

VILLAGE OF ESSEX JUNCTION, VERMONT

AUDIT REPORT

JUNE 30, 2013

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Independent Auditor's Report

Board of Trustees
Village of Essex Junction
2 Lincoln Street
Essex Junction, VT 05452-3685

Report on the Financial Statements

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, 2013 and the related notes to the financial statements, which collectively comprise the Village of Essex Junction, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Essex Junction, Vermont's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Essex Junction, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-activities, each major fund, and the aggregate remaining fund information of the Village of Essex Junction, Vermont as of June 30, 2013 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 15 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.

Other Information

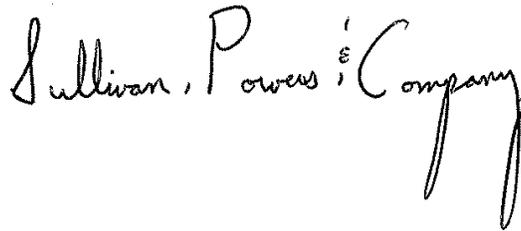
As described in Note I.F. to the financial statements, effective June 30, 2013, the Village of Essex Junction, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

Our audit was conducted for the purpose of forming opinions 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 for the enterprise funds 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated February 5, 2014 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Village of Essex Junction, Vermont’s internal control over financial reporting and compliance.

February 5, 2014
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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of Essex Junction (the "Village") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2013.

Financial Highlights

- Assets exceeded liabilities and deferred inflows of resources on June 30, 2013 by \$24,596,920 (*net position*). Of this amount, \$731,099 (*unrestricted net position*) may be used by the various funds of the Village to meet the Village's ongoing obligations.
- The Village's total net position increased by \$1,454,918. Of this amount, net position attributable to governmental activities increased by \$538,459. Net position attributable to business-type activities increased by \$916,459.
- Fund balances of governmental funds decreased by \$169,189 in fiscal FY13. The General Fund had \$346,008 of unassigned fund balance at 6/30/13. This is equal to 10.3% of the approved FY14 General Fund Budget. \$35,000 of fund balance will be used to reduce the tax rate in FY15 which will bring the percentage of the FY14 budget down to 9.3%. As of 6/30/12 the General Fund had \$238,187 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 position* presents information on all of the Village of Essex Junction's assets and liabilities with the difference between the two reported as net position.

The *statement of activities* presents information showing how the Village's net position changed during the past fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net position 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 position 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 Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Current and Other Assets	\$ 1,663,910	\$ 1,704,351	\$ 3,322,385	\$ 3,522,220	\$ 4,986,295	\$ 5,226,571
Capital Assets	11,973,621	11,105,872	20,526,750	10,594,699	32,500,371	21,700,571
Total Assets	13,637,531	12,810,223	23,849,135	14,116,919	37,486,666	26,927,142
Current Liabilities	182,479	106,953	2,232,587	494,162	2,415,066	601,115
Non-Current Liabilities	389,824	178,159	10,083,198	3,005,866	10,473,022	3,184,025
Total Liabilities	572,303	285,112	12,315,785	3,500,028	12,888,088	3,785,140
Deferred Inflows of Resources	1,658	0	0	0	1,658	0
Net Position						
Net Investment in capital assets	11,723,620	11,083,872	12,136,777	9,386,384	23,860,397	20,470,256
Restricted	5,424	4,784	0	0	5,424	4,784
Unrestricted	1,334,526	1,436,455	(603,427)	1,230,507	731,099	2,666,962
Total Net Position	\$ 13,063,570	\$ 12,525,111	\$ 11,533,350	\$ 10,616,891	\$ 24,596,920	\$ 23,142,002

As stated above, assets exceeded liabilities and deferred inflows of resources by \$24,596,920 at the end of fiscal year 2013. Assets at the end of fiscal year 2012 exceeded liabilities by \$23,142,002.

The largest portion of the Village's net position is in its investment in capital assets (97%). 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.

\$5,424 of the Village's net position are subject to restrictions on how they may be used. Unrestricted net assets (\$731,099) may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in unrestricted net position are committed by the Village or assigned by the Board of Trustees for particular purposes (e.g. capital projects).

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Revenues						
Program Revenues						
Charges for Services	\$ 131,213	\$ 120,923	\$ 5,344,853	\$ 5,073,014	\$ 5,476,066	\$ 5,193,937
Operating Grants and Contributions	149,721	132,937	350	0	150,071	132,937
Capital Grants and Contributions	396,597	68,191	745,833	206,790	1,142,430	274,981
General Revenues						
Property Taxes	2,731,909	2,644,086	0	0	2,731,909	2,644,086
Unrestricted Investment Earnings	3,051	3,412	5,189	8,693	8,240	12,105
Other Revenues	17,406	16,239	0	0	17,406	16,239
Total Revenues	3,429,897	2,985,788	6,096,225	5,288,497	9,526,122	8,274,285
Expenses						
Governmental Activities:						
General Government	351,276	601,735	0	0	351,276	601,735
Public Safety	352,888	318,691	0	0	352,888	318,691
Public Works	1,153,369	1,105,751	0	0	1,153,369	1,105,751
Community Development	304,947	46,341	0	0	304,947	46,341
Culture and Recreation	728,958	707,659	0	0	728,958	707,659
Business-Type Activities:						
Water	0	0	2,953,998	2,902,945	2,953,998	2,902,945
Sanitation	0	0	490,995	465,532	490,995	465,532
Wastewater	0	0	1,734,773	1,720,958	1,734,773	1,720,958
Total Expenses	2,891,438	2,780,177	5,179,766	5,089,435	8,071,204	7,869,612
Changes in Net Position	538,459	205,611	916,459	199,062	1,454,918	404,673
Net Position - Beginning of Year	12,525,111	12,319,500	10,616,891	10,417,829	23,142,002	22,737,329
Net Position - End of Year	\$ 13,063,570	\$ 12,525,111	\$ 11,533,350	\$ 10,616,891	\$ 24,596,920	\$ 23,142,002

At the end of FY13, the Village of Essex Junction has positive balances in all three categories of net position for governmental activities. Unrestricted net position was negative in the Wastewater Treatment Fund. This was because of a timing issue between the payment of construction costs for the Refurbishment Project and the actual receipt of State Clean Water Revolving Loan dollars. Shortly after the end of the year, the 4th and final loan was approved for the project and reimbursement was received for amounts spent in FY13.

Governmental activities. Governmental activities increased the Village's net position by \$538,459 in FY13. Expenditures in governmental funds exceeded revenues by \$419,189. A loan of \$250,000 for a Fire ladder truck was received which reduced the change in fund balances from a \$419,189 loss to a \$169,189 loss. The Village increased its investment in capital assets by \$639,748 and unrestricted net position decreased by \$101,929. Restricted net position increased by \$640.

Business-type activities. Business-type activities increased the Village's net position by \$916,459.

Water Fund

The Water Fund had budgetary net income of \$50,484 in FY13. Disregarding IBM pass through revenues and expenses, Water Fund revenues were \$28,778 more than budget while expenditures were \$21,707 less than budgeted. Most of the surplus revenues came from residential sales (+\$23,346) due to a hot dry summer. The Water Fund spent less on employee insurances because the plan the employees were on did not have a premium increase in 2013 saving \$7,527. Water Lines Maintenance-Breaks was under-spent by \$2,102 but CWD water purchases for Village Residents was over-budget \$3,694. Meters and Parts line item was underspent \$4,175 due to the encompassing meter replacement project covering what would normally be paid for through this line item. Distribution Materials (supplies for maintenance of the Village's water distribution system like hydrants, gate valves and pipes) was under-spent by \$7,110 due to the not replacing a few old hydrants because of time restraints. A Utility Rate study was completed for \$7,209. Out of this study, a new utility rate structure was implemented in FY14. The new structure consists of a per-unit fixed charge plus a rate for all usage. The Village increased its water/sewer/sanitation billing from semi-annual billing to quarterly. The Water Fund finished the Algonquin Water Loop Extension project to complete the loop between Abnaki Ave. and Iroquois Ave. for \$41,460, and replaced a pickup truck and backhoe for \$35,409 and \$73,865 respectfully. The Meter Replacement project was continued at a cost of \$14,216 in FY13.

Sanitation Fund

The Sanitation Fund had budgetary net income of \$106,433. Sanitation revenues were \$165,311 more than budgeted while expenditures were \$58,878 more than budgeted. Tap on fees were \$87,000 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". Village customer charges were higher than budgeted in part because \$56,000 was included in the rate for the WWTF Refurbishment Bond payment, and \$27,000 of surplus was generated due to higher than anticipated water use. If the excess tap on fees had not been transferred to the Sanitation Capital Reserve, the Sanitation expense budget would have been under-spent by \$28,122. Sanitation personnel costs were lower than budgeted by \$12,460 in part due to the replacement of a long time employee. Pump station (both Village and those shared with the Town of Essex) expenses were lower than anticipated by \$9,526. As in the Water Fund, the Meters and Parts line item was not spent due to the Meter Replacement Program. 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 \$28,433 in FY13. The High School Pump Station upgrade project was completed at a cost of \$789,739 in FY13. The total cost of this project was \$1,071,915. The High School Pump Station Upgrade was funded by a Clean Water State Revolving Loan. The Sanitation Fund shared in the cost of the utility rate study for \$7,209 and an Infiltration and Inflow Study was begun with an FY13 cost of \$2,712.

Wastewater Treatment Fund

The Wastewater Treatment Facility had budgetary net income of \$179,258 in FY13. Revenues were over-budget by \$51,048 while expenditures were less than budget by \$108,210. The goal of this budget was to produce a \$20,000 surplus which was well surpassed. At year end, a reconciliation was done of revenues versus expenses and it was found that each of the Tri-Town communities was responsible for a portion of the surplus. Each community in the Tri-town was designated a portion of the surplus to be a buffer against future losses. The amounts designated to each community are: Essex Junction, \$109,731; Town of Essex, \$645; Town of Williston, \$35,101. Accounts that contributed significantly to the surplus are Sludge Management, \$60,571; Maintenance Other, \$13,694; and Health Insurance and Other Benefits, \$30,033. The Health Insurance surplus is due to the stable price of the health insurance most Facility employees were enrolled in. As for the other surpluses, the Wastewater Treatment Facility is undergoing a major renovation, and significant swings in budgeted line items can be attributed to contract schedule variables. 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. Other capital projects undertaken by the Wastewater Treatment Facility in FY13 were: the Utility Rate Study, \$7,209; Two Variable Speed Drives for Blowers 1 & 2, \$15,308; Control Building Instrument Upgrades, \$12,035; Digester Cleaning, \$39,776; and Final Design of a Co-Generation System to replace the existing one, \$24,558. Radios were purchased with a Homeland Security grant for \$6,184.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund had a surplus of \$58,444 in FY13. It was budgeted to have a deficit of \$35,000 but instead added to fund balance. The General Fund fund balance increased from \$495,620 at the end of fiscal year 2012 to \$554,064 at the end of fiscal year 2013. Of the \$554,064 fund balance, \$89,997 is nonspendable (inventories and prepaid expenses), \$118,059 is assigned (see page 49 of notes for breakdown). This leaves \$346,008 of unassigned fund balance in the General Fund. The unassigned fund balance is 10.3% of the FY14 Budget. The Trustees plan to allocate another \$35,000 to reduce the tax rate in FY15 which will bring the percentage down below 10% as required by Village policy. 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 position 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.

- Excluding grants and donations received and expended in FY13, revenues were higher than budgeted by \$43,344. Revenues that were significantly higher than anticipated were License and Zoning Fees (+\$30,199) due to higher than anticipated zoning permit activity; State Highway Aid (+\$13,128).
- Expenditures excluding those for grants and donations received in FY12 and Expense designated from prior years were \$98,621 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 \$38,862. Salaries were under-spent because the Village Manager resigned in October and was not replaced during the fiscal year. Lauren Morrissette, Finance Director and Susan McNamara-Hill, Village Clerk/Treasurer were Acting Co-Managers for the balance of the fiscal year. Due to the change in personnel, other line items such as Health Insurance and other Benefits, Training and Conferences, Village Promotion and Vehicle Maintenance/Travel were also under-spent.
- B) Lincoln Hall Budget was over-spent by \$14,083. The majority of the over-expenditure was for Village Office Renovations (-\$11,754). Due to a leak, the Water and Sewer Charges line item was also over-spent by \$1,007. The Trustees voted on 5/28/13 to use surplus funds in the FY13 Administration, Street, Planning, and Economic Development budgets to cover deficits in other General Fund budgets.
- C) The Fire Department was over-spent by \$10,479. The most significant line item over-expenditures were Workers Compensation (-\$12,034), and Vehicle Maintenance (-\$11,217). A change in our Workers Compensation calculation for firefighters was unanticipated. The Vehicle Maintenance was high as we maintained an aging ladder truck until its replacement was delivered. The Fire Department, as is customary, balanced unexpected needs by spending less in other areas. The deficit was covered by other surpluses in other departmental budgets as noted in B).
- D) The Street Department ended FY13 with a surplus of \$34,920. Regular Salaries was under-spent by \$24,934. 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 FY14 to see if the department can function with one less full-time employee. Other personnel related line items were under-spent for the same reason. Gas, Grease and Oil was over-spent by \$9,766. Engineering was over-spent by \$16,616 as the Village worked to find reasons for flooding on Mansfield Ave. and Shawn's Way. A storm drain was sliplined on Athens Drive which caused an over-expenditure in the Storm Sewer Maintenance line item (-\$10,342).
- E) The Brownell Library budget ended the year with a surplus of \$5,724. A surplus in the Health Insurance and Other Benefits of \$6,493 helped to cover over-expenditures in Training and Conferences (-\$1,362), Maintenance of Building Grounds (-\$1,546) and Collections Line items of (-\$2,608). Other smaller surpluses in a number of line items resulted in the overall surplus for the year.
- F) The Planning and Zoning budget was under-spent by \$35,642. Health Insurance and Other Benefits was under-spent by \$15,802 due to a change in coverage by an employee. Legal Services was under-spent by \$7,239 in part due to the negotiating skills of our Planning Department Staff and fewer than anticipated appeals. Other Professional Services had a surplus because the Comprehensive Plan update wasn't begun until May 2013 partly because of the desire to include input from the Heart and Soul process (+\$5,551). Other accounts were under-spent by smaller amounts producing the surplus.
- G) The Economic Development Budget was underspent by \$8,035. Most of this can be attributed to Matching Grant Funds which were not used (\$7,317). This budget was amended prior to the fiscal year to convert a part-time position to a full-time position.

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 (\$500), a Performer Grant of \$100 and an LSTA (Library Services and Technology Act) grant for \$963. The Library also received donations from the Friends of the Brownell Library for books and equipment totaling \$5,957. Three benches were donated and installed on Library grounds. One bench was in honor of the Bill and Lorraine Currier, one in honor of Kay Helfrich and one in honor of Carlotta Raine. The Fire Department purchased 6 radios with a Homeland Security grant and shared in the purchase of 15 Portable radios, 15 mobile radios and 2 base radios with the Street Department and the Wastewater Treatment Facility from another Homeland Security Grant. The Economic Development Department continued in the use of 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 FY12 the Town of Essex and the Village of Essex Junction were awarded a Planning Grant from the Orton Foundation for \$100,000. The Heart and Soul of Essex project has developed shared values for our communities and is in the process of wrapping up.

Capital Reserve Fund

The Capital Reserve Fund had a fund balance of \$346,940 as of June 30, 2012 and a fund balance of \$455,938 as of June 30, 2013. During the year, Algonquin Roadway Reconstruction was completed (\$98,168). This project also included water line work which was paid for out of the Water Fund. Other projects completed in FY13 were a Byway Sign (\$7,612) and a fence on the Main St. bike path (\$8,304). The Crescent Connector Project progressed for \$187,259 with reimbursement in the year of \$155,349. This project is funded by a grant from the US Department of Transportation through the State of Vermont Agency of Transportation and does not require matching funds. Village Office Conference room improvements were made for \$16,051 and Village Office Renovations were begun for \$14,825. Road resurfacing was done costing \$96,016. Roads resurfaced were portions of Brickyard Rd. and portions of Beech St. Work was begun on Lincoln St. Sidewalk Extension project partially funded by a US Department of Transportation Grant. The cost incurred was \$56,138. Woods End Reconstruction project engineering was begun with a cost of \$1,584. The following new grants were awarded: from the US Department of Transportation passed through the Vermont Agency of Transportation \$250,000 for the Multi-Use Safety Path along the rail tracks between North and Central Streets. An additional grant from Chittenden County Regional Planning Commission was also awarded for the Multi-Use Safety Path (\$139,835), and work began in FY13 with a cost of \$8,189.

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 \$618,013 at the beginning of FY13 and \$280,542 as of the end of FY13. Expenditures in the Rolling Stock Fund in FY13 totaled \$981,653. The Village purchased a Pierce Arrow XT Ladder Truck for \$802,736 and a Freightliner Diesel Dump truck for \$129,177 plus trade in. The Rolling Stock Fund also made a payment of \$22,000 plus interest on the State Municipal Equipment Loan for the 2008 Fire Department KME Rescue/Pumper. The principal balance on the loan is currently \$-0-. The fund received \$80,000 for the sale of the old Ladder Truck and \$100,000 was contributed to the fund by the Town of Essex for the new Ladder Truck.

Capital Assets

The Village of Essex Junction's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totaled \$32,500,371 (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 Brickyard Rd. and Beech St.
- Algonquin Road Reconstruction
- Conference Room Improvements
- Work progressed on Lincoln St. Sidewalk Extension
- Work progressed on Crescent Connector Rd.
- A fire ladder truck was purchased
- A fire ladder truck was sold
- A dump truck was purchased
- A dump truck was traded in

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

- Algonquin water line to complete loop between Abnaki & Iroquois was completed
- 420 New meters installed
- High School Pump Station Upgrade was completed
- Wastewater Treatment Facility Upgrade was continued

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	
	2013	2012	2013	2012	2013	2012
Land	55,742	55,742	118,077	118,077	173,819	173,819
Construction in Progress	421,930	151,404	10,286,596	1,327,124	10,708,526	1,478,528
Antiques and Works of Art	7,550	12,000	0	0	7,550	12,000
Buildings and Building Improvements	1,870,964	1,870,964	8,343,215	8,343,215	10,214,179	10,214,179
Vehicles, Machinery, Equipment, Furniture & Traffic Signals	5,590,111	5,029,223	3,029,079	2,990,692	8,619,190	8,019,915
Library Books	833,475	857,943	0	0	833,475	857,943
Parks	210,984	210,984	0	0	210,984	210,984
Roads, Curbs, Sidewalks and Storm Sewers	7,428,521	7,214,379	45,539	45,539	7,474,060	7,259,918
Distribution and Collection Systems	0	0	16,248,495	14,941,337	16,248,495	14,941,337
Accumulated Depreciation	(4,445,656)	(4,296,767)	(17,544,251)	(17,171,285)	(21,989,907)	(21,468,052)
Total	11,973,621	11,105,872	20,526,750	10,594,699	32,500,371	21,700,571

Long Term Debt

The Village received a loan of \$110,000 from the Vermont Municipal Equipment Loan Fund for the purchase of the KME Rescue/Pumper in FY08. The interest rate on this loan is 2% with a 5 year pay back provision. As of 6/30/13 this loan is retired.

In FY13 the Village received a loan of \$250,000 from the Merchants Bank for the purchase of the Fire Ladder Truck. The interest rate is 1.31% and the note is due July 30, 2013. The Village renewed the note on July 30, 2013 and paid down \$50,000 of the principal.

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 6/30/13 there was a \$50,000 principal balance on this loan.

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 6/30/13, the High School Pump Station project was complete and the Village had borrowed \$1,093,596 and received a subsidy of \$114,800 from the State Clean Water Revolving Fund in the Sanitation Fund. Payments on this loan are scheduled to begin February 2014. As of 6/30/13 the Village had borrowed \$7,036,474 for the Wastewater Treatment Refurbishment Project from the State Clean Water Revolving Fund and received a subsidy of \$466,870. 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. As of June 30, 2013, the principal outstanding on this bond was \$1,585,000. The Wastewater Treatment Facility, while owned by the Village of Essex Junction serves 3 towns, the Village of Essex Junction, the Town of Essex and the Town of Williston. The debt payments for the Wastewater Treatment Facility are distributed to the Tri-town members according to capacity owned in the Facility.

Economic Factors and Next Year's Budgets and Rates

- As of January 2014 the economy continues to improve slowly although many people are still out of work. The national unemployment rate was at 6.7 % in December 2013, down from 7.8% in December 2012 according to the US Dept. of Labor Bureau of Labor Statics. According to the same source, Vermont unemployment was at 4.4% in November 2013, down from 5.2% in November 2012.
- The CPI index for Northeast urban communities was 1.3% from December 2012 to December 2013. The national city average CPI index was 1.5% from December 2012 to December 2013.
- Unrest in the Middle East is on-going. The housing market is improving. Gasoline prices in New England and the Nation are a little lower this December than they were last January according to the US Energy Information Administration. The US average was \$3.296/gallon on 1/20/14 and the New England average was \$3.49/ gallon. The national debt has passed the \$17 Trillion mark, and we have nearly reached the debt ceiling again.
- A requirement to purchase the Village's health insurance from the Vermont Health Connect Exchange went into effect as of January 1, 2014. It is not known what effect "Obamacare" will have on the nation but as of January 2014, it has not met its enrollment goals particularly with the "Millennials" (young adults). The rollout of the National Exchange website did not go well, but the program continues to implement improvements.
- Susan McNamara-Hill, Village Clerk/Treasurer/Tax Collector, and Lauren Morrisseau, Finance Director, were acting interim Co-managers from October 2012 to June 30, 2013. On July 1, 2013 Patrick Scheidel, Town of Essex Manager, became a shared manager for the Village and the Town. The Village Trustees and Town Selectboard are working to find areas where shared services make sense in order to save taxpayer dollars.
- FY13 was the last year of the IBM M&E Subsidy payment.
- Planning applications in the Village remain strong with a preference for one and two bedroom apartments to meet market demand. The IBM Master Plan was approved and the Police Facility commenced construction.
 - The Autumn Pond development, which will see the construction of 300 apartments while at the same time improving the ecology of an existing pond, received final approval from the Planning Commission and the Zoning Board of Adjustment.
 - The old Peoples United Bank site at the Five Corners received approval for the demolition of the existing structure and the erection of a new four story building with retail and commercial spaces on the ground level, apartments above, and underground parking.
 - Work on the planning of the Crescent Connector Road continued and it is scheduled to commence construction in 2015. Grant funding was received for a new Multiuse path that will connect the High School to the Village Center. The path is scheduled for construction summer 2014.
 - A Tree Advisory Board to increase awareness of the benefits of trees and to give advice on trees in the public ROW was created. A Bike/Walk Committee was also formed. They will develop a best practice strategy for the provision and use of bike and pedestrian facilities in the Village.
 - The Village is looking at the potential to reduce through truck traffic in the Village Center and make the core of our community more welcoming to pedestrians and cyclists while accommodating vehicular traffic, and enhancing economic and social opportunity.

- 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 Multi-use Safety Path). We have also been awarded an additional grant for \$250,000 from the Vermont Transportation Agency (VTrans) for this project. The project is in the design phase. 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. Sidewalk Extension Project which is funded by two grants, one from CCRPC for \$118,640 and one from VTrans for \$220,000, was completed in the fall of 2013. The Orton Heart and Soul Grant which is a community planning grant awarded to the Town of Essex and the Village of Essex Junction will be wrapping up very soon.
- The FY14 General Fund budget increased by 2.71% from the FY13 budget. The tax rate increased by 4.3% from \$0.2554 to \$0.2666. At this time in January 2014, the Trustees are formulating the FY15 budget. The draft FY15 budget proposes a 3.7% increase at this time which will necessitate approximately a 3.9% increase in the tax rate. The Trustees are also considering placing a bond vote on the Village Meeting ballot to fund some pressing infrastructure maintenance projects.
- Capital projects being undertaken or continued in FY14 and their budgeted or actual amounts, if available, include:
 - Multi-Use Safety Path - \$550,527 budget.
 - Crescent Connector Road ó budget \$4,500,000 to be funded by Vt. Dept. of Transportation
 - Lincoln St. Sidewalk Extension ó budget \$376,576 to be funded 80% by grants from CCRPC and VTrans. Project is nearly complete.
 - Village Office Renovations \$34,212 (actual from Capital Reserve)
 - Fire House Roof - \$23,555 (actual)
 - Woods End Reconstruction - \$730,377 (budget)
 - Paving ó \$125,000 budget ó Warner Ave., Willeys Court, Grandview Ave., Jones Ave., and Williams St. and a portion of Beech St.

In FY14 the rate structure for water/sewer/sanitation billing changed from semi-annual billing based on water usage with a minimum of 1500 cubic feet to quarterly billing with quarterly fixed charges per unit plus usage. Residential dwellings are classified as 1 unit while commercial buildings are assessed a number of units based on prior year's water usage. The rate structure had minimal effect on average users. Minimum users saw their water/sewer/sanitation bills increase while higher users' bills were reduced a small amount. The reason for this effect was that minimum users had not been paying enough to cover the fixed costs of providing water/sewer service. The FY14 water/sewer/sanitation rates are as follows:

	Quarterly Fixed Charges	Usage Charges
Water	\$21.05/unit	\$0.0140/cubic foot water usage
Wastewater Treatment	\$24.42/unit	\$0.0089/cubic foot water usage
Sanitation	<u>\$21.00/unit</u>	<u>\$0.0047/cubic foot water usage</u>
Total	\$66.47/unit	\$0.0276/cubic foot water usage

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,441,033	\$ 2,471,864	\$ 3,912,897
Receivables (Net of Allowance for Uncollectibles)	132,858	812,790	945,648
Inventories	59,728	17,014	76,742
Internal Balances	22	(22)	0
Prepaid Expenses	30,269	20,739	51,008
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	421,930	10,286,596	10,708,526
Antiques and Works of Art	7,550	0	7,550
Other Capital Assets, (Net of Accumulated Depreciation)	11,488,399	10,122,077	21,610,476
Total Assets	<u>13,637,531</u>	<u>23,849,135</u>	<u>37,486,666</u>
<u>LIABILITIES</u>			
Accounts Payable	152,297	2,216,337	2,368,634
Accrued Payroll and Benefits Payable	28,754	12,016	40,770
Unearned Revenue	1,428	0	1,428
Accrued Interest	0	4,234	4,234
Noncurrent Liabilities:			
Due Within One Year	50,000	122,138	172,138
Due in More than One Year	339,824	9,961,060	10,300,884
Total Liabilities	<u>572,303</u>	<u>12,315,785</u>	<u>12,888,088</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	1,658	0	1,658
Total Deferred Inflows of Resources	<u>1,658</u>	<u>0</u>	<u>1,658</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	11,723,620	12,136,777	23,860,397
Restricted	5,424	0	5,424
Unrestricted/(Deficit)	1,334,526	(603,427)	731,099
Total Net Position	<u>\$ 13,063,570</u>	<u>\$ 11,533,350</u>	<u>\$ 24,596,920</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, 2013

	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	\$ 351,276	\$ 108,155	\$ 0	\$ 1,550	\$ (241,571)	\$ 0	\$ (241,571)
Public Safety	352,888	6,231	0	114,895	(231,762)	0	(231,762)
Public Works	1,153,369	9,782	113,128	256,671	(773,788)	0	(773,788)
Community Development	304,947	2,481	15,997	15,000	(271,469)	0	(271,469)
Culture and Recreation	728,958	4,564	20,596	8,481	(695,317)	0	(695,317)
Total Governmental Activities	2,891,438	131,213	149,721	396,597	(2,213,907)	0	(2,213,907)
Business-Type Activities:							
Water	2,953,998	3,006,319	0	0	0	52,321	52,321
Sanitation	490,995	614,335	0	202,690	0	326,030	326,030
Wastewater	1,734,773	1,724,199	350	543,143	0	532,919	532,919
Total Business-Type Activities	5,179,766	5,344,853	350	745,833	0	911,270	911,270
Total	\$ 8,071,204	\$ 5,476,066	\$ 150,071	\$ 1,142,430	(2,213,907)	911,270	(1,302,637)
General Revenues:							
Property Taxes					2,667,252	0	2,667,252
Payment in Lieu of Taxes					64,657	0	64,657
Interest and Penalties on Delinquent Taxes					10,855	0	10,855
Unrestricted Investment Earnings					3,051	5,189	8,240
Other Revenues					6,051	0	6,051
Gain on Sale of Capital Asset					500	0	500
Total General Revenues					2,752,366	5,189	2,757,555
Change in Net Position					538,459	916,459	1,454,918
Net Position - July 1, 2012					12,525,111	10,616,891	23,142,002
Net Position - June 30, 2013					<u>\$ 13,063,570</u>	<u>\$ 11,533,350</u>	<u>\$ 24,596,920</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 567,127	\$ 487,695	\$ 280,542	\$ 105,669	\$ 1,441,033
Receivables (Net of Allowance for Uncollectibles)	48,284	84,574	0	0	132,858
Due from Other Funds	22	0	0	0	22
Inventories	59,728	0	0	0	59,728
Prepaid Expenses	30,269	0	0	0	30,269
Total Assets	\$ 705,430	\$ 572,269	\$ 280,542	\$ 105,669	\$ 1,663,910
<u>LIABILITIES</u>					
Accounts Payable	\$ 83,110	\$ 69,187	\$ 0	\$ 0	\$ 152,297
Accrued Payroll and Benefits Payable	27,001	0	0	0	27,001
Due to Others	1,753	0	0	0	1,753
Unearned Revenue	1,428	0	0	0	1,428
Total Liabilities	113,292	69,187	0	0	182,479
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	1,658	0	0	0	1,658
Unavailable Property Taxes	28,400	0	0	0	28,400
Unavailable Grant Revenue	2,273	47,144	0	0	49,417
Unavailable Other Revenues	5,743	0	0	0	5,743
Total Deferred Inflows of Resources	38,074	47,144	0	0	85,218
<u>FUND BALANCES</u>					
Nonspendable	89,997	0	0	0	89,997
Restricted	0	0	0	5,424	5,424
Committed	0	455,938	280,542	100,245	836,725
Assigned	118,059	0	0	0	118,059
Unassigned	346,008	0	0	0	346,008
Total Fund Balances	554,064	455,938	280,542	105,669	1,396,213
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 705,430	\$ 572,269	\$ 280,542	\$ 105,669	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					11,973,621
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					83,560
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.					(389,824)
Net Position of Governmental Activities					\$ 13,063,570

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, 2013

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,652,852	\$ 0	\$ 0	\$ 0	\$ 2,652,852
Payment in Lieu of Taxes	64,657	0	0	0	64,657
Penalties and Interest	10,855	0	0	0	10,855
Intergovernmental Revenues	163,441	202,718	100,000	0	466,159
Charges for Services	332,866	0	0	0	332,866
Investment Income	1,644	639	558	210	3,051
Fines and Forfeits	3,708	0	0	0	3,708
Licenses and Permits	60,199	0	0	0	60,199
Contributions	18,828	27,000	0	630	46,458
Other Revenue	5,901	0	0	0	5,901
Total Revenues	3,314,951	230,357	100,558	840	3,646,706
Expenditures:					
Current:					
General Government	635,036	705	0	0	635,741
Public Safety	284,929	0	300	0	285,229
Public Works	732,327	3,742	0	0	736,069
Community Development	285,580	0	0	0	285,580
Culture & Recreation	611,739	0	0	0	611,739
Debt Service:			0	0	
Principal	0	0	22,000	0	22,000
Interest	0	0	440	0	440
Capital Outlay:				0	
General Government	28,575	30,172	0	0	58,747
Public Safety	8,790	0	829,736	0	838,526
Public Works	22,220	451,916	129,177	0	603,313
Community Development	0	7,612	0	0	7,612
Culture & Recreation	61,399	0	0	0	61,399
Total Expenditures	2,670,595	494,147	981,653	0	4,146,395
Excess/(Deficiency) of Revenues Over Expenditures	644,356	(263,790)	(881,095)	840	(499,689)
Other Financing Sources/(Uses):					
Proceeds of Long-Term Debt	0	0	250,000	0	250,000
Proceeds from the Sale of Capital Assets	500	0	80,000	0	80,500
Transfers In	0	372,788	213,624	0	586,412
Transfers Out	(586,412)	0	0	0	(586,412)
Total Other Financing Sources/(Uses)	(585,912)	372,788	543,624	0	330,500
Net Change in Fund Balances	58,444	108,998	(337,471)	840	(169,189)
Fund Balances - July 1, 2012	495,620	346,940	618,013	104,829	1,565,402
Fund Balances - June 30, 2013	\$ 554,064	\$ 455,938	\$ 280,542	\$ 105,669	\$ 1,396,213

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, 2013

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)	\$	(169,189)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,569,596) is allocated over their estimated useful lives and reported as depreciation expense (\$620,289). This is the amount by which capital outlays exceeded depreciation in the current period.		949,307
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, gain/(loss) on disposals, trade-ins and donations) is to decrease net assets.		(81,558)
The issuance of long-term debt (\$250,000) (e.g., bond, notes and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$22,000) consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This amount is the net effect of those differences in the treatment of long-term debt and related items.		(228,000)
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.		51,565
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>16,334</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>538,459</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, 2013

	Approved Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
Current Property Taxes	\$ 2,666,989	\$ 2,666,989	\$ 2,652,852	\$ (14,137)
State of VT PILOT & Current Use	2,000	2,000	4,079	2,079
Penalties and Interest On Delinquent Taxes	7,000	7,000	10,855	3,855
IBM Subsidy	60,578	60,578	60,578	0
Licenses & Zoning Fees	30,000	30,000	60,199	30,199
Water Department Service Fees	110,169	110,169	110,169	0
Wastewater Service Fees	55,085	55,085	55,085	0
Sanitation Service Fees	110,169	110,169	110,169	0
State District Court Fines	2,000	2,000	3,709	1,709
State Highway Aid	100,000	100,000	113,128	13,128
Essex Junction School District				
Tax Collection Fees	47,000	47,000	47,956	956
Lincoln Hall Rentals	0	0	1	1
Parking Space Fees	4,800	4,800	4,400	(400)
Miscellaneous Fire Receipts	0	0	1,231	1,231
Miscellaneous Street Receipts	3,000	3,000	2,850	(150)
Miscellaneous Library Receipts	450	450	708	258
Brownell Library Grants	0	0	1,937	1,937
Donation to Brownell Library	0	0	7,329	7,329
Donations to Block Party	1,500	1,500	1,550	50
Essex Town Library Contribution	15,000	15,000	15,000	0
Investment Interest	1,000	1,000	1,644	644
Miscellaneous State Grants	0	0	8,408	8,408
Miscellaneous Grants and Donations	0	0	9,790	9,790
Miscellaneous Unclassified Receipts	4,600	4,600	2,343	(2,257)
Library Replacement Receipts	0	0	3,855	3,855
Homeland Security Grant 02140-79152-542	0	0	16,609	16,609
Homeland Security Grant 02140-70164V-126	0	0	8,517	8,517
Sale of Capital Asset	0	0	500	500
Total Revenue	3,221,340	3,221,340	3,315,451	94,111
Expenditures:				
Administration:				
Salaries - Regular	334,477	334,477	311,912	22,565
Salaries - Overtime	1,000	1,000	1,365	(365)
Salaries - Part-Time	7,250	7,250	13,207	(5,957)
Social Security	26,923	26,923	25,342	1,581
Unemployment Insurance	1,186	1,186	962	224
Workers Compensation Insurance	1,166	1,166	1,210	(44)
Health Insurance and Other Benefits	66,340	66,340	59,436	6,904
Retirement	38,506	38,506	38,648	(142)
Liability and Property Insurance	5,857	5,857	5,720	137
Public Officials Liability Insurance	6,075	6,075	5,981	94
Health Improvement Programs	1,600	1,600	1,775	(175)
Board Member Fees	2,500	2,500	2,500	0
Supplies	6,700	6,700	4,624	2,076
Postage	4,600	4,600	3,986	614
Computer Expenses	16,915	16,915	17,552	(637)
Training & Conferences	13,304	13,304	6,602	6,702
Telephone Services	4,392	4,392	2,621	1,771

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, 2013

	Approved Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Administration/(Cont'd):				
Communications	\$ 13,700	\$ 13,700	\$ 12,203	\$ 1,497
Vehicle Maintenance - Travel	3,600	3,600	900	2,700
Village Promotion	1,000	1,000	268	732
Interview Costs	0	0	155	(155)
Leased Services	4,540	4,540	4,298	242
Legal Fees	15,000	15,000	14,026	974
Other Professional Services	2,000	2,000	0	2,000
Audit Service	5,275	5,275	5,352	(77)
Printing and Advertising	5,800	5,800	4,777	1,023
Pay & Classification Study	200	200	0	200
Elections	2,200	2,200	1,578	622
Holiday Expense	1,280	1,280	1,135	145
Trustees Expenditures	4,000	4,000	5,472	(1,472)
Capital Outlay	3,000	0	4,917	(4,917)
	<u>600,386</u>	<u>597,386</u>	<u>558,524</u>	<u>38,862</u>
Lincoln Hall:				
Liability and Property Insurance	5,510	5,510	4,469	1,041
Supplies	1,800	1,800	2,475	(675)
Water and Sewer Charges	1,000	1,000	2,007	(1,007)
Telephone Services	480	480	496	(16)
Electrical Service	6,510	6,510	7,997	(1,487)
Heating	7,000	7,000	5,507	1,493
Maintenance - Buildings/Grounds	6,500	6,500	7,559	(1,059)
Rubbish Removal	1,750	1,750	1,785	(35)
Contractual Services	7,503	7,503	8,087	(584)
Capital Outlay	0	0	11,754	(11,754)
	<u>38,053</u>	<u>38,053</u>	<u>52,136</u>	<u>(14,083)</u>
Fire Department:				
Salaries - Part-time Firefighters	126,000	126,000	126,818	(818)
Social Security	9,639	9,639	9,662	(23)
Worker's Compensation Insurance	12,000	12,000	24,034	(12,034)
Accident & Disability Insurance	3,600	3,600	3,600	0
Liability and Property Insurance	8,600	8,600	7,326	1,274

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, 2013

	Approved Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Fire Department/(Cont'd):				
Supplies	\$ 2,400	\$ 2,400	\$ 1,637	\$ 763
EMS Supplies	1,800	1,800	1,061	739
Gas, Oil and Grease	5,400	5,400	7,112	(1,712)
Water and Sewer Charges	900	900	888	12
Training and Conferences	5,000	5,000	2,900	2,100
Telephone Services	4,000	4,000	3,433	567
Electrical Service	6,600	6,600	6,283	317
Heating	6,000	6,000	4,817	1,183
Maintenance - Buildings/Grounds	5,000	5,000	1,806	3,194
Radio Maintenance	2,000	2,000	6,295	(4,295)
Maintenance - Other	10,000	10,000	12,795	(2,795)
Vehicle Maintenance - Travel	10,000	10,000	21,217	(11,217)
Emergency Generator Maintenance	750	750	375	375
Uniforms and Boots	18,000	18,000	16,079	1,921
Fire Prevention	1,800	1,800	1,652	148
Physical Exams	6,000	6,000	4,197	1,803
Employee Assistance Program	900	900	864	36
Hydrant Rental	5,000	5,000	5,000	0
New Equipment - Radios	4,300	4,300	0	4,300
Routine Equipment Purchases	14,500	14,500	10,817	3,683
Total Fire Department	270,189	270,189	280,668	(10,479)
Street Department:				
Salaries - Regular	190,875	186,875	161,941	24,934
Salaries - Overtime	15,000	15,000	14,383	617
Salaries - Part-time	17,018	17,018	17,335	(317)
Social Security	17,249	17,249	14,274	2,975
Unemployment Insurance	1,086	1,086	865	221
Worker's Compensation Insurance	11,628	11,628	9,798	1,830
Health Insurance and Other Benefits	77,761	77,761	63,337	14,424
Employee Retirement	19,088	19,088	16,141	2,947
Liability and Property Insurance	14,100	14,100	12,057	2,043
Supplies	21,100	16,100	10,129	5,971
Winter Maintenance	75,000	75,000	83,243	(8,243)
Pavement Maintenance	15,000	15,000	14,804	196
Gravel and Topsoil	4,500	4,500	5,830	(1,330)
Signs and Posts	5,500	5,500	2,668	2,832
Gas, Grease and Oil	22,000	22,000	31,766	(9,766)
Water and Sewer Charge	1,500	1,500	1,197	303
Training and Conferences	500	500	250	250
Telephone Services	1,800	1,800	1,725	75
Electrical Service	4,900	4,900	3,752	1,148
Street Lights	131,840	131,840	121,730	10,110

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, 2013

	Approved Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Street Department/(Cont'd):				
Traffic Lights	\$ 5,700	\$ 5,700	\$ 6,170	\$ (470)
Heating	4,000	4,000	3,184	816
Maintenance - Buildings/Grounds	2,500	2,500	3,596	(1,096)
Radio Maintenance	200	200	65	135
Maintenance - Other	1,000	1,000	1,545	(545)
Vehicle Maintenance - Travel	32,000	32,000	17,716	14,284
Streetscape Maintenance/ Improvements	7,500	7,500	4,377	3,123
Village Garden Spots	2,500	2,500	2,343	157
Traffic/Street Light Maintenance	6,500	6,500	11,360	(4,860)
Memorial Park	3,000	3,000	2,816	184
Street Markings	5,000	5,000	8,205	(3,205)
Uniforms, Boots, Etc.	4,500	4,500	2,544	1,956
Rubbish Removal	6,200	6,200	5,290	910
Contract Services	10,000	10,000	10,726	(726)
Equipment Rentals	3,800	3,800	3,693	107
Engineering Services	15,000	15,000	31,616	(16,616)
Traffic Calming	1,000	1,000	232	768
Capital Outlay	2,000	2,000	1,735	265
Sidewalk and Curb Maintenance	3,000	3,000	5,135	(2,135)
Storm Sewer Maintenance	8,500	8,500	18,842	(10,342)
Storm Sewer Permit Fees	3,000	3,000	4,697	(1,697)
Storm Sewer Public Education	10,000	10,000	7,313	2,687
	<u>784,345</u>	<u>775,345</u>	<u>740,425</u>	<u>34,920</u>
Total Street Department				
	<u>784,345</u>	<u>775,345</u>	<u>740,425</u>	<u>34,920</u>
Library:				
Salaries - Regular	292,359	292,359	292,591	(232)
Salaries - Part-Time	88,282	88,282	86,567	1,715
Social Security	29,551	29,551	28,826	725
Unemployment Insurance	2,384	2,384	2,235	149
Workers Compensation Insurance	1,285	1,285	1,389	(104)
Health Insurance and Other Benefits	55,586	55,586	49,093	6,493
Retirement	29,236	29,236	29,089	147
Liability and Property Insurance	10,269	10,269	9,390	879
Supplies	13,500	13,500	13,274	226
Postage	2,500	2,500	3,452	(952)
Computer Expenses	3,500	3,500	3,641	(141)
Water and Sewer Charge	525	525	870	(345)
Training and Conferences	2,000	2,000	3,362	(1,362)
Telephone Services	2,000	2,000	1,092	908
Technology Access	5,810	5,810	5,059	751
Electrical Services	14,850	14,850	14,553	297
Heating	7,500	7,500	7,335	165

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, 2013

	Approved Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Library/(Cont'd):				
Maintenance - Building/Grounds	\$ 13,000	\$ 13,000	\$ 14,546	\$ (1,546)
Alarm System Maintenance	800	800	292	508
Interview Costs	300	300	249	51
Contract Services	22,548	22,548	22,469	79
Adult Programs	300	300	322	(22)
Childrens Programs	3,000	3,000	3,061	(61)
Computer Replacement	8,000	5,200	5,196	4
Adult Collection - Print & Electronic	31,000	31,000	32,706	(1,706)
Juvenile Collection - Print & Electronic	15,500	15,500	16,402	(902)
Total Library	655,585	652,785	647,061	5,724
Planning and Zoning:				
Salaries -Regular	119,296	119,296	124,235	(4,939)
Salaries - Overtime	2,000	2,000	218	1,782
Social Security	9,560	9,560	9,666	(106)
Unemployment Insurance	435	435	399	36
Workers Compensation Insurance	399	399	439	(40)
Health Insurance and Other Benefits	40,972	40,972	25,170	15,802
Retirement	11,930	11,930	11,978	(48)
Liability Insurance and Property Insurance	2,038	2,038	2,006	32
Public Officials Liability Insurance	6,075	6,075	5,981	94
Boardmember Fee	3,600	3,600	3,525	75
Supplies	2,000	2,000	1,340	660
Postage	1,000	1,000	438	562
Computer Expenses	4,705	4,705	3,748	957
Training and Conferences	5,450	5,450	2,395	3,055
Telephone Services	1,392	1,392	1,597	(205)
Communications	2,000	2,000	1,020	980
Vehicle Maintenance - Travel	3,000	3,000	2,400	600
Legal Services	9,500	9,500	2,261	7,239
Other Professional Services	10,000	10,000	4,449	5,551
Printing and Advertising	5,000	5,000	2,045	2,955
Recording Fees	2,500	2,500	1,900	600
Capital Outlay	1,500	0	0	0
Total Planning and Zoning	244,352	242,852	207,210	35,642
Economic Development:				
Salaries Regular	0	32,573	28,781	3,792
Salaries Overtime	0	0	70	(70)
Salaries Part Time	23,400	0	3,553	(3,553)
Social Security	1,790	2,491	2,678	(187)
Unemployment Insurance	217	250	247	3
Workers Comp Insurance	111	120	108	12
Health Ins & Other Benefits	0	3,127	2,858	269
Retirement	0	3,257	3,058	199
Block Party Expenses	7,000	7,000	7,057	(57)

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, 2013

	Approved Budget	Amended Budget	Actual	Favorable (Unfavorable)
Economic Development/(Cont'd):				
Community Events & Programs	\$ 7,000	\$ 7,000	\$ 8,155	\$ (1,155)
Annual Support of Organizations	8,000	8,000	7,443	557
Community Forum	7,500	7,500	7,500	0
New Programs	2,000	2,000	1,092	908
Matching Grant Funds	<u>10,000</u>	<u>10,000</u>	<u>2,683</u>	<u>7,317</u>
Total Economic Development	<u>67,018</u>	<u>83,318</u>	<u>75,283</u>	<u>8,035</u>
Miscellaneous Transfers and Expenditures:				
Rolling Stock Fund	163,624	163,624	163,624	0
Capital Reserve Fund	372,788	372,788	372,788	0
Half Penny for Ladder Truck Note	50,000	50,000	50,000	0
Termination Benefits	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Miscellaneous Transfers and Expenditures	<u>596,412</u>	<u>596,412</u>	<u>586,412</u>	<u>10,000</u>
Grant and Other Unanticipated Expenditures:				
Tax Abatement	0	0	2,141	(2,141)
Library Replacement Expenditures	0	0	4,017	(4,017)
Library Grant Expenditures	0	0	1,937	(1,937)
Library Donation Expenditures	0	0	5,957	(5,957)
Fire Department Grant Expenditures	0	0	13,051	(13,051)
Street Department Grant Expenditures	0	0	14,348	(14,348)
Other Donations Expenditures	0	0	4,219	(4,219)
Other Grants Expenditures	0	0	6,085	(6,085)
Termination Benefits	0	0	36,000	(36,000)
FY12 Designated Expense	<u>0</u>	<u>0</u>	<u>21,533</u>	<u>(21,533)</u>
Total Grant and Other Unanticipated Expenditures	<u>0</u>	<u>0</u>	<u>109,288</u>	<u>(109,288)</u>
Total Expenditures	<u>3,256,340</u>	<u>3,256,340</u>	<u>3,257,007</u>	<u>(667)</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	58,444	<u>\$ 93,444</u>
Fund Balance - July 1, 2012			<u>495,620</u>	
Fund Balance - June 30, 2013			<u>\$ 554,064</u>	

The amended budgets are approved by the Board of Trustees

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 138,096	\$ 1,009,672	\$ 1,324,096	\$ 2,471,864
Receivables (Net of Allowance for Uncollectible Accounts)	18,348	17,968	65,346	101,662
Estimated Unbilled Revenues	397,462	137,178	176,488	711,128
Due from Other Funds	0	13,841	0	13,841
Inventories	771	0	16,243	17,014
Other Current Assets	3,756	8,562	8,421	20,739
Total Current Assets	<u>558,433</u>	<u>1,187,221</u>	<u>1,590,594</u>	<u>3,336,248</u>
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	0	0	10,286,596	10,286,596
Buildings and Building Improvements	40,000	0	8,303,215	8,343,215
Vehicles, Machinery and Equipment	327,099	430,554	2,271,423	3,029,076
Infrastructure	0	0	45,539	45,539
Transmission and Distribution Plant	8,022,882	8,225,614	0	16,248,496
Less Accumulated Depreciation	<u>(6,752,883)</u>	<u>(5,217,673)</u>	<u>(5,573,693)</u>	<u>(17,544,249)</u>
Total Noncurrent Assets	<u>1,637,098</u>	<u>3,438,495</u>	<u>15,451,157</u>	<u>20,526,750</u>
Total Assets	<u>\$ 2,195,531</u>	<u>\$ 4,625,716</u>	<u>\$ 17,041,751</u>	<u>\$ 23,862,998</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 228,549	\$ 8,104	\$ 1,979,684	\$ 2,216,337
Accrued Payroll and Benefits Payable	2,759	2,283	6,974	12,016
Due to Other Funds	0	0	13,863	13,863
Interest Payable	0	0	4,234	4,234
Notes Payable - Current Portion	0	10,418	111,720	122,138
Total Current Liabilities	<u>231,308</u>	<u>20,805</u>	<u>2,116,475</u>	<u>2,368,588</u>
Noncurrent Liabilities				
Accrued Compensated Absences Payable	8,713	6,045	43,467	58,225
Notes Payable - Noncurrent Portion	0	1,306,248	8,596,587	9,902,835
Total Noncurrent Liabilities	<u>8,713</u>	<u>1,312,293</u>	<u>8,640,054</u>	<u>9,961,060</u>
Total Liabilities	<u>240,021</u>	<u>1,333,098</u>	<u>10,756,529</u>	<u>12,329,648</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,637,098	2,121,829	8,377,850	12,136,777
Unrestricted/(Deficit)	<u>318,412</u>	<u>1,170,789</u>	<u>(2,092,628)</u>	<u>(603,427)</u>
Total Net Position	<u>1,955,510</u>	<u>3,292,618</u>	<u>6,285,222</u>	<u>11,533,350</u>
Total Liabilities and Net Position	<u>\$ 2,195,531</u>	<u>\$ 4,625,716</u>	<u>\$ 17,041,751</u>	<u>\$ 23,862,998</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 2,987,373	\$ 503,103	\$ 955	\$ 3,491,431
Miscellaneous	18,946	107,731	1,723,595	1,850,272
Total Operating Revenues	<u>3,006,319</u>	<u>610,834</u>	<u>1,724,550</u>	<u>5,341,703</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,859,520	352,520	1,381,763	4,593,803
Depreciation	94,477	133,809	292,081	520,367
Total Operating Expenses	<u>2,953,997</u>	<u>486,329</u>	<u>1,673,844</u>	<u>5,114,170</u>
Operating Income	<u>52,322</u>	<u>124,505</u>	<u>50,706</u>	<u>227,533</u>
Nonoperating Revenues (Expenses):				
Investment Income	157	1,564	3,468	5,189
Net Loss on Disposal of Capital Assets	0	0	(7,040)	(7,040)
Net Gain on Sale of Capital Assets	0	3,500	0	3,500
Interest Expense	0	(4,666)	(53,890)	(58,556)
Total Nonoperating Revenues (Expenses)	<u>157</u>	<u>398</u>	<u>(57,462)</u>	<u>(56,907)</u>
Income/(Loss) Before Capital Contributions and Transfers	52,479	124,903	(6,756)	170,626
Capital Contributions	0	202,690	543,143	745,833
Transfer In	0	13,780	40,062	53,842
Transfers Out	0	(40,062)	(13,780)	(53,842)
Change in Net Position	52,479	301,311	562,669	916,459
Net Position - July 1, 2012	<u>1,903,031</u>	<u>2,991,307</u>	<u>5,722,553</u>	<u>10,616,891</u>
Net Position - June 30, 2013	<u>\$ 1,955,510</u>	<u>\$ 3,292,618</u>	<u>\$ 6,285,222</u>	<u>\$ 11,533,350</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, 2013

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 3,047,477	\$ 610,474	\$ 1,676,097	\$ 5,334,048
Receipts for Interfund Services	5,000	0	24,800	29,800
Other Receipts	366	0	604	970
Payments to Suppliers	(2,598,633)	(64,189)	(753,419)	(3,416,241)
Payments for Interfund Services	(110,169)	(135,111)	(55,085)	(300,365)
Payments for Wages and Benefits	(169,397)	(143,826)	(478,524)	(791,747)
Net Cash Provided by Operating Activities	<u>174,644</u>	<u>267,348</u>	<u>414,473</u>	<u>856,465</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	(3,023)	(3,023)
Interest Paid on Pooled Cash	(48)	0	(160)	(208)
Increase/(Decrease) in Due to/from Other Funds	0	(10,094)	10,094	0
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(48)</u>	<u>(10,094)</u>	<u>(43,089)</u>	<u>(53,231)</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Capital Grants	0	102,690	473,054	575,744
Contributed Capital	0	0	70,089	70,089
Proceeds from Sale of Capital Asset	0	3,500	0	3,500
Proceeds from Sale of WWTF Capacity	0	100,000	0	100,000
Proceeds from Long-Term Debt	0	977,696	6,215,861	7,193,557
Acquisition and Construction of Capital Assets	(166,294)	(978,602)	(7,654,211)	(8,799,107)
Principal Paid on Long-Term Debt	0	(10,213)	(61,687)	(71,900)
Interest Paid on Long-Term Debt	0	(4,666)	(51,157)	(55,823)
Interfund transfers for Capital Purposes	0	(40,062)	40,062	0
Increase/(Decrease) in Due To/From Other Funds for Capital Purposes	0	(61)	61	0
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(166,294)</u>	<u>150,282</u>	<u>(967,928)</u>	<u>(983,940)</u>
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	206	1,563	3,628	5,397
Net Cash Provided by Investing Activities	<u>206</u>	<u>1,563</u>	<u>3,628</u>	<u>5,397</u>
Net Increase/(Decrease) in Cash	8,508	409,099	(592,916)	(175,309)
Cash - July 1, 2012	<u>129,588</u>	<u>600,573</u>	<u>1,917,012</u>	<u>2,647,173</u>
Cash - June 30, 2013	<u>\$ 138,096</u>	<u>\$ 1,009,672</u>	<u>\$ 1,324,096</u>	<u>\$ 2,471,864</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income	\$ 52,322	\$ 124,505	\$ 50,706	\$ 227,533
Depreciation	94,477	133,809	292,081	520,367
(Increase)/Decrease in Other Receivables	3,604	(2,507)	(45,231)	(44,134)
(Increase)/Decrease in Unbilled Revenues	42,919	2,147	22,183	67,249
(Increase)/Decrease in Inventory	(257)	0	7,476	7,219
Increase/(Decrease) in Accounts Payable	(18,735)	6,425	91,569	79,259
Increase/(Decrease) in Accrued Payroll and Compensated Absences	281	3,467	(3,947)	(199)
Increase/(Decrease) in Other Operating Assets/Liabilities	33	(498)	(364)	(829)
Net Cash Provided by Operating Activities	<u>\$ 174,644</u>	<u>\$ 267,348</u>	<u>\$ 414,473</u>	<u>\$ 856,465</u>

Supplemental Information:

Vehicles with a cost of \$85,840 and accumulated depreciation of \$53,869 in the Water Fund were traded in during the year.
Equipment with a cost of \$100,572 and accumulated depreciation of \$93,532 in the Wastewater Fund was disposed of during the year.
\$1,839,463 and \$179,111 of capital assets purchases are included in accounts payable at June 30, 2013 and 2012, respectively.

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Fund
	Exposition Noise Escrow Account Fund
<u>ASSETS</u>	
Cash	\$ <u>2,001</u>
Total Assets	<u>2,001</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>2,001</u>
Total Liabilities	<u>2,001</u>
<u>NET POSITION</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, 2013

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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Government-wide Statements: The statement of net position 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.

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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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., net total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) 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 position. 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.

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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.

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. New Pronouncement – Deferred Outflows/Inflows of Resources

Effective June 30, 2013, the Village implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis" for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Village did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has four (4) types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the statement of net position and governmental funds balance sheet. The statement of net position reports unavailable revenues from one source; prepaid property taxes. The governmental funds report unavailable revenues from four (4) sources; prepaid property taxes, unavailable property taxes, penalties and interest, unavailable grant revenue and other unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. Assets, Liabilities and Equity

1. Cash

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

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.

Unbilled revenues consist of revenues earned as of June 30, but not yet billed as of that date.

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4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loan receivable/payable." All other outstanding balances between funds are reported 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."

5. 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.

6. 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.

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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.

7. 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.

8. 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
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9. Fund Equity

Fund Balances and Net Position 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 position 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. Budget transfers between departments can be made upon the approval of the Trustees during the last three (3) months of the year without increasing the total appropriated amount.

Enterprise fund budgets are approved by the Board of Trustees.

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B. Budgeted Deficit

The Village budgeted a current year's deficiency of revenues over expenditures in the amount of \$35,000 in the General Fund in order to utilize a portion of previous years surplus. This amount is reflected as a budgeted deficiency of revenue over expenditures in Exhibit F.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2013, expenditures in the General Fund exceeded appropriations by \$667. This was funded by unbudgeted grant revenues.

D. 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	\$ 353,390	\$ 353,390
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	3,561,283	3,834,597
Petty Cash	225	
	\$ 3,914,898	\$ 4,187,987

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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, 2013, 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, 2013, 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, 2013, the Village is not exposed to concentration of credit risk.

B. Receivables

Receivables at June 30, 2013, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Current Taxes	\$ 17,607	\$ 0	\$ 17,607
Delinquent Taxes	8,555	0	8,555
Penalties and Interest	5,548	0	5,548
Billed Services	995	56,635	57,630
Unbilled Services	14,090	711,128	725,218
Grants	87,063	350	87,413
Other Governments	0	44,677	44,677
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	\$ 132,858	\$ 812,790	\$ 945,648

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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, 2013 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	151,404	291,853	21,327	421,930
Antiques and Works of Art	12,000	1,550	6,000	7,550
Total Capital Assets, Not Being Depreciated	219,146	293,403	27,327	485,222
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,870,964	0	0	1,870,964
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	5,029,223	1,035,532	474,644	5,590,111
Library Books	857,943	57,396	81,864	833,475
Parks	210,984	0	0	210,984
Roads, Curbs, Sidewalks and Storm Sewers	7,214,379	214,142	0	7,428,521
Totals	15,183,493	1,307,070	556,508	15,934,055
Less accumulated depreciation for:				
Buildings and Building Improvements	589,413	43,994	0	633,407
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,899,194	234,189	389,536	1,743,847
Library Books	613,826	71,689	81,864	603,651
Parks	16,613	2,578	0	19,191
Roads, Curbs, Sidewalks and Storm Sewers	1,177,721	267,839	0	1,445,560
Totals	4,296,767	620,289	471,400	4,445,656
Total Capital Assets, Being Depreciated	10,886,726	686,781	85,108	11,488,399
Governmental Activities Capital Assets, Net	\$ 11,105,872	\$ 980,184	\$ 112,435	\$ 11,973,621

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 118,077	\$ 0	\$ 0	\$ 118,077
Construction in Progress	<u>1,327,124</u>	<u>9,435,431</u>	<u>475,959</u>	<u>10,286,596</u>
Total Capital Assets, Not Being Depreciated	<u>1,445,201</u>	<u>9,435,431</u>	<u>475,959</u>	<u>10,404,673</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,343,215	0	0	8,343,215
Vehicles, Machinery, Equipment and Furniture	2,990,692	224,799	186,412	3,029,079
Infrastructure	45,539	0	0	45,539
Distribution and Collection Systems	<u>14,941,337</u>	<u>1,307,158</u>	<u>0</u>	<u>16,248,495</u>
Totals	<u>26,320,783</u>	<u>1,531,957</u>	<u>186,412</u>	<u>27,666,328</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	4,259,151	168,047	0	4,427,198
Vehicles, Machinery, Equipment and Furniture	1,346,388	163,672	147,401	1,362,659
Infrastructure	17,077	2,277	0	19,354
Distribution and Collection Systems	<u>11,548,669</u>	<u>186,371</u>	<u>0</u>	<u>11,735,040</u>
Totals	<u>17,171,285</u>	<u>520,367</u>	<u>147,401</u>	<u>17,544,251</u>
Total Capital Assets, Being Depreciated	<u>9,149,498</u>	<u>1,011,590</u>	<u>39,011</u>	<u>10,122,077</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,594,699</u>	<u>\$ 10,447,021</u>	<u>\$ 514,970</u>	<u>\$ 20,526,750</u>

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 19,618	Water	\$ 94,477
Public Safety	67,057	Sanitation	133,809
Community Development	642	Wastewater	<u>292,081</u>
Public Works	417,730		
Culture and Recreation	<u>115,242</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-Type Activities	
	<u>\$ 620,289</u>		<u>\$ 520,367</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
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E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2013 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 22	\$ 0
Sanitation Fund	13,841	0
Wastewater Fund	<u>0</u>	<u>13,863</u>
 Total	 <u>\$ 13,863</u>	 <u>\$ 13,863</u>

The Interfund transfers during the year ended June 30, 2013 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	Rolling Stock Reserve Fund	50,000	Half Penny for Ladder Truck Note
General Fund	Capital Reserve Fund	372,788	Annual Appropriation
Wastewater Fund	Sanitation Fund	13,780	Fund WWTF Future Capital Projects
Sanitation Fund	Wastewater Fund	<u>40,062</u>	Pay Bond Debt Service
 Total		 <u>\$ 640,254</u>	

F. Unearned Revenue

Unearned revenue in the General Fund consists of \$1,428 of grant revenue received in advance.

G. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$28,400 of delinquent property taxes, penalties and interest on those taxes and \$8,016 of other revenues that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$1,658 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$38,074.

VILLAGE OF ESSEX JUNCTION, VERMONT
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Deferred inflows of resources in the Capital Reserve Fund consist of \$47,144 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

H. 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, 2013 were as follows:

Governmental Activities:

	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Note Payable - State of Vermont Municipal Equipment Loan Fund, Fire truck Purchase, Interest at 2%, \$22,000 Due Annually Plus Interest, Due and Paid June, 2013	\$ 22,000	\$ 0	\$22,000	\$ 0

VILLAGE OF ESSEX JUNCTION, VERMONT
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	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Note Payable ó Merchants Bank, Current Expense Note, Fire Ladder Truck Purchase, Interest at 1.31%, \$250,000 Due July 30, 2013, the Village Intends to Renew the Note Annually and Pay \$50,000 Plus Interest Annually	\$ <u>0</u>	\$250,000	\$ <u>0</u>	\$250,000
Total Governmental Activities	\$ <u>22,000</u>	\$250,000	\$22,000	\$250,000

	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
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Business-Type Activities

Note Payable ó Peoples United Bank, Wastewater Deficit Funding Note, Interest at 3.25%, \$50,000 Plus Interest Due Annually, Due June, 2014	\$ 100,000	\$ 0	\$50,000	\$ 50,000
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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, Annual Payments of \$17,336, Due October, 2030	271,802	0	11,900	259,902
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Note Payable ó State of Vermont Special Environmental Revolving Fund, Wastewater Improvements, Authorized to \$8,828,200, Interest at 0%, Payments of \$55,213 Begin February, 2017, Due February, 2031	820,613	6,215,861	0	7,036,474
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
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	\$ 115,900	\$ 977,696	\$ 0	\$ 1,093,596
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>1,645,000</u>	<u>0</u>	<u>60,000</u>	<u>1,585,000</u>
Total Business-Type Activities	<u>\$2,953,315</u>	<u>\$7,193,557</u>	<u>\$121,900</u>	<u>\$10,024,972</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	\$ 22,000	\$ 250,000	\$ 22,000	\$ 250,000	\$ 50,000
Compensated Absences	<u>156,159</u>	<u>0</u>	<u>16,335</u>	<u>139,824</u>	<u>0</u>
Total Governmental Activities					
Long-Term Liabilities	<u>178,159</u>	<u>250,000</u>	<u>38,335</u>	<u>389,824</u>	<u>\$ 50,000</u>
Business-type Activities					
Notes Payable	1,308,315	7,193,557	61,900	8,439,972	62,138
Bonds Payable	1,645,000	0	60,000	1,585,000	60,000
Compensated Absences	<u>52,551</u>	<u>5,674</u>	<u>0</u>	<u>58,225</u>	<u>0</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 3,005,866</u>	<u>\$ 7,199,231</u>	<u>\$ 121,900</u>	<u>\$ 10,083,197</u>	<u>\$ 122,138</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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
2014	\$ 50,000	\$ 3,255	\$ 122,138	\$ 54,741
2015	50,000	2,620	117,390	73,907
2016	50,000	1,965	408,135	212,513
2017	50,000	1,310	415,098	204,451
2018	50,000	655	422,201	194,657
2019-2023	0	0	2,217,602	845,386
2024-2028	0	0	2,397,711	601,596
2029-2033	0	0	2,583,622	332,966
2034-2038	0	0	1,176,075	81,143
2039-2042	0	0	165,000	8,982
Total	\$ <u>250,000</u>	\$ <u>9,805</u>	\$ <u>10,024,972</u>	\$ <u>2,610,342</u>

I. Fund Balances

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Inventories	\$ 59,728
Nonspendable Prepaid Expenses	<u>30,269</u>
Total General Fund	<u>\$ 89,997</u>

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

Restricted for Veterans Memorial Park by Donation (Source of Revenue is Donations)	<u>\$ 5,424</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Capital Projects Funds

Committed for Capital Projects	\$455,938
Committed for Rolling Stock	280,542
Committed for Land Acquisition	<u>100,245</u>
Total Committed Fund Balances	<u>\$836,725</u>

The fund balance in the following fund is assigned as follows:

Major Funds:

General Fund

Assigned to Reduce Property Taxes Raised in Fiscal Year 2014	\$ 35,000
Assigned for Library Book Replacement	2,494
Assigned for Termination Benefits	66,965
Assigned for Landscaping	3,600
Assigned for Health Reimbursement Arrangement Expenses	<u>10,000</u>
Total General Fund	<u>118,059</u>
Total Assigned Fund Balance	<u>\$118,059</u>

J. Restricted Net Position

The restricted net position as of June 30, 2013 is as follows:

Governmental Activities:

Restricted for Veterans Memorial Park by Donation	<u>\$ 5,424</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

K. Designated Net Position

The designated net position of the Village as of June 30, 2013 are as follows:

Water Fund

Designated for Water Fund Expenditures	\$ 292,248
Designated for Water Fund Capital Expenditures	<u>26,164</u>
Total Water Fund	<u>318,412</u>

Sanitation Fund

Designated for Sanitation Fund Expenditures	220,781
Designated for Sanitation Fund Capital Expenditures	585,585
Designated for Wastewater Treatment Facility Upgrades	<u>364,423</u>
Total Sanitation Fund	<u>1,170,789</u>

Wastewater Fund

Designated for Wastewater Fund Capital Expenditures	372,190
Designated for Wastewater Fund Expenditures	290,062
Amount Designated in Excess of Available Net Position for Refurbishment Project	<u>(2,754,880)</u>
Total Wastewater Fund	<u>(2,092,628)</u>
Total Designated Net Assets	\$ <u>(603,427)</u>

The \$2,754,880 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 former Village Manager who received 15% of base pay for period he was employed by the Village in FY13. 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 \$1,705,264 while the covered payroll was \$1,490,349. Pension expenses for the years ended June 30, 2013, 2012 and 2011 were \$159,765, \$133,348, and \$128,031 respectively.

VILLAGE OF ESSEX JUNCTION, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

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, 2013 was \$666,763.

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.

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, 2013, the Village received 12.3% of total property taxes from IBM and received 72.9% of total water sales from IBM.

The Village purchased a major portion of their water from Champlain Water District "CWD" for the year ended June 30, 2013. The Village purchased \$2,537,051 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, 2013, taxes became due and payable on September 17, 2012 and March 15, 2013. 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 2013 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Village	.2554	.2554
Education	1.3276	1.3665
Recreation	<u>.0651</u>	<u>.0651</u>
Total	<u>\$1.6481</u>	<u>\$1.6870</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 districts' debt if the districts experience financial problems.

F. OTHER

The Village is in the process of refurbishing its Wastewater Treatment Facility. The Village owns the facility, however, the facility serves three municipalities; the Village of Essex Junction, the Town of Essex and the Town of Williston. The Village has an agreement with the Towns to provide capacity and treatment rights in exchange for an annual fee and for their share of the improvements. The cost of the project, estimated to be around \$15,230,000, will be paid for with borrowed funds from the State of Vermont Special Environmental Loan Fund, a general obligation bond and from capital reserves. The debt service cost will be shared amongst all three municipalities based upon the capacity owned by each. Currently, the Village owns 36.06%, the Town of Essex owns 33.33% and the Town of Williston owns 30.61%. The Village also has an agreement with the Town of Williston to sell them an additional 10,000 gallons per day of capacity for \$100,000 per year for the next three (3) years which will increase the Town of Williston's capacity and decrease the Village's capacity. The Town of Williston has already paid \$200,000 for 20,000 gallons over the past two years. The sale of this capacity will also change the debt service percentages as noted previously. After the 2016 final sale, the Village's percentage will be 35.46% and the Town of Williston's will be 31.21%

The Village purchased a fire ladder truck during the year costing in excess of \$800,000. The Town of Essex voters approved giving the Village of Essex \$300,000 toward this truck. \$100,000 was received during fiscal year 2013 and the other \$200,000 will be received over the next three (3) years.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

G. AUTHORIZED BORROWING

In June, 2011, 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, 2013.

In April, 2013, the Village Voters authorized the financing of \$15,230,000 in wastewater upgrades and \$1,287,000 in sanitation upgrades.

H. SUBSEQUENT EVENTS

As of February 15, 2014, an additional \$4,717,399 in Clean Water State Revolving Loan funds had been borrowed for the refurbishment of the wastewater treatment facility.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Fund	Capital Project Fund	
	Veterans Memorial Park Fund	Land Acquisition Capital Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ <u>5,424</u>	\$ <u>100,245</u>	\$ <u>105,669</u>
Total Assets	\$ <u><u>5,424</u></u>	\$ <u><u>100,245</u></u>	\$ <u><u>105,669</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Total Liabilities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Restricted	5,424	0	5,424
Committed	<u>0</u>	<u>100,245</u>	<u>100,245</u>
Total Fund Balances	<u>5,424</u>	<u>100,245</u>	<u>105,669</u>
Total Liabilities and Fund Balances	\$ <u><u>5,424</u></u>	\$ <u><u>100,245</u></u>	\$ <u><u>105,669</u></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, 2013

	Special Revenue Fund	Capital Project Fund	
	Veterans Memorial Park Fund	Land Acquisition Capital Reserve Fund	Total
Revenues:			
Contributions	\$ 630	\$ 0	\$ 630
Interest	10	200	210
Total Revenues	<u>640</u>	<u>200</u>	<u>840</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>640</u>	<u>200</u>	<u>840</u>
Net Change in Fund Balances	640	200	840
Fund Balances - July 1, 2012	<u>4,784</u>	<u>100,045</u>	<u>104,829</u>
Fund Balances - June 30, 2013	<u>\$ 5,424</u>	<u>\$ 100,245</u>	<u>\$ 105,669</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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 761,109	\$ 784,455	\$ 23,346
Water Sales - IBM	2,081,376	2,068,461	(12,915)
Water Sales - IBM Vermont Tax	41,931	50,947	9,016
Water Sales - Large Users	73,628	74,305	677
Hydrant Rentals	5,000	5,000	0
Penalties	3,500	4,129	629
Miscellaneous	15,000	19,022	4,022
Interest Earnings	0	104	104
Total Revenue	2,981,544	3,006,423	24,879
Expenses:			
Salaries - Regular	94,843	95,449	(606)
Salaries - Overtime	13,843	13,090	753
Salaries - Part-time	6,311	4,365	1,946
Social Security	8,843	8,420	423
Unemployment Insurance	564	482	82
Workers Compensation Insurance	4,243	4,667	(424)
Health Insurance and Other Benefits	41,332	33,805	7,527
Retirement	9,484	9,400	84
Liability and Property Insurance	2,748	2,549	199
Interest Expense	100	49	51
Supplies	6,000	2,092	3,908
Postage	750	824	(74)
Gas, Oil and Grease	2,800	1,776	1,024
Meters and Parts	3,960	(215)	4,175
Distribution Materials	8,000	890	7,110
Computer Expenses	600	1,198	(598)
Water & Sewer Charges	300	270	30
Training and Conferences	2,000	926	1,074
Electrical Service	650	665	(15)
Heat	3,500	2,908	592
Maintenance - Other	1,500	1,107	393
Water Line Maintenance - Breaks	16,000	13,898	2,102
Uniforms and Boots	1,000	1,113	(113)
Contract Services	110,169	110,169	0
Other Professional Services	1,500	704	796
Audit Services	3,151	3,197	(46)
Water Purchases - Village	403,909	407,603	(3,694)
Water Purchases - IBM	2,081,376	2,068,461	12,915
Printing and Advertising	2,000	1,509	491
Transfer to Capital Reserve	100,000	103,581	(3,581)
State Water Tax - Village	8,137	10,040	(1,903)
State Water Tax - IBM	41,931	50,947	(9,016)
Total Expenses	2,981,544	2,955,939	25,605
Net Income	\$ 0	50,484	\$ 50,484
Adjustments to Reconcile to GAAP Basis Statements:			
Non-budgetary Operating Expenses		(7,211)	
Capital Reserve Fund Transfer		103,581	
Interest Earned on Capital Reserve Fund		102	
Depreciation		(94,477)	
Change in Net Position - Exhibit H		\$ 52,479	

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 383,846	\$ 467,414	\$ 83,568
Sanitation Penalty	1,800	2,351	551
Essex Pump Station Fees	25,075	18,339	(6,736)
2 Party Agreement Revenue	15,000	15,000	0
Miscellaneous	20,000	107,731	87,731
Interest Earnings	<u>0</u>	<u>197</u>	<u>197</u>
Total Revenue	<u>445,721</u>	<u>611,032</u>	<u>165,311</u>
Expenses:			
Salaries - Regular	89,579	82,611	6,968
Salaries - Overtime	14,100	7,834	6,266
Salaries - Part Time	9,461	5,068	4,393
Social Security	8,701	6,830	1,871
Unemployment Insurance	564	540	24
Workers Compensation Insurance	4,047	3,828	219
Health Insurance and Other Benefits	25,235	32,272	(7,037)
Retirement	8,958	8,309	649
Liability and Property Insurance	6,091	5,255	836
Supplies	500	435	65
Postage	1,500	1,633	(133)
Gas, Grease and Oil	3,000	2,817	183
Meters and Parts	8,040	0	8,040
Computer Expenses	1,000	2,397	(1,397)
Water and Sewer Charge	1,000	142	858
Training and Conferences	500	0	500
Electrical Service	8,200	9,422	(1,222)
Heating/Natural Gas	0	1,733	(1,733)
Maintenance - Other	1,500	404	1,096
Pump Station Maintenance	5,500	3,223	2,277
Sanitation Lines Maintenance	5,000	6,710	(1,710)
Susie Wilson Pump Station Costs	8,000	5,805	2,195
West St. Pump Station Costs	13,500	8,445	5,055
Uniforms, Boots, Etc.	1,000	584	416
Contractual Services	134,969	134,969	0
Right-Of-Way Agreements	8,200	7,902	298
Sanitation Line Backup Cleaning	0	1,654	(1,654)
Other Professional Services	1,000	179	821
Audit Services	1,576	1,598	(22)
Capital Reserve Fund Contributions	<u>75,000</u>	<u>162,000</u>	<u>(87,000)</u>
Total Expenses	<u>445,721</u>	<u>504,599</u>	<u>(58,878)</u>
Net Income	<u>\$ 0</u>	106,433	<u>\$ 106,433</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Non-budgetary Operating Expenses		(9,921)	
Sale of Asset		3,500	
Admin Fee on ARRA Loan		(4,666)	
Interest Earned on Capital Reserve Fund		1,366	
Sale of WWTF Capacity		100,000	
Capital Grants and Contributions received		102,690	
Transfers from WWTF Fund		13,780	
Transfers to WWTF Fund		(40,062)	
Capital Reserve Fund Transfer		162,000	
Depreciation		<u>(133,809)</u>	
Change in Net Position - Exhibit H		<u>\$ 301,311</u>	

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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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 636,542	\$ 664,392	\$ 27,850
Village User Penalties	2,800	3,402	602
Wastewater Charge - Essex	406,156	406,156	0
Wastewater Charge - Williston	536,126	536,126	0
Pump Station Maintenance Fee	24,800	24,800	0
Village Septage Discharge Income	25,000	34,714	9,714
Shared Septage Revenue	14,000	19,527	5,527
Village Leachate Revenues	18,000	22,066	4,066
Shared Leachate Revenues	10,125	12,412	2,287
Interest	0	47	47
Miscellaneous	0	955	955
Total Revenue	1,673,549	1,724,597	51,048
Expenses:			
Salaries - Regular	281,639	265,911	15,728
Salaries - Overtime	29,187	38,454	(9,267)
Salaries - Part-Time	30,000	9,724	20,276
Social Security	26,203	23,076	3,127
Unemployment Insurance	1,364	1,116	248
Workers Compensation Insurance	12,350	11,597	753
Health Insurance and Other Benefits	129,319	99,286	30,033
Retirement	28,164	25,412	2,752
Liability and Property Insurance	22,174	18,934	3,240
Interest Expense	300	160	140
Supplies	15,000	19,570	(4,570)
Chemicals	185,000	184,638	362
Gas, Grease and Oil	6,000	5,209	791
Water and Sewer Charge	4,000	4,150	(150)
Training and Conferences	5,000	4,455	545
Telephone Services	4,300	3,689	611
Electrical Service	144,129	183,506	(39,377)
Heating	6,000	10,833	(4,833)
Maintenance - Other	76,000	62,306	13,694
Vehicles Maintenance - Travel	3,500	1,128	2,372
Uniforms, Boots, Etc.	3,500	2,916	584
Contract Laboratory Service	8,000	4,965	3,035
Contract Services	55,085	55,085	0
Legal Services	2,000	1,007	993
Grit Disposal	7,000	9,185	(2,185)

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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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenses:			
(Cont'd)			
Sludge Dewatering	\$ 179,000	\$ 170,647	\$ 8,353
Sludge Management	170,400	109,829	60,571
Other Professional Services	5,000	264	4,736
Audit Services	3,685	3,753	(68)
WWTF Annual Permit Fee	7,000	5,129	1,871
Capital Reserve Fund Contributions	150,000	150,000	0
Loan Payment	53,250	53,023	227
Capital Outlay	0	6,382	(6,382)
	<u>1,653,549</u>	<u>1,545,339</u>	<u>108,210</u>
Total Expenses			
	<u>1,653,549</u>	<u>1,545,339</u>	<u>108,210</u>
Net Income	\$ <u>20,000</u>	179,258	\$ <u>159,258</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer from Sanitation Fund		40,062	
Transfer to Sanitation Fund		(13,780)	
Purchases of Equipment		7,379	
Non-budgetary Operating Expenses		(46,986)	
Paydown of Loan Principal		50,000	
Admin Fee on ARRA Loan		(770)	
Interest Payment on RZEDB Bond		(50,097)	
Loss on Disposal of Capital Asset		(7,040)	
Capital Reserve Fund Transfer		150,000	
Capital Contributions Received		543,143	
Interest Earned on Capital Reserve Fund		3,581	
Depreciation		<u>(292,081)</u>	
Change in Net Position - Exhibit H		<u>\$ 562,669</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's 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
2 Lincoln Street
Essex Junction, VT 05452-3685

We have audited, in accordance with the 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, 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, 2013 and the related notes to the financial statements, which collectively comprise the Village of Essex Junction, Vermont's basic financial statements, and have issued our report thereon dated February 5, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Essex Junction, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of the Village of Essex Junction, Vermont's internal control.

A deficiency in internal controls 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

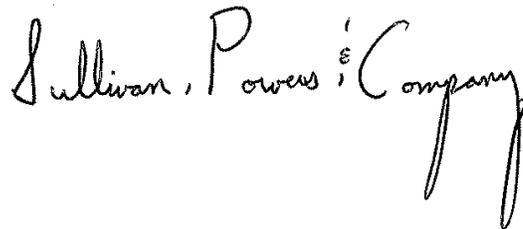
Compliance and Other Matters

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Essex Junction, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village of Essex Junction, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 5, 2014
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.