

Village of Essex Junction, Vermont  
**BASIC FINANCIAL STATEMENTS**  
June 30, 2016

Village of Essex Junction, Vermont  
TABLE OF CONTENTS  
June 30, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Statement of Net Position – Fiduciary Fund	10
Notes to Basic Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	32

Village of Essex Junction, Vermont  
TABLE OF CONTENTS  
June 30, 2016

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-Major Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	34
Statement of Revenue and Expenses Budget (Non-GAAP Budgetary Basis) and Actual – Water Fund	35
Statement of Revenue and Expenses Budget (Non-GAAP Budgetary Basis) and Actual – Sanitation Fund	37
Statement of Revenue and Expenses Budget (Non-GAAP Budgetary Basis) and Actual – Wastewater Fund	39



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Village of Essex Junction, Vermont  
Essex Junction, Vermont

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 Village of Essex Junction, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village'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. 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 entity'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 entity'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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Essex Junction, Vermont, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 the management's discussion and analysis and budgetary comparison information on page 32 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 agency fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and budgetary schedules for the enterprise funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Kittell, Braragan + Sargent*

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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, 2016.

***Financial Highlights***

- Assets exceeded liabilities and deferred inflows of resources on June 30, 2016 by \$25,724,161 (*net position*). Of this amount, \$4,055,242 (*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 \$174,659. Of this amount, net position attributable to governmental activities increased by \$377,761. Net position attributable to business-type activities decreased by \$203,102.
- Fund balances of governmental funds decreased by \$1,411,114 in FYE16. The General Fund had \$491,445 of unassigned fund balance at 6/30/16 which is equal 12.4% of the approved FYE17 General Fund Budget. An amount of \$96,000 of fund balance is proposed to be transferred to the Capital Reserve Fund in FYE18. As of 6/30/15, the General Fund had \$352,378 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.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

**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 Primary Government	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 4,341,053	\$ 3,837,960	\$ 3,493,237	\$ 3,587,736	\$ 7,834,290	\$ 7,425,696
Capital assets	<u>15,738,402</u>	<u>14,139,030</u>	<u>23,821,335</u>	<u>24,568,599</u>	<u>39,559,737</u>	<u>38,707,629</u>
<b>Total Assets</b>	<b><u>\$20,079,455</u></b>	<b><u>\$17,976,990</u></b>	<b><u>\$27,314,572</u></b>	<b><u>\$28,156,335</u></b>	<b><u>\$47,394,027</u></b>	<b><u>\$46,133,325</u></b>
Current liabilities	\$ 2,633,821	\$ 480,673	\$ 748,126	\$ 548,724	\$ 3,381,947	\$ 1,029,397
Non-Current liabilities	<u>2,844,339</u>	<u>3,276,689</u>	<u>15,439,674</u>	<u>16,277,737</u>	<u>18,284,013</u>	<u>19,554,426</u>
<b>Total Liabilities</b>	<b><u>\$ 5,478,160</u></b>	<b><u>\$ 3,757,362</u></b>	<b><u>\$16,187,800</u></b>	<b><u>\$16,826,461</u></b>	<b><u>\$21,665,960</u></b>	<b><u>\$20,583,823</u></b>
Deferred Inflows	<u>\$ 3,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,906</u>	<u>\$ -</u>
Net Position					-	-
Net investment in capital assets	\$12,942,302	\$13,164,762	\$ 7,823,421	\$ 8,674,838	\$20,765,723	\$21,839,600
Restricted	755,983	3,630	147,213	-	903,196	3,630
Unrestricted	<u>899,104</u>	<u>1,051,236</u>	<u>3,156,138</u>	<u>2,655,036</u>	<u>4,055,242</u>	<u>3,706,272</u>
<b>Total Net Position</b>	<b><u>\$14,597,389</u></b>	<b><u>\$14,219,628</u></b>	<b><u>\$11,126,772</u></b>	<b><u>\$11,329,874</u></b>	<b><u>\$25,724,161</u></b>	<b><u>\$25,549,502</u></b>

As stated above, assets exceeded liabilities and deferred inflows of resources by \$25,724,161 at the end of fiscal year 2016. Assets at the end of fiscal year 2015 exceeded liabilities by \$25,549,502.

The largest portion of the Village's net position is in its investment in capital assets (84%). 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.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

An amount of \$903,196 of the Village's net position is subject to restrictions on how it may be used. These funds are primarily unspent bond proceeds. Unrestricted net assets (\$4,055,242) 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).

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 351,433	\$ 84,383	\$ 6,191,394	\$ 5,895,268	\$ 6,542,827	\$ 5,979,651
Operating grants & contributions	884,064	150,094	-	-	884,064	150,094
Capital grants & contr.	245,095	445,139	174,752	250,847	419,847	695,986
<b>General Revenues</b>						
Property taxes/PILOT Unrestricted	2,564,285	3,017,264	-	-	2,564,285	3,017,264
investment earnings	6,957	4,934	4,452	5,335	11,409	10,269
Other revenues	4,147	9,327	-	2,059	4,147	11,386
<b>Total Revenues</b>	<u>4,055,981</u>	<u>3,711,141</u>	<u>6,370,598</u>	<u>6,153,509</u>	<u>10,426,579</u>	<u>9,864,650</u>
<b>Expenses</b>						
<b>Governmental activities</b>						
General Government	1,692,141	737,050	-	-	1,692,141	737,050
Public Safety	299,463	393,475	-	-	299,463	393,475
Highways and Streets	930,120	1,335,321	-	-	930,120	1,335,321
Culture and Recreation	669,831	821,794	-	-	669,831	821,794
Interest on long-term debt	86,665	80,614	-	-	86,665	80,614
<b>Business-type activities</b>						
Water	-	-	3,531,566	3,496,725	3,531,566	3,496,725
Sanitation	-	-	593,362	521,025	593,362	521,025
Wastewater	-	-	2,448,772	2,427,150	2,448,772	2,427,150
<b>Total Expenses</b>	<u>3,678,220</u>	<u>3,368,254</u>	<u>6,573,700</u>	<u>6,444,900</u>	<u>10,251,920</u>	<u>9,813,154</u>
Changes in net position	377,761	342,887	(203,102)	(291,391)	174,659	51,496
Net position - July 1,	<u>14,219,628</u>	<u>13,876,741</u>	<u>11,329,874</u>	<u>11,621,265</u>	<u>25,549,502</u>	<u>25,498,006</u>
Net position - June 30,	<u>\$14,597,389</u>	<u>\$14,219,628</u>	<u>\$11,126,772</u>	<u>\$11,329,874</u>	<u>\$25,724,161</u>	<u>\$25,549,502</u>

At the end of FYE16, 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 2016. The Water Fund has \$147,213 that is restricted for bond projects.



Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

**Governmental activities.** Governmental activities increased the Village's net position by \$377,761 in FYE16. Expenditures in governmental funds exceeded revenues by \$1,411,114. The Village decreased its investment in capital assets by \$222,460 and unrestricted net position decreased by \$152,132. Restricted net position increased by \$6.

**Business-type activities.** Business-type activities decreased the Village's net position by \$203,102.

### **Water Fund**

The Water Fund had a budgetary net income of \$36,807 in FYE16. Disregarding GlobalFoundries pass through revenues and expenses, Water Fund revenues were \$55,389 more than budget while expenditures were \$18,582 more than budgeted. Revenue items that were overbudget were Residential Water Sales, Large User Water Sales and Miscellaneous Unclassified Revenue. Residential Water Sales were higher than budgeted due to more than anticipated water use. Large User sales were higher than anticipated because of high unaccounted water. Miscellaneous Unclassified Revenue consisted of penalties due to late payments and scrap metal sales. The Line items in the Water Fund that were substantially overbudget were CWD Water Purchase, Supplies, Distribution Materials and Capital Outlay. The high CWD Water Purchase can be linked directly to the high water sales and unaccounted water. Capital Outlay consisted of the purchase of heaters for the water building and replacement of the cradle for the water meter reading handheld device. Projects completed or begun in the Water Fund funded by a \$3.3 million bond shared with the General Fund were: Hillcrest Waterline, \$71,719 (completed); and Briar Lane Water line, \$98,081 (continued). Other projects completed with Water Fund Capital Reserve funds were: Maple St. Waterlines (\$181,599). The water meter replacement project was continued (\$14,990).

### **Sanitation Fund**

The Sanitation Fund had a budgetary net income of \$152,183. Sanitation revenues were \$184,642 more than budgeted while expenditures were \$136,634 more than budgeted. Hook-on fees were \$128,000 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 included \$141,000 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 over-spent by \$8,634. Sanitation personnel costs were lower than budgeted by \$18,272 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 greater than anticipated by \$17,107. Sanitation Lines Maintenance was also over budget by \$8,295. 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 \$29,980 in FYE16. The Sanitation Fund Capital Projects completed in FYE16 were Miscellaneous Pump Station Work (\$14,627), River Street Pump Station Control Panel (\$20,715), Manhole Rehab (\$20,000), and South St. Pumps and Valves (\$2,482).

### **Wastewater Treatment Fund**

The Wastewater Treatment Facility had a budgetary net income of \$124,792 in FYE16. Revenues were over budget by \$34,667 while expenditures were less than budget by \$90,125. At year end 2014, 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 2015 and at the end of fiscal 2016. The amounts designated to each community at 6/30/16 are: Essex Junction, \$290,576; Town of Essex, \$104,204; and Town of Williston, \$64,788. Each community determines how much it wants to leave in this "rate stabilization fund." Accounts that contributed significantly to the surplus in FYE16 are Health Insurance and Other Benefits, \$38,396; Electrical Service, \$69,529; and Sludge Management, \$33,593. The Health Insurance surplus is due to the continued postponement of a planned new hire. The surpluses in Health Insurance and Regular Salaries are partially offset by a deficit in Part-time Salaries. The surpluses in Electricity and Sludge Management are due to continuing to adjust to the processes for the major upgrade completed in FYE14. The management of the Co-Generation system also has been an adjustment. Surpluses were offset by a deficit in Maintenance Other. The only Capital Project completed in FYE 16 was Networking and Software costing \$12,937.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

*Financial Analysis of Major Governmental Funds*

**The General Fund**

The General Fund had a surplus of \$44,219 in FYE16. It was budgeted to have a deficit of \$35,000 but instead added to fund balance. The fund balance of the General Fund increased from \$733,552 at the end of fiscal year 2015 to \$777,771 at the end of fiscal year 2016. Of the \$777,771 fund balance, \$122,677 is nonspendable (inventories and prepaid expenses), \$163,649 is committed or assigned (see page 27 of notes for breakdown). Thus, there exists \$491,445 of unassigned fund balance in the General Fund. The unassigned fund balance is equal to 12.4% of the FYE17 Budget. A transfer of \$96,000 is proposed to the Capital Reserve Fund in FYE18. This transfer will be voted on at the April 2017 Annual Meeting. 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 FYE16, revenues were higher than budgeted by \$14,124. Revenues that were significantly higher than anticipated were License and Zoning Fees (+\$8,153) due to higher than anticipated zoning permit activity and Miscellaneous Street Receipts (+9,312) due to unexpectedly high excavation permits.
- Expenditures excluding those for grants and donations received in FYE16 were \$62,271 less than budgeted. The following analysis will identify amounts varying substantially from budget and give an explanation of what transpired during the year. Please see page 32 of the notes for the General Fund Budget to Actual comparison. Please note Health Insurances expenses in all budgets were lower than budget due to a less expensive plan being offered to employees in FYE16 than had been considered when the budget was compiled.
  - A) General Government expenses were under budget by \$26,467. General Governmental Departments include Administration and Lincoln Hall. Line items underspent included Legal Fees, Training and Conferences and Computer Expenses. Some items were underspent due to the combining with the Town of Essex. There were over expenditures in the Salaries line items as there was extra work involved in the combining of Village and Town Finance Departments. The Lincoln Hall budget was on target.
  - B) Public Safety (Fire Department) was underspent by less than 2%. Over-expenditures in Vehicle Maintenance, Building Maintenance and Supplies were balanced by under-expenditures in Training, Conferences and Dues, uniforms, heating, and lower than anticipated vehicle fuel costs.
  - C) Public Works (Street budget) was less than 1 percent under-budget. Over-expenditures in Engineering, Supplies and Pavement Maintenance, Equipment rentals and Signs and Posts were offset by under-expenditures in Winter Maintenance (warm winter), Gas Grease and Oil due to lower than expected fuel prices, and personnel costs. Personnel costs were lower than budget due to the delay in hiring a replacement employee.
  - D) Community Development (Community Development and Economic Development Departments) were underspent by \$33,646. Line items substantially underspent include Legal Services, Computer Expenses (due to the combining of Finance with the Town of Essex) and Recording Fees (due to the combining with the Town of Essex) in the Community Development Department. In Economic Development underspent line items were Block Party Expense (due to the cancelling of the event because of bad weather), Matching Grant Funds and New Programs that were not needed, and Annual Support of Organizations where the contribution for Essex Rescue was provided by the Town of Essex and, therefore, not made in the Village budget.
  - E) Culture and Recreation which includes the Brownell Library and Senior Support was underspent by \$56,122. The under-expenditure can be attributed to hiring the Assistant Director later in the year than anticipated and over-budgeting for the new Director position when the budget was put together.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

F) Grants received and expended were received for the Library, Community Development, and the Street Department. The Library received from the State of Vermont a grant for the First Wednesdays program (\$650), a Performer Grant of \$100, a grant for courier service of \$240 and an LSTA (Library Services and Technology Act) grant of \$2,326. The Library received donations from the Friends of the Brownell Library for books, performances and equipment totaling \$7,654. Community Development received a grant of \$4,995 from the State to install an electrical vehicle charging station. The Street Department also received \$1,500 from a State of Vermont Caring for Canopy grant for tree maintenance. The Village received an equipment grant from the Vermont League of Cities and Towns of \$920 and a donation of \$150 from the Lions Club for a permanent Christmas Tree.

### **Capital Reserve Fund**

The Capital Reserve Fund had a fund balance of \$182,922 as of June 30, 2016 and a fund balance of \$255,155 as of June 30, 2015. During the year the following projects were completed: Lincoln Hall Restoration (\$356,822), Main St. Sidewalk Scoping Study (\$16,204), Fire House LED Lighting (\$15,173) and Brownell Library Carpet Replacement (\$29,628). The Crescent Connector Project progressed for a cost of 99,178 with reimbursement in the year of \$89,209. 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 continued at a cost of \$17,129 in FYE16 with grant reimbursement of \$15,660. The Pearl St. Linking Sidewalk project was continued at a cost of \$46,856. The Pearl St. Linking Sidewalk is a "Circ-Alternative" project and will be fully funded by Federal grant funds. Roads resurfaced were Countryside Dr., Tamarack Dr., Vale Dr. and Corduroy Rd.

### **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 \$215,455 at the beginning of FYE16 and \$318,574 as of the end of FYE16. Expenditures in the Rolling Stock Fund in FYE16 totaled \$190,975. The Village purchased a Dump Truck for \$138,701 plus trade in. 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 \$100,000 at year end.

### **Capital Assets**

The Village of Essex Junction's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totaled \$39,559,737 (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 Countryside Dr., Tamarack Dr., Vale Dr. and Corduroy Rd.
- Lincoln Hall Masonry was repaired and new siding installed
- Brownell Library carpet was replaced
- LED Lighting was installed in the Fire House.
- Hillcrest/No Hillcrest Drainage, Curb and Road Reconstruction\*

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

- Main St. Storm Drainage Project was completed\*
- Portions of Maple St. Roadway and Drainage Reconstructed\*
- Electric Vehicle Charging Station Installed
- Work progressed on Crescent Connector Rd.
- Work continued on the Multi-use Safety Path
- Work continued on the Pearl St. Linking Project
- A dump truck was purchased
- A dump truck was traded in

The major capital assets transactions during the year for the enterprise activities were as follows:

- 2 Water Lines were replaced on Maple St.
- A water line was replaced on Hillcrest Rd.\*
- Pump Station Controls were improved
- 33 commercial and 36 residential radio frequency water meters were installed

\*These assets were purchased with money from a bond from the Vermont Bond Bank

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 7 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 55,742	\$ 55,742	\$ 118,077	\$ 118,077	\$ 173,819	\$ 173,819
Construction in Progress	1,786,526	1,510,610	105,244	53,273	1,891,770	1,563,883
Antiques and Works of Art	7,550	7,550	-	-	7,550	7,550
Buildings and Bldg Improvements	2,375,161	1,976,713	15,171,806	15,171,806	17,546,967	17,148,519
Vehicles, Machinery, Equip, Furniture & Traffic Signals	6,191,800	6,131,928	5,057,991	4,940,526	11,249,791	11,072,454
Library Books	824,895	817,361	-	-	824,895	817,361
Parks	210,984	210,894	-	-	210,984	210,894
Roads, Curbs, Sidewalks & Storm Sewers	10,267,501	8,781,343	164,182	164,182	10,431,683	8,945,525
Distribution and Collection Systems	-	-	21,361,292	21,078,907	21,361,292	21,078,907
Total Assets	21,720,159	19,492,141	41,978,592	41,526,771	63,698,751	61,018,912
Less: Accum. Depr.	(5,981,757)	(5,353,201)	(18,157,257)	(16,958,172)	(24,139,014)	(22,311,373)
Total	<u>\$15,738,402</u>	<u>\$14,138,940</u>	<u>\$23,821,335</u>	<u>\$24,568,599</u>	<u>\$39,559,737</u>	<u>\$38,707,539</u>

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

***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, 2014. The interest rate is 1.52% and the note is due July 30, 2017. The Village paid \$50,000 in principal in FYE16 and the balance on the note is \$100,000 at 6/30/16.

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 6/30/16 is \$222,756.

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 6/30/16, the High School Pump Station project is complete and the Village has borrowed \$1,212,300 and received a subsidy of \$114,800 from the State Clean Water Revolving Fund in the Sanitation Fund. The principal due on the loan as of 6/30/16 is \$1,006,258. As of 6/30/15 the Village had borrowed \$13,525,000 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 was assumed from the Town of Bradford. Principal and interest payments were started in FYE12. As of June 30, 2016, the principal outstanding on this bond was \$1,405,000. 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.

On April 8, 2014 the Village voters agreed to issue general obligation bonds in an amount not to exceed \$3,300,000. In July 2015 received \$3,300,000 from the Vermont Municipal Bond Bank for the purpose of performing 5 infrastructure projects. In FYE15 the School St. south Roadway/Water/Sewer line project was completed. In FYE16 the Hillcrest Drainage project, the Main St. Drainage, the Maple St. Culvert/Water line were completed and the Briar Lane Roadway/Sidewalk/Water Line projects were continued. The last project, Briar Lane Roadway/Sidewalk and Water Line was completed in FYE17. At 6/30/16 the outstanding principal on this bond is \$3,135,000.

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

- As of January 2017 the economy continues to improve. The national unemployment rate was at 4.8% in January, down from 4.9% in January 2016 according to the US Dept. of Labor Bureau of Labor Statics. According to the same source, Vermont unemployment was at 3.1% in December 2016, down from 3.5% in December 2015.
- The CPI index for Northeast urban communities was 1.9 % from December 2015 to December 2016. The National City average CPI index was also 2.1% from December 2015 to December 2016.
- 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 have increased since a year ago. According to the AAA the US average price is \$2.28/gallon on 2/13/17 and the Vermont average price is \$1.330/gallon for regular gasoline. The National average was \$1.749 a year ago. The national debt is closing in on \$20 Trillion.
- Donald Trump was elected President in November and has made promises to replace the Affordable Care Act, improve the economy and keep the nation safer from terrorist attacks. The nation is very divided on how they see this presidency.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

- The Village and the Town continue to seek ways to combine services in order to deliver more efficient service and to keep the increase in the cost of government as low as possible. In the FYE15 budget the cost of Village highway services and stormwater was assumed by the Town of Essex. Through these consolidated efforts, over \$80,000 in combined savings has been identified and the Village and Town have been awarded over \$500,000 in stormwater grants that would not have been awarded without the cooperative effort. In the FYE16 budget the cost of Village pavement maintenance was added to the Street Department budget and was paid for by the Town of Essex as a whole. Administrative services such as Accounts Payable and Payroll have been combined on the Town accounting system. In November 2015, the voters of the Town of Essex, Village of Essex Junction and Westford voted to combine school districts. As a result of the combining of school districts, the schools no longer wish to manage the Essex Junction Recreation District. A vote was taken to form a Unified Municipal District to combine Essex Junction Recreation and Parks (EJRP) and the Town of Essex Recreation Department. This vote failed in the Town. The Village Trustees have offered to take the EJRP into the Village as a department and the School District Prudential Committee has accepted the offer. The proposed FYE18 Village budget has incorporated the EJRP.
- Planning applications in the Village remain strong with a preference for one and two bedroom apartments to meet market demand.
  - Work is substantially complete on a new building at 4 Pearl Street that is bringing new retail and commercial facilities, as well as 51 apartments to the Village core.
  - Planning work on the Connector Road continued and the new road itself is scheduled to begin construction in 2017.
  - The Pearl St. Link project is scheduled for the summer of 2017.
  - The State of Vermont paved Maple St. in 2016 and will pave the other Class 1 highways in the Village in the summer of 2017.
  - Roads paved in the summer of 2016 were Mansfield Ave., most of Drury Dr. and the connecting portions of Woods End Dr. and Briar Lane. South Summit St. was paved with the aid of a Class 2 Paving Grant from the State.
  - The multiuse path from the High School to Central Street has been completed
  - 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.
  - The Bike/Walk Committee has been hard at work.
  - The Capital Committee has been prioritizing projects.
- The Village continues to seek grant money to supplement tax revenues. 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. In conjunction with the Town of Essex the Village and Town have been seeking grants for stormwater projects.
- 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 to be paid for by these bonds were: 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 all projects are complete.
- The FYE17 General Fund budget increased by 3.9% from the FYE16 budget. The tax rate increased by 3% from \$0.2366 to \$0.2289. However, a 1 cent tax for Economic Development was added in FYE17. At this time in February 2017 the Trustees have adopted the proposed FYE18 budgets. The FYE18 General Fund budget proposes a 22% increase. The reason for the substantial increase in the budget is the addition of the Essex Junction Recreation Department to the Village Budget. If the increase in the tax rate is compared to the combined Village and Recreation tax rates of FYE16, the estimated rate of \$0.3003 is an increase of 0.97%.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

- Capital projects being undertaken or continued in FYE17 and their budgeted or actual amounts, if available, include:
  - Multi-use Safety Path - \$550,827 budget to be partially funded by CCRPC and VTrans
  - Crescent Connector Road – budget \$4,500,000 to be funded by Vt. Dept. of Transportation
  - Pearl St. Linking Sidewalk - \$2,120,000 budget to be funded by Dept of Transportation
  - Brownell Library Stairs Carpet Replacement - \$12,000
  - Hillcrest Sidewalk Project – Engineering - \$38,909

The FYE17 water/sewer/sanitation rates are as follows:

	Quarterly Fixed Charges	Usage Charges
Water	\$22.66/unit	\$0.0157/cubic foot water usage
Wastewater Treatment	\$24.53/unit	\$0.0092/cubic foot water usage
Sanitation	<u>\$22.97/unit</u>	<u>\$0.0054/cubic foot water usage</u>
Total	\$70.16/unit	\$0.0303/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  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
<b>CURRENT ASSETS</b>			
Cash	\$ 2,080,311	\$ -	\$ 2,080,311
Restricted cash	752,347	147,213	899,560
Accounts receivable	96,262	917,345	1,013,607
Due from other funds	-	2,353,730	2,353,730
Due from Town	1,289,456	20,303	1,309,759
Inventory	90,528	42,625	133,153
Prepaid expenses	32,149	12,021	44,170
TOTAL CURRENT ASSETS	4,341,053	3,493,237	7,834,290
 CAPITAL ASSETS, net	 15,738,402	 23,821,335	 39,559,737
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 20,079,455	\$ 27,314,572	\$ 47,394,027
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 6,481	\$ 57,096	\$ 63,577
Accrued payroll	19,875	10,648	30,523
Accrued interest	11,835	5,447	17,282
Due to other funds	2,353,730	-	2,353,730
Current portion notes and bonds payable	241,900	674,935	916,835
TOTAL CURRENT LIABILITIES	2,633,821	748,126	3,381,947
 <b>LONG-TERM LIABILITIES</b>			
Accrued compensated absences	290,139	116,695	406,834
Notes and bonds payable	2,554,200	15,322,979	17,877,179
TOTAL LONG-TERM LIABILITIES	2,844,339	15,439,674	18,284,013
TOTAL LIABILITIES	5,478,160	16,187,800	21,665,960
 <b>DEFERRED INFLOWS</b>			
Deferred revenue	3,906	-	3,906
 <b>NET POSITION</b>			
Net investment in capital assets	12,942,302	7,823,421	20,765,723
Restricted	755,983	147,213	903,196
Unrestricted	899,104	3,156,138	4,055,242
TOTAL NET POSITION	14,597,389	11,126,772	25,724,161
TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION	\$ 20,079,455	\$ 27,314,572	\$ 47,394,027

See Accompanying Notes to Basic Financial Statements.



Village of Essex Junction, Vermont  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities		Business-Type Activities
<u>Functions/Programs</u>							
Governmental activities							
General government	\$ 1,692,141	\$ 340,288	\$ 22,943	\$ 56,565	\$ (1,272,345)	\$ -	\$ (1,272,345)
Public safety	299,463	-	-	-	(299,463)	-	(299,463)
Highways and Streets	930,120	9,312	841,070	181,540	101,802	-	101,802
Culture and Recreation	669,831	1,833	20,051	6,990	(640,957)	-	(640,957)
Interest on long-term debt	86,665	-	-	-	(86,665)	-	(86,665)
Total governmental activities	<u>3,678,220</u>	<u>351,433</u>	<u>884,064</u>	<u>245,095</u>	<u>(2,197,628)</u>	<u>-</u>	<u>(2,197,628)</u>
Business-type activities:							
Water	3,531,566	3,578,853	-	-	-	47,287	47,287
Sanitation	593,362	744,951	-	104,562	-	256,151	256,151
Wastewater	2,448,772	1,867,590	-	70,190	-	(510,992)	(510,992)
Total business-type activities	<u>\$ 6,573,700</u>	<u>\$ 6,191,394</u>	<u>\$ -</u>	<u>\$ 174,752</u>	<u>-</u>	<u>(207,554)</u>	<u>(207,554)</u>
General Revenues:							
Property taxes, levied for general purposes					2,564,285	-	2,564,285
Unrestricted investment earnings					6,957	4,452	11,409
Loss on sale of equipment					(2,728)	-	(2,728)
Miscellaneous					6,875	-	6,875
Total general revenues and transfers					<u>2,575,389</u>	<u>4,452</u>	<u>2,579,841</u>
Change in Net Position					377,761	(203,102)	174,659
Net position, beginning					<u>14,219,628</u>	<u>11,329,874</u>	<u>25,549,502</u>
Net position, ending					<u>\$ 14,597,389</u>	<u>\$ 11,126,772</u>	<u>\$ 25,724,161</u>

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2016

	General Fund	Capital Projects Fund	Rolling Stock Reserve Fund	Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 2,080,311	\$ -	\$ -	\$ -	\$ -	\$ 2,080,311
Restricted cash	-	-	-	752,347	-	752,347
Inventory	90,528	-	-	-	-	90,528
Accounts receivable	30,199	-	-	-	-	30,199
Due from Town	1,289,456	-	-	-	-	1,289,456
Due from other funds	-	182,922	318,574	-	84,367	585,863
Prepaid expenses	<u>32,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,149</u>
 TOTAL ASSETS	 <u>\$ 3,522,643</u>	 <u>\$ 182,922</u>	 <u>\$ 318,574</u>	 <u>\$ 752,347</u>	 <u>\$ 84,367</u>	 <u>\$ 4,860,853</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts payable	\$ 6,481	\$ -	\$ -	\$ -	\$ -	\$ 6,481
Accrued payroll and related liabilities	19,875	-	-	-	-	19,875
Due to other funds	2,714,610	-	-	224,983	-	2,939,593
Deferred revenue	<u>3,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,906</u>
 TOTAL LIABILITIES	 <u>2,744,872</u>	 <u>-</u>	 <u>-</u>	 <u>224,983</u>	 <u>-</u>	 <u>2,969,855</u>
<u>FUND BALANCE</u>						
Nonspendable	122,677	-	-	-	-	122,677
Assigned	163,649	-	-	-	-	163,649
Restricted	-	-	-	527,364	3,636	531,000
Committed	-	182,922	318,574	-	80,731	582,227
Unassigned	<u>491,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,445</u>
 TOTAL FUND BALANCE	 <u>777,771</u>	 <u>182,922</u>	 <u>318,574</u>	 <u>527,364</u>	 <u>84,367</u>	 <u>1,890,998</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 3,522,643</u>	 <u>\$ 182,922</u>	 <u>\$ 318,574</u>	 <u>\$ 752,347</u>	 <u>\$ 84,367</u>	 <u>\$ 4,860,853</u>

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 June 30, 2016

**Total fund balances - governmental funds** \$ 1,890,998

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 15,738,402

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds

Deferred grant revenue 66,063

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Accrued compensated absences (290,139)

Accrued interest on long-term debt (11,835)

Notes payable (2,796,100)

**Total net position - governmental activities** \$ 14,597,389

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Rolling Stock Reserve Fund	Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property tax	\$ 2,564,285	\$ -	\$ -	\$ -	\$ -	\$ 2,564,285
Licenses and permits	58,153	-	-	-	-	58,153
Intergovernmental revenues	862,388	-	-	-	-	862,388
Charges for services	276,730	-	-	-	-	276,730
Fines and forfeits	1,741	-	-	-	-	1,741
Interest income	2,657	-	470	3,689	149	6,965
Miscellaneous income	19,436	179,622	-	-	-	199,058
Donations	16,709	20,770	50,000	-	-	87,479
<b>TOTAL REVENUES</b>	<u>3,802,099</u>	<u>200,392</u>	<u>50,470</u>	<u>3,689</u>	<u>149</u>	<u>4,056,799</u>
<b>EXPENDITURES</b>						
Current:						
General government	606,910	-	-	-	-	606,910
Public safety	299,463	-	-	-	-	299,463
Public works	826,766	25,600	-	82,569	-	934,935
Community development	303,741	-	-	-	-	303,741
Culture and recreation	666,875	-	-	-	-	666,875
Grant expenditures	6,176	-	-	-	-	6,176
Debt Service						
Principal	141,900	-	50,000	-	-	191,900
Interest expense	81,526	-	2,274	-	-	83,800
Capital Outlay						
Public safety	-	15,173	-	-	-	15,173
Public works	6,400	363,326	138,701	1,407,488	-	1,915,915
Grant expenditures	4,995	-	-	-	-	4,995
Culture and recreation	52,680	385,350	-	-	-	438,030
<b>TOTAL EXPENDITURES</b>	<u>2,997,432</u>	<u>789,449</u>	<u>190,975</u>	<u>1,490,057</u>	<u>-</u>	<u>5,467,913</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES</b>	<u>804,667</u>	<u>(589,057)</u>	<u>(140,505)</u>	<u>(1,486,368)</u>	<u>149</u>	<u>(1,411,114)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers In	-	516,824	243,624	-	-	760,448
Operating transfers Out	(760,448)	-	-	-	-	(760,448)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<u>(760,448)</u>	<u>516,824</u>	<u>243,624</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	44,219	(72,233)	103,119	(1,486,368)	149	(1,411,114)
<b>FUND BALANCE - July 1, 2015</b>	<u>733,552</u>	<u>255,155</u>	<u>215,455</u>	<u>2,013,732</u>	<u>84,218</u>	<u>3,302,112</u>
<b>FUND BALANCE - June 30, 2016</b>	<u>\$ 777,771</u>	<u>\$ 182,922</u>	<u>\$ 318,574</u>	<u>\$ 527,364</u>	<u>\$ 84,367</u>	<u>\$ 1,890,998</u>

See Accompanying Notes to Basic Financial Statements.

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, 2016

**Net change in fund balances - governmental funds** \$ (1,411,114)

Amounts reported for governmental activities in the Statement of  
 Activities are different because:

Governmental funds report capital outlays as expenditures. However,  
 in the statement of activities, the cost of those assets is allocated  
 over their estimated useful lives and reported as depreciation expense.

Depreciation Expense	(777,329)
Capital Outlay	2,376,701

Revenues in the statement of activities that do not provide current financial  
 resources are not reported as revenues in the funds.

Decrease in the reserve for deferred grant revenue	1,918
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Issuance and repayment of long-term debt are revenue and expenditures in the governmental  
 funds, but the Issuance and repayment increase and decrease long-term liabilities in the  
 statement of net assets.

Repayment of long-term debt	191,900
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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.

Accrued interest on long-term debt	(2,865)
Accrued compensated absences	<u>(1,450)</u>

**Change in net position of governmental activities** **\$ 377,761**

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 June 30, 2016

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Restricted Cash	\$ 147,213	\$ -	\$ -	\$ 147,213
Accounts receivable - net	508,735	155,476	253,134	917,345
Due from other funds	-	1,700,610	893,329	2,593,939
Due from Town	-	20,303	-	20,303
Inventory	643	-	41,982	42,625
Prepaid expenses	<u>3,018</u>	<u>3,718</u>	<u>5,285</u>	<u>12,021</u>
TOTAL CURRENT ASSETS	<u>659,609</u>	<u>1,880,107</u>	<u>1,193,730</u>	<u>3,733,446</u>
 CAPITAL ASSETS, net	 <u>1,992,378</u>	 <u>3,306,169</u>	 <u>18,522,788</u>	 <u>23,821,335</u>
 TOTAL ASSETS	 <u>\$ 2,651,987</u>	 <u>\$ 5,186,276</u>	 <u>\$ 19,716,518</u>	 <u>\$ 27,554,781</u>
<u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 53,243	\$ 543	\$ 3,310	\$ 57,096
Accrued wages	1,565	1,285	7,798	10,648
Due to other funds	240,209	-	-	240,209
Current portion long-term debt	<u>23,109</u>	<u>58,050</u>	<u>593,776</u>	<u>674,935</u>
TOTAL CURRENT LIABILITIES	<u>318,126</u>	<u>59,878</u>	<u>604,884</u>	<u>982,888</u>
 LONG-TERM LIABILITIES				
Accrued compensated absences	9,432	10,545	96,718	116,695
Accrued interest	1,648	-	3,799	5,447
Notes and bonds payable	<u>415,791</u>	<u>1,139,395</u>	<u>13,767,793</u>	<u>15,322,979</u>
TOTAL LONG-TERM LIABILITIES	<u>426,871</u>	<u>1,149,940</u>	<u>13,868,310</u>	<u>15,445,121</u>
 TOTAL LIABILITIES	 <u>744,997</u>	 <u>1,209,818</u>	 <u>14,473,194</u>	 <u>16,428,009</u>
 NET POSITION				
Net investment in capital assets	1,553,478	2,108,724	4,161,219	7,823,421
Restricted	147,213	-	-	147,213
Unrestricted - designated	<u>206,299</u>	<u>1,867,734</u>	<u>1,082,105</u>	<u>3,156,138</u>
TOTAL NET POSITION	<u>1,906,990</u>	<u>3,976,458</u>	<u>5,243,324</u>	<u>11,126,772</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 2,651,987</u>	 <u>\$ 5,186,276</u>	 <u>\$ 19,716,518</u>	 <u>\$ 27,554,781</u>

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - PROPRIETARY FUNDS  
 For the Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$3,568,859	\$ 740,861	\$ 1,867,276	\$ 6,176,996
Miscellaneous	<u>9,994</u>	<u>4,090</u>	<u>314</u>	<u>14,398</u>
<b>TOTAL OPERATING REVENUES</b>	<u>3,578,853</u>	<u>744,951</u>	<u>1,867,590</u>	<u>6,191,394</u>
<b>OPERATING EXPENSES</b>				
Operating, maintenance and general and administrative expenses	3,411,189	389,784	1,463,933	5,264,906
Depreciation	<u>107,127</u>	<u>156,541</u>	<u>935,417</u>	<u>1,199,085</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>3,518,316</u>	<u>546,325</u>	<u>2,399,350</u>	<u>6,463,991</u>
<b>CHANGE IN NET POSITION FROM OPERATIONS</b>	<u>60,537</u>	<u>198,626</u>	<u>(531,760)</u>	<u>(272,597)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	(115)	2,735	1,832	4,452
Capital contributions	-	104,562	70,190	174,752
Transfer in	-	21,086	38,564	59,650
Interest expense	(13,250)	(47,037)	(49,422)	(109,709)
Transfer out	<u>-</u>	<u>(38,564)</u>	<u>(21,086)</u>	<u>(59,650)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(13,365)</u>	<u>42,782</u>	<u>40,078</u>	<u>69,495</u>
<b>CHANGE IN NET POSITION</b>	47,172	241,408	(491,682)	(203,102)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,859,818</u>	<u>3,735,050</u>	<u>5,735,006</u>	<u>11,329,874</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$1,906,990</u>	<u>\$3,976,458</u>	<u>\$ 5,243,324</u>	<u>\$11,126,772</u>

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
FUND FINANCIAL STATEMENTS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,509,981	\$ 737,036	\$ 1,877,316	\$ 6,124,333
Payments to suppliers	(3,254,797)	(1,989,057)	(2,024,112)	(7,267,966)
Payments for employees and benefits	<u>(174,869)</u>	<u>(137,981)</u>	<u>(505,351)</u>	<u>(818,201)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>80,315</u>	<u>(1,390,002)</u>	<u>(652,147)</u>	<u>(1,961,834)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of property, plant and equipment	(368,314)	(68,950)	(14,555)	(451,819)
Capital Contributions	-	104,562	70,190	174,752
Interest payments on debt	(13,272)	(47,037)	(49,422)	(109,731)
Principal payments on debt	<u>(23,100)</u>	<u>(102,081)</u>	<u>(56,877)</u>	<u>(182,058)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(404,686)</u>	<u>(113,506)</u>	<u>(50,664)</u>	<u>(568,856)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Operating transfers in/(out)	-	(17,478)	17,478	-
Interest income	<u>(115)</u>	<u>2,735</u>	<u>1,832</u>	<u>4,452</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(115)</u>	<u>(14,743)</u>	<u>19,310</u>	<u>4,452</u>
NET (DECREASE) IN CASH	(324,486)	(1,518,251)	(683,501)	(2,526,238)
CASH - BEGINNING OF YEAR	<u>471,699</u>	<u>1,518,251</u>	<u>683,501</u>	<u>2,673,451</u>
CASH - END OF YEAR	<u>\$ 147,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,213</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 60,537	\$ 198,626	\$ (531,760)	\$ (272,597)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	107,127	156,541	935,417	1,199,085
Change in net assets and liabilities:				
Receivables, net	(68,872)	(7,915)	(55,274)	(132,061)
Grants receivable	-	-	65,000	65,000
Due from other funds	-	(1,677,650)	(893,329)	(2,570,979)
Due from Town	-	(20,303)	-	(20,303)
Inventory	-	-	(8,722)	(8,722)
Prepaid expenses	1,501	2,441	14,135	18,077
Accounts payable	(256,959)	(42,246)	(169,562)	(468,767)
Accrued wages	(1,835)	(1,742)	(3,081)	(6,658)
Due to other funds	240,209	-	(22,960)	217,249
Accrued compensated absences	<u>(1,393)</u>	<u>2,246</u>	<u>17,989</u>	<u>18,842</u>
Net cash provided (used) by operating activities	<u>\$ 80,315</u>	<u>\$ (1,390,002)</u>	<u>\$ (652,147)</u>	<u>\$ (1,961,834)</u>

See Accompanying Notes to Basic Financial Statements.



Village of Essex Junction, Vermont  
FUND FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - FIDUCIARY FUND  
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
CASH	\$ <u>2,001</u>
<u>LIABILITIES AND NET POSITION</u>	
LIABILITIES	
Due to Other Organizations	<u>2,001</u>
TOTAL LIABILITIES NET POSITION	<u>\$ 2,001</u>

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The accounting policies adopted by 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.

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 is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Village.

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 presents a longer-term view of the Village's finances. The focus of the fund financial statements is on reporting the operating results and financial position of the most significant funds of the Village and presents 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, 2016

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the Village as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the acquisition or construction of general fixed assets (capital projects). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Fiduciary Funds are used to account for assets held by the Village as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, sewer usage fees and water usage fees are recognized under the susceptible to accrual concept in accordance with Governmental Accounting Standards Board ("GASB") pronouncements. Revenues received from the State of Vermont are also recognized when susceptible to accrual. Miscellaneous revenues and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The Village reports 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.

Bond Fund - This fund accounts for the purchases from the 2014 bond issue.

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.

Additionally, the Village reports the following fund type:

Agency Funds - These funds account for monies maintained for the Champlain Valley Exposition Noise Escrow.

Amounts reported as program revenues include:

- 1) charges to individuals and business for fees, rental, material, supplies, or services, provided
- 2) operating grants and contributions
- 3) capital grants and contributions

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes, licenses, ordinance violation fees and interest associated with the current fiscal period are all considered 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 measurable and available only when cash is received by the Village.

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 positions 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.

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Village utilizes one cash account maintained by the Town general fund to collect money and pay bills for all funds. When money is collected and expended, the Village records a corresponding payable or receivable to the Town. This helps manage cash and eases administrative burdens.

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.

Internal Balances

Activities 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. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 1,000	Not Depreciated
Antiques and Works of Art	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	40 Years
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	\$ 5,000	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 System	\$ 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.

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. If an employee terminates after age 62, the Village will pay up to 800 hours of accumulated sick leave regardless of years of service. The Village evaluates all employees who have reached ten (10) years of service or age 57 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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Long-term Obligations

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 liabilities on their balance sheets.

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 Village has one (1) type of item which qualifies under the modified accrual basis of accounting. The governmental funds report deferred inflows of resources from one (I) source: unavailable grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Government-Wide and Proprietary Fund Net Position

Government-wide and Proprietary Fund Net Position are divided into three components:

Net Investment in Capital Assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted – consists of net position that is restricted by the Village's creditors, by enabling legislation, by grantors (both federal and state) and/or by contributors.

Unrestricted – all other net position reported in this category

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent because they are not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Village.

Assigned – Amounts that are designated by management for a particular purpose

Unassigned – All amounts not included in other classifications.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Transfers

Operating transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

NOTE 2 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 another 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 another financing source and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The General Fund Budget is approved at the annual Village Meeting in April. Budget transfers between departments can be made upon the approval of the Trustees during the last three (3) months of the year without increasing the total appropriated amount.

Enterprise fund budgets are approved by the Board of Trustees.

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.



Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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.

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2016 consisted of the following:

	Book Balance	Bank Balance
Insured by the FDIC	\$ 502,026	\$ 502,001
Insured by Deposit Surety Bond	1,830,061	1,830,060
Offset by debt with institution	649,560	649,560
Petty Cash	225	-
Total Deposits	\$ 2,981,872	\$ 2,981,621

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

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. The Village has no investments subject to credit risk.

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. The Village has no investments subject to interest rate risk disclosure

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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 CASH AND CASH EQUIVALENTS (continued)

Concentration of Credit Risk

The Village has no limit on the amount that they may invest with any one issuer. As of June 30, 2016, the Village is not exposed to concentration of credit risk.

Restricted Cash and Investments

Restricted cash and investments consist of unspent bond proceeds held by the Vermont Municipal Bond Bank's trustee bank.

NOTE 5 RECEIVABLES

Receivables at June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Billed Services	\$ -	\$ 323,378	\$ 323,378
Unbilled Services	-	593,967	593,967
Grants	66,063	-	66,063
State	4,995	-	4,995
Other	25,204	-	25,204
	\$ 96,262	\$ 917,345	\$ 1,013,607

Management has evaluated all receivables and believes all are collectible, so no allowance for doubtful accounts has been recorded.

NOTE 6 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 0%, Secured by a 2nd Position on Building \$ 260,000

Allowance for Doubtful Note Receivable (260,000)

Net Note Receivable \$ -

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 55,742	\$ -	\$ -	\$ 55,742
Construction in Progress	1,510,610	1,926,372	(1,650,456)	1,786,526
Antiques and Works of Art	<u>7,550</u>	<u>-</u>	<u>-</u>	<u>7,550</u>
Total capital assets not being depreciated	<u>1,573,902</u>	<u>1,926,372</u>	<u>(1,650,456)</u>	<u>1,849,818</u>
Other capital assets:				
Buildings and Improvements	1,976,713	407,743	(9,295)	2,375,161
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	6,131,928	164,931	(105,059)	6,191,800
Library Books	817,361	52,681	(45,147)	824,895
Parks	210,984	-	-	210,984
Roads, Curbs, Sidewalks, and Storm Sewers	<u>8,781,343</u>	<u>1,486,158</u>	<u>-</u>	<u>10,267,501</u>
Total other capital assets	<u>17,918,329</u>	<u>2,111,513</u>	<u>(159,501)</u>	<u>19,870,341</u>
Less accumulated depreciation for:				
Buildings and Improvements	(726,823)	(54,379)	6,816	(774,386)
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	(1,959,063)	(307,975)	96,810	(2,170,228)
Library Books	(609,405)	(62,047)	45,147	(626,305)
Parks	(24,347)	(2,580)	-	(26,927)
Roads, Curbs, Sidewalks, and Storm Sewers	<u>(2,033,563)</u>	<u>(350,348)</u>	<u>-</u>	<u>(2,383,911)</u>
Total accumulated depreciation	<u>(5,353,201)</u>	<u>(777,329)</u>	<u>148,773</u>	<u>(5,981,757)</u>
Total capital assets being depreciated, net	<u>12,565,128</u>	<u>1,334,184</u>	<u>(10,728)</u>	<u>13,888,584</u>
Governmental Activities - Capital Assets, Net	<u>\$ 14,139,030</u>	<u>\$ 3,260,556</u>	<u>\$ (1,661,184)</u>	<u>\$ 15,738,402</u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions, as follows:

General Government	\$ 27,527
Public Safety	92,051
Highways and Streets	549,278
Storm Water	107,295
Culture and Recreation	<u>1,176</u>
TOTAL	<u>\$ 777,327</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 118,077	\$ -	\$ -	\$ 118,077
Construction in progress	<u>53,273</u>	<u>3,551,181</u>	<u>(3,499,210)</u>	<u>105,244</u>
Total capital assets not being depreciated	<u>171,350</u>	<u>3,551,181</u>	<u>(3,499,210)</u>	<u>223,321</u>
Capital assets being depreciated:				
Buildings and Improvements	15,171,806	-	-	15,171,806
Vehicles, Machinery, Equipment and Furniture	4,940,526	117,465	-	5,057,991
Infrastructure	164,182	-	-	164,182
Distribution and Collection Systems	<u>21,078,907</u>	<u>282,385</u>	<u>-</u>	<u>21,361,292</u>
Total Capital assets being depreciated	<u>41,355,421</u>	<u>399,850</u>	<u>-</u>	<u>41,755,271</u>
Less accumulated depreciation for:				
Buildings and Improvements	(3,108,855)	(511,780)	-	(3,620,635)
Vehicles, Machinery, Equipment and Furniture	(1,425,257)	(270,737)	-	(1,695,994)
Infrastructure	(32,735)	(8,209)	-	(40,944)
Distribution and Collection Systems	<u>(12,391,325)</u>	<u>(408,359)</u>	<u>-</u>	<u>(12,799,684)</u>
Total accumulated depreciation	<u>(16,958,172)</u>	<u>(1,199,085)</u>	<u>-</u>	<u>(18,157,257)</u>
Total capital assets being depreciated, net	<u>24,397,249</u>	<u>(799,235)</u>	<u>-</u>	<u>23,598,014</u>
Business-Type Activities - Capital Assets, Net	<u>\$ 24,568,599</u>	<u>\$ 2,751,946</u>	<u>\$ (3,499,210)</u>	<u>\$ 23,821,335</u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 CAPITAL ASSETS (continued)

Depreciation expense was charged as follows:

Water Fund	\$	107,127
Sanitation Fund		156,541
Wastewater Fund		<u>935,417</u>
 TOTAL		 <u>\$ 1,199,085</u>

NOTE 8 INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances at June 30, 2016 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 2,714,610
Capital Projects Fund	182,922	-
Rolling Stock Reserve Fund	318,574	-
Bond Fund	-	224,983
Water Fund	-	240,209
Sanitation Fund	1,700,610	-
Wastewater Fund	893,329	-
Memorial Park Fund	3,636	-
Land Acquisition Reserve Fund	<u>80,731</u>	<u>-</u>
	 <u>\$ 3,179,802</u>	 <u>\$ 3,179,802</u>

NOTE 9 TRANSFERS

The interfund transfers during the year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Rolling Stock Reserve Fund	\$ 50,000	Half Penny for Ladder Truck Note
General Fund	Rolling Stock Reserve Fund	193,624	Annual Appropriation
General Fund	Capital Reserve	441,824	Annual Appropriation
General Fund	Capital Reserve	<u>75,000</u>	Speical Transfer
	Total Governmental Activities	 <u>\$ 760,448</u>	

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 9 TRANSFERS (continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Sanitation Fund	Wastewater Fund	\$ 38,564	Bond Debt Service
Wastewater Fund	Sanitation Fund	<u>21,086</u>	WWTF Upgrade
	Total Proprietary Funds	<u>\$ 59,650</u>	

NOTE 10 DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources in the General Fund consists of \$3,906 of grant and donation revenue received in advance.

NOTE 11 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 up to 500 hours and employees that terminate after age 62 will be paid up to 800 hours of accumulated sick leave at their current rate of pay upon retirement, termination or death.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 11 LONG-TERM LIABILITIES (continued)

Long-term liabilities outstanding as of June 30, 2016 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>
<u>Notes Payable</u>				
Note Payable- Merchants Bank, Fire Ladder Truck				
Purchase, Interest at 1.52% , \$150,000				
Due July 30, 2015, the Village Intends to				
Renew the Note Annually and Pay down				
\$50,000 Plus Interest Annually				
	\$ 150,000	\$ -	\$ (50,000)	\$ 100,000
Bond Payable - Vermont Municipal Bond				
Bank, Infrastructure Projects, Net Interest				
cost of 3.403% semi-annual Interest				
Payments Due June 1, and Dec 1,				
Due in full December 2035.				
	<u>2,838,000</u>	<u>-</u>	<u>(141,900)</u>	<u>2,696,100</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,988,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (191,900)</u></b>	<b><u>\$ 2,796,100</u></b>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 241,900	\$ 81,944	\$ 323,844
2018	141,900	78,786	220,686
2019	141,900	76,717	218,617
2020	141,900	74,116	216,016
2021	141,900	70,983	212,883
2022-2026	709,500	294,715	1,004,215
2027-2031	709,500	175,782	885,282
2032-2035	<u>567,600</u>	<u>44,796</u>	<u>612,396</u>
<b>TOTAL</b>	<b><u>\$ 2,796,100</u></b>	<b><u>\$ 897,839</u></b>	<b><u>\$ 3,693,939</u></b>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 11      LONG-TERM LIABILITIES (continued)

<u>Business-Type Funds</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>
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.	235,384	-	(12,628)	222,756
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 2036.	12,920,000	5,000	-	12,925,000
Note Payable- State of Vermont Special Environmental Revolving Fund, Sanitation Pump Station Improvements, Authorized \$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 2016, Due November 2035.	1,097,500	-	(91,242)	1,006,258
Bond Payable- Vermont Municipal Bond Bank, Water Improvements, Net Interest Cost of 3.403% , \$23,100 due Annually on December 1, Semi-Annual Interest Payments Due June and December 1, Due December 2035.	462,000	-	(23,100)	438,900



Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 11      LONG-TERM LIABILITIES (continued)

<u>Business-Type Funds, cont.</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</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>1,465,000</u>	-	<u>(60,000)</u>	<u>1,405,000</u>
	<u>\$ 16,179,884</u>	<u>\$ 5,000</u>	<u>\$ (186,970)</u>	<u>\$ 15,997,914</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 674,935	\$ 341,163	\$ 1,016,098
2018	686,763	327,803	1,014,566
2019	698,835	313,972	1,012,807
2020	711,150	299,693	1,010,843
2021	723,711	284,999	1,008,710
2022-2026	3,795,943	1,191,613	4,987,556
2027-2031	4,144,864	771,827	4,916,691
2032-2036	4,286,713	315,862	4,602,575
2037-2041	<u>275,000</u>	<u>24,949</u>	<u>299,949</u>
	<u>\$ 15,997,914</u>	<u>\$ 3,871,881</u>	<u>\$ 19,869,795</u>

NOTE 12      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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12      NET POSITION/FUND BALANCES (continued)

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.

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 maximum 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.

Fund Balance and Net Position classifications at June 30, 2016 are as follows:

GENERAL FUND

Nonspendable for:

Inventories	\$     90,528
Prepaid Expenses	<u>          32,149</u>
Total Nonspendable Fund Balance	<u><u>          \$ 122,677</u></u>

Assigned for:

Reduce Property Taxes Raised in FY17	\$     35,000
Building Maintenance Transfer in FY17	33,000
Library Book Replacement	3,684
Termination Benefits	81,965
Health Reimbursement Arrangement Expenses	<u>         10,000</u>
Total Assigned Fund Balance	<u><u>          \$ 163,649</u></u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12      NET POSITION/FUND BALANCES (continued)

CAPITAL RESERVE FUND

Committed for:		
Capital Reserve Fund Expenditures	\$	182,922

ROLLING STOCK RESERVE FUND

Committed for:		
Rolling Stock Reserve Fund Expenditures	\$	318,574

BOND FUND

Restricted for:		
Infrastructure Projects by Debt Proceeds	\$	527,364

NON MAJOR FUNDS

Restricted for:		
Veterans Memorial Park by Donation	\$	3,636

WATER, SANITATION AND WASTEWATER FUNDS

Restricted for:		
Future Capital Projects	\$	147,213

Designated for:		
Water Fund Expenses	\$	192,025
Water Fund Capital Expenses		14,274

Total Water Designated Fund Balance	\$	206,299
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Sanitation Fund Expenses	\$	311,406
Sanitation Fund Capital Expenses		593,856
Sanitation Wastewater Treatment Facility Upgrades		962,472

Total Sanitation Designated Fund Balance	\$	1,867,734
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Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12 NET POSITION/FUND BALANCES (continued)

Wastewater Fund Capital Expenses	\$ 470,746
Wastewater Expenses- Attributable to the Village of Essex Junction	290,576
Wastewater Expenses- Attributable to the Town of Essex	104,204
Wastewater Expenses- Attributable to the Town of Williston	64,788
Wastewater Fund Expenses- General	<u>151,791</u>
Total Wastewater Designated Fund Balance	<u>\$ 1,082,105</u>
Committed for:	
Land Acquisition Capital Reserve Fund Expenditures	<u>\$ 80,731</u>

NOTE 13 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 \$1,398,183 while the covered payroll was \$ 1,375,450. Pension expenses for the years ended June 30, 2016, 2015 and 2014 were \$137,509, \$133,017 and \$135,283 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, 2016 was \$709,546.

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 full-time Village employees receive a group life insurance policy for two and a half their annual salary up to a maximum of \$100,000.

NOTE 14 CONCENTRATION OF REVENUE/EXPENSES

The Village receives a major portion of its revenue from GlobalFoundries. For the year ended June 30, 2016, the Village received 9.6% of total property taxes from GlobalFoundries and received 75.2% of total water sales from GlobalFoundries.

The Village purchased a major portion of their water from Champlain Water District "CWD" for the year ended June 30, 2016. The Village purchased \$3,064,323 in water from CWD.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 15      PROPERTY TAXES

The Town of Essex is responsible for assessing and collecting Village 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. The Town remits 100% of the taxes billed to the Village in two (2) installments in October and April. Any delinquencies are absorbed by the Town. The tax rate for fiscal year 2016 was .2366.

NOTE 16      RISK MANAGEMENT

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

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

NOTE 17      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.

NOTE 18      OTHER INFORMATION

The Village finished 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 was \$15,230,000 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 is shared amongst all three municipalities based upon the capacity owned by each. At the end of fiscal year 2016, the Village owns 35.45%, the Town of Essex owns 33.33% and the Town of Williston owns 31.21%. The Village 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 five more years which will increase the Town of Williston's capacity and decrease the Village's capacity. The Town of Williston has already paid \$500,000 for 50,000 gallons over the past five years. The sale of this capacity will change the debt service percentages as noted previously. After the fiscal year end 2021 final sale, the Village's percentage will be 33.94% and the Town of Williston's will be 32.73%.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 19 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, 2016.

NOTE 20 RELATED PARTY

In July 2014 the Village entered into an agreement with the Town of Essex to bill and collect property taxes. Under the terms of the agreements, the Town purchased the outstanding delinquent taxes, penalty and interest receivables as of July 1, 2014, and assumes liability for the collection of those balances due and future taxes. The Town will turn over to the Village, one half of the total amounts billed within 20 days of the due date. All penalties and interest that accrues on delinquent balances shall belong to the Town. Effective July 2015, the accounting departments of the Village the Town of Essex merged and operate under one accounting system and maintain one operating cash account. At June 30, 2016 \$1,309,759 was owed to the Village from the Town.

NOTE 21 DISCLOSURE OF SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Village has evaluated subsequent events through February 17, 2017, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into the financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Essex Junction, Vermont  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
BUDGETARY BASIS - GENERAL FUND  
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Property tax	\$ 2,564,285	\$ 2,564,285	\$ 2,564,285	\$ -
Licenses and permits	50,000	50,000	58,153	8,153
Intergovernmental revenues	857,070	857,070	862,388	5,318
Charges for services	276,701	276,701	276,730	29
Fines and forfeits	2,000	2,000	1,741	(259)
Interest income	2,000	2,000	2,657	657
Miscellaneous income	10,834	10,834	19,436	8,602
Donations	1,500	1,500	16,709	15,209
<b>TOTAL REVENUES</b>	<u>3,764,390</u>	<u>3,764,390</u>	<u>3,802,099</u>	<u>37,709</u>
<b>EXPENDITURES</b>				
Current				
General government	633,377	633,377	606,910	26,467
Public safety	304,184	304,184	299,463	4,721
Public works	831,571	831,571	826,766	4,805
Community development	337,387	337,387	303,741	33,646
Culture and recreation	722,997	722,997	666,875	56,122
Grant expenditures	-	-	6,176	(6,176)
Debt Service				
Principal	141,900	141,900	141,900	-
Interest expense	81,526	81,526	81,526	-
Capital Outlay				
Public works	8,000	8,000	6,400	1,600
Grant expenditures	-	-	4,995	(4,995)
Culture and recreation	48,000	48,000	52,680	(4,680)
<b>TOTAL EXPENDITURES</b>	<u>3,108,942</u>	<u>3,108,942</u>	<u>2,997,432</u>	<u>111,510</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	655,448	655,448	804,667	149,219
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	<u>(690,448)</u>	<u>(690,448)</u>	<u>(760,448)</u>	<u>(70,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ 44,219</u>	<u>\$ 79,219</u>

See Accompanying Notes to Basic Financial Statements.



OTHER SUPPLEMENTARY INFORMATION

Village of Essex Junction, Vermont  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2016

	Special Revenue Fund	Capital Project Fund	
	Veteran Memorial Park Fund	Land Acquisition Capital Reserve Fund	Total
REVENUE			
Interest	\$ 6	\$ 143	\$ 149
NET CHANGE IN FUND BALANCE	6	143	149
FUND BALANCE, July 1, 2015	3,630	80,588	84,218
FUND BALANCE, June 30, 2016	\$ 3,636	\$ 80,731	\$ 84,367

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, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Water Sales - Village	\$ 834,766	\$ 857,978	\$ 23,212
Water Sales - GF	2,382,501	2,508,409	125,908
Water Sales - GF Vermont Tax	59,752	63,375	3,623
Water Sales - Large Users	98,414	119,480	21,066
Penalties	3,500	4,467	967
Hook on Fees	15,000	15,150	150
Miscellaneous	-	9,994	9,994
	<u>3,393,933</u>	<u>3,578,853</u>	<u>184,920</u>
<b>OPERATING EXPENSES</b>			
Salaries - Regular	100,902	95,311	5,591
Salaries - Overtime	16,000	11,074	4,926
Salaries - Part time	5,081	3,896	1,185
Social security	9,020	8,389	631
Unemployment insurance	425	325	100
Workers compensation insurance	6,223	5,659	564
Health insurance and other benefits	42,732	37,098	5,634
Retirement	10,090	9,774	316
Liability and property insurance	2,787	3,035	(248)
Interest expense	-	860	(860)
Supplies	5,000	7,676	(2,676)
Postage	1,700	1,615	85
Gas, oil and grease	3,500	1,561	1,939
Meters and parts	-	899	(899)
Distribution materials	6,000	18,891	(12,891)
Computer expenses	1,200	1,201	(1)
Water and sewer charges	600	89	511
Training and conferences	2,000	1,642	358
Electrical services	700	713	(13)
Heat	3,500	5,406	(1,906)
Maintenance - Other	1,000	2,165	(1,165)
Water line maintenance - breaks	16,000	5,306	10,694
Uniforms and boots	1,500	941	559
Contracted services	108,760	108,760	-
Other professional services	1,000	64	936
Audit services	3,605	4,094	(489)
Right of way agreements	142	92	50
Telephone services	1,000	991	9

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Interview costs	-	115	(115)
Water purchases - Village	457,733	480,401	(22,668)
Water purchases - GF	2,382,501	2,508,409	(125,908)
Printing and advertising	2,000	1,604	396
Transfer to capital reserve	130,000	130,000	-
Capital outlay	-	8,478	(8,478)
State water tax - Village	11,480	12,137	(657)
State water tax - GF	59,752	63,375	(3,623)
 TOTAL OPERATING EXPENDITURES	 3,393,933	 3,542,046	 (148,113)
 NET INCOME	 \$ -	 36,807	 \$ 333,033
 RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS			
Excess of Revenues			
over Expenditures - Budgetary Basis		\$ 36,807	
Adjustments for non-budget:			
Bond Interest		(13,251)	
Interest Earned on Bond		676	
Capital Reserve Fund Transfer		130,000	
Interest Earned on Capital Reserve Fund		67	
Depreciaton		(107,127)	
 EXCESS OF REVENUES OVER EXPENDITURES - GAAP BASIS		 \$ 47,172	

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Sanitation billing	\$ 528,322	\$ 540,524	\$ 12,202
Sanitation penalty	2,000	2,510	510
Essex pump station fees	-	24,826	24,826
Two party agreement revenue	-	15,000	15,000
Hook on fees	30,000	158,000	128,000
Miscellaneous	-	4,090	4,090
Interest earnings	-	14	14
	<u>560,322</u>	<u>744,964</u>	<u>184,642</u>
<b>TOTAL OPERATING REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Salaries - Regular	76,735	74,303	2,432
Salaries - Overtime	11,300	8,792	2,508
Salaries - Part time	5,081	3,896	1,185
Social security	7,208	6,495	713
Unemployment insurance	430	191	239
Workers compensation insurance	4,557	4,570	(13)
Health insurance and other benefits	42,731	32,096	10,635
Retirement	7,674	7,102	572
Liability and property insurance	6,550	6,332	218
Supplies	1,000	3,674	(2,674)
Postage	3,000	3,252	(252)
Gas, oil and grease	3,500	1,703	1,797
Computer expenses	2,500	2,402	98
Water and sewer charges	1,000	283	717
Training and conferences	500	95	405
Electrical services	10,000	9,396	604
Heating/natural gas	1,700	1,154	546
Maintenance - Other	1,000	1,070	(70)
Pump station maintenance	5,000	17,955	(12,955)
Sanitation line maintenance	6,500	14,795	(8,295)
Susie Wilson pump station costs	7,500	7,050	450
West St. pump station costs	9,000	13,602	(4,602)
Uniforms and boots	1,500	1,136	364
Contracted services	139,060	139,060	-
Right-Of-Way Agreements	1,020	1,472	(452)
Sanitation line back-up cleaning	1,500	-	1,500
Other professional services	1,000	-	1,000
Audit services	1,751	2,047	(296)
Interview costs	-	1,040	(1,040)
Printing and advertising	850	596	254

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Capital reserve fund contributions	95,000	223,000	(128,000)
Capital outlay	-	4,222	(4,222)
TOTAL OPERATING EXPENDITURES	456,147	592,781	(136,634)
NET INCOME	\$ 104,175	152,183	\$ 321,276

RECONCILIATION OF BUDGETARY  
BASIS TO GAAP BASIS

Excess of Revenues		
over Expenditures - Budgetary Basis	\$	152,183
Adjustments for non-budget:		
Admin Fee on ARRA Loan		(4,041)
RF1-157 Loan Admin Fee		(42,997)
Interest Earned on Capital Reserve Fund		2,722
Expense in Capital Reserve		(20,000)
Sale of WWTF Capacity		100,000
Transfers from WWTF Fund for Debt		(38,567)
Capital Reserve Fund Transfer		223,000
Transfer to WWTF for Upgrade		21,086
Depreciation		(156,541)
Other Capital Contributions		4,563
EXCESS OF REVENUES OVER EXPENDITURES - GAAP BASIS	\$	241,408

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Village user charges	\$ 731,293	\$ 729,799	\$ (1,494)
Village user penalties	3,000	3,540	540
Wastewater charge - Essex	461,175	462,284	1,109
Wastewater charge - Williston	599,293	599,293	-
Pump station maintenance fee	30,300	30,300	-
Village septage discharge income	6,000	27,144	21,144
Shared septage revenue	3,000	13,572	10,572
Village leachate revenues	-	896	896
Share leachate revenues	-	448	448
Interest	-	1,138	1,138
Miscellaneous	-	314	314
	<u>1,834,061</u>	<u>1,868,728</u>	<u>34,667</u>
<b>TOTAL OPERATING REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Salaries - Regular	327,515	309,914	(17,601)
Salaries - Overtime	45,000	42,135	(2,865)
Salaries - Part-time	7,980	18,840	10,860
Social security	29,367	26,949	(2,418)
Workers comp insurance	17,747	16,100	(1,647)
Unemployment insurance	1,535	395	(1,140)
Health insurance other benefits	114,631	76,235	(38,396)
Retirement	32,752	29,661	(3,091)
Liability and property insurance	22,854	22,334	(520)
Supplies	10,000	9,607	(393)
Supplies - Laboratory	11,000	14,883	3,883
Chemicals	195,000	213,634	18,634
Gas, grease and oil	6,000	2,869	(3,131)
Water and sewer charge	5,000	2,773	(2,227)
Training and conference	6,500	4,880	(1,620)
Telephone services	4,800	4,790	(10)
Electrical service	200,000	130,471	(69,529)
Heating	20,000	19,323	(677)
Maintenance - other	75,000	138,334	63,334
Vehicles maintenance - travel	2,500	1,343	(1,157)
Uniforms, boots, etc.	5,000	3,656	(1,344)
Interview cost	-	30	30
Contract laboratory services	8,500	6,940	(1,560)
Contract services	54,380	54,380	-
Networking and software	-	270	270

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Legal services	1,000	165	(835)
Grit Disposal	8,500	8,087	(413)
Sludge dewatering	150,000	145,800	(4,200)
Sludge management	175,000	141,407	(33,593)
Other professional services	4,000	3,025	(975)
Audit	4,000	4,806	806
WWTF Annual permit fee	8,500	9,900	1,400
Capital reserve fund contributions	280,000	280,000	-
 TOTAL OPERATING EXPENDITURES	1,834,061	1,743,936	(90,125)
 NET INCOME	\$ -	124,792	\$ 124,792
 RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS			
Excess of Revenues			
over Expenditures - Budgetary Basis		\$ 124,792	
Adjustments for non-budget:			
Transfer from Sanitation Fund		38,564	
Bond Interest		(48,754)	
Admin Fee on ARRA Loan		(667)	
Capital Reserve Fund Transfer		280,000	
Capital Contributions Received		70,190	
Interest Earned on Capital Reserve Fund		695	
Trasnfer to Sanitation Fund		(21,086)	
Depreciation		(935,417)	
 (DEFICIENCY) OF REVENUES OVER EXPENDITURES - GAAP BASIS		\$ (491,683)	