceeds from Long-Term Debt	0	115,900	2,462,240	2,578,140
Acquisition and Construction of Capital Assets	(247,457)	(396,259)	(744,590)	(1,388,306)
Principal Paid on Long-Term Debt	0	(10,013)	(61,654)	(71,667)
Interest Paid on Long-Term Debt	0	(4,866)	(59,212)	(64,078)
Increase/(Decrease) in Due To/From Other Funds for Capital Purposes	0	86,802	(86,802)	0
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(247,457)</u>	<u>(79,390)</u>	<u>1,587,726</u>	<u>1,260,879</u>
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	260	1,370	7,243	8,873
Net Cash Provided by Investing Activities	<u>260</u>	<u>1,370</u>	<u>7,243</u>	<u>8,873</u>
Net Increase/(Decrease) in Cash	(148,981)	56,774	1,810,055	1,717,848
Cash - July 1, 2011	278,569	543,799	106,957	929,325
Cash - June 30, 2012	<u>\$ 129,588</u>	<u>\$ 600,573</u>	<u>\$ 1,917,012</u>	<u>\$ 2,647,173</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Operating Income/(Loss)	\$ 42,379	\$ 77,667	\$ (62,977)	\$ 57,069
Depreciation	87,269	115,064	291,730	494,063
(Increase)/Decrease in Other Receivables	164,327	(2,223)	754	162,858
(Increase)/Decrease in Unbilled Revenues	(209,386)	(24,188)	20,555	(213,019)
(Increase)/Decrease in Inventory	2,266	0	6,114	8,380
Increase/(Decrease) in Accounts Payable	3,145	(2,213)	4,694	5,626
Increase/(Decrease) in Accrued Payroll and Compensated Absences	3,427	42	9,041	0
Increase/(Decrease) in Other Operating Assets/Liabilities	(511)	(2,474)	313	(2,672)
Net Cash Provided by Operating Activities	<u>\$ 92,916</u>	<u>\$ 161,675</u>	<u>\$ 270,224</u>	<u>\$ 524,815</u>

Supplemental Information:

Equipment with a cost of \$1,700 and accumulated depreciation of 1,020 in the Wastewater Fund was disposed of or traded in during the year.

\$179,111 and \$51,808 of capital assets purchases are included in accounts payable at June 30, 2012 and 2011, 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, 2012

	Agency Fund
	Exposition Noise Escrow Account Fund
<u>ASSETS</u>	
Cash	\$ <u>2,002</u>
Total Assets	<u>2,002</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>2,002</u>
Total Liabilities	<u>2,002</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, 2012

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, 2012

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 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, 2012

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

Additionally, the Village reports the following fund type:

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

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

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

E. Use of Estimates

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

F. Assets, Liabilities and Equity

1. Cash

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

VILLAGE OF ESSEX JUNCTION, VERMONT
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2. Investments

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

3. Receivables

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

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

4. Inventories and Prepaid Expenses

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

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

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

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

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

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

7. Noncurrent Liabilities

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

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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. Restrictions of net assets in the government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund Balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Trustees' intended use of the resources); and unassigned.

**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.

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 Board of Trustees.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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B. Budgeted Deficit

The Village budgeted a current year's deficiency of revenues over expenditures in the amount of \$34,587 in the General Fund in order to utilize a portion of previous years surpluses. This amount is reflected as a budgeted deficiency of revenue over expenditures in Exhibit F.

C. Fund Balance Policy

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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.

	Book Balance	Bank Balance
FDIC Insured	\$ 344,610	\$ 344,610
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	3,857,782	4,000,878
Petty Cash	225	N/A
	\$ 4,202,617	\$ 4,345,488

VILLAGE OF ESSEX JUNCTION, VERMONT
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The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2012, 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, 2012, 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, 2012, the Village is not exposed to concentration of credit risk.

B. Receivables

Receivables at June 30, 2012, 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	\$ 13,644	\$ 0	\$ 13,644
Delinquent Taxes	8,990	0	8,990
Penalties and Interest	4,901	0	4,901
Billed Services	2,793	52,529	55,322
Unbilled Services	16,324	735,814	752,138
Grants	17,266	0	17,266
Other Governments	0	42,562	42,562
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	<u>\$ 62,918</u>	<u>\$ 830,905</u>	<u>\$ 893,823</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

C. Note Receivable

The Village has a note receivable as follows:

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 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	133,425	68,349	50,370	151,404
Antiques and Works of Art	12,000	0	0	12,000
Total Capital Assets, Not Being Depreciated	201,167	68,349	50,370	219,146
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,839,670	31,294	0	1,870,964
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	4,887,454	283,065	141,296	5,029,223
Library Books	840,667	55,915	38,639	857,943
Parks	210,984	0	0	210,984
Roads, Curbs, Sidewalks and Storm Sewers	6,765,952	448,427	0	7,214,379
Totals	14,544,727	818,701	179,935	15,183,493
Less accumulated depreciation for:				
Buildings and Building Improvements	546,201	43,212	0	589,413
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,794,526	225,084	120,416	1,899,194
Library Books	577,595	74,870	38,639	613,826
Parks	14,035	2,578	0	16,613
Roads, Curbs, Sidewalks and Storm Sewers	927,465	250,256	0	1,177,721
Totals	3,859,822	596,000	159,055	4,296,767
Total Capital Assets, Being Depreciated	10,684,905	222,701	20,880	10,886,726
Governmental Activities Capital Assets, Net	\$ 10,886,072	\$ 291,050	\$ 71,250	\$ 11,105,872

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 118,077	\$ 0	\$ 0	\$ 118,077
Construction in Progress	202,334	1,145,588	20,798	1,327,124
Total Capital Assets, Not Being Depreciated	320,411	1,145,588	20,798	1,445,201
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,343,215	0	0	8,343,215
Vehicles, Machinery, Equipment and Furniture	2,826,459	165,933	1,700	2,990,692
Infrastructure	45,539	0	0	45,539
Distribution and Collection Systems	14,716,451	224,886	0	14,941,337
Totals	25,931,664	390,819	1,700	26,320,783
Less Accumulated Depreciation for:				
Buildings and Building Improvements	4,091,104	168,047	0	4,259,151
Vehicles, Machinery, Equipment and Furniture	1,192,729	154,679	1,020	1,346,388
Infrastructure	14,800	2,277	0	17,077
Distribution and Collection Systems	11,379,609	169,060	0	11,548,669
Totals	16,678,242	494,063	1,020	17,171,285
Total Capital Assets, Being Depreciated	9,253,422	(103,244)	680	9,149,498
Business-Type Activities Capital Assets, Net	\$ 9,573,833	\$ 1,042,344	\$ 21,478	\$ 10,594,699

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 17,053	Water	\$ 87,269
Public Safety	55,486	Sanitation	115,064
Community Development	108	Wastewater	291,730
Public Works	403,092		
Culture and Recreation	120,261		
Total Depreciation		Total Depreciation Expense	
Expense - Governmental		- Business-Type Activities	\$ 494,063
Activities	\$ 596,000		\$ 494,063

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2012 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 1,610
Capital Reserve Fund	1,610	0
Sanitation Fund	0	10,094
Wastewater Fund	<u>10,094</u>	<u>0</u>
Total	<u>\$ 11,704</u>	<u>\$ 11,704</u>

The Interfund transfers during the year ended June 30, 2012 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Rolling Stock Reserve Fund	\$ 163,624	Annual Appropriation
General Fund	Capital Reserve Fund	372,788	Annual Appropriation
General Fund	Land Acquisition Fund	15,000	Annual Appropriation
Land Acquisition Fund	Capital Reserve Fund	322,875	Fund Future Capital Reserve Projects
Sanitation Fund	Wastewater Fund	10,094	Surcharge on Sewer Treatment
Sanitation Fund	Wastewater Fund	45,016	Pay Bond Debt
Engineering Fees Fund	General Fund	7,687	Consolidate Fund
Library Fund	General Fund	<u>3,096</u>	Consolidate Fund
Total		<u>\$ 940,180</u>	

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$14,000 of delinquent property taxes and penalty and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Deferred Revenue also includes \$730 of excavation fees not collected within sixty (60) days, \$1,701 of property taxes received in advance for fiscal year 2013 and \$7,090 of deferred Library and Community Development grant revenue. Total Deferred Revenue in the General Fund is \$23,521.

Deferred Revenue in the Capital Reserve Fund consists of \$17,266 of grant money earned but not received within 60 days after year-end as these funds are not available to liquidate current liabilities.

VILLAGE OF ESSEX JUNCTION, VERMONT
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G. Long-term Liabilities

General Obligation Bonds - The Village issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type (proprietary) activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Village. New bonds generally are issued as 10 to 30 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

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

No-Interest Revolving Loans - The State of Vermont offers a number of no and low 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 ó 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, 2012 were as follows:

Governmental Activities:

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</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>44,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>22,000</u>
Total Governmental Activities	\$ <u>44,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>22,000</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
<u>Business-Type Activities</u>				
Note Payable ó Peoples United Bank, Wastewater Deficit Funding Note, Interest at 3.25%, \$50,000 Plus Interest Due Annually, Due June, 2014	\$ 150,000	\$ 0	\$50,000	\$100,000
Note Payable ó State of Vermont Special Environmental Revolving Fund, Sanitation and Wastewater Improvements, Authorized to \$566,938 but was Eligible for 50% Forgiveness, Interest at 0%, An Administration fee of 2% is Assessed Annually, Payments of \$17,336 Begin October, 2011, Due October, 2030	283,469	0	11,667	271,802
Note Payable ó State of Vermont Special Environmental Revolving Fund, Wastewater Improvements, Authorized to \$828,200, Interest at 0%, Payments of \$55,213 Begin February, 2017, Due February, 2031	63,373	757,240	0	820,613
Note Payable ó State of Vermont Special Environmental Revolving Fund, Sanitation Pump Station Im- provements, Authorized to \$1,212,300 But Eligible for \$114,800 Subsidy Leaving a Total Repayment Amount of \$1,097,500, Interest at 0%, an Administration Fee of 2% is Assessed Annually, Payments of \$67,120 Begin February, 2014, Due November, 2033	0	115,900	0	115,900

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Bond Payable ó Vermont Municipal Bond Bank Series 2010-5 New Money (Recovery Zone Economic Development Bond) Wastewater Improvements, Annual Principal Payments Ranging from \$55,000 to \$60,000 Due December 1, Semi-Annual Interest Payments Due June 1 and December 1, Net Interest Cost of 3.345%, 30 Year Bond Assumed from the Town of Bradford, Due, December, 2040	\$ <u>0</u>	\$ <u>1,705,000</u>	\$ <u>60,000</u>	\$ <u>1,645,000</u>
Total Business-Type Activities	\$ <u>496,842</u>	\$ <u>2,578,140</u>	\$ <u>121,667</u>	\$ <u>2,953,315</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Notes Payable	\$ 44,000	\$ 0	\$ 22,000	\$ 22,000	\$ 22,000
Compensated Absences	<u>139,900</u>	<u>16,259</u>	<u>0</u>	<u>156,159</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>183,900</u>	<u>16,259</u>	<u>22,000</u>	<u>178,159</u>	<u>\$ 22,000</u>
Business-type Activities					
Notes Payable	496,842	873,140	61,667	1,308,315	61,900
Bonds Payable	0	1,705,000	60,000	1,645,000	60,000
Compensated Absences	<u>49,562</u>	<u>2,989</u>	<u>0</u>	<u>52,551</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 546,404</u>	<u>\$ 2,581,129</u>	<u>\$ 121,667</u>	<u>\$ 3,005,866</u>	<u>\$ 121,900</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Maturities of notes and bonds payable are anticipated to be as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 22,000	\$ 440	\$ 121,900	\$ 57,606
2014	0	0	122,138	54,741
2015	0	0	77,151	54,353
2016	0	0	77,493	53,035
2017	0	0	77,844	51,584
2018-2022	0	0	668,254	230,776
2023-2027	0	0	653,113	178,198
2028-2032	0	0	646,661	119,952
2033-2037	0	0	288,761	64,919
2038-2041	0	0	220,000	15,967
Total	\$ 22,000	\$ 440	\$ 2,953,315	\$ 881,131

H. Fund Balances/Net Assets

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

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

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

VILLAGE OF ESSEX JUNCTION, VERMONT
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Amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The Village does not have any stabilization arrangements.

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

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Village's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund including which specific revenues and other resources are authorized to be reported in each are described in the following section.

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

Major Funds

General Fund:

Nonspendable Inventories	\$ 58,334
Nonspendable Prepaid Expenses	<u>29,657</u>
Total General Fund	<u>\$ 87,991</u>

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

Restricted for Veterans Memorial Park by Donation (Source of Revenue is Donations)	\$ <u>4,784</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
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The fund balances in the following funds are committed as follows:

Capital Projects Funds

Committed for Capital Projects	\$ 346,940
Committed for Rolling Stock	618,013
Committed for Land Acquisition	<u>100,045</u>
Total Committed Fund Balances	<u>\$1,064,998</u>

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

Major Funds:

General Fund

Assigned to Reduce Property Taxes raised in Fiscal Year 2013	\$ 35,000
Assigned for Block Party	8,493
Assigned for Engineering Expense	5,472
Assigned for Library Book Replacement	2,577
Assigned for LH Fire Escape	2,375
Assigned for CPR Class	560
Assigned for Lincoln Hall Carpet	6,000
Assigned for Village Office Rearrangement	6,000
Assigned for Termination Benefits	92,965
Assigned for Health Reimbursement Arrangement Expenses	<u>10,000</u>
Total General Fund	<u>169,442</u>
Total Assigned Fund Balances	<u>\$ 169,442</u>

I. Restricted Net Assets

The restricted net assets as of June 30, 2012 is as follows:

Restricted for Veterans Memorial Park by Donation	<u>\$ 4,784</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

J. Designated Net Assets

The designated net assets of the Village as of June 30, 2012 are as follows:

Water Fund

Designated for Water Fund Expenditures	\$ 241,764
Designated for Water Fund Capital Expenditures	<u>94,641</u>
Total Water Fund	<u>336,405</u>

Sanitation Fund

Designated for Sanitation Fund Expenditures	156,568
Designated for Sanitation Fund Capital Expenditures	181,954
Designated for Wastewater Treatment Facility Upgrades	<u>247,836</u>
Total Sanitation Fund	<u>586,358</u>

Wastewater Fund

Designated for Wastewater Fund Capital Expenditures	322,815
Amount Designated for Wastewater Fund Expenditures	11,154
Amount Designated in Excess of Available Net Assets for Refurbishment Project	<u>(26,225)</u>
Total Wastewater Fund	<u>307,744</u>

Total Designated Net Assets \$1,230,507

The \$26,225 designated deficit in the Wastewater Fund will be funded by reimbursements from the State Clean Water Revolving Loan Fund.

V. OTHER INFORMATION

A. BENEFIT PLANS

The Village offers a 401(a) pension plan to all full time employees with 100% vesting after three (3) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The plan requires a 5% contribution of base pay from the employee with a 10% match of base pay by the Village for all employees except the Village Manager who receives 15% of base pay. The International City/County Management Association "ICMA" Retirement Corporation administers the Plan. All of the investments are self-directed by each employee. The total payroll for the year was \$1,650,763 while the covered payroll was \$1,282,094. Pension expenses for the years ended June 30, 2012, 2011 and 2010 were \$133,348, \$128,031, and \$125,551 respectively.

VILLAGE OF ESSEX JUNCTION, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

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, 2012 was \$539,437.

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, 2012, the Village received 14.1% of total property taxes from IBM and received 74% 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, 2012. The Village purchased \$2,510,178 in water from CWD.

C. PROPERTY TAXES

The Village is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State and recreation property taxes for the School District. Property taxes are assessed based on property valuations as of April 1, the approved budgets and the State education property tax liability. Taxes are collected two (2) times per year. During the tax year ended June 30, 2012, taxes became due and payable on September 15, 2011 and March 15, 2012. 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 2012 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Village	.2438	.2438
Education	1.3198	1.3633
Recreation	<u>.0651</u>	<u>.0651</u>
Total	<u>\$1.6287</u>	<u>\$1.6722</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

D. RISK MANAGEMENT

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

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

E. CONTINGENT LIABILITIES

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

F. AUTHORIZED BORROWING

In June, 2010, the Village voters authorized the borrowing of up to \$3,200,000 contingent upon other Federal and State aid for the purpose of making public improvements to the Village highways and sidewalks. The total estimated cost of such improvements is \$11,531,000. No action has taken place as of June 30, 2012.

In April, 2012, the Village Voters authorized the financing of \$15,230,000 in wastewater upgrades and \$1,287,000 in sanitation upgrades.

G. SUBSEQUENT EVENTS

Subsequent to year end, the Village borrowed \$250,000 toward the purchase of a 100' Ladder Truck for the Fire Department. As of February 15, 2013, an additional \$934,967 in Clean Water State Revolving Loan funds had been borrowed for the upgrade of the high school pump station and an additional \$2,544,737 had been borrowed for the refurbishment of the wastewater treatment facility.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ 4,784	\$ 100,045	\$ 104,829
Total Assets	<u>\$ 4,784</u>	<u>\$ 100,045</u>	<u>\$ 104,829</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Restricted	4,784	0	4,784
Committed	<u>0</u>	<u>100,045</u>	<u>100,045</u>
Total Fund Balances	<u>4,784</u>	<u>100,045</u>	<u>104,829</u>
Total Liabilities and Fund Balances	<u>\$ 4,784</u>	<u>\$ 100,045</u>	<u>\$ 104,829</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Land Acquisition Capital Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Interest	\$ <u> 9</u>	\$ <u> 791</u>	\$ <u> 800</u>
Total Revenues	<u> 9</u>	<u> 791</u>	<u> 800</u>
Expenditures:	<u> 0</u>	<u> 0</u>	<u> 0</u>
Excess of Revenues Over Expenditures	<u> 9</u>	<u> 791</u>	<u> 800</u>
Other Financing Sources/(Uses):			
Transfer In	0	15,000	15,000
Transfers Out	<u> (10,783)</u>	<u> (322,875)</u>	<u> (333,658)</u>
Total Other Financing Sources/(Uses)	<u> (10,783)</u>	<u> (307,875)</u>	<u> (318,658)</u>
Net Change in Fund Balances	(10,774)	(307,084)	(317,858)
Fund Balances - July 1, 2011	<u> 15,558</u>	<u> 407,129</u>	<u> 422,687</u>
Fund Balances - June 30, 2012	<u> \$ 4,784</u>	<u> \$ 100,045</u>	<u> \$ 104,829</u>

See Disclaimer in Accompanying Independent Auditor's Report.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2012

	<u>Library Fund</u>	<u>Engineering Fees Fund</u>	<u>Veterans Memorial Park Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,784</u>	\$ <u>4,784</u>
TOTAL ASSETS	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>4,784</u></u>	\$ <u><u>4,784</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Total Liabilities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:				
Restricted	<u>0</u>	<u>0</u>	<u>4,784</u>	<u>4,784</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>4,784</u>	<u>4,784</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>4,784</u></u>	\$ <u><u>4,784</u></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, 2012

	Library Fund	Engineering Fees Fund	Veterans Memorial Park Fund	Total
Revenue:				
Investment Income	\$ 0	\$ 0	\$ 9	\$ 9
Total Revenue	<u>0</u>	<u>0</u>	<u>9</u>	<u>9</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>9</u>	<u>9</u>
Other Financing Sources/(Uses):				
Transfers Out	<u>(3,096)</u>	<u>(7,687)</u>	<u>0</u>	<u>(10,783)</u>
Total Other Financing Sources/(Uses)	<u>(3,096)</u>	<u>(7,687)</u>	<u>0</u>	<u>(10,783)</u>
Net Change in Fund Balances	(3,096)	(7,687)	9	(10,774)
Fund Balance - July 1, 2011	<u>3,096</u>	<u>7,687</u>	<u>4,775</u>	<u>15,558</u>
Fund Balance - June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,784</u>	<u>\$ 4,784</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 739,730	\$ 726,537	\$ (13,193)
Water Sales - IBM	2,001,952	2,047,870	45,918
Water Sales - IBM Vermont Tax	41,931	42,917	986
Water Sales - Large Users	73,831	96,703	22,872
Hydrant Rentals	5,000	5,000	0
Penalties	3,000	3,980	980
Miscellaneous	15,000	22,317	7,317
Interest Earnings	0	51	51
	<u>2,880,444</u>	<u>2,945,375</u>	<u>64,931</u>
Total Revenue			
Expenses:			
Salaries - Regular	95,381	94,700	681
Salaries - Overtime	13,843	9,171	4,672
Salaries - Part-time	4,459	6,089	(1,630)
Social Security	8,402	7,964	438
Unemployment Insurance	484	502	(18)
Workers Compensation Insurance	5,139	3,891	1,248
Health Insurance and Other Benefits	38,328	35,568	2,760
Retirement	9,538	8,988	550
Liability and Property Insurance	3,399	3,198	201
Interest Expense	200	75	125
Supplies	6,500	2,179	4,321
Postage	700	715	(15)
Gas, Oil and Grease	2,500	2,124	376
Meters and Parts	3,960	5,753	(1,793)
Distribution Materials	6,000	3,020	2,980
Computer Expenses	600	605	(5)
Water & Sewer Charges	250	291	(41)
Training and Conferences	1,500	1,094	406
Electrical Service	600	614	(14)
Heat	3,500	2,428	1,072
Maintenance - Other	1,500	876	624
Water Line Maintenance - Breaks	16,000	1,624	14,376
Uniforms and Boots	1,000	519	481
Contract Services	112,993	112,993	0
Other Professional Services	1,500	0	1,500
Audit Services	2,961	3,059	(98)
Water Purchases - Village	395,050	410,782	(15,732)
Water Purchases - IBM	2,001,952	2,047,870	(45,918)
Printing and Advertising	2,000	1,462	538
Transfer to Capital Reserve	90,000	96,960	(6,960)
State Water Tax - Village	8,274	8,609	(335)
State Water Tax - IBM	41,931	42,917	(986)
	<u>2,880,444</u>	<u>2,916,640</u>	<u>(36,196)</u>
Total Expenses			
Net Income	<u>\$ 0</u>	28,735	<u>\$ 28,735</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Non-budgetary Operating Expenses		(1,355)	
Purchase of Equipment		5,284	
Capital Reserve Fund Transfer		96,960	
Interest Earned on Capital Reserve Fund		209	
Depreciation		<u>(87,269)</u>	
Change in Net Assets - Exhibit H		<u>\$ 42,564</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 401,352	\$ 400,698	\$ (654)
Sanitation Penalty	1,800	1,995	195
Essex Pump Station Fees	24,800	20,912	(3,888)
2 Party Agreement Revenue	15,000	15,000	0
Miscellaneous	17,000	99,728	82,728
Federal STAG Grant	0	4,565	4,565
Interest Earnings	<u>0</u>	<u>83</u>	<u>83</u>
Total Revenue	<u>459,952</u>	<u>542,981</u>	<u>83,029</u>
Expenses:			
Salaries - Regular	88,446	68,565	19,881
Salaries - Overtime	13,748	6,584	7,164
Salaries - Part Time	4,459	19,710	(15,251)
Social Security	7,870	7,394	476
Unemployment Insurance	484	653	(169)
Workers Compensation Insurance	4,759	3,861	898
Health Insurance and Other Benefits	37,240	25,088	12,152
Retirement	8,845	7,269	1,576
Liability and Property Insurance	6,595	5,771	824
Interest Expense	100	7	93
Supplies	1,000	1,978	(978)
Postage	1,500	1,432	68
Gas, Grease and Oil	4,000	2,767	1,233
Meters and Parts	8,040	6,110	1,930
Computer Expenses	1,000	1,210	(210)
Water and Sewer Charge	1,000	1,269	(269)
Training and Conferences	500	0	500
Electrical Service	7,500	7,797	(297)
Maintenance - Other	1,500	503	997
Pump Station Maintenance	5,000	8,893	(3,893)
Sanitation Lines Maintenance	10,000	2,097	7,903
Susie Wilson Pump Station Costs	9,000	6,813	2,187
West St. Pump Station Costs	13,000	10,732	2,268
Uniforms, Boots, Etc.	1,000	976	24
Contractual Services	137,193	137,193	0
Right-Of-Way Agreements	8,192	7,611	581
Other Professional Services	1,500	601	899
Audit Services	1,481	1,530	(49)
Capital Reserve Fund Contributions	75,000	156,356	(81,356)
Capital Outlay	<u>0</u>	<u>9,670</u>	<u>(9,670)</u>
Total Expenses	<u>459,952</u>	<u>510,440</u>	<u>(50,488)</u>
Net Income	<u>\$ 0</u>	32,541	<u>\$ 32,541</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Non-budgetary Operating Expenses		(6,966)	
Purchase of Equipment		15,441	
Admin Fee on ARRA Loan		(4,866)	
Interest Earned on Capital Reserve Fund		1,287	
Sale of WWTF Capacity		100,000	
Capital Grants and Contributions received		24,481	
Transfers to WWTF Fund		(55,110)	
Capital Reserve Fund Transfer		156,356	
Depreciation		<u>(115,064)</u>	
Change in Net Assets - Exhibit H		<u>\$ 148,100</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 603,402	\$ 595,525	\$ (7,877)
Village User Penalties	2,800	2,999	199
Wastewater Charge - Essex	379,497	383,529	4,032
Wastewater Charge - Williston	485,756	503,684	17,928
Pump Station Maintenance Fee	24,200	24,200	0
Sewer Capacity Lease	5,534	0	(5,534)
Village Septage Discharge Income	24,000	35,546	11,546
Shared Septage Revenue	13,000	19,254	6,254
Village Leachate Revenues	17,000	16,450	(550)
Shared Leachate Revenues	8,300	8,031	(269)
Interest	0	42	42
Miscellaneous	0	139	139
Total Revenue	1,563,489	1,589,399	25,910
Expenses:			
Salaries - Regular	252,094	234,206	17,888
Salaries - Overtime	26,130	37,242	(11,112)
Salaries - Part-Time	21,000	16,505	4,495
Social Security	22,999	21,333	1,666
Unemployment Insurance	1,092	1,245	(153)
Workers Compensation Insurance	11,988	12,802	(814)
Health Insurance and Other Benefits	96,735	91,390	5,345
Retirement	25,209	23,915	1,294
Liability and Property Insurance	24,844	23,148	1,696
Interest Expense	2,000	98	1,902
Supplies	15,000	13,438	1,562
Chemicals	181,000	200,381	(19,381)
Gas, Grease and Oil	5,000	4,770	230
Water and Sewer Charge	4,000	5,053	(1,053)
Training and Conferences	5,000	4,157	843
Telephone Services	3,500	3,174	326
Electrical Service	125,000	165,181	(40,181)
Heating	6,000	5,501	499
Maintenance - Other	76,000	81,361	(5,361)
Vehicles Maintenance - Travel	3,000	495	2,505
Uniforms, Boots, Etc.	3,000	4,003	(1,003)
Interview Costs	0	1,716	(1,716)
Contract Laboratory Service	8,000	7,679	321
Contract Services	56,497	56,497	0
Legal Services	1,000	33	967
Grit Disposal	7,000	5,888	1,112

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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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenses:			
(Cont'd)			
Sludge Dewatering	\$ 178,750	\$ 203,018	\$ (24,268)
Sludge Management	170,300	140,845	29,455
Other Professional Services	2,000	3,384	(1,384)
Audit Services	3,476	3,591	(115)
WWTF Annual Permit Fee	6,000	6,931	(931)
Capital Reserve Fund Contributions	130,000	130,000	0
Loan Payment	54,875	54,652	223
Capital Outlay	15,000	15,861	(861)
	<u>1,543,489</u>	<u>1,579,493</u>	<u>(36,004)</u>
Total Expenses			
Net Income	<u>\$ 20,000</u>	9,906	<u>\$ (10,094)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer from Sanitation Fund		55,110	
Purchases of Equipment		35,495	
Non-budgetary Operating Expenses		(1,356)	
Paydown of Loan Principal		50,000	
Admin Fee on ARRA Loan		(803)	
Interest Payment on RZEDB Bond		(62,489)	
Gain/(Loss) on Disposal of Capital Asset		(680)	
Capital Reserve Fund Transfer		130,000	
Capital Contributions Received		77,744	
Interest Earned on Capital Reserve Fund		7,201	
Depreciation		<u>(291,730)</u>	
Change in Net Assets - Exhibit H		<u>\$ 8,398</u>	

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77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
802/223-3578 FAX

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Essex Junction, Vermont as of and for the year ended June 30, 2012, which collectively comprise the Village of Essex Junction, Vermont's basic financial statements and have issued our report thereon dated February 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

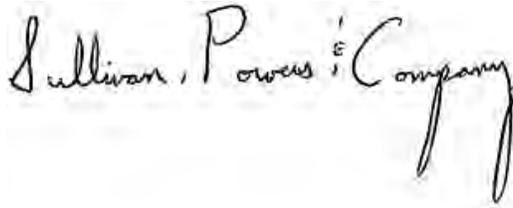
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses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

Compliance and Other Matters

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

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

February 21, 2013
Montpelier, Vermont
VT Lic. #92-000180

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