

VILLAGE OF ESSEX JUNCTION, VERMONT

AUDIT REPORT

JUNE 30, 2014

VILLAGE OF ESSEX JUNCTION, VERMONT
AUDIT REPORT
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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, 2014 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-type activities, each major fund, and the aggregate remaining fund information of the Village of Essex Junction, Vermont as of June 30, 2014 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.

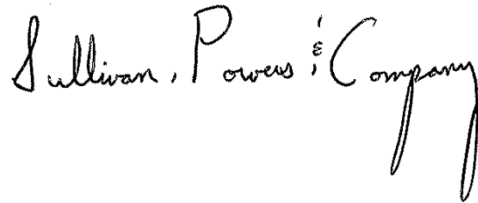
Other Information

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, 2015 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, 2015
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' and 'C'.

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, 2014.

Financial Highlights

- Assets exceeded liabilities and deferred inflows of resources on June 30, 2014 by \$25,498,006 (*net position*). Of this amount, \$2,972,177 (*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 \$901,086. Of this amount, net position attributable to governmental activities increased by \$813,171. Net position attributable to business-type activities increased by \$87,915.
- Fund balances of governmental funds decreased by \$232,430 in FYE14. The General Fund had \$462,773 of unassigned fund balance at 6/30/14 which is equal to 13% of the approved FYE15 General Fund Budget. An amount of \$35,000 of fund balance has been proposed to be used to reduce the tax rate in FYE16 and the Trustees are proposing to transfer \$75,000 of fund balance to the Capital Reserve which will bring the percentage of the FYE15 budget down to 10%. As of 6/30/13, the General Fund had \$346,008 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 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Current and Other Assets	\$ 1,467,576	\$ 1,663,910	\$ 3,222,876	\$ 3,322,385	\$ 4,690,452	\$ 4,986,295
Capital Assets	13,032,277	11,973,621	24,799,046	20,526,750	37,831,323	32,500,371
Total Assets	14,499,853	13,637,531	28,021,922	23,849,135	42,521,775	37,486,666
Current Liabilities	260,314	182,479	1,226,037	2,232,587	1,486,351	2,415,066
Non-Current Liabilities	359,985	389,824	15,174,620	10,083,198	15,534,605	10,473,022
Total Liabilities	620,299	572,303	16,400,657	12,315,785	17,020,956	12,888,088
Deferred Inflows of Resources	2,813	1,658	0	0	2,813	1,658
Net Position						
Net Investment in capital assets	12,832,277	11,723,620	9,689,929	12,136,777	22,522,206	23,860,397
Restricted	3,623	5,424	0	0	3,623	5,424
Unrestricted	1,040,841	1,334,526	1,931,336	(603,427)	2,972,177	731,099
Total Net Position	\$ 13,876,741	\$ 13,063,570	\$ 11,621,265	\$ 11,533,350	\$ 25,498,006	\$ 24,596,920

As stated above, assets exceeded liabilities and deferred inflows of resources by \$25,498,006 at the end of fiscal year 2014. Assets at the end of fiscal year 2013 exceeded liabilities by \$24,596,920.

The largest portion of the Village's net position is in its investment in capital assets (88%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). Therefore these assets are not available for future spending.

An amount of \$3,623 of the Village's net position is subject to restrictions on how it may be used. Unrestricted net assets (\$2,972,177) 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		Business-Type		Total	
	Activities		Activities			
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenues						
Program Revenues						
Charges for Services	\$ 147,305	\$ 131,213	\$ 5,456,688	\$ 5,344,853	\$ 5,603,993	\$ 5,476,066
Operating Grants and Contributions	148,860	149,721	0	350	148,860	150,071
Capital Grants and Contributions	788,353	396,597	303,824	745,833	1,092,177	1,142,430
General Revenues						
Property Taxes/PILOT	2,809,740	2,731,909	0	0	2,809,740	2,731,909
Unrestricted Investment Earnings	2,922	3,051	5,773	5,189	8,695	8,240
Other Revenues	15,173	17,406	4,500	0	19,673	17,406
Total Revenues	3,912,353	3,429,897	5,770,785	6,096,225	9,683,138	9,526,122
Expenses						
Governmental Activities:						
General Government	341,554	351,276	0	0	341,554	351,276
Public Safety	368,546	352,448	0	0	368,546	352,448
Public Works	1,289,110	1,153,369	0	0	1,289,110	1,153,369
Community Development	288,731	304,947	0	0	288,731	304,947
Culture and Recreation	807,986	728,958	0	0	807,986	728,958
Interest on Long-Term Debt	3,255	440	0	0	3,255	440
Business-Type Activities:						
Water	0	0	3,078,149	2,953,998	3,078,149	2,953,998
Sanitation	0	0	493,033	490,995	493,033	490,995
Wastewater	0	0	2,111,688	1,734,773	2,111,688	1,734,773
Total Expenses	3,099,182	2,891,438	5,682,870	5,179,766	8,782,052	8,071,204
Changes in Net Position	813,171	538,459	87,915	916,459	901,086	1,454,918
Net Position - Beginning of Year	13,063,570	12,525,111	11,533,350	10,616,891	24,596,920	23,142,002
Net Position - End of Year	\$ 13,876,741	\$ 13,063,570	\$ 11,621,265	\$ 11,533,350	\$ 25,498,006	\$ 24,596,920

At the end of FYE14, the Village of Essex Junction has positive balances in all three categories of net position for governmental activities. Unrestricted net position is also positive for all three enterprise funds at fiscal year-end 2014.

Governmental activities. Governmental activities increased the Village's net position by \$813,171 in FYE14. Expenditures in governmental funds exceeded revenues by \$232,430. The Village increased its investment in capital assets by \$1,108,657 and unrestricted net position decreased by \$293,685. Restricted net position decreased by \$1,801.

Business-type activities. Business-type activities increased the Village's net position by \$87,915.

Water Fund

The Water Fund had budgetary net income of \$30,930 in FYE14. Disregarding IBM pass through revenues and expenses, Water Fund revenues were \$1,678 less than budget while expenditures were \$32,608 less than budgeted. The Water Fund spent less on employee insurances because of the change in plan structure associated with entering the Vermont Health Exchange. With lower deductibles, the Village is paying less in Health Reimbursement Arrangement costs by \$8,656. Water Lines Maintenance-Breaks was under-spent by \$15,767 and CWD water purchases for Village Residents were under-budget \$11,708. The Water Fund completely finished the Utility Rate Study at the beginning of FYE 2014, and the Meter Replacement project was continued at a cost of \$49,456 in FYE14.

Sanitation Fund

The Sanitation Fund had budgetary net income of \$149,569. Sanitation revenues were \$114,295 more than budgeted while expenditures were \$7,878 less than budgeted. Hook on fees were \$30,000 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 \$112,200 was included in the rate for the WWTF Refurbishment Bond payment. 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 \$37,880. Sanitation personnel costs were lower than budgeted by \$14,655 in part due to a change in personnel in the department. Pump station (both Village and those shared with the Town of Essex) expenses were lower than anticipated by \$9,940. 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 \$98,912 in FYE14. The Sanitation Fund shared in the cost of the utility rate study for \$257 and an Infiltration and Inflow Study was continued with an FYE14 cost of \$2,293.

Wastewater Treatment Fund

The Wastewater Treatment Facility had budgetary net income of \$142,762 in FYE14. Revenues were over-budget by \$10,586 while expenditures were less than budget by \$112,176. The goal of this budget was to produce a \$20,000 surplus which was well surpassed. At year-end 2013, 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. These funds have been set aside for each community. Another reconciliation was performed at the end of fiscal 2014 and the amounts designated to each community at 6/30/14 are: Essex Junction, \$151,450; Town of Essex, \$25,453; Town of Williston, \$84,628. Each community will determine how much it wants to leave in this "dry day fund." Accounts that contributed significantly to the surplus are Sludge Management, \$33,258; Chemicals, \$22,029 - Health Insurance and Other Benefits, \$30,941; Electrical Service, \$15,456 and Sludge Dewatering, \$18,892. The Health Insurance surplus is due as in the other budgets to a change in the plan deductibles and also due to the postponement of a planned new hire. 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 was authorized to bond for \$15,230,000. A majority of the funding for this project is from the State Clean Water Revolving Fund. This funding has a 2% admin fee and is subject to reduction by subsidies. The project was substantially complete at 6/30/14 and was added to the Facility's inventory of capital assets. Other capital projects undertaken by the Wastewater Treatment Facility in FYE14 were: the completion of the Utility Rate Study, \$257; Digester Cleaning, \$20,790; continuation of the Co-Generation System to replace the existing one, \$388,370; and Arc Flash Analysis, \$15,010.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund had a surplus of \$81,266 in FYE14. It was budgeted to have a deficit of \$35,000 but instead added to fund balance. The General Fund fund balance increased from \$554,064 at the end of fiscal year 2013 to \$635,330 at the end of fiscal year 2014. Of the \$635,330 fund balance, \$91,866 is nonspendable (inventories and prepaid expenses), \$80,691 is assigned (see page 49 of notes for breakdown). This leaves \$462,773 of unassigned fund balance in the General Fund. The unassigned fund balance is equal to 13% of the FYE15 Budget. The Trustees plan to allocate another \$35,000 to reduce the tax rate in FYE16 and ask the voters to transfer \$74,529 to the Capital Reserve which will bring the percentage down to 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 the 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. The Village General Fund has no restricted fund balance.

- Excluding grants and donations received and expended in FYE14, revenues were higher than budgeted by \$80,380. Revenues that were significantly higher than anticipated were License and Zoning Fees (+\$54,513) due to higher than anticipated zoning permit activity and State Highway Aid (+\$13,461).
- Expenditures excluding those for grants and donations received in FYE14 and Expense designated from prior years were \$67,880 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 \$68,965. Salaries and other personnel related line items were under-spent because Pat Scheidel, Town of Essex Manager, was hired as a shared Manager for the Town and Village on a contract basis. One line item that was significantly over-spent was Communications. Due to the discontinuation of our website hosting and support it was necessary to contract for an update of the website.
 - B) Lincoln Hall Budget was over-spent by \$12,839. The majority of the over-expenditure was for Village Office Renovations (-\$10,948). Maintenance Buildings/Grounds was also over-spent by \$2,189 due primarily to problems with the plumbing and heating system. The Trustees voted on 6/10/14 to “use surplus funds in the FYE14 Administration, Planning, and Economic Development budgets to cover deficits in other General Fund budgets.”
 - C) The Fire Department was under-spent by \$5,415. The largest line item that was under-spent was Salaries-Part time Firefighters due to fewer calls during the year than in the three years prior. Over-expenditures in some other line items were counter balanced by under-expenditures in other line items. The Fire Department, as is customary, balanced unexpected needs by spending less in other areas.

- D) The Street Department ended FYE14 with a deficit of \$40,766. The primary cause of this over-expenditure was a very difficult snowy winter. The following line items were affected by the difficult winter: Winter Maintenance overspent by \$67,405; Gas, Grease and Oil overspent by \$14,943 and Contract Services for snow removal was overspent by \$22,534. There were also over-expenditures in the Engineering (-\$26,955) and Storm Sewer Maintenance (\$-14,496) line items due to issues arising from flooding in the spring and summer of 2013. Some of these over-expenditures were counter balanced by surpluses in other line items. Salaries was underspent by \$24,106 because an employee replacement was again delayed to see if the department could manage without the replacement. The delay in employee replacement also affected the Health Insurance and other Benefits line item resulting in a surplus of \$30,761 as well as other personnel related line items. Another line item significantly under-spent was Vehicle Maintenance (+\$15,625) due to newer vehicles and fewer breakdowns. The net over-expenditure of the departmental budget of \$40,766 was covered by surpluses in Administration, Community Development, and Economic Development.
- E) The Brownell Library budget ended the year with a surplus of \$9,599. Surpluses in Health Insurance and Other Benefits (+\$3,922), Salaries (+\$6,934), and Training and Conferences (\$2,503) helped to cover over-expenditures in Maintenance Building/Grounds (-\$5,270) and Adult Collections (-\$3,700). Maintenance Building/Grounds line item paid for a major drainage improvement to prevent more instances of flooding. Other smaller surpluses in a number of line items resulted in the overall surplus for the year.
- F) The Community Development budget was under-spent by \$34,028. Legal Services was under-spent by \$13,669 due to fewer than anticipated appeals. Other accounts were under-spent by smaller amounts producing the surplus.
- G) The Economic Development Budget was underspent by \$3,478, of which most can be attributed to Matching Grant Funds which were not used (\$6,139). This surplus was balanced by an over-expenditure in Health Insurance and Other Benefits of \$4,035.
- H) Grants received and expended were received for the Library, Fire Department, Community Development Department, and the Street Departments. 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 of \$1,428. The Library received donations from the Friends of the Brownell Library for books and equipment totaling \$8,235, a donation from the R.E.M. Development Company to help with the drainage issue of \$2,500, and a donation from the CCSU of \$111 for the Farm to Garden program. The Brownell Foundation donated a new Canon C2255 copier to the Library. The Fire Department received a Homeland Security Grant for \$113,330 with which they purchased 35 portable radios. The Fire Department also received a positive pressure fan from the Essex Junction Fire Fighters Association. The Community Development Department received a Municipal Planning Grant of \$11,497 from the State of Vermont to pay for the Village's Municipal Plan update. The Street Department received \$600 from the Chittenden Solid Waste District for Christmas tree pickup, \$4,250 from a State of Vermont Caring for Canopy grant for a tree inventory, and \$520 from the Preservation Trust of Vermont for tree planting.

Capital Reserve Fund

The Capital Reserve Fund had a fund balance of \$455,938 as of June 30, 2013 and a fund balance of \$236,933 as of June 30, 2014. During the year the following projects were completed: the Lincoln St. Sidewalk Extension project (\$280,176) which was partially funded by a US Department of Transportation Grant (\$238,076), Village Office Renovations (\$19,387), and the Fire House Roof (\$23,555). The Crescent Connector Project progressed for a cost of \$260,704 with reimbursement in the year of \$290,041. 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. The Multi-use Safety Path was begun at a cost of \$54,669 in FYE14 with grant reimbursement of \$46,692. The Pearl St. Linking Sidewalk project was begun at a cost of \$750. The Pearl St. Linking Sidewalk is a “Circ Alternative” project and will be fully funded by Federal grant funds. The Woods End Reconstruction project was begun at a cost of \$437,284 in FYE14. Roads resurfaced were portions of Grandview Ave., Williams St., Jones Ave., Warner Ave., and portions of Beech St. for a cost of \$124,176.

Whitcomb Terrace Loan Fund

In April of 2004 the Village received a grant of up to \$270,000 from the Vermont Agency of Commerce and Community Development. This grant was used in FYE05 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 \$280,542 at the beginning of FYE14 and \$207,469 as of the end of FYE14. Expenditures in the Rolling Stock Fund in FYE14 totaled \$396,949. The Village purchased a Vacuum Sweeper for \$211,205 plus trade in, a Wheel Loader for \$96,034 plus trade in, and a Pickup Truck for \$30,285 plus trade in. A plow was purchased for \$6,100. The Rolling Stock Fund also made a payment of \$50,000 plus interest on a note with the Merchants Bank for the 2012 Pierce Arrow Ladder Truck reducing the principal balance on the loan to \$200,000 at year end. The fund received \$100,000 from the Town of Essex for a 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, 2014 totaled \$37,831,323 (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 Grandview Ave., Williams St., Jones Ave., Warner Ave., and Beech St.
- Lincoln St. Sidewalk Extension was completed
- Village Office Renovations were completed
- The Fire House roof was replaced
- Work progressed on Crescent Connector Rd.
- Work began on the Multi-use Safety Path
- Work began on Woods End Road Reconstruction
- Work began on the Pearl St. Linking Project
- A fire ladder truck was purchased
- A wheel loader was purchased
- A wheel loader was traded in
- A vacuum sweeper was purchased
- A vacuum sweeper was traded in
- A pickup truck was purchased
- A pickup truck was traded in

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

- Wastewater Treatment Facility Upgrade was substantially completed
- Wastewater Treatment Co-Generation project was begun
- 602 new meters installed

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	
	2014	2013	2014	2013	2014	2013
Land	55,742	55,742	118,077	118,077	173,819	173,819
Construction in Progress	1,070,191	421,930	412,992	10,286,596	1,483,183	10,708,526
Antiques and Works of Art	7,550	7,550	0	0	7,550	7,550
Buildings and Building Improvements	1,930,778	1,870,964	15,088,886	8,343,215	17,019,664	10,214,179
Vehicles, Machinery, Equipment, Furniture & Traffic Signals	6,023,081	5,590,111	4,104,168	3,029,079	10,127,249	8,619,190
Library Books	834,326	833,475	0	0	834,326	833,475
Parks	210,984	210,984	0	0	210,984	210,984
Roads, Curbs, Sidewalks and Storm Sewers	7,725,074	7,428,521	162,777	45,539	7,887,851	7,474,060
Distribution and Collection Systems		0	20,760,858	16,248,495	20,760,858	16,248,495
Accumulated Depreciation	(4,825,449)	(4,445,656)	(15,848,712)	(17,544,251)	(20,674,161)	(21,989,907)
Total	13,032,277	11,973,621	24,799,046	20,526,750	37,831,323	32,500,371

Long Term Debt

In FYE12 the Village received a loan of \$250,000 from the Merchants Bank for the purchase of the Fire Ladder Truck. The Village renewed the note July 30, 2013. The interest rate is 1.52% and the note is due July 30, 2015. The Village paid \$50,000 in principal in FYE14 and the balance on the note is \$200,000 at 6/30/14.

The Wastewater Treatment Facility took out a \$250,000 note from the People's United Bank in FYE09 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 6/30/14 there was a \$0 principal balance on this loan.

In FYE10 the Village was awarded a loan of \$566,938 under the American Recovery and Reinvestment Act (ARRA) to fund two projects. The projects funded were for a high efficiency blower for the Wastewater Treatment Facility and a comprehensive rehabilitation of the Village's sanitary sewers. Under the ARRA program half of the loan was forgiven in the form of a grant. Interest is at 0% but there is a 2% administrative fee. The loan was for 20 years and the principal at 6/30/14 is \$247,764.

In FYE11 the Village began two 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 6/30/14, the High School Pump Station project is complete and the Village has borrowed \$1,097,500 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 November 2015. As of 6/30/14 the Village had borrowed \$12,238,853 for the Wastewater Treatment Refurbishment Project from the State Clean Water Revolving Fund and received a subsidy of \$600,000. The first payment on this loan is due in FYE17. 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 FYE12. As of June 30, 2014, the principal outstanding on this bond was \$1,525,000. 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 2015 the economy continues to improve. The national unemployment rate was at 5.8 % in November 2014, down from 6.7% in December 2013 according to the US Dept. of Labor Bureau of Labor Statics. According to the same source, Vermont unemployment was at 4.3% in November 2014, down from 4.4% in November 2013.
- The CPI index for Northeast urban communities was .9% from November 2013 to November 2014. The national city average CPI index was also .9% from November 2013 to November 2014.
- Unrest in the Middle East is on-going and terrorist activity continues. The housing market is improving. Gasoline prices in New England and the Nation are the lowest they have been since 2010. According to the AAA the US average price is \$2.085/gallon on 1/15/15 and the Vermont average price is \$2.489/ gallon for regular gasoline. The National average was \$3.306 a year ago. The national debt is now over \$18 Trillion.

- Patrick Scheidel is in his second year as shared Manager for the Town of Essex and the Village of Essex Junction. During FYE14 a report was prepared by two citizens of the Village and Town, Mary Morris and Jeff Carr entitled “An Examination of a Shared Services Delivery Model for the Village of Essex Junction – Town of Essex, VT”. On September 9, 2014 this report was accepted by the Village, and the Municipal Manager was asked to formulate the next steps toward a shared services delivery system. As of this date the Trustees and Selectboard have approved Memorandums of Agreement for Consolidated Stormwater Permitting and Management Services and Consolidated Public Works Services. These Agreements necessitate changes in the Town and Village Budgets that must be voted on at Town and Village Annual Meetings before they can proceed. The Village Trustees and Town Selectboard also approved a Joint Resolution Between the Town Selectboard and Village Trustees re: Establishment of Town Administrative Services Director and Related Personnel Changes. This resolution establishes the sharing of Administrative Services between the Village of Essex Junction and the Town of Essex including Finance, HR and IT services.
- On October 20, 2014 IBM and GlobalFoundries announced that they had signed an agreement for GlobalFoundries to acquire IBM’s global commercial semiconductor technology business which included IBM Essex Junction and IBM East Fishkill. The State of Vermont and the Village of Essex Junction had been hearing rumors for months about this acquisition and speculating what it might mean to the Village, Town, County and State. It was a relief to hear that GlobalFoundries intends to keep the Fab and its employees in business for the foreseeable future. However, local government must always be striving for improved efficiencies where possible as there are no guarantees of GlobalFoundries’ continued location at this site.
- Planning applications in the Village remain strong with a preference for one and two bedroom apartments to meet market demand.
 - The Police Facility construction was completed and is now fully occupied and functional
 - The Municipal Plan was completely rewritten with extensive input from residents and community groups, including Heart & Soul, and approved by the Trustees, the Chittenden County Regional Planning Commission and the State of Vermont.
 - The Autumn Pond development commenced construction.
 - Work has started on the new building at 4 Pearl Street that will bring new retail and commercial facilities, as well as 51 apartments to the Village core.
 - Planning work on the Connector Road continued and the new rail crossing should be constructed in 2015. The new road itself is planned to begin construction in 2016.
 - The multiuse path from the High School to Central Street is on schedule to be constructed in 2015.
 - A Tree Advisory Board has met on a regular basis. They received funding from the Village and have been working with Public Works Staff to ensure existing trees in the public ROW are maintained through a comprehensive pruning plan. The Tree Advisory Board also continues to work with residents to ensure trees on private property close to the Village ROW are safe and healthy.
 - A Bike/Walk Committee has been developing a map showing areas of the Village that have good pedestrian and bike facilities and developed a Plan for those areas that could benefit from increased facilities.
 - As part of the Village plan to reduce through traffic in the Village Center and make the core of our community more welcoming to pedestrians and cyclists the Trustees planned to schedule a Design Five Corners Charrette. Residents, designers and investors will be invited to meet and discuss possible visions for the Village Core going forward.
 - An additional apartment building with office at the rear was approved for construction on Park Street opposite Iroquois. The application for this development underscores the fact that demand for one and two bedroom apartments remains strong in the Village.

- A Scoping Study for the Village Train Station has been planned. This study will follow on from the work undertaken several years ago and will start with the new railroad station building that was developed during the study of the Station several years ago.
- The Village continues to seek grant money to supplement tax revenues. The Village 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 were also awarded an additional grant for \$250,000 from the Vermont Transportation Agency (VTrans) for this project. The project will be going out to bid in about a month (February 2015). The Crescent Connector Road project is progressing with the State of Vermont committing \$4,500,000 with no match to this project. We have also been awarded \$2,120,000, through the Circ Alternative task force, for the Pearl St. Linking Sidewalk project which will improve transportation and lighting from Post Office Square to the Five Corners. The Lincoln St. Sidewalk Extension Project which was funded by two grants, one from CCRPC for \$118,640 and one from VTrans for \$220,000, was completed in the fall of 2013. In addition, we have received a grant of \$1,500 from Heart & Soul of Essex to hold a Charette to allow businesses and residents to give input to a future design of the Five Corners. Heart and Soul is also giving the Fire Department \$540 to purchase an i-Pad Air.
- At Village Meeting in April 2014, the voters approved an article to issue bonds for \$3,300,000 to make improvements to 5 streets in the Village. The projects that will be paid for by these bonds are: School St. Roadway, Waterline and Sanitary Sewer; Enclose Drainage on Main St and New Curb from Bridge to Top of Hill; Maple St. Drainage Pipe Replacement; Hillcrest, North Hillcrest Water and Drainage; and Briar Lane Road Reconstruction, Water Line and Sidewalk. As of this writing the School St. project is nearly complete. It is planned that all projects will be completed by June of 2016.
- The FYE15 General Fund budget increased by 3.71% from the FYE14 budget if new debt service is not included. With the added debt service, the increase in the budget is 5.7%. The tax rate increased by 6% from \$0.2666 to \$0.2830. At this time in January 2015, the Trustees are formulating the FYE16 budget. The draft FYE16 budget proposes a 7.4% increase at this time. Without added debt service the increase would be 3.1%. However, due to funding proposed to come from the Town of Essex Budget for Stormwater and Street Department expenses (\$839,570), the tax rate is projected to decrease by 15.7%.
- Capital projects being undertaken or continued in FYE15 and their budgeted or actual amounts, if available, include:
 - Multi-use Safety Path - \$550,527 budget.
 - Crescent Connector Road – budget \$4,500,000 to be funded by Vt. Dept. of Transportation
 - Woods End Reconstruction - \$730,377 budget
 - Paving – \$150,000 budget – paved Huron Ave., Mohawk Ave., Oneida Ave., Seneca Ave., a portion of Abenaki Ave., shimmed East St., Church St. and Beech St.
 - Pearl St. Linking Sidewalk - \$2,120,000
 - Lincoln Hall Roof Replacement - \$37,145 actual
 - Railroad Ave. Roadway/Waterline – \$187,432 budget
 - Library Surveillance Cameras - \$12,599 actual
 - School St. Roadway/Waterline/Sanitary Sewer - \$603,547 revised budget

In FYE14 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 one 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 FYE15 water/sewer/sanitation rates are as follows:

	Quarterly Fixed Charges	Usage Charges
Water	\$22.34/unit	\$0.0150/cubic foot water usage
Wastewater Treatment	\$25.82/unit	\$0.0097/cubic foot water usage
Sanitation	<u>\$22.39/unit</u>	<u>\$0.0052/cubic foot water usage</u>
Total	\$70.55/unit	\$0.0299/cubic foot water usage

Contacting the Village's Management

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, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,184,865	\$ 2,348,798	\$ 3,533,663
Receivables (Net of Allowance for Uncollectibles)	188,800	823,343	1,012,143
Internal Balances	2,045	(2,045)	0
Inventories	58,648	35,476	94,124
Prepaid Expenses	33,218	17,304	50,522
Capital Assets			
Land	55,742	118,077	173,819
Construction in Progress	1,070,191	412,992	1,483,183
Antiques and Works of Art	7,550	0	7,550
Other Capital Assets, (Net of Accumulated Depreciation)	<u>11,898,794</u>	<u>24,267,977</u>	<u>36,166,771</u>
Total Assets	<u>14,499,853</u>	<u>28,021,922</u>	<u>42,521,775</u>
<u>LIABILITIES</u>			
Accounts Payable	185,741	1,208,455	1,394,196
Accrued Payroll and Benefits Payable	70,651	13,620	84,271
Due to Others	1,540	0	1,540
Unearned Revenue	2,382	0	2,382
Accrued Interest Payable	0	3,962	3,962
Noncurrent Liabilities:			
Due Within One Year	50,000	117,551	167,551
Due in More than One Year	<u>309,985</u>	<u>15,057,069</u>	<u>15,367,054</u>
Total Liabilities	<u>620,299</u>	<u>16,400,657</u>	<u>17,020,956</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	<u>2,813</u>	<u>0</u>	<u>2,813</u>
Total Deferred Inflows of Resources	<u>2,813</u>	<u>0</u>	<u>2,813</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	12,832,277	9,689,929	22,522,206
Restricted	3,623	0	3,623
Unrestricted	<u>1,040,841</u>	<u>1,931,336</u>	<u>2,972,177</u>
Total Net Position	<u>\$ 13,876,741</u>	<u>\$ 11,621,265</u>	<u>\$ 25,498,006</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, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
General Government	\$ 341,554	\$ 50,292	\$ 0	\$ 0	\$ (291,262)	\$ 0	\$ (291,262)
Public Safety	368,546	0	0	215,305	(153,241)	0	(153,241)
Public Works	1,289,110	7,011	118,831	544,423	(618,845)	0	(618,845)
Community Development	288,731	87,032	11,497	15,000	(175,202)	0	(175,202)
Culture and Recreation	807,986	2,970	18,532	13,625	(772,859)	0	(772,859)
Interest on Long-Term Debt	3,255	0	0	0	(3,255)	0	(3,255)
Total Governmental Activities	<u>3,099,182</u>	<u>147,305</u>	<u>148,860</u>	<u>788,353</u>	<u>(2,014,664)</u>	<u>0</u>	<u>(2,014,664)</u>
Business-Type Activities:							
Water	3,078,149	3,121,651	0	0	0	43,502	43,502
Sanitation	493,033	594,946	0	100,000	0	201,913	201,913
Wastewater	2,111,688	1,740,091	0	203,824	0	(167,773)	(167,773)
Total Business-Type Activities	<u>5,682,870</u>	<u>5,456,688</u>	<u>0</u>	<u>303,824</u>	<u>0</u>	<u>77,642</u>	<u>77,642</u>
Total	<u>\$ 8,782,052</u>	<u>\$ 5,603,993</u>	<u>\$ 148,860</u>	<u>\$ 1,092,177</u>	<u>(2,014,664)</u>	<u>77,642</u>	<u>(1,937,022)</u>
General Revenues:							
Property Taxes					2,806,848	0	2,806,848
Payment in Lieu of Taxes					2,892	0	2,892
Interest and Penalties on Delinquent Taxes					8,049	0	8,049
Unrestricted Investment Earnings					2,922	5,773	8,695
Other Revenues					7,124	0	7,124
Gain on Sale of Equipment					0	4,500	4,500
Total General Revenues					<u>2,827,835</u>	<u>10,273</u>	<u>2,838,108</u>
Change in Net Position					813,171	87,915	901,086
Net Position - July 1, 2013					<u>13,063,570</u>	<u>11,533,350</u>	<u>24,596,920</u>
Net Position - June 30, 2014					<u>\$ 13,876,741</u>	<u>\$ 11,621,265</u>	<u>\$ 25,498,006</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 523,711	\$ 369,634	\$ 207,469	\$ 84,051	\$ 1,184,865
Receivables (Net of Allowance for Uncollectibles)	158,436	30,364	0	0	188,800
Due from Other Funds	2,045	0	0	0	2,045
Inventories	58,648	0	0	0	58,648
Prepaid Expenses	33,218	0	0	0	33,218
Total Assets	\$ 776,058	\$ 399,998	\$ 207,469	\$ 84,051	\$ 1,467,576
LIABILITIES					
Accounts Payable	\$ 39,435	\$ 146,306	\$ 0	\$ 0	\$ 185,741
Accrued Payroll and Benefits Payable	70,651	0	0	0	70,651
Due to Others	1,540	0	0	0	1,540
Unearned Revenue	2,382	0	0	0	2,382
Total Liabilities	114,008	146,306	0	0	260,314
DEFERRED INFLOWS OF RESOURCES					
Prepaid Property Taxes	2,813	0	0	0	2,813
Unavailable Property Taxes	23,511	0	0	0	23,511
Unavailable Grant Revenue	0	16,759	0	0	16,759
Unavailable Other Revenues	396	0	0	0	396
Total Deferred Inflows of Resources	26,720	16,759	0	0	43,479
FUND BALANCES					
Nonspendable	91,866	0	0	0	91,866
Restricted	0	0	0	3,623	3,623
Committed	0	236,933	207,469	80,428	524,830
Assigned	80,691	0	0	0	80,691
Unassigned	462,773	0	0	0	462,773
Total Fund Balances	635,330	236,933	207,469	84,051	1,163,783
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 776,058	\$ 399,998	\$ 207,469	\$ 84,051	
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.					13,032,277
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					40,666
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.					(359,985)
Net Position of Governmental Activities					\$ 13,876,741

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, 2014

	General Fund	Capital Reserve Fund	Rolling Stock Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,811,738	\$ 0	\$ 0	\$ 0	\$ 2,811,738
Payment in Lieu of Taxes	2,892	0	0	0	2,892
Penalties and Interest	8,049	0	0	0	8,049
Intergovernmental Revenues	260,166	574,808	100,000	0	934,974
Charges for Services	336,119	0	0	0	336,119
Investment Income	2,017	461	252	192	2,922
Fines and Forfeits	2,195	0	0	0	2,195
Licenses and Permits	89,513	0	0	0	89,513
Contributions	15,143	15,000	0	0	30,143
Other Revenue	10,289	0	0	0	10,289
Total Revenues	<u>3,538,121</u>	<u>590,269</u>	<u>100,252</u>	<u>192</u>	<u>4,228,834</u>
Expenditures:					
Current:					
General Government	583,139	10,224	0	0	593,363
Public Safety	278,485	0	0	0	278,485
Public Works	825,662	10,051	0	0	835,713
Community Development	281,401	0	0	20,000	301,401
Culture & Recreation	669,222	0	0	1,810	671,032
Debt Service:					
Principal	0	0	50,000	0	50,000
Interest	0	0	3,255	0	3,255
Capital Outlay:					
General Government	9,481	9,162	0	0	18,643
Public Safety	116,638	23,555	0	0	140,193
Public Works	8,380	1,147,709	343,694	0	1,499,783
Culture & Recreation	69,396	0	0	0	69,396
Total Expenditures	<u>2,841,804</u>	<u>1,200,701</u>	<u>396,949</u>	<u>21,810</u>	<u>4,461,264</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>696,317</u>	<u>(610,432)</u>	<u>(296,697)</u>	<u>(21,618)</u>	<u>(232,430)</u>
Other Financing Sources/(Uses):					
Transfers In	0	391,427	223,624	0	615,051
Transfers Out	<u>(615,051)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(615,051)</u>
Total Other Financing Sources/(Uses)	<u>(615,051)</u>	<u>391,427</u>	<u>223,624</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	81,266	(219,005)	(73,073)	(21,618)	(232,430)
Fund Balances - July 1, 2013	<u>554,064</u>	<u>455,938</u>	<u>280,542</u>	<u>105,669</u>	<u>1,396,213</u>
Fund Balances - June 30, 2014	<u>\$ 635,330</u>	<u>\$ 236,933</u>	<u>\$ 207,469</u>	<u>\$ 84,051</u>	<u>\$ 1,163,783</u>

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

VILLAGE OF ESSEX JUNCTION, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

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)	\$	(232,430)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,728,015) is allocated over their estimated useful lives and reported as depreciation expense (\$671,903). This is the amount by which capital outlays exceeded depreciation in the current period.		1,056,112
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, gain/(loss) on disposals, trade-ins and donations) is to increase net position.		2,544
The issuance of long-term debt (\$-0-) (e.g., bond, notes and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$50,000) consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of those differences in the treatment of long-term debt and related items.		50,000
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.		(42,894)
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>(20,161)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>813,171</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, 2014

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Current Property Taxes	\$ 2,806,463	\$ 2,811,738	\$ 5,275
State of VT PILOT & Current Use	2,500	2,892	392
Penalties and Interest On Delinquent Taxes	7,000	8,049	1,049
Licenses & Zoning Fees	35,000	89,513	54,513
Water Department Service Fees	111,336	111,336	0
Wastewater Service Fees	55,668	55,668	0
Sanitation Service Fees	111,336	111,336	0
State District Court Fines	2,000	2,195	195
State Highway Aid	100,000	113,461	13,461
Essex Junction School District			
Tax Collection Fees	47,000	49,896	2,896
Parking Space Fees	4,800	5,200	400
Miscellaneous Fire Receipts	10	0	(10)
Miscellaneous Street Receipts	3,500	5,073	1,573
Miscellaneous Library Receipts	600	286	(314)
Brownell Library Grants	0	2,028	2,028
Donation to Brownell Library	0	10,846	10,846
Donations to Block Party	1,500	1,504	4
Essex Town Library Contribution	15,000	15,000	0
Investment Interest	1,000	2,017	1,017
Miscellaneous Grants and Donations	0	14,890	14,890
State Caring for Canopy Grant	0	4,250	4,250
Miscellaneous Unclassified Receipts	5,000	4,929	(71)
Library Replacement Receipts	0	2,684	2,684
Homeland Security Grant 02140-71164V-511	0	113,330	113,330
	<u>3,309,713</u>	<u>3,538,121</u>	<u>228,408</u>
Total Revenue			
Expenditures:			
Administration:			
Salaries - Regular	325,729	254,498	71,231
Manager Contract	0	53,841	(53,841)
Salaries - Overtime	1,500	2,141	(641)
Salaries - Part-Time	7,974	12,910	(4,936)
Social Security	26,568	20,574	5,994
Unemployment Insurance	1,186	789	397
Workers Compensation Insurance	1,431	1,188	243
Health Insurance and Other Benefits	75,626	49,634	25,992
Retirement	32,573	24,666	7,907
Liability and Property Insurance	7,696	5,372	2,324
Public Officials Liability Insurance	5,601	5,572	29
Health Improvement Programs	1,600	1,009	591
Board Member Fees	2,500	2,500	0
Supplies	6,700	4,436	2,264
Postage	4,200	3,387	813
Computer Expenses	16,915	15,752	1,163
Training & Conferences	10,734	3,701	7,033
Telephone Services	3,960	2,191	1,769

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, 2014

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Administration/(Cont'd):			
Communications	\$ 13,331	\$ 21,952	\$ (8,621)
Vehicle Maintenance - Travel	2,400	0	2,400
Leased Services	4,840	3,943	897
Legal Fees	15,000	11,932	3,068
Other Professional Services	1,000	0	1,000
Audit Service	5,433	5,467	(34)
Printing and Advertising	5,800	6,246	(446)
Pay & Classification Study	3,500	5,700	(2,200)
Elections	1,500	1,442	58
Holiday Expense	1,500	776	724
Trustees Expenditures	4,000	3,505	495
Capital Outlay	8,000	4,708	3,292
	<u>598,797</u>	<u>529,832</u>	<u>68,965</u>
Total Administration			
Lincoln Hall:			
Liability and Property Insurance	5,404	4,319	1,085
Supplies	1,800	2,037	(237)
Water and Sewer Charges	1,500	729	771
Telephone Services	460	486	(26)
Electrical Service	6,000	7,277	(1,277)
Heating	7,000	6,113	887
Maintenance - Buildings/Grounds	7,000	9,189	(2,189)
Rubbish Removal	1,785	1,862	(77)
Contractual Services	7,503	8,331	(828)
Capital Outlay	0	10,948	(10,948)
	<u>38,452</u>	<u>51,291</u>	<u>(12,839)</u>
Total Lincoln Hall			
Fire Department:			
Salaries - Part-time Firefighters	134,400	119,015	15,385
Social Security	10,282	9,105	1,177
Worker's Compensation Insurance	25,685	23,241	2,444
Accident & Disability Insurance	3,600	3,600	0
Liability and Property Insurance	6,675	5,694	981

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, 2014

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Fire Department/(Cont'd):			
Supplies	\$ 2,400	\$ 2,455	\$ (55)
EMS Supplies	1,500	1,061	439
Gas, Oil and Grease	6,000	6,051	(51)
Water and Sewer Charges	900	450	450
Training and Conferences	5,000	2,860	2,140
Telephone Services	3,800	3,386	414
Electrical Service	6,400	7,153	(753)
Heating	6,000	5,280	720
Maintenance - Buildings/Grounds	6,000	7,596	(1,596)
Radio Maintenance	2,000	3,219	(1,219)
Maintenance - Other	11,916	13,971	(2,055)
Vehicle Maintenance - Travel	9,000	14,536	(5,536)
Emergency Generator Maintenance	650	500	150
Uniforms and Boots	18,500	23,991	(5,491)
Fire Prevention	2,000	2,239	(239)
Physical Exams	6,000	6,552	(552)
Employee Assistance Program	900	864	36
New Equipment - Radios	3,100	2,349	751
Routine Equipment Purchases	14,500	16,625	(2,125)
	<u>287,208</u>	<u>281,793</u>	<u>5,415</u>
Total Fire Department			
Street Department:			
Salaries - Regular	197,160	173,054	24,106
Salaries - Overtime	15,000	14,425	575
Salaries - Part-time	18,590	17,603	987
Social Security	17,867	15,128	2,739
Unemployment Insurance	1,086	789	297
Worker's Compensation Insurance	12,182	11,835	347
Health Insurance and Other Benefits	82,729	51,968	30,761
Employee Retirement	19,716	15,347	4,369
Liability and Property Insurance	13,878	10,571	3,307
Supplies	20,000	14,843	5,157
Winter Maintenance	75,000	142,405	(67,405)
Pavement Maintenance	15,000	18,987	(3,987)
Gravel and Topsoil	4,000	3,191	809
Signs and Posts	5,500	1,875	3,625
Gas, Grease and Oil	22,000	36,943	(14,943)
Water and Sewer Charge	2,500	870	1,630
Training and Conferences	500	60	440
Telephone Services	1,900	2,228	(328)
Electrical Service	4,500	3,842	658
Street Lights	127,000	128,105	(1,105)

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, 2014

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Street Department/(Cont'd):			
Traffic Lights	\$ 5,700	\$ 5,689	\$ 11
Heating	4,000	3,924	76
Maintenance - Buildings/Grounds	2,500	586	1,914
Radio Maintenance	200	28	172
Maintenance - Other	1,000	749	251
Vehicle Maintenance - Travel	32,000	16,375	15,625
Streetscape Maintenance/ Improvements	6,000	3,292	2,708
Village Garden Spots	3,650	1,287	2,363
Traffic/Street Light Maintenance	8,000	4,946	3,054
Memorial Park	3,500	2,665	835
Street Markings	5,000	5,932	(932)
Uniforms, Boots, Etc.	4,500	4,206	294
Interview Costs	0	1,287	(1,287)
Rubbish Removal	6,200	5,108	1,092
Contract Services	0	22,534	(22,534)
Equipment Rentals	1,000	54	946
Engineering Services	15,000	41,955	(26,955)
Traffic Calming	4,000	0	4,000
Capital Outlay	9,000	7,361	1,639
Sidewalk and Curb Maintenance	3,000	4,717	(1,717)
Storm Sewer Maintenance	8,500	22,996	(14,496)
Storm Sewer Permit Fees	3,000	3,452	(452)
Storm Sewer Public Education	9,500	8,912	588
	<u>791,358</u>	<u>832,124</u>	<u>(40,766)</u>
Library:			
Salaries - Regular	305,811	303,100	2,711
Salaries - Part-Time	89,012	84,789	4,223
Social Security	30,365	29,124	1,241
Unemployment Insurance	2,384	1,796	588
Workers Compensation Insurance	1,588	1,678	(90)
Health Insurance and Other Benefits	70,891	66,969	3,922
Retirement	30,581	29,970	611
Liability and Property Insurance	9,972	9,025	947
Supplies	12,000	10,831	1,169
Postage	2,500	1,943	557
Computer Expenses	3,000	3,220	(220)
Water and Sewer Charge	500	529	(29)
Training and Conferences	5,000	2,497	2,503
Telephone Services	1,200	1,047	153
Technology Access	6,000	5,031	969
Electrical Services	14,250	14,674	(424)
Heating	7,400	7,285	115

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, 2014

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Library/(Cont'd):			
Maintenance - Building/Grounds	\$ 12,000	\$ 17,270	\$ (5,270)
Alarm System Maintenance	700	269	431
Interview Costs	100	656	(556)
Contract Services	23,225	23,551	(326)
Adult Programs	0	3	(3)
Childrens Programs	3,000	2,879	121
Computer Replacement	6,500	6,565	(65)
Adult Collection - Print & Electronic	31,000	34,700	(3,700)
Juvenile Collection - Print & Electronic	15,500	15,479	21
	<u>684,479</u>	<u>674,880</u>	<u>9,599</u>
Total Library			
Planning and Zoning:			
Salaries -Regular	129,436	126,770	2,666
Salaries - Overtime	2,000	0	2,000
Social Security	10,305	9,872	433
Unemployment Insurance	435	329	106
Workers Compensation Insurance	506	555	(49)
Health Insurance and Other Benefits	33,038	28,967	4,071
Retirement	12,944	12,577	367
Liability Insurance and Property Insurance	2,147	2,067	80
Public Officials Liability Insurance	5,600	5,572	28
Boardmember Fee	3,600	3,600	0
Supplies	2,500	1,696	804
Postage	1,000	409	591
Computer Expenses	4,705	2,209	2,496
Training and Conferences	4,500	2,025	2,475
Telephone Services	1,524	1,632	(108)
Communications	2,000	2,935	(935)
Vehicle Maintenance - Travel	3,000	2,400	600
Legal Services	14,000	331	13,669
Other Professional Services	4,000	1,749	2,251
Printing and Advertising	5,000	2,527	2,473
Recording Fees	2,500	2,490	10
	<u>244,740</u>	<u>210,712</u>	<u>34,028</u>
Total Planning and Zoning			
Economic Development:			
Salaries Regular	35,196	34,701	495
Social Security	2,696	2,702	(6)
Unemployment Insurance	250	164	86
Workers Comp Insurance	149	154	(5)
Health Insurance & Other Benefits	4,967	9,002	(4,035)
Retirement	3,520	3,470	50
Block Party Expenses	7,000	6,748	252

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, 2014

	Approved Budget	Actual	Variance Favorable (Unfavorable)
Economic Development/(Cont'd):			
Community Events & Programs	\$ 5,850	\$ 5,573	\$ 277
Annual Support of Organizations	9,000	8,920	80
New Programs	2,000	1,855	145
Matching Grant Funds	<u>9,000</u>	<u>2,861</u>	<u>6,139</u>
Total Economic Development	<u>79,628</u>	<u>76,150</u>	<u>3,478</u>
Miscellaneous Transfers and Expenditures:			
Rolling Stock Fund	173,624	173,624	0
Capital Reserve Fund	391,427	391,427	0
Half Penny for Ladder Truck Note	50,000	50,000	0
Termination Benefits Rescue	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Miscellaneous Transfers and Expenditures	<u>620,051</u>	<u>615,051</u>	<u>5,000</u>
Grant and Other Unanticipated Expenditures:			
Library Replacement Expenditures	0	4,451	(4,451)
Library Grant Expenditures	0	2,028	(2,028)
Library Donation Expenditures	0	10,846	(10,846)
Street Department Grant Expenditures	0	1,120	(1,120)
State Grant Expenditures	0	4,250	(4,250)
Homeland Security Grant Expenditures	0	113,330	(113,330)
Other Grants Expenditures	0	11,497	(11,497)
Termination Benefits	0	37,000	(37,000)
Bond Expense	<u>0</u>	<u>500</u>	<u>(500)</u>
Total Grant and Other Unanticipated Expenditures	<u>0</u>	<u>185,022</u>	<u>(185,022)</u>
Total Expenditures	<u>3,344,713</u>	<u>3,456,855</u>	<u>(112,142)</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>\$ (35,000)</u>	81,266	<u>\$ 116,266</u>
Fund Balance - July 1, 2013		<u>554,064</u>	
Fund Balance - June 30, 2014		<u>\$ 635,330</u>	

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

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

<u>ASSETS</u>	Water Fund	Sanitation Fund	Wastewater Fund	Total
Current Assets:				
Cash	\$ 233,218	\$ 1,220,361	\$ 895,219	\$ 2,348,798
Receivables (Net of Allowance for Uncollectible Accounts)	18,142	13,201	20,026	51,369
Estimated Unbilled Revenues	410,089	143,797	218,088	771,974
Due from Other Funds	0	6,298	0	6,298
Inventories	707	0	34,769	35,476
Other Current Assets	3,015	7,164	7,125	17,304
Total Current Assets	665,171	1,390,821	1,175,227	3,231,219
Noncurrent Assets:				
Capital Assets				
Land	0	0	118,077	118,077
Construction in Progress	0	0	412,992	412,992
Buildings and Building Improvements	40,000	0	15,048,886	15,088,886
Vehicles, Machinery and Equipment	376,846	529,612	3,197,710	4,104,168
Infrastructure	0	0	162,777	162,777
Transmission and Distribution Plant	8,022,882	8,230,689	4,507,287	20,760,858
Less Accumulated Depreciation	(6,853,565)	(5,368,251)	(3,626,896)	(15,848,712)
Total Noncurrent Assets	1,586,163	3,392,050	19,820,833	24,799,046
Total Assets	\$ 2,251,334	\$ 4,782,871	\$ 20,996,060	\$ 28,030,265
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 236,636	\$ 1,419	\$ 970,400	\$ 1,208,455
Accrued Payroll and Benefits Payable	2,917	2,235	8,468	13,620
Due to Other Funds	0	2,045	6,298	8,343
Interest Payable	0	0	3,962	3,962
Notes Payable - Current Portion	0	55,796	61,755	117,551
Total Current Liabilities	239,553	61,495	1,050,883	1,351,931
Noncurrent Liabilities				
Accrued Compensated Absences Payable	12,404	3,738	49,361	65,503
Notes Payable - Noncurrent Portion	0	1,254,356	13,737,210	14,991,566
Total Noncurrent Liabilities	12,404	1,258,094	13,786,571	15,057,069
Total Liabilities	251,957	1,319,589	14,837,454	16,409,000
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,586,163	2,081,898	6,021,868	9,689,929
Unrestricted/(Deficit)	413,214	1,381,384	136,738	1,931,336
Total Net Position	1,999,377	3,463,282	6,158,606	11,621,265
Total Liabilities and Net Position	\$ 2,251,334	\$ 4,782,871	\$ 20,996,060	\$ 28,030,265

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, 2014

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Operating Revenues:				
Charges for Services	\$ 3,099,116	\$ 544,944	\$ 1,740,012	\$ 5,384,072
Miscellaneous	<u>22,535</u>	<u>50,002</u>	<u>79</u>	<u>72,616</u>
Total Operating Revenues	<u>3,121,651</u>	<u>594,946</u>	<u>1,740,091</u>	<u>5,456,688</u>
Operating Expenses:				
Operating, Maintenance, and General and Administrative Expenses	2,977,467	337,994	1,422,162	4,737,623
Depreciation	<u>100,682</u>	<u>150,578</u>	<u>551,078</u>	<u>802,338</u>
Total Operating Expenses	<u>3,078,149</u>	<u>488,572</u>	<u>1,973,240</u>	<u>5,539,961</u>
Operating Income/(Loss)	<u>43,502</u>	<u>106,374</u>	<u>(233,149)</u>	<u>(83,273)</u>
Nonoperating Revenues (Expenses):				
Investment Income	365	2,322	3,086	5,773
Net Loss on Disposal of Capital Assets	0	0	(136,282)	(136,282)
Net Gain on Sale of Capital Assets	0	0	4,500	4,500
Interest Expense	<u>0</u>	<u>(4,461)</u>	<u>(2,166)</u>	<u>(6,627)</u>
Total Nonoperating Revenues (Expenses)	<u>365</u>	<u>(2,139)</u>	<u>(130,862)</u>	<u>(132,636)</u>
Income/(Loss) Before Capital Contributions and Transfers	43,867	104,235	(364,011)	(215,909)
Capital Contributions	0	100,000	203,824	303,824
Transfer In	0	6,298	39,869	46,167
Transfers Out	<u>0</u>	<u>(39,869)</u>	<u>(6,298)</u>	<u>(46,167)</u>
Change in Net Position	43,867	170,664	(126,616)	87,915
Net Position - July 1, 2013	<u>1,955,510</u>	<u>3,292,618</u>	<u>6,285,222</u>	<u>11,533,350</u>
Net Position - June 30, 2014	<u>\$ 1,999,377</u>	<u>\$ 3,463,282</u>	<u>\$ 6,158,606</u>	<u>\$ 11,621,265</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, 2014

	Water Fund	Sanitation Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 3,105,770	\$ 588,094	\$ 1,713,091	\$ 5,406,955
Receipts for Interfund Services	0	0	30,300	30,300
Other Receipts	3,484	0	429	3,913
Payments to Suppliers	(2,674,310)	(67,826)	(963,521)	(3,705,657)
Payments for Interfund Services	(111,336)	(139,995)	(55,690)	(307,021)
Payments for Wages and Benefits	(179,104)	(135,769)	(478,127)	(793,000)
Net Cash Provided by Operating Activities	<u>144,504</u>	<u>244,504</u>	<u>246,482</u>	<u>635,490</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	(1,430)	(1,430)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>(51,430)</u>	<u>(51,430)</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Capital Grants	0	0	133,130	133,130
Contributed Capital	0	0	70,694	70,694
Proceeds from Sale of Capital Asset	0	0	4,500	4,500
Proceeds from Sale of WWTF Capacity	0	100,000	0	100,000
Proceeds from Long-Term Debt	0	3,904	5,202,379	5,206,283
Acquisition and Construction of Capital Assets	(49,747)	(99,133)	(6,001,018)	(6,149,898)
Principal Paid on Long-Term Debt	0	(10,418)	(61,720)	(72,138)
Interest Paid on Long-Term Debt	0	(4,462)	(1,008)	(5,470)
Interfund transfers for Capital Purposes	0	(39,869)	39,869	0
Increase/(Decrease) in Due To/From Other Funds for Capital Purposes	0	13,841	(13,841)	0
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(49,747)</u>	<u>(36,137)</u>	<u>(627,015)</u>	<u>(712,899)</u>
Cash Flows From Investing Activities:				
Receipt of Interest & Dividends	365	2,322	3,086	5,773
Net Cash Provided by Investing Activities	<u>365</u>	<u>2,322</u>	<u>3,086</u>	<u>5,773</u>
Net Increase/(Decrease) in Cash	95,122	210,689	(428,877)	(123,066)
Cash - July 1, 2013	138,096	1,009,672	1,324,096	2,471,864
Cash - June 30, 2014	<u>\$ 233,218</u>	<u>\$ 1,220,361</u>	<u>\$ 895,219</u>	<u>\$ 2,348,798</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 43,502	\$ 106,374	\$ (233,149)	\$ (83,273)
Depreciation	100,682	150,578	551,078	802,338
(Increase)/Decrease in Other Receivables	206	(233)	9,133	9,106
(Increase)/Decrease in Unbilled Revenues	(12,627)	(6,619)	(5,413)	(24,659)
(Increase)/Decrease in Inventory	64	0	(18,526)	(18,462)
Increase/(Decrease) in Accounts Payable	8,063	(4,641)	(64,028)	(60,606)
Increase/(Decrease) in Accrued Payroll and Compensated Absences	3,849	(2,355)	7,387	8,881
Increase/(Decrease) in Other Operating Assets/Liabilities	765	1,400	0	2,165
Net Cash Provided by Operating Activities	<u>\$ 144,504</u>	<u>\$ 244,504</u>	<u>\$ 246,482</u>	<u>\$ 635,490</u>

Supplemental Information:

Buildings with a cost of \$2,145,000 and accumulated depreciation of \$2,145,000 in the Wastewater Fund were replaced during the year
Equipment with a cost of \$489,157 and accumulated depreciation of \$352,875 in the Wastewater Fund was disposed of during the year.
Capital assets purchases in the amounts of \$900,481 and \$1,839,464 are included in accounts payable at June 30, 2014 and 2013, 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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>18,164</u>
Total Assets	<u>18,164</u>
<u>LIABILITIES</u>	
Due to Other Organizations	<u>18,164</u>
Total Liabilities	<u>18,164</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, 2014

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.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 Funds – This fund accounts for monies maintained for Exposition Escrow deposits and for School Impact Fees collected on their behalf.

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.

Property taxes, licenses, ordinance violation fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty (60) days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the government

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 position 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.

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F. Assets, Liabilities and Equity

1. Cash

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

2. Investments

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

3. Receivables

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

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

4. Internal Balances

Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as Advances 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.

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6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement 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 Town has four (4) types of items which arise under the modified accrual basis of accounting and one (1) 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 unavailable other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Capital Assets

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

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

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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
Wastewater Treatment Facility Equipment	\$ 5,000	8-20 Years
Library Books	\$ 1	7 Years
Parks	\$ 5,000	20-100 Years
Infrastructure	\$ 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.

8. 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.

9. 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.

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10. 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 Trustee's 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. There were no budget transfers during the year.

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 year’s 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, 2014, expenditures in the General Fund exceeded appropriations by \$112,142. 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.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 337,037	\$ 337,037
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	3,214,565	3,521,912
Petty Cash	<u>225</u>	<u>N/A</u>
Total	<u>\$ 3,551,827</u>	<u>\$ 3,858,949</u>

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

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2014, 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, 2014, 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, 2014, the Village is not exposed to concentration of credit risk.

B. Receivables

Receivables at June 30, 2014, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Current Taxes	\$ 12,016	\$ 0	\$ 12,016
Delinquent Taxes	8,585	0	8,585
Penalties and Interest	4,689	0	4,689
Billed Services	459	51,369	51,828
Unbilled Services	0	771,974	771,974
Grants	144,954	0	144,954
Other Receivables	19,097	0	19,097
Allowance for Doubtful Accounts	(1,000)	0	(1,000)
	<u>\$ 188,800</u>	<u>\$ 823,343</u>	<u>\$ 1,012,143</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
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C. Note Receivable

The Village has a note receivable as follows:

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	421,930	753,408	105,147	1,070,191
Antiques and Works of Art	7,550	0	0	7,550
Total Capital Assets, Not Being Depreciated	485,222	753,408	105,147	1,133,483
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,870,964	59,814	0	1,930,778
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	5,590,111	736,691	303,721	6,023,081
Library Books	833,475	61,711	60,860	834,326
Parks	210,984	0	0	210,984
Infrastructure	7,428,521	296,553	0	7,725,074
Totals	15,934,055	1,154,769	364,581	16,724,243
Less accumulated depreciation for:				
Buildings and Building Improvements	633,407	45,489		678,896
Vehicles, Machinery, Equipment, Furniture, and Traffic Signals	1,743,847	275,037	231,251	1,787,633
Library Books	603,651	69,257	60,859	612,049
Parks	19,191	2,578	0	21,769
Infrastructure	1,445,560	279,542	0	1,725,102
Totals	4,445,656	671,903	292,110	4,825,449
Total Capital Assets, Being Depreciated	11,488,399	482,866	72,471	11,898,794
Governmental Activities Capital Assets, Net	\$ 11,973,621	\$ 1,236,274	\$ 177,618	\$ 13,032,277

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>10,286,596</u>	<u>388,434</u>	<u>10,262,038</u>	<u>412,992</u>
Total Capital Assets, Not Being Depreciated	<u>10,404,673</u>	<u>388,434</u>	<u>10,262,038</u>	<u>531,069</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	8,343,215	8,890,671	2,145,000	15,088,886
Vehicles, Machinery, Equipment and Furniture	3,029,076	1,564,248	489,156	4,104,168
Infrastructure	45,539	117,238	0	162,777
Distribution and Collection Systems	<u>16,248,496</u>	<u>4,512,362</u>	<u>0</u>	<u>20,760,858</u>
Totals	<u>27,666,326</u>	<u>15,084,519</u>	<u>2,634,156</u>	<u>40,116,689</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	4,427,198	316,669	2,145,000	2,598,867
Vehicles, Machinery, Equipment and Furniture	1,362,657	195,007	352,875	1,204,789
Infrastructure	19,354	5,208	0	24,562
Distribution and Collection Systems	<u>11,735,040</u>	<u>285,454</u>	<u>0</u>	<u>12,020,494</u>
Totals	<u>17,544,249</u>	<u>802,338</u>	<u>2,497,875</u>	<u>15,848,712</u>
Total Capital Assets, Being Depreciated	<u>10,122,077</u>	<u>14,282,181</u>	<u>136,281</u>	<u>24,267,977</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,526,750</u>	<u>\$ 14,670,615</u>	<u>\$ 10,398,319</u>	<u>\$ 24,799,046</u>

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 21,561	Water	\$ 100,682
Public Safety	90,061	Sanitation	150,578
Community Development	1,176	Wastewater	<u>551,078</u>
Public Works	447,549		
Culture and Recreation	<u>111,556</u>		
Total Depreciation		Total Depreciation Expense	
Expense - Governmental		- Business-Type Activities	
Activities	<u>\$ 671,903</u>		<u>\$ 802,338</u>

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E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2014 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,045	\$ 0
Sanitation Fund	6,298	2,045
Wastewater Fund	<u>0</u>	<u>6,298</u>
 Total	 <u>\$ 8,343</u>	 <u>\$ 8,343</u>

The Interfund transfers during the year ended June 30, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Rolling Stock Reserve Fund	\$ 173,624	Annual Appropriation
General Fund	Rolling Stock Reserve Fund	50,000	Half Penny for Ladder Truck Note
General Fund	Capital Reserve Fund	391,427	Annual Appropriation
Wastewater Fund	Sanitation Fund	6,298	Fund WWTF Future Capital Projects
Sanitation Fund	Wastewater Fund	<u>39,869</u>	Pay Bond Debt Service
 Total		 <u>\$ 661,218</u>	

F. Unearned Revenue

Unearned revenue in the General Fund consists of \$2,382 of grant and donation revenue received in advance.

G. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$23,511 of delinquent property taxes, penalties and interest on those taxes and \$396 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 \$2,813 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$26,720.

VILLAGE OF ESSEX JUNCTION, VERMONT
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Deferred inflows of resources in the Capital Reserve Fund consist of \$16,759 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.

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 – 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, 2014 were as follows:

Governmental Activities:

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Note Payable – Merchants Bank, Current Expense Note, Fire Ladder Truck Purchase, Interest at 1.52%, \$200,000 Due July 30, 2015, the Village Intends to Renew the Note Annually and Pay \$50,000 Plus Interest Annually	\$ <u>250,000</u>	\$ <u>0</u>	\$ <u>50,000</u>	\$ <u>200,000</u>
Total Governmental Activities	\$ <u>250,000</u>	\$ <u>0</u>	\$ <u>50,000</u>	\$ <u>200,000</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
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	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
<u>Business-Type Activities</u>				
Note Payable – Peoples United Bank, Wastewater Deficit Funding Note, Interest at 3.25%, \$50,000 Plus Interest Due Annually, Due and Paid June, 2014	\$ 50,000	\$ 0	\$50,000	\$ 0
Note Payable – 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	259,902	0	12,138	247,764
Note Payable – State of Vermont Special Environmental Revolving Fund, Wastewater Improvements, Authorized to \$13,525,000 but Eligible for \$600,000 Subsidy. Interest at 0%, Administration Fee of 2% is Assessed Annually; Payments of \$790,451 Begin February, 2017, Due February, 2031	7,036,474	5,202,379	0	12,238,853
Note Payable – 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 November, 2015, Due November, 2033	1,093,596	3,904	0	1,097,500

VILLAGE OF ESSEX JUNCTION, VERMONT
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	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Bond Payable – 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>1,585,000</u>	\$ <u>0</u>	\$ <u>60,000</u>	\$ <u>1,525,000</u>
Total Business-Type Activities	\$ <u>10,024,972</u>	\$ <u>5,206,283</u>	\$ <u>122,138</u>	\$ <u>15,109,117</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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 250,000	\$ 0	\$ 50,000	\$ 200,000	\$ 50,000
Compensated Absences	<u>139,824</u>	<u>20,161</u>	<u>0</u>	<u>159,985</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>389,824</u>	<u>20,161</u>	<u>50,000</u>	<u>359,985</u>	<u>\$ 50,000</u>
Business-type Activities					
Notes Payable	8,439,972	5,206,283	62,138	13,584,117	57,551
Bonds Payable	1,585,000	0	60,000	1,525,000	60,000
Compensated Absences	<u>58,225</u>	<u>7,278</u>	<u>0</u>	<u>65,503</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 10,083,197</u>	<u>\$ 5,213,561</u>	<u>\$ 122,138</u>	<u>\$ 15,174,620</u>	<u>\$ 117,551</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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
2015	\$ 50,000	\$ 3,032	\$ 117,551	\$ 73,985
2016	50,000	2,325	118,700	71,858
2017	50,000	1,550	623,586	314,361
2018	50,000	775	634,858	301,809
2019	0	0	646,355	288,901
2020-2024	0	0	3,402,444	1,239,156
2025-2029	0	0	3,711,389	870,593
2030-2034	0	0	4,015,997	465,498
2035-2039	0	0	1,728,237	73,883
2040-2043	0	0	110,000	3,992
Total	\$ <u>200,000</u>	\$ <u>7,682</u>	\$ <u>15,109,117</u>	\$ <u>3,704,036</u>

I. Net Position/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 Trustee’s 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, 2014

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 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 restricted net position as of June 30, 2014 is as follows:

Governmental Activities:

Restricted for Veterans Memorial Park by Donations	\$ <u>3,623</u>
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The fund balances in the following fund are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Inventories	\$ 58,648
Nonspendable Prepaid Expenses	<u>33,218</u>
Total General Fund	\$ <u>91,866</u>

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

Nonmajor Fund

Veterans Memorial Park Fund:

Restricted for Veterans Memorial Park by Donation (Source of Revenue is Donations)	\$ <u>3,623</u>
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VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Major Funds

Committed for Capital Reserve Fund Expenditures	\$236,933
Committed for Rolling Stock Reserve Fund Expenditures	207,469

Nonmajor Funds

Committed for Land Acquisition Capital Reserve Fund Expenditures	<u>80,428</u>
Total Committed Fund Balances	<u>\$524,830</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 2015	\$ 35,000
Assigned for Library Book Replacement	726
Assigned for Termination Benefits	34,965
Assigned for Health Reimbursement Arrangement Expenses	<u>10,000</u>
Total General Fund	<u>80,691</u>
Total Assigned Fund Balance	<u>\$ 80,691</u>

J. Designated Net Position

The designated net position of the Village as of June 30, 2014 are as follows:

Water Fund

Designated for Water Fund Expenses	\$ 323,178
Designated for Water Fund Capital Expenses	<u>90,036</u>
Total Water Fund	<u>413,214</u>

Sanitation Fund

Designated for Sanitation Fund Expenses	244,571
Designated for Sanitation Fund Capital Expenses	579,275
Designated for Wastewater Treatment Facility Upgrades	<u>557,538</u>
Total Sanitation Fund	<u>1,381,384</u>

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Wastewater Fund

Designated for Wastewater Fund Capital Expenses	\$ 399,870
Designated for Wastewater Expenses – Attributable to the Village of Essex Junction	151,450
Designated for Wastewater Expenses – Attributable to the Town of Essex	25,453
Designated for Wastewater Expenses – Attributable to the Town of Williston	84,628
Designated for Wastewater Fund Expenses - General	82,222
Amount Designated in Excess of Available Net Position	<u>(606,885)</u>
Total Wastewater Fund	<u>136,738</u>
Total Designated Net Position	<u>\$ 1,931,336</u>

The \$606,885 designated deficit in the Wastewater Fund will be funded by reimbursements from the State of Vermont Special Environmental Revolving 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. 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 \$1,687,048 while the covered payroll was \$1,352,832. Pension expenses for the years ended June 30, 2014, 2013 and 2012 were \$135,283, \$159,765, and \$133,348 respectively.

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, 2014 was \$804,853.

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 group life insurance policy for twice their annual salary up to a maximum of \$100,000.

VILLAGE OF ESSEX JUNCTION, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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, 2014, the Village received 9.7% of total property taxes from IBM and received 74% of total water sales from IBM.

The Village purchased a major portion of their water from Champlain Water District "CWD" for the year ended June 30, 2014. The Village purchased \$2,653,526 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, 2014, taxes became due and payable on September 16, 2013 and March 17, 2014. 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 2014 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Village	.2666	.2666
Education	1.4060	1.4263
Recreation	<u>.0651</u>	<u>.0651</u>
Total	<u>\$1.7377</u>	<u>\$1.7580</u>

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.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

E. CONTINGENT LIABILITIES

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

F. 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 \$15,823,500, will be paid for with borrowed funds from the State of Vermont Special Environmental Revolving 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 35.76%, the Town of Essex owns 33.33% and the Town of Williston owns 30.91%. 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 two (2) years which will increase the Town of Williston's capacity and decrease the Village's capacity. The Town of Williston has already paid \$300,000 for 30,000 gallons over the past three 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%

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, 2014.

In April, 2013, the Village Voters authorized the financing of \$15,230,000 in wastewater upgrades. As of June 30, 2014, the Village has drawn down \$12,838,853, however \$600,000 has been forgiven.

In April 2014, the Village Voters authorized the financing of \$3,300,000 for the purpose of making infrastructure improvements to five (5) streets in the Village as identified by the Capital Review Committee.

VILLAGE OF ESSEX JUNCTION, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

H. SUBSEQUENT EVENTS

As of January 12, 2015, an additional \$681,147 in State of Vermont Special Environmental Revolving funds have been borrowed for the refurbishment of the wastewater treatment facility.

On July 31, 2014, the Village received \$3,300,000 in bond proceeds for Village infrastructure projects as authorized by the voters in April, 2014. The proceeds were placed in the hands of a Bond Trustee for use by the Village.

VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	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	\$ 3,623	\$ 80,428	\$ 84,051
Total Assets	<u>\$ 3,623</u>	<u>\$ 80,428</u>	<u>\$ 84,051</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Restricted	3,623	0	3,623
Committed	<u>0</u>	<u>80,428</u>	<u>80,428</u>
Total Fund Balances	<u>3,623</u>	<u>80,428</u>	<u>84,051</u>
Total Liabilities and Fund Balances	<u>\$ 3,623</u>	<u>\$ 80,428</u>	<u>\$ 84,051</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, 2014

	Special Revenue Fund	Capital Project Fund	
	Veterans Memorial Park Fund	Land Acquisition Capital Reserve Fund	Total
Revenues:			
Interest	\$ 9	\$ 183	\$ 192
Total Revenues	<u>9</u>	<u>183</u>	<u>192</u>
Expenditures:			
Culture and Recreation	1,810	0	1,810
Community Development	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Total Expenditures	<u>1,810</u>	<u>20,000</u>	<u>21,810</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(1,801)</u>	<u>(19,817)</u>	<u>(21,618)</u>
Net Change in Fund Balances	(1,801)	(19,817)	(21,618)
Fund Balances - July 1, 2013	<u>5,424</u>	<u>100,245</u>	<u>105,669</u>
Fund Balances - June 30, 2014	<u>\$ 3,623</u>	<u>\$ 80,428</u>	<u>\$ 84,051</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - AGENCY FUNDS
 JUNE 30, 2014

	Exposition Noise Escrow Account Fund	School Impact Fees Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ <u> 2,002</u>	\$ <u> 16,162</u>	\$ <u> 18,164</u>
Total Assets	\$ <u> 2,002</u>	\$ <u> 16,162</u>	\$ <u> 18,164</u>
<u>LIABILITIES</u>			
Due to Other Organizations	\$ <u> 2,002</u>	\$ <u> 16,162</u>	\$ <u> 18,164</u>
Total Liabilities	<u> 2,002</u>	<u> 16,162</u>	<u> 18,164</u>
<u>NET POSITION</u>	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u> 0</u>

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VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Water Sales - Village	\$ 787,839	\$ 783,550	\$ (4,289)
Water Sales - IBM	2,149,120	2,177,917	28,797
Water Sales - IBM Vermont Tax	41,931	51,944	10,013
Water Sales - Large Users	87,413	81,768	(5,645)
Penalties	3,500	3,941	441
Hook on Fees	15,000	18,500	3,500
Miscellaneous	0	4,032	4,032
Interest Earnings	0	283	283
	<u>3,084,803</u>	<u>3,121,935</u>	<u>37,132</u>
Total Revenue			
Expenses:			
Salaries - Regular	102,349	104,739	(2,390)
Salaries - Overtime	12,300	15,408	(3,108)
Salaries - Part-time	4,729	4,345	384
Social Security	9,239	8,988	251
Unemployment Insurance	564	408	156
Workers Compensation Insurance	4,447	5,696	(1,249)
Health Insurance and Other Benefits	42,180	33,524	8,656
Retirement	10,235	9,845	390
Liability and Property Insurance	3,305	2,960	345
Interest Expense	100	0	100
Supplies	5,000	2,824	2,176
Postage	1,500	1,616	(116)
Gas, Oil and Grease	2,800	3,468	(668)
Meters and Parts	2,000	672	1,328
Distribution Materials	8,000	2,209	5,791
Computer Expenses	600	1,067	(467)
Water & Sewer Charges	350	503	(153)
Training and Conferences	2,000	1,013	987
Telephone Service	0	234	(234)
Electrical Service	650	679	(29)
Heat	3,500	3,069	431
Maintenance - Other	1,000	1,629	(629)
Water Line Maintenance - Breaks	16,000	233	15,767
Uniforms and Boots	1,000	933	67
Contract Services	111,336	111,336	0
Other Professional Services	1,000	657	343
Audit Services	3,293	3,266	27
Water Purchases - Village	424,297	412,589	11,708
Water Purchases - IBM	2,149,120	2,177,917	(28,797)
Printing and Advertising	1,700	1,725	(25)
Transfer to Capital Reserve	110,000	113,503	(3,503)
Capital Outlay	0	930	(930)
State Water Tax - Village	8,278	11,076	(2,798)
State Water Tax - IBM	41,931	51,944	(10,013)
	<u>3,084,803</u>	<u>3,091,005</u>	<u>(6,202)</u>
Total Expenses			
Net Income	<u>\$ 0</u>	30,930	<u>\$ 30,930</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Purchases of Equipment		291	
Non-budgetary Operating Expenses		(257)	
Capital Reserve Fund Transfer		113,503	
Interest Earned on Capital Reserve Fund		82	
Depreciation		<u>(100,682)</u>	
Change in Net Position - Exhibit H		<u>\$ 43,867</u>	

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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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Sanitation Billing	\$ 391,670	\$ 505,965	\$ 114,295
Sanitation Penalty	1,800	2,432	632
Essex Pump Station Fees	25,075	21,550	(3,525)
2 Party Agreement Revenue	15,000	15,000	0
Hook on Fees	20,000	50,000	30,000
Interest Earnings	<u>0</u>	<u>289</u>	<u>289</u>
Total Revenue	<u>453,545</u>	<u>595,236</u>	<u>141,691</u>
Expenses:			
Salaries - Regular	85,049	70,394	14,655
Salaries - Overtime	10,865	10,612	253
Salaries - Part Time	4,729	4,486	243
Social Security	7,822	6,501	1,321
Unemployment Insurance	564	409	155
Workers Compensation Insurance	4,285	3,994	291
Health Insurance and Other Benefits	39,416	29,696	9,720
Retirement	8,505	7,322	1,183
Liability and Property Insurance	5,628	4,767	861
Supplies	1,000	540	460
Postage	3,000	3,665	(665)
Gas, Grease and Oil	3,000	2,725	275
Meters and Parts	4,000	0	4,000
Computer Expenses	1,200	2,134	(934)
Water and Sewer Charge	1,500	404	1,096
Training and Conferences	500	0	500
Electrical Service	8,200	10,572	(2,372)
Heating/Natural Gas	1,800	1,686	114
Maintenance - Other	1,500	2,832	(1,332)
Pump Station Maintenance	5,500	825	4,675
Sanitation Lines Maintenance	5,000	1,505	3,495
Susie Wilson Pump Station Costs	8,000	7,399	601
West St. Pump Station Costs	13,500	8,836	4,664
Uniforms, Boots, Etc.	1,000	1,166	(166)
Interview Costs	0	306	(306)
Contractual Services	141,636	141,636	0
Right-Of-Way Agreements	8,700	8,189	511
Other Professional Services	1,000	521	479
Audit Services	1,646	1,633	13
Printing and Advertising	0	835	(835)
Capital Reserve Fund Contributions	75,000	105,002	(30,002)
Capital Outlay	<u>0</u>	<u>5,075</u>	<u>(5,075)</u>
Total Expenses	<u>453,545</u>	<u>445,667</u>	<u>7,878</u>
Net Income	<u>\$ 0</u>	149,569	<u>\$ 149,569</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Purchase of Equipment		5,221	
Non-budgetary Operating Expenses		(2,550)	
Admin Fee on ARRA Loan		(4,461)	
Interest Earned on Capital Reserve Fund		2,033	
Sale of WWTF Capacity		100,000	
Transfers from WWTF Fund		6,297	
Transfers to WWTF Fund		(39,869)	
Capital Reserve Fund Transfer		105,002	
Depreciation		<u>(150,578)</u>	
Change in Net Position - Exhibit H		<u>\$ 170,664</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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Village User Charges	\$ 677,209	\$ 677,390	\$ 181
Village User Penalties	2,800	3,278	478
Wastewater Charge - Essex	434,242	434,246	4
Wastewater Charge - Williston	567,359	567,365	6
Pump Station Maintenance Fee	30,300	30,300	0
Village Septage Discharge Income	12,000	11,075	(925)
Shared Septage Revenue	6,000	5,529	(471)
Village Leachate Revenues	0	7,222	7,222
Shared Leachate Revenues	0	3,606	3,606
Interest	0	406	406
Miscellaneous	0	79	79
Total Revenue	1,729,910	1,740,496	10,586
Expenses:			
Salaries - Regular	286,000	285,576	424
Salaries - Overtime	42,000	33,463	8,537
Salaries - Part-Time	12,000	6,519	5,481
Social Security	26,492	23,749	2,743
Unemployment Insurance	1,637	917	720
Workers Compensation Insurance	16,055	13,944	2,111
Health Insurance and Other Benefits	124,767	93,826	30,941
Retirement	28,600	27,520	1,080
Liability and Property Insurance	25,000	20,888	4,112
Interest Expense	500	0	500
Supplies	17,000	18,349	(1,349)
Chemicals	185,000	162,971	22,029
Gas, Grease and Oil	6,000	5,102	898
Water and Sewer Charge	6,000	11,664	(5,664)
Training and Conferences	6,500	4,596	1,904
Telephone Services	4,300	3,843	457
Electrical Service	200,000	184,544	15,456
Heating	11,000	34,632	(23,632)
Maintenance - Other	70,000	66,356	3,644
Vehicles Maintenance - Travel	3,500	1,567	1,933
Uniforms, Boots, Etc.	4,500	3,778	722
Contract Laboratory Service	8,000	6,713	1,287
Contract Services	55,668	55,668	0
Legal Services	1,000	6,451	(5,451)
Grit Disposal	7,000	6,806	194

See Disclaimer in Accompanying Independent Auditor's Report.

VILLAGE OF ESSEX JUNCTION, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Expenses:			
(Cont'd)			
Sludge Dewatering	\$ 150,000	\$ 131,108	\$ 18,892
Sludge Management	170,400	137,142	33,258
Other Professional Services	4,000	0	4,000
Audit Services	3,866	3,833	33
WWTF Annual Permit Fee	7,500	9,510	(2,010)
Capital Reserve Fund Contributions	170,000	170,000	0
Loan Payment	51,625	51,429	196
Capital Outlay	4,000	15,270	(11,270)
	<u>1,709,910</u>	<u>1,597,734</u>	<u>112,176</u>
Total Expenses			
	<u>1,709,910</u>	<u>1,597,734</u>	<u>112,176</u>
Net Income	\$ <u>20,000</u>	142,762	\$ <u>122,762</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer from Sanitation Fund		39,869	
Transfer to Sanitation Fund		(6,297)	
Purchases of Equipment		9,326	
Non-budgetary Operating Expenses		(55,182)	
Paydown of Loan Principal		50,000	
Admin Fee on ARRA Loan		(737)	
Gain on Sale of Asset		4,500	
Loss on Disposal of Capital Asset		(136,283)	
Capital Reserve Fund Transfer		170,000	
Capital Contributions Received		203,824	
Interest Earned on Capital Reserve Fund		2,680	
Depreciation		<u>(551,078)</u>	
Change in Net Position - Exhibit H		\$ <u>(126,616)</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, 2014 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, 2015.

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.

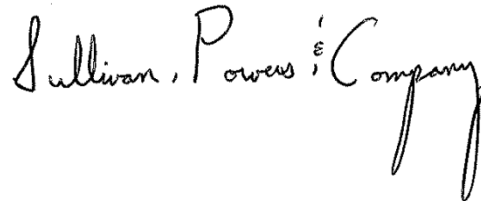
Compliance and Other Matters

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, 2015
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' and 'C'.