

Village of Essex Junction, Vermont

**BASIC FINANCIAL STATEMENTS**

June 30, 2017

Village of Essex Junction, Vermont  
TABLE OF CONTENTS  
June 30, 2017

	<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	34

Village of Essex Junction, Vermont  
TABLE OF CONTENTS  
June 30, 2017

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	36
Statement of Revenue and Expenses Budget (Non-GAAP Budgetary Basis) and Actual – Water Fund	37
Statement of Revenue and Expenses Budget (Non-GAAP Budgetary Basis) and Actual – Sanitation Fund	39
Statement of Revenue and Expenses Budget (Non-GAAP Budgetary Basis) and Actual – Wastewater Fund	41
	<u>Report</u>
Schedule of Expenditures of Federal Awards	1
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance	3
Schedules of Findings and Questioned Costs	4



**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, 2017, 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, 2017, 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 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Essex Junction, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules of the enterprise funds are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparisons schedules for the enterprise funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, on our consideration of the Village of Essex Junction, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Essex Junction, Vermont's internal control over financial reporting and compliance.

*Kittell Branagan & Sargent*

St. Albans, Vermont  
January 11, 2018

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

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, 2017.

**Financial Highlights**

- Assets exceeded liabilities and deferred inflows of resources on June 30, 2017 by \$28,006,789 (*net position*). Of this amount, \$1,672,734 (*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 \$2,282,628. Of this amount, net position attributable to governmental activities increased by \$2,308,827. Net position attributable to business-type activities decreased by \$26,199.
- Fund balances of governmental funds decreased by \$31,174 in FYE17. The General Fund had \$458,492 of unassigned fund balance at 6/30/17 which is equal 9.5% of the approved FYE18 General Fund Budget. As of 6/30/16, the General Fund had \$491,445 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 on pages 1 & 2 of the Financial Statements.

**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 on pages 3 through 10 of the Financial Statements.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**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	
	2017	2016	2017	2016	2017	2016
Current & other asset:	\$ 5,343,831	\$ 4,341,053	\$ 3,974,948	\$ 3,493,237	\$ 9,318,779	\$ 7,834,290
Capital assets	<u>17,680,729</u>	<u>15,738,402</u>	<u>23,119,316</u>	<u>23,821,335</u>	<u>40,800,045</u>	<u>39,559,737</u>
<b>Total Assets</b>	<u><b>\$ 23,024,560</b></u>	<u><b>\$ 20,079,455</b></u>	<u><b>\$ 27,094,264</b></u>	<u><b>\$ 27,314,572</b></u>	<u><b>\$ 50,118,824</b></u>	<u><b>\$ 47,394,027</b></u>
Current liabilities	\$ 3,577,716	\$ 2,633,821	\$ 1,104,720	\$ 748,126	\$ 4,682,436	\$ 3,381,947
Non-Current liabilities	<u>2,540,628</u>	<u>2,844,339</u>	<u>14,888,971</u>	<u>15,439,674</u>	<u>17,429,599</u>	<u>18,284,013</u>
<b>Total Liabilities</b>	<u><b>\$ 6,118,344</b></u>	<u><b>\$ 5,478,160</b></u>	<u><b>\$ 15,993,691</b></u>	<u><b>\$ 16,187,800</b></u>	<u><b>\$ 22,112,035</b></u>	<u><b>\$ 21,665,960</b></u>
<b>Net Position</b>						
Net investment in						
capital assets	\$ 15,198,133	\$ 12,942,302	\$ 7,674,726	\$ 7,823,421	\$ 22,872,859	\$ 20,765,723
Restricted	35,349	755,983	-	147,213	35,349	903,196
Unrestricted	<u>1,672,734</u>	<u>899,104</u>	<u>3,425,847</u>	<u>3,156,138</u>	<u>5,098,581</u>	<u>4,055,242</u>
<b>Total Net Position</b>	<u><b>\$ 16,906,216</b></u>	<u><b>\$ 14,597,389</b></u>	<u><b>\$ 11,100,573</b></u>	<u><b>\$ 11,126,772</b></u>	<u><b>\$ 28,006,789</b></u>	<u><b>\$ 25,724,161</b></u>

As stated above, assets exceeded liabilities and deferred inflows of resources by \$28,006,789 at the end of fiscal year 2017. Assets at the end of fiscal year 2016 exceeded liabilities by \$25,724,161.

The largest portion of the Village's net position is in its investment in capital assets (82%). 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, 2017

An amount of \$35,349 of the Village's net position is subject to restrictions on how it may be used. These funds are restricted for Veterans Memorial Park and for the Senior Center. Unrestricted net assets (\$5,098,581) 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	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 381,507	\$ 351,433	\$ 6,124,861	\$ 6,191,394	\$ 6,506,368	\$ 6,542,827
Operating grants & contributions	1,155,216	884,064	-	-	1,155,216	884,064
Capital grants & contr.	2,025,428	245,095	682,377	174,752	2,707,805	419,847
<b>General Revenues</b>						
Property taxes/PILOT	2,598,816	2,564,285	-	-	2,598,816	2,564,285
Unrestricted investment earnings	4,219	6,957	8,914	4,452	13,133	11,409
Other revenues	4,394	4,147	-	-	4,394	4,147
<b>Total Revenues</b>	<u>6,169,580</u>	<u>4,055,981</u>	<u>6,816,152</u>	<u>6,370,598</u>	<u>12,985,732</u>	<u>10,426,579</u>
<b>Expenses</b>						
<b>Governmental activities</b>						
General Government	932,246	1,692,141	-	-	932,246	1,692,141
Public Safety	404,523	299,463	-	-	404,523	299,463
Highways and Streets	1,600,344	930,120	-	-	1,600,344	930,120
Culture and Recreation	824,722	669,831	-	-	824,722	669,831
Interest on long-term debt	70,968	86,665	-	-	70,968	86,665
Other Expenses	27,950	-	35,463	-	63,413	-
<b>Business-type activities</b>						
Water	-	-	3,477,042	3,531,566	3,477,042	3,531,566
Sanitation	-	-	567,948	593,362	567,948	593,362
Wastewater	-	-	2,761,898	2,448,772	2,761,898	2,448,772
<b>Total Expenses</b>	<u>3,860,753</u>	<u>3,678,220</u>	<u>6,842,351</u>	<u>6,573,700</u>	<u>10,703,104</u>	<u>10,251,920</u>
Changes in net position	2,308,827	377,761	(26,199)	(203,102)	2,282,628	174,659
Net position - July 1,	<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>
Net position - June 30,	<u>\$ 16,906,216</u>	<u>\$ 14,597,389</u>	<u>\$ 11,100,573</u>	<u>\$ 11,126,772</u>	<u>\$ 28,006,789</u>	<u>\$ 25,724,161</u>

At the end of FYE17, 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 2017.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**Governmental activities.** Governmental activities increased the Village's net position by \$2,308,827 in FYE17. Expenditures in governmental funds exceeded revenues by \$31,174. The Village increased its investment in capital assets by \$2,255,831 and unrestricted net position increased by \$773,630. Restricted net position decreased by \$720,634.

**Business-type activities.** Business-type activities decreased the Village's net position by \$26,199.

### **Water Fund**

The Water Fund had a budgetary net income of \$84,693 in FYE17. Disregarding GlobalFoundries pass through revenues and expenses, Water Fund revenues were \$25,131 more than budget while expenditures were \$59,562 less than budgeted. Revenue items that were overbudget were Residential Water Sales, Penalties, and Miscellaneous Unclassified Revenue. Residential Water Sales were higher than budgeted due to more than anticipated water use. Miscellaneous Unclassified Revenue consisted of income for replacement meters and water shut offs for maintenance.. Line items in the Water Fund that were substantially underspent were Salaries and Benefits. The Water Technician position remained unfilled for most of the year. Purchases of water from the Champlain Water District were less than budgeted due to the major work done in FYE16 to replace aging water lines. Capital projects completed in the Water Fund funded by a \$3.3 million bond shared with the General Fund were: Briar Lane Waterline replacement (\$161,475) and Rosewood Lane Water line replacement (\$316,502). Capital Outlay consisted of the purchase of a mobile data collector (\$2,567). Other projects carried out with Water Fund Capital Reserve funds were: Billing Software Conversion (\$2,750) and Water meter replacements (\$8,017).

### **Sanitation Fund**

The Sanitation Fund had a budgetary net income of \$167,873. Sanitation revenues were \$144,143 more than budgeted while expenditures were \$127,270 more than budgeted. Hook-on fees were \$124,000 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 \$151,000 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 \$3,270. Maintenance Other was overspent by \$13,057 due to maintenance on the vector truck. Other accounts including personnel costs were underspent. 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 \$16,034 in FYE17. Capital Outlay in the Sanitation Fund participated in the purchase of the mobile data collector with the Water Fund at a cost of \$5,133.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

## **Wastewater Treatment Fund**

The Wastewater Treatment Facility had a budgetary net loss of \$18,321 in FYE16. Revenues were over budget by \$18,259 while expenditures were more than budget by \$36,580. 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, at the end of fiscal 2016, and again at the end of fiscal 2017. The amounts designated to each community at 6/30/17 are: Essex Junction, \$317,887; Town of Essex, \$94,182; and Town of Williston, \$16,965. Each community determines how much it wants to leave in this "rate stabilization fund." The net loss can be attributed to an over-expenditure of chemicals. Some of the over-expenditure of this line item can be attributed to moving the costs for Polymer from Sludge Dewatering to Chemicals and the rest to additional costs for Sodium Hydroxide for process PH control. Capital projects begun in FYE17 consisted of Automatic Samplers (\$22,220), Headworks Screen (\$3,070 and Alkalinity Control Installation (\$1,330). Capital projects completed in FYE17 were the purchase of a Gas Compressor (\$11,239) and a Return Activated Sludge Pump (\$11,767).

## ***Financial Analysis of Major Governmental Funds***

### **The General Fund**

The General Fund had a surplus of \$78,034 in FYE17. 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 \$777,771 at the end of fiscal year 2016 to \$855,805 at the end of fiscal year 2017. Of the \$855,805 fund balance, \$137,249 is nonspendable (inventories and prepaid expenses), \$164,064 is committed or assigned (see page 27 of notes for breakdown) and \$96,000 is committed. Thus, there exists \$458,492 of unassigned fund balance in the General Fund. The unassigned fund balance is equal to 9.5% of the FYE18 Budget. 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. In addition the Village has a policy limiting unassigned fund balance to 10% of the current budget.

- Excluding grants and donations received and expended in FYE17, revenues were higher than budgeted by \$12,719. Revenues that were significantly higher than anticipated were License and Zoning Fees (+\$10,184) due to higher than anticipated zoning permit activity, Payment in Lieu of Taxes from the State (+\$2,401), State District Court Fines (+\$1,090), Block Party Contributions (+\$1,000), and Miscellaneous Street Receipts (+\$1,091).
- Expenditures excluding those for grants and donations received in FYE17 were \$100,315 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 34 of the notes for the General Fund Budget to Actual comparison. Please note Health Insurances expenses in all budgets were lower than budget due a less than anticipated increase and because of unfilled positions during the year. The unfilled positions affect all budgets due to the averaging of insurance costs across all departments.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- A) General Government expenses were over budget by \$14,546. General Governmental Departments include Administration and Lincoln Hall. Line items overspent were salaries due to internal promotions during the year. Also, the Finance Director accumulated benefits were transferred to the Town of Essex as this shared position was moved to the Town of Essex from the Village. Lincoln Hall budget was underspent due to a mild winter in FYE17.
- B) Public Safety (Fire Department) was over spent by less than 1%. Over-expenditures in Vehicle Maintenance, Building Maintenance and Maintenance Buildings/Grounds were balanced by under-expenditures in Training, Conferences and Dues, Maintenance Other, New Equipment-Radios, Natural Gas and Gas, Grease and Oil.
- C) Public Works as a function was less than 1 percent under-budget. With Public Works presented as a function, a substantial under-expenditure in Pavement Maintenance due to a very wet spring was balanced by expenditures to convert all the street lights to LED bulbs. The LED conversion project was funded entirely by Efficiency Vermont. If the Street Department is viewed without the LED Conversion project, the budget was underspent by \$46,455. Other line items that were overspent were vehicle maintenance due to repairs to the sidewalk plow, Equipment Rentals due to higher than anticipated costs for sidewalk plow rental, Rubbish Removal, Maintenance Other, Engineering Services (due to the Class 1 paving that occurred), Supplies and Winter Maintenance.
- D) Community Development (Community Development and Economic Development Departments) were under-spent by \$40,407. Line items substantially underspent include Legal Services, Other Professional Services, Training and Communications. In Economic Development the Matching Grant Funds line item was underspent
- E) Culture and Recreation which includes the Brownell Library was underspent by \$27,008. The under-expenditure can be attributed to the salaries and benefits line items due to a long time employee being replaced by a new hire.
- F) Grants received and expended were received for the Library, and the Street Department. The Library received from the State of Vermont a grant for the First Wednesdays program (\$650), a Summer Performer Grant of \$200, and a grant for courier service of \$322. The Street Department received a Caring for Canopy grant from the State of Vermont of \$1,500. The Street Department also received \$39,139 from Efficiency Vermont for replacing all the street light bulbs in the Village with LED bulbs. The Library received donations from the Brownell Library Foundation for books, performances and equipment totaling \$9,824. The Fire Department received a donation of \$7,400 for a Fit Tester from the Fire Fighters Association.

### **Capital Reserve Fund**

The Capital Reserve Fund had a fund balance of \$268,202 as of June 30, 2017 and a fund balance of \$182,922 as of June 30, 2016. During the year the following projects were completed: The Multiuse Path for \$422,246, Brownell Library Carpet Replacement for \$12,019, South Summit Paving for \$74,833 (funded with a Class 2 paving grant from the State), Hillcrest Sidewalk for \$27,893. The Crescent Connector Project progressed for a cost of 192,257 with reimbursement in the year of \$137,469. 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 Pearl St. Linking Sidewalk project was continued at a cost of \$630,599. The Pearl St. Linking Sidewalk is a "Circ-Alternative" project and will be fully funded by Federal grant funds.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

### **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 \$318,574 at the beginning of FYE17 and \$509,225 as of the end of FYE17. Expenditures in the Rolling Stock Fund in FYE16 totaled \$64,146. The Village purchased a 4WD Pickup for \$12,583 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 \$50,000 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, 2017 totaled \$40,800,045 (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 Woods End Dr., South Summit St., Mansfield Ave., and Drury Dr.
- Multiuse Path along railroad tracks was completed
- Briar Lane Roadway reconstruction
- Work progressed on Crescent Connector Rd.
- Work continued on the Pearl St. Linking Project
- A Pickup truck was purchased
- A Pickup truck was traded in
- The Village received the Park St. School for \$1.00 from the Essex Junction School District

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

- Briar Lane water line was replaced\*
- Rosewood Lane water line was replaced\*
- Gas Compressor was purchased
- Return Activated Sludge Pump was purchased
- 6 commercial and 72 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.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 55,742	\$ 55,742	\$ 118,077	\$ 118,077	\$ 173,819	\$ 173,819
Construction in Progress	1,987,090	1,786,526	34,808	105,244	2,021,898	1,891,770
Antiques and Works of Art	7,550	7,550	-	-	7,550	7,550
Buildings and Bldg Improvements	3,166,980	2,375,161	15,171,806	15,171,806	18,338,786	17,546,967
Vehicles, Machinery, Equip, Furniture & Traffic Signals	6,369,394	6,191,800	5,057,788	5,057,991	11,427,182	11,249,791
Library Books	812,735	824,895	-	-	812,735	824,895
Parks	210,984	210,984	-	-	210,984	210,984
Roads, Curbs, Sidewalks & Storm Sewers	11,758,599	10,267,501	164,182	164,182	11,922,781	10,431,683
Distribution and Collection Systems	-	-	21,866,737	21,361,292	21,866,737	21,361,292
Total Assets	24,369,074	21,720,159	42,413,398	41,978,592	66,782,472	63,698,751
Less: Accum. Depr.	(6,688,345)	(5,981,757)	(19,294,082)	(18,157,257)	(25,982,427)	(24,139,014)
Total	<u>\$ 17,680,729</u>	<u>\$ 15,738,402</u>	<u>\$ 23,119,316</u>	<u>\$ 23,821,335</u>	<u>\$ 40,800,045</u>	<u>\$ 39,559,737</u>

**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 renews the note each July. The interest rate is 1.52% and the note is due July 30, 2017. The Village paid \$50,000 in principal in FYE17 and the balance on the note is \$50,000 at 6/30/17.

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 6/30/17 is 209,874.

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 was complete and the Village had 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 6/30/17 is \$959,263. 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 making the amount due \$12,925,000. The first payment on this loan of \$531,951 was made in FYE17. The principal due on the loan as of 6/30/17 is \$12,393,049. 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, 2017, the principal outstanding on this bond was \$1,345,000. 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.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

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 6/30/17 the outstanding principal on this bond is \$2,970,000.

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

#### ***Economic Factors***

- As of January 2018 the economy continues to improve. The national unemployment rate was at 4.1% in January, 2018, down from 4.9% in January 2017 according to the US Dept. of Labor Bureau of Labor Statics. According to the same source, Vermont unemployment was at 2.8% in December 2017, down from 3.1% in December 2016.
- The CPI index for Northeast urban communities was 1.7 % from December 2016 to December 2017. The National City average CPI index was also 1.7% from December 2016 to December 2017.
- Unrest in the Middle East is on-going and terrorist activity continues. The housing market is good. Gasoline prices in New England and the Nation have increased since a year ago. According to the AAA the US average price is \$2.579 gallon on 2/29/18 and the Vermont average price is \$2.637/gallon for regular gasoline. The National average was \$2.28 a year ago. The national debt is closing in on \$21 Trillion.
- Donald Trump has been President for a year and the State of the Union address is coming up. A tax reform bill was passed but no change has been made to the Affordable Care Act. The country remains extremely divided.
- As of July 1, 2017 the Essex Westford School District was formed. This District is a combination of the Essex Junction School District, the Essex Town School District, the Union 46 High School District and the Town of Westford School District.
- As of July 1, 2017 Essex Junction Parks and Recreation (EJRP) became a department in the Village of Essex Junction. Prior to this time EJRP was under the Essex Junction School District.
- Planning applications in the Village remain strong with a preference for one and two bedroom apartments to meet market demand.
  - Applications for 2 buildings, 1 for senior housing and another for commercial and apartments on Park St. have been approved.
  - Work on the Connector Road continued and the new road itself is scheduled to begin construction in 2018.
  - The Pearl St. Link project is now complete.
  - The State of Vermont paved all the Class 1 highways in the Village in the summer of 2017 except Maple St. which was paved in the summer of 2016.
  - Roads paved in the summer of 2017 were Brickyard from Mansfield to Corduroy, Brookside Ave., Crestview Rd., Kiln Rd., Mason Dr., Meadow Terrace and Upland Rd.
  - 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.

Village of Essex Junction, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- 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. In conjunction with the Town of Essex the Village and Town have been seeking grants for stormwater projects.

***Consolidation of Service Delivery Systems***

- Starting in FYE2015 the Town of Essex entered into an agreement with the Village of Essex Junction and the Essex Junction School District to bill and collect their property taxes. This action was an effort to reduce the duplication of services that existed. As part of the agreement the Town assumed the delinquent taxes of the Village and Village School District. The Town of Essex will continue to do the school tax billing for the Essex Westford School District for all residents that reside in the Town of Essex.
- In FYE2014 the Village and Town entered into an agreement to share the services of the Town Manager as the Municipal Manager for both entities. This arrangement led to the Village sharing the salary costs of the Manager with the Town, thereby reducing the cost to all taxpayers. In FYE2015 it was determined that this cost sharing was beneficial and efforts should continue to find more areas to cooperate in the delivery of services to be more efficient. This arrangement has resulted in total savings through FYE2018 of \$363,000 for the Town and \$507,400 for the Village. In FYE18 the current Unified Municipal Manager, Pat Scheidel, who has been Town Manager for 27 years is retiring. A new Unified Municipal Manager, Evan Teich, has been hired and will begin employment on February 26, 2018. The decision to hire Mr. Teich was unanimous by both the Village of Essex Junction Trustees and the Town Selectboard.
- FYE16 was the first of a three-year commitment to combine the Street budget with the Town of Essex. The Village Trustees adopted the Village Street budget and the Town of Essex voters approved the funding for this budget as part of the Town budget. A Committee was formed in the spring of 2017 to evaluate how successful this arrangement has been so far and whether it should be continued. The Public Works Consolidation Committee came to the following conclusions:
  - Maintain the MOU until June 2018 and do the studies outlined in the report.
  - Extend the MOU from July 1, 2018 until the studies are complete or well underway. The goal is full consolidation eventually.
  - Benchmarks will be established as a result of the studies
  - Cross-train staff in the village and town and identify common best practices
  - Consolidate rolling stock and equipment budgets as well as capital planning.
  - Practice resources management with assets, administration, processes, services.

Both the Trustees and the Selectboard approved the report.

- In FYE16 the Village and the Town combined accounts payable, accounts receivable, cash receipts and general ledger. Two Village employees were relocated to the Town offices to share this work.
- In FYE17 the Village Clerk/Treasurer became the combined Town and Village Clerk/Treasurer when the Town Clerk/Treasurer position became vacant through retirement.
- Services that have been combined to this point are: Tax Billing, shared Manager, Finance Departments, Highways & Streets, Stormwater, and Clerk/Treasurer offices. In the FYE19 budgets it is proposed to share an HR Director position and an IT position.

Village of Essex Junction, Vermont  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2017

***Budgets and Rates***

- The FYE18 General Fund budget increased by 21.8 % from the FYE17 budget. The reason for the large increase was the addition of the EJRP department to the municipality. The tax rate increased by .74% from \$0.2974 to \$0.2996 when comparing the FYE17 Village and EJRP rates to the FYE18 Village rate that includes the EJRP. In addition to the General Fund rate there is a 1 cent tax for Economic Development that was added in FYE17. At this time in January 2018 the Trustees have not yet adopted the proposed FYE19 budgets.
- Capital projects being undertaken or continued in FYE18 and their budgeted or actual amounts, if available, include:
  - Greenwood Ave. drainage improvements – \$55,743
  - South St. drainage - \$113,688
  - Mansfield/Brickyard Stormwater Gravel Wetland Project - \$138,862 funded by Vt. Dept. of Transportation grant
  - Main St. Pedestrian Bridge - \$263,875 – funded by Vt. Dept. of Transportation grant
  - Crescent Connector Road – budget \$4,500,000 to be funded by Vt. Dept. of Transportation
  - Pearl St. Missing Link project - \$1,618,581 – funded by Vt. Dept. of Transportation
  - Hillcrest Sidewalk Project – 215,374
  - Sidewalk Plow replacement - \$142,745
  - Gas Compressor - \$12,380
  - Fire Pumper Truck - \$572,347

The FYE18 water/sewer/sanitation rates are as follows:

	Quarterly Fixed Charges	Usage Charges
Water	\$23.56/unit	\$0.0166/cubic foot water usage
Wastewater Treatment	\$22.08/unit	\$0.0084/cubic foot water usage
Sanitation	<u>\$22.41/unit</u>	<u>\$0.0053/cubic foot water usage</u>
Total	\$68.05/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, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 451	\$ -	\$ 451
Other accounts receivable	774,650	888,616	1,663,266
Due from other funds	-	3,012,525	3,012,525
Due from Town of Essex	4,431,481	28,037	4,459,518
Inventory	91,087	34,590	125,677
Prepaid expenses	46,162	11,180	57,342
Total Current Assets	5,343,831	3,974,948	9,318,779
Capital assets not being depreciated:			
Land	55,742	118,077	173,819
Construction in progress	1,987,090	34,808	2,021,898
Antiques and works of art	7,550	-	7,550
Capital assets			
Buildings	3,166,980	15,171,806	18,338,786
Infrastructure	11,758,599	164,182	11,922,781
Machinery, equipment, and vehicles	7,393,113	5,057,788	12,450,901
Water and sewer infrastructure	-	21,866,737	21,866,737
Accumulated depreciation	(6,688,345)	(19,294,082)	(25,982,427)
Capital assets, net	17,680,729	23,119,316	40,800,045
Total Assets	\$ 23,024,560	\$ 27,094,264	\$ 50,118,824
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 306,123	\$ 393,709	\$ 699,832
Due to other funds	3,012,525	-	3,012,525
Accrued payroll and benefits payable	61,569	11,685	73,254
Unearned revenue	2,052	-	2,052
Accrued interest	10,312	5,798	16,110
Current portion notes and bonds payable	185,135	693,528	878,663
Total Current Liabilities	3,577,716	1,104,720	4,682,436
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences	243,167	137,909	381,076
Notes and bonds payable	2,297,461	14,751,062	17,048,523
Total Noncurrent Liabilities	2,540,628	14,888,971	17,429,599
Total Liabilities	6,118,344	15,993,691	22,112,035
<b>NET POSITION</b>			
Net investment in capital assets	15,198,133	7,674,726	22,872,859
Restricted	35,349	-	35,349
Unrestricted - designated	-	3,425,847	3,425,847
Unrestricted	1,672,734	-	1,672,734
Total Net Position	\$ 16,906,216	\$ 11,100,573	\$ 28,006,789

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, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Functions/Programs</b>							
<b>Governmental activities</b>							
General government	\$ 932,246	\$ 349,304	\$ 2,500	\$ 15,526	\$ (564,916)	\$ -	\$ (564,916)
Public safety	404,523	-	-	7,400	(397,123)	-	(397,123)
Highways and Streets	1,600,344	4,091	1,100,633	1,216,013	720,393	-	720,393
Culture and Recreation	824,722	28,112	52,083	786,489	41,962	-	41,962
Interest on long-term debt	70,968	-	-	-	(70,968)	-	(70,968)
Total governmental activities	<u>3,832,803</u>	<u>381,507</u>	<u>1,155,216</u>	<u>2,025,428</u>	<u>(270,652)</u>	<u>-</u>	<u>(270,652)</u>
<b>Business-type activities:</b>							
Water	3,477,042	3,564,966	-	-	-	87,924	87,924
Sanitation	567,948	762,117	-	100,000	-	294,169	294,169
Wastewater	2,761,898	1,797,778	-	582,377	-	(381,743)	(381,743)
Total business-type activities	<u>\$ 6,806,888</u>	<u>\$ 6,124,861</u>	<u>\$ -</u>	<u>\$ 682,377</u>	<u>-</u>	<u>350</u>	<u>350</u>
<b>General Revenues:</b>							
Property taxes, levied for general purposes					2,598,816	-	2,598,816
Unrestricted investment earnings					4,219	8,914	13,133
Transfers to the Town					(27,950)	(27,950)	(55,900)
Loss on sale of equipment					-	(7,513)	(7,513)
Donations					-	-	-
Other revenues					4,394	-	4,394
Total general revenues and transfers					<u>2,579,479</u>	<u>(26,549)</u>	<u>2,552,930</u>
Change in Net Position					2,308,827	(26,199)	2,282,628
Net position, beginning					<u>14,597,389</u>	<u>11,126,772</u>	<u>25,724,161</u>
Net position, ending					<u>\$ 16,906,216</u>	<u>\$ 11,100,573</u>	<u>\$ 28,006,789</u>

See Accompanying Notes to Basic Financial Statements.

VILLAGE OF ESSEX JUNCTION, VERMONT  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	General Fund	Capital Projects Fund	Rolling Stock Reserve Fund	Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 351	\$ -	\$ -	\$ -	\$ 100	\$ 451
Other receivables	102,074	672,576	-	-	-	774,650
Inventory	91,087	-	-	-	-	91,087
Due from Town of Essex	4,431,481	-	-	-	-	4,431,481
Due from other funds	-	-	509,225	-	258,034	767,259
Prepaid expenses	<u>46,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,162</u>
 Total Assets	 <u>\$ 4,671,155</u>	 <u>\$ 672,576</u>	 <u>\$ 509,225</u>	 <u>\$ -</u>	 <u>\$ 258,134</u>	 <u>\$ 6,111,090</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 43,403	\$ 231,178	\$ -	\$ -	\$ 31,541	\$ 306,122
Accrued payroll and benefits	61,569	-	-	-	-	61,569
Due to other funds	3,708,326	71,459	-	-	-	3,779,785
Unearned Revenue	<u>2,052</u>	<u>101,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,790</u>
 Total Liabilities	 <u>3,815,350</u>	 <u>404,375</u>	 <u>-</u>	 <u>-</u>	 <u>31,541</u>	 <u>4,251,266</u>
<b>FUND BALANCE</b>						
Nonspendable	137,249	-	-	-	-	137,249
Assigned	164,064	-	-	-	110,259	274,323
Restricted	-	-	-	-	35,349	35,349
Committed	96,000	268,201	509,225	-	80,985	954,411
Unassigned	<u>458,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,492</u>
 Total Fund Balances	 <u>855,805</u>	 <u>268,201</u>	 <u>509,225</u>	 <u>-</u>	 <u>226,593</u>	 <u>1,859,824</u>
 Total Liabilities and Fund Balances	 <u>\$ 4,671,155</u>	 <u>\$ 672,576</u>	 <u>\$ 509,225</u>	 <u>\$ -</u>	 <u>\$ 258,134</u>	 <u>\$ 6,111,090</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, 2017

**Total fund balances - governmental funds** **\$ 1,859,824**

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. 17,680,729

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

Deferred grant revenue 101,738

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 (243,167)

Accrued interest on long-term debt (10,312)

Notes payable (2,482,596)

**Total net position - governmental activities** **\$ 16,906,216**

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, 2017

	General Fund	Capital Projects Fund	Rolling Stock Reserve Fund	Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property tax	\$ 2,480,854	\$ -	\$ -	\$ -	\$ 108,382	\$ 2,589,236
Licenses and permits	60,184	-	-	-	-	60,184
Intergovernmental revenues	1,079,945	-	-	-	-	1,079,945
Charges for services	289,120	-	-	-	27,400	316,520
Fines and forfeits	1,590	-	-	-	-	1,590
Interest income	2,225	211	1,173	-	610	4,219
Grant income	-	1,180,337	-	-	2,549	1,182,886
Donations	61,412	15,000	-	-	-	76,412
Miscellaneous income	15,933	-	-	-	27,180	43,113
<b>Total Revenues</b>	<b><u>3,991,263</u></b>	<b><u>1,195,548</u></b>	<b><u>1,173</u></b>	<b><u>-</u></b>	<b><u>166,121</u></b>	<b><u>5,354,105</u></b>
<b>EXPENDITURES</b>						
Current expenditures:						
General government	671,827	-	-	-	-	671,827
Public safety	316,560	-	-	-	-	316,560
Public works	907,901	56,390	-	42,114	-	1,006,405
Community development	302,826	-	-	-	25,512	328,338
Culture and recreation	693,238	-	-	-	-	693,238
Grant expenditures	-	-	-	-	-	-
Capital Outlay						
Public safety	7,400	-	-	-	-	7,400
Public works	146,278	1,321,171	12,583	350,281	2,033	1,832,346
Culture and recreation	56,150	7,669	-	-	79,350	143,169
Debt Service						
Principal	128,535	-	50,000	134,969	-	313,504
Interest expense	70,929	-	1,563	-	-	72,492
<b>Total Expenditures</b>	<b><u>3,301,644</u></b>	<b><u>1,385,230</u></b>	<b><u>64,146</u></b>	<b><u>527,364</u></b>	<b><u>106,895</u></b>	<b><u>5,385,279</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>689,619</u>	<u>(189,682)</u>	<u>(62,973)</u>	<u>(527,364)</u>	<u>59,226</u>	<u>(31,174)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	274,961	253,624	-	83,000	611,585
Operating transfers out	<u>(611,585)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(611,585)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(611,585)</u></b>	<b><u>274,961</u></b>	<b><u>253,624</u></b>	<b><u>-</u></b>	<b><u>83,000</u></b>	<b><u>-</u></b>
Net Change in Fund Balance	78,034	85,279	190,651	(527,364)	142,226	(31,174)
Fund Balance - July 1, 2016	<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>
Fund Balance - June 30, 2017	<b><u>\$ 855,805</u></b>	<b><u>\$ 268,201</u></b>	<b><u>\$ 509,225</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 226,593</u></b>	<b><u>\$ 1,859,824</u></b>

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, 2017

**Net change in fund balances - governmental funds** \$ (31,174)

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	(828,084)
Capital Outlay	2,770,410

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

Increase in unearned and other unavailable revenue	35,676
--	--------

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	313,504
-----------------------------	---------

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	1,524
Accrued compensated absences	<u>46,971</u>

**Change in net position of governmental activities** \$ 2,308,827

See Accompanying Notes to Basic Financial Statements.

VILLAGE OF ESSEX JUNCTION, VERMONT  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 JUNE 30, 2017

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<b>ASSETS</b>				
Current Assets:				
Accounts receivable, net of allowance	\$ 502,235	\$ 166,074	\$ 220,307	\$ 888,616
Inventory	643	-	33,947	34,590
Due from Town of Essex	-	-	28,037	28,037
Due from other funds	13,382	1,771,234	1,227,909	3,012,525
Prepaid expenses	<u>1,687</u>	<u>2,872</u>	<u>6,621</u>	<u>11,180</u>
Total Current Assets	<u>517,947</u>	<u>1,940,180</u>	<u>1,516,821</u>	<u>3,974,948</u>
Noncurrent Assets:				
Capital assets not being depreciated:				
Land	-	-	118,077	118,077
Construction in progress	8,187	-	26,621	34,808
Capital assets				
Machinery, equipment, and vehicles	444,794	670,091	3,942,903	5,057,788
Water and sewer infrastructure	9,047,643	8,308,941	19,846,141	37,202,725
Accumulated depreciation	<u>(7,177,233)</u>	<u>(5,811,407)</u>	<u>(6,305,442)</u>	<u>(19,294,082)</u>
Capital assets, net	<u>2,323,391</u>	<u>3,167,625</u>	<u>17,628,300</u>	<u>23,119,316</u>
Total Assets	<u>\$ 2,841,338</u>	<u>\$ 5,107,805</u>	<u>\$ 19,145,121</u>	<u>\$ 27,094,264</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 307,111	\$ 1,226	\$ 85,372	\$ 393,709
Accrued payroll	1,269	1,115	9,301	11,685
Accrued interest	2,097	-	3,701	5,798
Current portion long-term debt	<u>29,865</u>	<u>59,211</u>	<u>604,452</u>	<u>693,528</u>
Total Current Liabilities	<u>340,342</u>	<u>61,552</u>	<u>702,826</u>	<u>1,104,720</u>
Noncurrent Liabilities:				
Accrued compensated absences	9,703	12,517	115,689	137,909
Notes and bonds payable	<u>507,539</u>	<u>1,080,183</u>	<u>13,163,340</u>	<u>14,751,062</u>
Total Noncurrent Liabilities	<u>517,242</u>	<u>1,092,700</u>	<u>13,279,029</u>	<u>14,888,971</u>
Total Liabilities	<u>857,584</u>	<u>1,154,252</u>	<u>13,981,855</u>	<u>15,993,691</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,785,987	2,028,231	3,860,508	7,674,726
Unrestricted - designated	<u>197,767</u>	<u>1,925,322</u>	<u>1,302,758</u>	<u>3,425,847</u>
Total Net Position	<u>1,983,754</u>	<u>3,953,553</u>	<u>5,163,266</u>	<u>11,100,573</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,841,338</u>	<u>\$ 5,107,805</u>	<u>\$ 19,145,121</u>	<u>\$ 27,094,264</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, 2017

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,563,610	\$ 761,230	\$ 1,797,755	\$ 6,122,595
Other income	<u>1,356</u>	<u>887</u>	<u>23</u>	<u>2,266</u>
 Total Operating Revenues	 <u>3,564,966</u>	 <u>762,117</u>	 <u>1,797,778</u>	 <u>6,124,861</u>
<b>OPERATING EXPENSES</b>				
Operating, maintenance and general and administrative expenses	3,340,273	384,287	1,778,283	5,502,843
Depreciation	<u>113,492</u>	<u>159,712</u>	<u>935,474</u>	<u>1,208,678</u>
 Total Operating Expenses	 <u>3,453,765</u>	 <u>543,999</u>	 <u>2,713,757</u>	 <u>6,711,521</u>
 Operating Income (Loss)	 <u>111,201</u>	 <u>218,118</u>	 <u>(915,979)</u>	 <u>(586,660)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	20	5,210	3,684	8,914
Interest expense	(23,277)	(23,949)	(48,141)	(95,367)
Transfer to the Town	(11,180)	(11,180)	(5,590)	(27,950)
Capital contributions	-	100,000	582,377	682,377
Loss on asset disposal	<u>-</u>	<u>-</u>	<u>(7,513)</u>	<u>(7,513)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(34,437)</u>	 <u>70,081</u>	 <u>524,817</u>	 <u>560,461</u>
 Net Income (Loss) Before Transfers	 <u>76,764</u>	 <u>288,199</u>	 <u>(391,162)</u>	 <u>(26,199)</u>
 Transfers	 <u>-</u>	 <u>(311,104)</u>	 <u>311,104</u>	 <u>-</u>
 Change in Net Position	 76,764	 (22,905)	 (80,058)	 (26,199)
 Net Position - July 1, 2016	 <u>1,906,990</u>	 <u>3,976,458</u>	 <u>5,243,324</u>	 <u>11,126,772</u>
 Net Position - June 30, 2017	 <u>\$ 1,983,754</u>	 <u>\$ 3,953,553</u>	 <u>\$ 5,163,266</u>	 <u>\$ 11,100,573</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, 2017

	Water Fund	Sanitation Fund	Wastewater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,571,466	\$ 751,519	\$ 1,830,605	\$ 6,153,590
Payments to suppliers	(3,213,480)	(273,880)	(1,499,281)	(4,986,641)
Payments for employees and benefits	(125,210)	(157,397)	(532,384)	(814,991)
	<u>232,776</u>	<u>320,242</u>	<u>(201,060)</u>	<u>351,958</u>
Net Cash Provided/(Used) by Operating Activities				
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of property, plant and equipment	(444,505)	(21,168)	(49,625)	(515,298)
Proceeds from sale of assets	-	-	1,126	1,126
Capital Contributions	-	100,000	582,377	682,377
Interest payments on debt	(22,828)	(23,949)	(48,239)	(95,016)
Proceeds from issuance of debt	128,535	-	-	128,535
Principal payments on debt	(30,031)	(58,051)	(593,777)	(681,859)
	<u>(368,829)</u>	<u>(3,168)</u>	<u>(108,138)</u>	<u>(480,135)</u>
Net Cash Used by Capital and Related Financing Activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Operating transfers in/(out)	-	(311,104)	311,104	-
Transfer to the Town	(11,180)	(11,180)	(5,590)	(27,950)
Interest income	20	5,210	3,684	8,914
	<u>(11,160)</u>	<u>(317,074)</u>	<u>309,198</u>	<u>(19,036)</u>
Net Cash Provided/(Used) by Investing Activities				
Net Decrease in Cash	(147,213)	-	-	(147,213)
Cash - July 1, 2016	147,213	-	-	147,213
Cash - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 111,201	\$ 218,118	\$ (915,979)	\$ (586,660)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	113,492	159,712	935,474	1,208,678
Change in net assets and liabilities:				
Receivables, net	6,500	(10,598)	32,827	28,729
Inventory	-	-	8,035	8,035
Due from Town	-	20,303	(28,037)	(7,734)
Due from other funds	(253,591)	(70,624)	(334,580)	(658,795)
Prepaid expenses	1,331	846	(1,336)	841
Accounts payable	253,868	683	82,062	336,613
Accrued payroll	(296)	(170)	1,503	1,037
Accrued compensated absences	271	1,972	18,971	21,214
	<u>232,776</u>	<u>320,242</u>	<u>(201,060)</u>	<u>351,958</u>
Net cash provided (used) by operating activities				

See Accompanying Notes to Basic Financial Statements.

VILLAGE OF ESSEX JUNCTION, VERMONT  
FUND FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - FIDUCIARY FUND  
June 30, 2017

	<u>Agency Funds</u>
<b>ASSETS</b>	
CASH	<u>\$ 2,002</u>
<b>LIABILITIES</b>	
Due to Other Organizations	<u>2,002</u>
 Total Liabilities and Net Position	 <u><u>\$ 2,002</u></u>

See Accompanying Notes to Basic Financial Statements.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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, 2017

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, 2017

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, 2017

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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (1) 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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 2 EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS (continued)

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.

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, 2017 consisted of the following:

	Book Balance	Bank Balance
Insured by the FDIC	\$ 2,026	\$ 3,007
Insured by Deposit Surety Bond	-	-
Offset by debt with institution	-	-
Petty Cash	427	-
Total Deposits	\$ 2,453	\$ 3,007

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 4 CASH AND CASH EQUIVALENTS (continued)

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.

Concentration of Credit Risk

The Village has no limit on the amount that they may invest with any one issuer. As of June 30, 2017, the Village is not exposed to concentration of credit risk.

NOTE 5 RECEIVABLES

Receivables at June 30, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 5 RECEIVABLES (continued)

	Governmental Business-Type		Total
	<u>Activities</u>	<u>Activities</u>	
Billed Services	\$ -	\$ 326,023	\$ 326,023
Unbilled Services	-	562,593	562,593
Grants	672,418	-	672,418
School District	69,242	-	69,242
Other	<u>32,990</u>	<u>-</u>	<u>32,990</u>
	<u>\$ 774,650</u>	<u>\$ 888,616</u>	<u>\$ 1,663,266</u>

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	<u>(260,000)</u>
Net Note Receivable	<u><u>\$ -</u></u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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	1,786,526	1,660,534	(1,459,970)	1,987,090
Antiques and Works of Art	<u>7,550</u>	<u>-</u>	<u>-</u>	<u>7,550</u>
Total capital assets not being depreciated	<u>1,849,818</u>	<u>1,660,534</u>	<u>(1,459,970)</u>	<u>2,050,382</u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 7 CAPITAL ASSETS (continued)

<u>Governmental Activities (cont'd)</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Other capital assets:				
Buildings and Improvements	2,375,161	791,819	-	3,166,980
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	6,191,800	249,635	(72,041)	6,369,394
Library Books	824,895	51,590	(63,750)	812,735
Parks	210,984	-	-	210,984
Roads, Curbs, Sidewalks, and Storm Sewers	<u>10,267,501</u>	<u>1,491,098</u>	<u>-</u>	<u>11,758,599</u>
Total other capital assets	<u>19,870,341</u>	<u>2,584,142</u>	<u>(135,791)</u>	<u>22,318,692</u>
Less accumulated depreciation for:				
Buildings and Improvements	(774,386)	(68,890)	-	(843,276)
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	(2,170,227)	(301,264)	57,745	(2,413,746)
Library Books	(626,305)	(59,073)	63,750	(621,628)
Parks	(26,927)	(2,578)	-	(29,505)
Roads, Curbs, Sidewalks, and Storm Sewers	<u>(2,383,911)</u>	<u>(396,279)</u>	<u>-</u>	<u>(2,780,190)</u>
Total accumulated depreciation	<u>(5,981,756)</u>	<u>(828,084)</u>	<u>121,495</u>	<u>(6,688,345)</u>
Total capital assets being depreciated, net	<u>13,888,585</u>	<u>1,756,058</u>	<u>(14,296)</u>	<u>15,630,347</u>
Governmental Activities - Capital Assets, Net	<u>\$15,738,403</u>	<u>\$3,416,592</u>	<u>\$(1,474,266)</u>	<u>\$17,680,729</u>

Depreciation expense was charged to functions, as follows:

General Government	\$ 28,166
Public Safety	87,963
Highways and Streets	596,807
Culture and Recreation	113,973
Community Development	<u>1,175</u>
TOTAL	<u>\$ 828,084</u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 7 CAPITAL ASSETS (continued)

<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>105,244</u>	<u>91,029</u>	<u>(161,465)</u>	<u>34,808</u>
Total capital assets not being depreciated	<u>223,321</u>	<u>91,029</u>	<u>(161,465)</u>	<u>152,885</u>
Capital assets being depreciated:				
Buildings and Improvements	15,171,806	-	-	15,171,806
Vehicles, Machinery, Equipment and Furniture	5,057,991	54,757	(54,960)	5,057,788
Infrastructure	164,182	-	-	164,182
Distribution and Collection Systems	<u>21,361,292</u>	<u>530,977</u>	<u>(25,532)</u>	<u>21,866,737</u>
Total Capital assets being depreciated	<u>41,755,271</u>	<u>585,734</u>	<u>(80,492)</u>	<u>42,260,513</u>
Less accumulated depreciation for:				
Buildings and Improvements	(3,620,635)	(511,780)	-	(4,132,415)
Vehicles, Machinery, Equipment and Furniture	(1,728,948)	(307,446)	46,321	(1,990,073)
Infrastructure	(40,944)	(8,209)	-	(49,153)
Distribution and Collection Systems	<u>(12,766,730)</u>	<u>(381,243)</u>	<u>25,532</u>	<u>(13,122,441)</u>
Total accumulated depreciation	<u>(18,157,257)</u>	<u>(1,208,678)</u>	<u>71,853</u>	<u>(19,294,082)</u>
Total capital assets being depreciated, net	<u>23,598,014</u>	<u>(622,944)</u>	<u>(8,639)</u>	<u>22,966,431</u>
Business-Type Activities - Capital Assets, Net	<u>\$ 23,821,335</u>	<u>\$ (531,915)</u>	<u>\$ (170,104)</u>	<u>\$ 23,119,316</u>

Depreciation expense was charged as follows:

Water Fund	\$ 113,492
Sanitation Fund	159,712
Wastewater Fund	<u>935,474</u>
TOTAL	<u>\$1,208,678</u>

NOTE 8 INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances at June 30, 2017 is as follows:

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 8 INTERFUND BALANCES AND ACTIVITY (continued)

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 3,708,326
Capital Projects Fund	-	71,459
Rolling Stock Reserve Fund	509,225	-
Water Fund	13,382	-
Sanitation Fund	1,771,234	-
Wastewater Fund	1,227,909	-
Memorial Park Fund	3,648	-
Senior Center Fund	32,343	-
Land Acquisition Reserve Fund	<u>80,985</u>	<u>-</u>
	<u>\$ 3,638,726</u>	<u>\$ 3,779,785</u>

NOTE 9 TRANSFERS

The interfund transfers during the year ended June 30, 2017 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	203,624	Annual Appropriation
General Fund	Capital Reserve	274,961	Annual Appropriation
General Fund	Building Maintenance Fund	<u>83,000</u>	Speical Transfer
	Total Governmental Activities	<u>\$ 611,585</u>	

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Sanitation Fund	Wastewater Fund	\$ 315,681	Bond Debt Service
Wastewater Fund	Sanitation Fund	<u>4,577</u>	WWTF Upgrade
	Total Proprietary Funds	<u>\$ 320,258</u>	

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 10 UNEARNED REVENUE

Deferred Inflows of Resources in the General Fund consists of \$2,052 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 200 hours. 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.

Long-term liabilities outstanding as of June 30, 2017 were as follows:

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 11 LONG-TERM LIABILITIES (continued)

<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- Community Bank, Fire Ladder Truck				
Purchase, Interest at 1.65%, \$50,000				
Due July 28, 2017, the Village Intends to				
Renew the Note Annually and Pay down				
\$50,000 Plus Interest Annually				
	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000
 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>2,696,100</u>	<u>-</u>	<u>(263,504)</u>	<u>2,432,596</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 2,796,100</u>	 <u>\$ -</u>	 <u>\$ (313,504)</u>	 <u>\$ 2,482,596</u>

Year Ending June 30,	Principal	Interest	Total
2018	\$ 185,135	\$ 75,855	\$ 260,990
2019	135,135	73,060	208,195
2020	135,135	70,582	205,717
2021	135,135	67,599	202,734
2022	135,135	64,190	199,325
2023-2027	675,675	259,557	935,232
2028-2032	675,675	142,874	818,549
2033-2036	<u>405,571</u>	<u>24,106</u>	<u>429,677</u>
 TOTAL	 <u>\$ 2,482,596</u>	 <u>\$ 777,823</u>	 <u>\$ 3,260,419</u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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.	\$ 222,756	\$ -	\$ (12,882)	\$ 209,874
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, Due February 2036.	12,925,000	-	(531,951)	12,393,049
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 Due November 2035.	1,006,258	-	(46,995)	959,263
Bond Payable- Vermont Municipal Bond Bank, Water Improvements, Net Interest Cost of 3.403%, \$30,031 due Annually on December 1, Semi-Annual Interest Payments Due June and December 1, Due December 2035.	438,900	128,535	(30,031)	537,404

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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	1,405,000	-	(60,000)	1,345,000
	<u>\$ 15,997,914</u>	<u>\$ 128,535</u>	<u>\$ (681,859)</u>	<u>\$ 15,444,590</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 693,528	\$ 331,538	\$ 1,025,066
2019	705,600	317,629	1,023,229
2020	717,915	303,227	1,021,142
2021	730,476	288,383	1,018,859
2022	743,289	273,072	1,016,361
2023-2027	3,892,777	1,124,096	5,016,873
2028-2032	4,236,440	686,947	4,923,387
2033-2037	3,504,565	225,734	3,730,299
2032-2036	-	-	-
2038-2041	220,000	15,968	235,968
	<u>\$ 15,444,590</u>	<u>\$ 3,566,594</u>	<u>\$ 19,011,184</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, 2017

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 not have a minimum fund balance policy. 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, 2017 are as follows:

GENERAL FUND

Nonspendable for:

Inventories	\$ 91,087
Prepaid Expenses	<u>46,162</u>
Total Nonspendable Fund Balance	<u>\$ 137,249</u>

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 12      NET POSITION/FUND BALANCES (continued)

Assigned for:

Reduce Property Taxes in FY18	\$ 60,000
Friends of the Library Donations	1,802
Library Book Replacement	5,297
Termination Benefits	86,965
Health Reimbursement Arrangement Expenses	<u>10,000</u>

Total Assigned Fund Balance      \$ 164,064

Committed for:

Capital Reserve FY18 Transfer	<u>\$ 96,000</u>
-------------------------------	------------------

CAPITAL RESERVE FUND

Committed for:

Capital Reserve Fund Expenditures	<u>\$ 268,202</u>
-----------------------------------	-------------------

ROLLING STOCK RESERVE FUND

Committed for:

Rolling Stock Reserve Fund Expenditures	<u>\$ 509,225</u>
---	-------------------

NON MAJOR FUNDS

Restricted for:

Veterans Memorial Park by Donation	\$ 3,648
Senior Center	<u>31,701</u>

Total Restricted Fund Balance      \$ 35,349

Committed for:

Land Acquisition Capital Reserve Fund Expenditures	<u>\$ 80,985</u>
--	------------------

Assigned for:

Economic Development	\$ 106,533
Building Maintenance	<u>3,725</u>

Total Assigned Fund Balance      \$ 110,258

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 12 NET POSITION/FUND BALANCES (continued)

WATER, SANITATION AND WASTEWATER FUNDS

Designated for:	
Water Fund Expenses	\$ 251,614
Water Fund Capital Expenses	<u>(53,847)</u>
Total Water Designated Fund Balance	<u>\$ 197,767</u>
Sanitation Fund Expenses	\$ 309,601
Sanitation Fund Capital Expenses	710,911
Sanitation Wastewater Treatment Facility Upgrades	<u>904,810</u>
Total Sanitation Designated Fund Balance	<u>\$ 1,925,322</u>
Wastewater Fund Capital Expenses	\$ 721,832
Wastewater Expenses- Attributable to the Village of Essex Junc	317,887
Wastewater Expenses- Attributable to the Town of Essex	94,182
Wastewater Expenses- Attributable to the Town of Williston	16,965
Wastewater Fund Expenses- General	<u>151,892</u>
Total Wastewater Designated Fund Balance	<u>\$ 1,302,758</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 \$1,441,312 while the covered payroll was \$ 1,437,412. Pension expenses for the years ended June 30, 2017, 2016 and 2015 were \$137,614 \$137,509 and \$133,017 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, 2017 was \$540,240.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 13      BENEFIT PLANS (continued)

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, 2017, the Village received 7.4% of total property taxes from GlobalFoundries and received 74.6% 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, 2017. The Village purchased \$3,032,345 in water from CWD.

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 2017 was .2389.

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.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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 2017, the Village owns 35.2%, the Town of Essex owns 33.33% and the Town of Williston owns 31.5%. 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 four more years which will increase the Town of Williston's capacity. The Town of Williston has already paid \$600,000 for 60,000 gallons over the past six 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%.

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, 2017.

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. 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; the operating account balance is reported entirely on the financial statements of the Town of Essex. At June 30, 2017 \$4,431,481 of the balance in the operating account belonged to the Village, this is reported as Due from Town of Essex in the accompanying financial statements. At June 30, 2017 the Town also owed the Village \$38,450 for expenses.

Village of Essex Junction, Vermont  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 21 ACQUISITION OF SENIOR CENTER

On July 1, 2016 the Essex Area Senior Center, Inc. dissolved the corporation and transferred ownership of all its physical and financial assets to the Village of Essex Junction as a means of keeping the existing senior activities available to members. The Village received physical and financial assets totaling \$36,931.

NOTE 22 DISCLOSURE OF SUBSEQUENT EVENTS

On July 27, 2017 the Village acquired a note payable with People's United Bank in the amount of \$150,000 with an interest rate of 1.5%, due July 26, 2018.

On November 14, 2017 the Village Trustees formally resolved to acknowledge the assumption of the the 1999 Series 1/2009 Series 2 Refunded Bond debt on the Maple St. pool. The bond is payable to VMBB and has a remaining balance due of \$315,000 and matures in November, 2019.

In accordance with professional accounting standards, the Village has evaluated subsequent events through January 11, 2018, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, 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, 2017

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Property tax	\$ 2,482,765	\$ 2,482,765	\$ 2,480,854	\$ (1,911)
Licenses and permits	50,000	50,000	60,184	10,184
Intergovernmental revenues	1,076,894	1,076,894	1,079,945	3,051
Charges for services	289,521	289,521	289,120	(401)
Fines and forfeits	500	500	1,590	1,090
Interest income	1,500	1,500	2,225	725
Donations	6,075	6,075	61,412	55,337
Other income	<u>10,820</u>	<u>10,820</u>	<u>15,933</u>	<u>5,113</u>
 Total Revenues	 <u>3,918,075</u>	 <u>3,918,075</u>	 <u>3,991,263</u>	 <u>73,188</u>
 <b>EXPENDITURES</b>				
Current:				
General government	657,281	657,281	671,827	(14,546)
Public safety	315,342	315,342	316,560	(1,218)
Public works	862,474	862,474	907,901	(45,427)
Community development	343,233	343,233	302,826	40,407
Culture and recreation	720,246	720,246	693,238	27,008
Capital Outlay:				
Public safety	-	-	7,400	(7,400)
Public works	197,520	197,520	146,278	51,242
Culture and recreation	56,150	56,150	56,150	-
Debt Service:				
Principal	141,900	141,900	128,535	13,365
Interest expense	<u>80,344</u>	<u>80,344</u>	<u>70,929</u>	<u>9,415</u>
 Total Expenditures	 <u>3,374,490</u>	 <u>3,374,490</u>	 <u>3,301,644</u>	 <u>72,846</u>
 Excess of Revenues Over Expenditures	 543,585	 543,585	 689,619	 342
 <b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>(578,585)</u>	<u>(578,585)</u>	<u>(611,585)</u>	<u>(33,000)</u>
 Net Change in Fund Balance	 <u>\$ (35,000)</u>	 <u>\$ (35,000)</u>	 <u>\$ 78,034</u>	 <u>\$ (32,658)</u>

See Accompanying Notes to Basic Financial Statements.

## OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF ESSEX JUNCTION, VERMONT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Special Revenue Fund		Capital Project Fund			Total
	Veteran Memorial Park Fund	Senior Center Fund	Land Acquisition Capital Reserve Fund	Economic Development	Building Maintenance	
<b>ASSETS</b>						
Cash	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ 100
Due from other funds	<u>3,648</u>	<u>32,343</u>	<u>80,985</u>	<u>106,533</u>	<u>34,525</u>	<u>258,034</u>
Total Assets	<u>\$ 3,648</u>	<u>\$ 32,443</u>	<u>\$ 80,985</u>	<u>\$ 106,533</u>	<u>\$ 34,525</u>	<u>\$ 258,134</u>
<b>LIABILITIES</b>						
Accounts Payable	<u>\$ -</u>	<u>\$ 742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,799</u>	<u>\$ 31,541</u>
<b>FUND BALANCE</b>						
Restricted	3,648	31,701	-	-	-	35,349
Committed	-	-	80,985	-	-	80,985
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,533</u>	<u>3,726</u>	<u>110,259</u>
Total Fund Balances	<u>3,648</u>	<u>31,701</u>	<u>80,985</u>	<u>106,533</u>	<u>3,726</u>	<u>226,593</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,648</u>	<u>\$ 32,443</u>	<u>\$ 80,985</u>	<u>\$ 106,533</u>	<u>\$ 34,525</u>	<u>\$ 258,134</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2017

	Special Revenue Fund		Capital Project Fund			Total
	Veteran Memorial Park Fund	Senior Center Fund	Land Acquisition Capital Reserve Fund	Economic Development	Building Maintenance	
<b>REVENUES</b>						
Charges for Service	\$ -	\$ 27,400	\$ -	\$ -	\$ -	\$ 27,400
Property Tax				108,382	-	108,382
Grant Income	-	2,549	-	-	-	2,549
Miscellaneous Income	-	27,180	-	-	-	27,180
Interest	12	84	254	184	76	610
<b>Total Revenue</b>	<u>12</u>	<u>57,213</u>	<u>254</u>	<u>108,566</u>	<u>76</u>	<u>166,121</u>
<b>EXPENDITURES</b>						
Program Expense	-	25,512	-	-	-	25,512
Capital Outlay	-	-	-	2,033	79,350	81,383
<b>Total Expenditures</b>	<u>-</u>	<u>25,512</u>	<u>-</u>	<u>2,033</u>	<u>79,350</u>	<u>106,895</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12</u>	<u>31,701</u>	<u>254</u>	<u>106,533</u>	<u>(79,274)</u>	<u>59,226</u>
<b>OTHER FINANCING SOURCES</b>						
Transfer	-	-	-	-	83,000	83,000
<b>Net Change in Fund Balance</b>	12	31,701	254	106,533	3,726	142,226
Fund Balance - July 1, 2016	<u>3,636</u>	<u>-</u>	<u>80,731</u>	<u>-</u>	<u>-</u>	<u>84,367</u>
Fund Balance - June 30, 2017	<u>\$ 3,648</u>	<u>\$ 31,701</u>	<u>\$ 80,985</u>	<u>\$ 106,533</u>	<u>\$ 3,726</u>	<u>\$ 226,593</u>

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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Water Sales - Village	\$ 846,258	\$ 901,046	\$ 54,788
Water Sales - GF	2,767,603	2,505,612	(261,991)
Water Sales - GF Vermont Tax	68,255	61,472	(6,783)
Water Sales - Large Users	107,492	76,261	(31,231)
Penalties	4,000	4,769	769
Hook on Fees	15,000	14,450	(550)
Miscellaneous	-	1,356	1,356
	<u>3,808,608</u>	<u>3,564,966</u>	<u>(243,642)</u>
<b>OPERATING EXPENSES</b>			
Salaries - Regular	105,379	67,668	37,711
Salaries - Overtime	14,000	9,819	4,181
Salaries - Part time	5,166	2,626	2,540
Social security	9,658	6,126	3,532
Unemployment insurance	353	87	266
Workers compensation insurance	5,528	5,437	91
Health insurance and other benefits	40,682	25,660	15,022
Retirement	10,538	6,707	3,831
Liability and property insurance	3,347	3,620	(273)
Supplies	5,500	5,172	328
Telephone	1,000	1,489	(489)
Postage	2,000	1,636	364
Gas, oil and grease	3,500	1,143	2,357
Meters and parts	-	303	(303)
Distribution materials	6,500	10,322	(3,822)
Computer expenses	2,100	1,105	995
Water and sewer charges	400	92	308
Training and conferences	2,000	1,468	532
Electrical services	700	711	(11)
Heat	3,000	2,402	598
Maintenance - Other	1,000	3,541	(2,541)
Water line maintenance - breaks	16,000	22,737	(6,737)
Uniforms and boots	1,500	806	694

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, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING EXPENSES (CONTINUED)</b>			
Contracted services	113,888	113,888	-
Other professional services	1,000	1,590	(590)
Audit services	4,217	3,433	784
Right of way agreements	142	8	134
Interview costs	-	1,055	(1,055)
Water purchases - Village	460,300	453,033	7,267
Water purchases - GF	2,767,603	2,505,612	261,991
Printing and advertising	2,000	3,544	(1,544)
Transfer to capital reserve	140,000	140,000	-
Capital outlay	-	3,732	(3,732)
State water tax - Village	11,352	12,228	(876)
State water tax - GF	68,255	61,473	6,782
Total Operating Expenses	3,808,608	3,480,273	328,335
Operating Income	\$ -	\$ 84,693	\$ 84,693

**RECONCILIATION OF BUDGETARY  
BASIS TO GAAP BASIS**

Excess of Revenues over Expenditures- Budgetary Basis	\$ 84,693
Adjustments for non-budget:	
Bond Interest	(23,277)
Capital Reserve Fund Transfer	140,000
Interest Earned on Capital Reserve Fund	20
Transfer to Town	(11,180)
Depreciation	(113,492)
Excess of Revenues over Expenditures- GAAP Basis	\$ 76,764

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, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Sanitation billing	\$ 552,556	\$ 565,633	\$ 13,077
Sanitation penalty	2,500	2,686	186
Essex pump station fees	23,128	23,911	783
Two party agreement revenue	15,000	15,000	-
Hook on fees	30,000	154,000	124,000
Miscellaneous	-	887	887
Interest earnings	-	5,210	5,210
	<u>623,184</u>	<u>767,327</u>	<u>144,143</u>
Total Operating Revenues			
<b>OPERATING EXPENSES</b>			
Salaries - Regular	82,591	84,804	(2,213)
Salaries - Overtime	12,000	13,772	(1,772)
Salaries - Part time	5,166	2,626	2,540
Social security	7,690	7,703	(13)
Unemployment insurance	328	127	201
Workers compensation insurance	4,581	5,138	(557)
Health insurance and other benefits	40,682	36,824	3,858
Retirement	8,259	8,205	54
Liability and property insurance	8,183	7,713	470
Supplies	1,000	355	645
Postage	3,500	3,268	232
Gas, oil and grease	2,500	1,681	819
Computer expenses	1,000	2,210	(1,210)
Water and sewer charges	500	281	219
Training and conferences	150	-	150
Electrical services	11,000	10,001	999
Heating/natural gas	1,700	1,851	(151)
Maintenance - Other	1,500	14,557	(13,057)
Pump station maintenance	8,000	9,642	(1,642)
Sanitation line maintenance	6,000	972	5,028
Susie Wilson pump station costs	9,000	7,745	1,255
West St. pump station costs	10,000	12,166	(2,166)
Uniforms and boots	1,500	1,601	(101)
Contracted services	144,188	144,188	-

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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING EXPENSES (continued)</b>			
Right-Of-Way Agreements	1,058	1,563	(505)
Sanitation line back-up cleaning	1,500	-	1,500
Other professional services	1,000	365	635
Audit services	2,108	1,716	392
Printing and advertising	500	1,213	(713)
Capital reserve fund contributions	95,000	215,167	(120,167)
Other expenses	-	2,000	(2,000)
	<u>472,184</u>	<u>599,454</u>	<u>(127,270)</u>
 Total Operating Expenses	 <u>472,184</u>	 <u>599,454</u>	 <u>(127,270)</u>
 Operating Income	 <u>\$ 151,000</u>	 <u>167,873</u>	 <u>\$ 16,873</u>

**RECONCILIATION OF BUDGETARY  
BASIS TO GAAP BASIS**

Excess of Revenues over Expenditures- Budgetary Basis	\$ 167,873
Adjustments for non-budget:	
Admin Fee on ARRA Loan	(3,824)
RF1-157 Loan Admin Fee	(20,125)
Sale of WWTF Capacity	100,000
Capital Reserve Transfer	215,167
Transfers from WWTF Fund for Debt	4,577
Transfer to WWTF for Upgrade	(315,681)
Transfer to Town	(11,180)
Depreciation	<u>(159,712)</u>
 (Deficiency) of Revenues over Expenditures- GAAP Basis	 <u>\$ (22,905)</u>

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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Village user charges	\$ 681,161	\$ 689,249	\$ 8,088
Village user penalties	3,000	3,361	361
Wastewater charge - Essex	436,976	436,976	-
Wastewater charge - Williston	611,766	611,766	-
Pump station maintenance fee	30,300	30,300	-
Village septage discharge income	15,000	18,533	3,533
Shared septage revenue	5,000	6,178	1,178
Village leachate revenues	-	1,044	1,044
Share leachate revenues	-	348	348
Interest	-	3,684	3,684
Miscellaneous	-	23	23
	<u>1,783,203</u>	<u>1,801,462</u>	<u>18,259</u>
<b>OPERATING EXPENSES</b>			
Salaries - Regular	333,046	330,279	2,767
Salaries - Overtime	48,000	43,928	4,072
Salaries - Part-time	8,139	22,191	(14,052)
Social security	30,142	28,616	1,526
Workers comp insurance	17,400	17,141	259
Unemployment insurance	837	358	479
Health insurance other benefits	109,133	79,250	29,883
Retirement	33,305	30,572	2,733
Liability and property insurance	23,808	22,989	819
Supplies	10,000	8,256	1,744
Supplies - Laboratory	13,000	16,198	(3,198)
Chemicals	195,000	284,508	(89,508)
Gas, grease and oil	6,000	5,177	823
Water and sewer charge	4,000	2,128	1,872
Training and conference	6,500	5,464	1,036
Telephone services	6,000	4,577	1,423
Electrical service	150,000	143,277	6,723
Heating	20,000	23,372	(3,372)
Maintenance - other	85,000	85,060	(60)
Vehicles maintenance - travel	3,500	1,914	1,586

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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING EXPENSES (continued)</b>			
Uniforms, boots, etc.	6,000	5,506	494
Interview cost	-	523	(523)
Contract laboratory services	9,000	10,981	(1,981)
Contract services	56,943	56,944	(1)
Legal services	1,000	-	1,000
Grit Disposal	9,000	10,356	(1,356)
Sludge dewatering	130,000	137,340	(7,340)
Sludge management	150,000	127,963	22,037
Other professional services	6,000	985	5,015
Audit	4,950	4,030	920
WWTF Annual permit fee	7,500	9,900	(2,400)
Capital reserve fund contributions	<u>300,000</u>	<u>300,000</u>	<u>-</u>
 Total Operating Expenses	 <u>1,783,203</u>	 <u>1,819,783</u>	 <u>(36,580)</u>
 Operating Loss	 <u>\$ -</u>	 <u>(18,321)</u>	 <u>\$ (18,321)</u>

**RECONCILIATION OF BUDGETARY  
BASIS TO GAAP BASIS**

Deficiency of Revenues	
over Expenditures - Budgetary Basis	\$ (18,321)
Adjustments for non-budget:	
Bond Interest	(47,510)
Admin Fee on ARRA Loan	(631)
Capital Reserve Fund Transfer	300,000
Town of Essex Bond Contribution	299,353
Town of Williston Bond Contribution	283,024
Essex Junction Debt Payment	315,681
Capital Outlay	(258,500)
Transfer to Town for benefits	(5,590)
Transfer to Sanitation Fund	(4,577)
Proceeds from Sale of Asset	(7,513)
Depreciation	<u>(935,474)</u>
 (Deficiency) of Revenues over Expenditures- GAAP Basis	 <u>\$ (80,058)</u>

VILLAGE OF ESSEX JUNCTION, VERMONT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor Number	Federal CFDA Number	Federal Expenditures
U. S. Department of Transportation			
Passed through State of Vermont, Agency of Transportation			
Highway Planning and Construction - Crescent Connector	CA0315	20.205	\$ 159,499
Highway Planning and Construction - Pearl Street Linking	CA0397	20.205	514,113
Highway Planning and Construction - Mansfield Stormwater	CA0462	20.205	3,594
Highway Planning and Construction - Multiuse Safety Path	CA0344	20.205	<u>307,446</u>
			<u>984,652</u>
National Endowment for the Humanities			
Passed through State of Vermont, Department of Libraries			
Grants to States - 1st Wednesday	1st Wednesday	45.310	650
Grants to States - Courier	Courier	45.310	<u>323</u>
			<u>973</u>
Total Expenditure of Federal Awards			<u>\$ 985,625</u>

## NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Village of Essex Junction, Vermont under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Village of Essex Junction, Vermont.

## NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Village of Essex Junction, Vermont has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance because no indirect costs were allowed under the federal awards.



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Essex Junction, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Essex Junction, Vermont's basic financial statements, and have issued our report thereon dated January 11, 2018.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Kittel Branigan & Sargent*

St. Albans, Vermont  
January 11, 2018



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the Village of Essex Junction, Vermont's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Village of Essex Junction, Vermont's major federal programs for the year ended June 30, 2017. Village of Essex Junction, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village of Essex Junction, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Essex Junction, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village of Essex Junction, Vermont's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Village of Essex Junction, Vermont, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the Village of Essex Junction, Vermont, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Essex Junction, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Essex Junction, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kittell Branagan & Sargent*

St. Albans, Vermont  
January 11, 2018

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Village of Essex Junction, Vermont
2. There were no significant deficiencies disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Village of Essex Junction, Vermont, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs Village of Essex Junction, Vermont expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Village of Essex Junction, Vermont
7. The programs tested as major programs were:
  - 20.205 Highway Planning and Construction – Crescent Connector
  - 20.205 Highway Planning and Construction – Pearl Street Linking
  - 20.205 Highway Planning and Construction – Mansfield Stormwater
  - 20.205 Highway Planning and Construction – Multiuse Safety Path

The threshold for distinguishing between Type A and B programs was \$750,000.

8. Village of Essex Junction, Vermont was determined to be a high-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

- There were no findings related to the financial statements audit.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

- There were no findings or questioned costs related to the major federal award programs.