

City of Essex Junction, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2023

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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Essex Junction, Vermont
Essex Junction, Vermont

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Essex Junction, Vermont as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Essex Junction, Vermont's basic financial statements as listed in the table of contents.

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 City of Essex Junction, Vermont, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Essex Junction, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Essex Junction, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Essex Junction, Vermont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Essex Junction, Vermont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of the net pension liability and the schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Essex Junction, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of the enterprise funds and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of City 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Essex Junction, Vermont's 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 City of Essex Junction, Vermont's internal control over financial reporting and compliance.



St. Albans, Vermont
December 21, 2023

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Management of the City of Essex Junction (the "City") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities and deferred inflows of resources on June 30, 2023 by \$43,864,741 (*net position*). Of this amount, \$9,719,180 (*unrestricted net position*) may be used by the various funds of the City to meet the City's ongoing obligations. The balance of net position is made up of \$34,123,419 invested in capital assets net of related debt and \$22,142 restricted for specific purposes.
- The City's total net position increased by \$5,649,143. Of this amount, net position attributable to governmental activities increased by \$5,157,196. Net position attributable to business-type activities increased by \$491,947.
- Fund balances of total governmental funds decreased by \$780,897 in FY23. The General Fund had \$886,806 of unassigned fund balance at June 30, 2023, which is equal to 7.76% of the approved FY24 General Fund Budget.

OVERVIEW OF THE 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 City 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 City 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 City'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 City of Essex Junction include general government, public works, community development, public safety, and culture and recreation. The business-type activities of the City 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 City has three types of funds: governmental funds, proprietary funds, and fiduciary funds. The proprietary funds of the City are all Enterprise Funds. Fund financial statements can be found on pages 3 through 9 of the Financial Statements.

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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 City's general fund. The supplementary information can be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
Assets:						
Cash	\$ 11,424,961	\$ 1,181	\$ 3,070,000	\$ -	\$ 14,494,961	\$ 1,181
Other Assets	3,116,643	10,804,084	7,313,685	7,252,716	10,430,328	18,056,800
Capital Assets	28,242,952	24,164,467	18,604,679	18,918,334	46,847,632	43,082,801
Total Assets	<u>42,784,556</u>	<u>34,969,732</u>	<u>28,988,364</u>	<u>26,171,050</u>	<u>71,772,921</u>	<u>61,140,782</u>
Deferred Outflows of Resources	500,818	-	344,135	-	844,953	-
Liabilities:						
Other Liabilities	10,450,558	7,687,786	2,084,604	2,036,021	12,535,162	9,723,807
Noncurrent Liabilities	2,301,071	1,905,397	13,916,899	11,295,980	16,217,970	13,201,377
Total Liabilities	<u>12,751,629</u>	<u>9,593,183</u>	<u>16,001,503</u>	<u>13,332,001</u>	<u>28,753,132</u>	<u>22,925,184</u>
Net Position:						
Net Investment in Capital Assets	26,621,166	22,407,546	7,502,253	7,064,551	34,123,419	29,472,097
Restricted	22,142	23,633	-	-	22,142	23,633
Unrestricted	3,890,437	2,945,370	5,828,743	5,774,498	9,719,180	8,719,868
Total Net Position	<u>\$ 30,533,745</u>	<u>\$ 25,376,549</u>	<u>\$13,330,996</u>	<u>\$ 12,839,049</u>	<u>\$ 43,864,741</u>	<u>\$ 38,215,598</u>

As stated in the chart titled Summary Statement of Net Position, assets exceeded liabilities by \$43,864,741 at the end of fiscal year 2023. Assets at the end of fiscal year 2022 exceeded liabilities by \$38,215,598.

The largest portion of the City's net position is in its net investment in capital assets (77.79%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). Therefore, these assets are not available for future spending.

An amount of \$22,142 of the City'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 of \$9,719,180 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 City or assigned by the City Council for particular purposes (e.g. capital projects).

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Summary of the Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 513,263	\$ 499,012	\$10,641,975	\$ 10,221,591	\$ 11,155,238	\$ 10,720,603
Operating Grants & Revenues	2,003,736	1,526,014	251,460	393,400	2,255,196	1,919,414
Capital Grants & Revenues	4,101,627	289,460	585,899	587,748	4,687,526	877,208
General Revenues:						
Property Taxes	4,011,137	3,869,496	-	-	4,011,137	3,869,496
Local Option Tax	655,824	-	-	-	655,824	-
Unrestricted investment earnings	66,841	10,258	70,634	11,798	137,475	22,056
Loss on disposal of equipment	(5,300)	-	(5,200)	-	(10,500)	-
Other	37,145	17,657	-	(7,000)	37,145	10,657
Total Revenues	<u>11,384,273</u>	<u>6,211,897</u>	<u>11,544,768</u>	<u>11,207,537</u>	<u>22,929,041</u>	<u>17,419,434</u>
Expenses:						
General Government	1,448,143	1,214,378	-	-	1,448,143	1,214,378
Public Safety	495,940	482,014	-	-	495,940	482,014
Highways and Streets	2,053,025	1,965,645	-	-	2,053,025	1,965,645
Culture and Recreation	2,164,649	1,986,161	-	-	2,164,649	1,986,161
Interest on Long-Term Debt	59,995	64,801	-	-	59,995	64,801
Water	-	-	4,176,004	4,072,405	4,176,004	4,072,405
Sanitation	-	-	677,934	590,029	677,934	590,029
Wastewater	-	-	3,300,728	3,093,934	3,300,728	3,093,934
Recreation	-	-	2,896,655	2,581,569	2,896,655	2,581,569
Total Expenses	<u>6,221,752</u>	<u>5,712,999</u>	<u>11,051,321</u>	<u>10,337,937</u>	<u>17,273,073</u>	<u>16,050,936</u>
Change in Net Position before Transfers	<u>5,162,521</u>	<u>498,898</u>	<u>493,447</u>	<u>869,600</u>	<u>5,655,968</u>	<u>1,368,498</u>
Transfers	1,500	1,500	(1,500)	(1,500)	-	-
Increase (Decrease) in Net Position	5,157,196	500,398	491,947	868,100	5,649,143	1,368,498
Beginning Net Position	25,376,549	24,876,151	12,839,049	11,970,949	38,215,598	36,847,100
Ending Net Position	<u>\$ 30,533,745</u>	<u>\$ 25,376,549</u>	<u>\$13,330,996</u>	<u>\$ 12,839,049</u>	<u>\$ 43,864,741</u>	<u>\$ 38,215,598</u>

Governmental activities. Governmental activities increased the City's net position by \$5,157,196 in FY23. The City increased its investment in capital assets by \$4,213,620 and unrestricted net position increased by \$945,067. Restricted net position decreased by \$1,491.

Business-type activities. Business-type activities increased the City's net position by \$491,947.

Water Fund

The Water Fund had a budgetary net loss of \$80,039 in FY23. Disregarding GlobalFoundries pass through revenues and expenses, Water Fund revenues were \$58,027 less than budget and expenses were \$69,047 over budget. The Water Fund started construction on the Main St water line replacement.

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Sanitation Fund

The Sanitation Fund had a budgetary net income of \$233,251 against a budget of \$199,750 in net income. Sanitation revenues were \$88,580 more than budgeted and expenses were \$55,079 more than budgeted. Hook-on fees were \$22,000 less than budgeted. City customer charges included \$199,750 for the WWTF Refurbishment Bond payment. 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 \$47,938, the vac truck was replaced partially with sanitation funds, the South St pump station pump and valves were replaced, and a lift gate for a truck was purchased in FY23.

Wastewater Treatment Fund

The Wastewater Treatment Fund had budgetary net loss of \$13,334 in FY23. Revenues were over budget by \$18,224 while expenses were over budget by \$55,557. 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. This reconciliation has continued annually and the amounts designated to each community as of June 30, 2023 include Essex Junction \$315,273; Town of Essex \$124,440; and Town of Williston \$183,383. Each community determines how much it wants to leave in this rate stabilization fund. Work was completed in FY23 on capacitor replacement, Cogen engine, generator and aeration valve control upgrade. Work continued on the PePhloe project.

Recreation Programs Fund

On July 1, 2017 the Essex Junction Recreation and Parks (EJRP) became a department of the City. EJRP had previously been a department of the school district. EJRP operates the Recreation Programs enterprise fund. The Recreation Programs Fund ended the year with a net position of \$730,113. As an enterprise fund it is expected that program revenues generated will cover the costs of programming. Program revenues came in over budget by \$142,682. Program expenses were over budget by \$11,750. Pool day admissions, youth program, and day camps all exceeded budgeted revenue. There were significant increases in personnel related costs and professional services.

FINANCIAL ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

The General Fund

The General Fund is the chief operating fund of the City. The General Fund had a net increase in fund balance of \$649,199 for the year ended June 30, 2023. The fund balance of the General Fund increased from \$822,411 at the end of FY22, to \$1,471,610 at the end of FY23. Of the \$1,471,610 fund balance, \$435,951 is nonspendable (inventories and prepaid expenses), \$148,853 is assigned (see Note 12 for additional detail) and \$886,806 is unassigned. The unassigned fund balance is equal to 7.76% of the FY24 Budget. To comply with the Governmental Accounting Standards Board Statement 54, the City 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 City Council intended use of the resources); and unassigned. As of June 30, 2023 the City General Fund has no committed or restricted fund balance. In addition the City has a policy limiting unassigned fund balance to 15% of the current budget.

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The City budget for the year ended June 30, 2023 passed on the first vote at Annual Meeting in April of 2022 and there were no amendments made to the budget during the year.

On the revenue side, the City recorded revenues greater than budget by \$829,863. The majority of this overage is a result of Local Option Tax revenue collected that was not budgeted for (\$655,824). The revenue from Local Option Taxes will be used to fund future capital projects.

- General government expenditures were under budget by \$7,396. General government departments include Finance, Administration and Buildings. This was a result of small savings on a variety of expenditure lines within the Administration, Finance and Buildings budgets.
- Public works expenditures were over budget by \$27,891. The primary drivers for this were increased costs related to repairs and maintenance for aging equipment and general increases in parts/materials/labor, and increased salt/sand costs.
- Community and economic development expenditures were under budget by \$19,444. This was a result of personnel vacancy savings.
- Culture and recreation expenditures were over budget by \$86,335 offset primarily by the unbudgeted grant revenue in the amount of \$64,892. The remaining overage was driven by increased personnel, and repairs and maintenance costs in recreation.

Capital Reserve Fund

The Capital Reserve Fund had a fund balance deficit of \$839,491 as of June 30, 2023 and a fund balance of \$854,320 as of June 30, 2022. The Crescent Connector Project progressed for a cost of \$3,867,139 with federal grant reimbursement in the year of \$1,663,653, the difference is a result of timing between expenditure recognition and when the City receives grant revenues. 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. Additional major projects during the year included: Densmore Drive Culvert project was completed.

Whitcomb Terrace Loan Fund

In April of 2004, the City received a grant of up to \$270,000 from the Vermont Agency of Commerce and Community Development. This grant was used in FY05 to construct Whitcomb Terrace, 19 new barrier-free units of affordable housing at 128 West Street in Essex Junction. The grant money was used to provide a deferred loan to Whitcomb Terrace Housing Limited Partnership for the purpose of constructing Whitcomb Terrace. The interest free loan is due to be paid back to the City on December 17, 2034. The City 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 \$701,305 as of June 30, 2023 and \$599,941 as of June 30, 2022. This fund received an appropriation from the general fund of \$258,900 and \$9,964 in other revenues.

EJRP Capital Reserve Fund

The EJRP Capital Reserve Fund had a deficit fund balance of \$88,342 as of June 30, 2023 and a deficit fund balance of \$120,777 as of June 30, 2022. There are planned annual transfers in the amount of \$55,000 per year through FY25 to reduce the deficit fund balanced as a result of the replacement of the playground equipment in FY21.

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Essex Junction's investment in capital assets for its governmental and business-type activities as of June 30, 2023 totaled \$46,847,632 (net of accumulated depreciation). This is a net increase of \$3,764,831 from June 30, 2022, when the total was \$43,082,801.

These assets include buildings, roads and bridges, land, machinery and equipment, library books, park facilities, vehicles and distribution and collection systems. Asset additions totaled \$5,796,662 and were concentrated in infrastructure and roads/curbs/sidewalks categories. These additions were offset by accumulated depreciation which increased by \$2,031,832, to cause the increase in capital assets net of accumulated depreciation.

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

- Paving on Acorn Circle, Rivendell Drive, Sycamore Lane, Juniper Ridge Road and Old Colchester Road/Grove Street/Educational Drive areas
- Stormwater improvements on Densmore Drive
- HVAC installation at Park St School and Brownell Library

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

- Began construction on Main St water line replacement
- Vac truck replacement
- Backhoe replacement
- Actuators at the wastewater treatment facility
- Water meter purchase and installation is ongoing

A table that shows the values of the City's capital assets net of depreciation is shown below. Additional information can be found in Note 7 of this report.

Summary of Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
Capital Assets:						
Land	\$ 127,876	\$ 127,876	\$ 118,077	\$ 118,077	\$ 245,953	\$ 245,953
Construction in Progress	7,885,735	4,053,873	303,959	226,566	8,189,694	4,280,439
Antiques and Works of Art	7,550	7,550	-	-	7,550	7,550
Buildings and Improvements	4,704,912	4,681,637	15,171,806	15,171,806	19,876,718	19,853,443
Machinery, equipment, and vehicles	8,703,668	8,528,169	6,411,376	5,876,579	15,115,044	14,404,748
Library Books	808,424	810,783	-	-	808,424	810,783
Parks	2,078,606	2,037,631	-	-	2,078,606	2,037,631
Roads, Curbs, Sidewalks, and Storm Sewers	17,683,481	16,583,419	164,182	164,182	17,847,663	16,747,601
Water and Sewer infrastructure	-	-	22,442,964	22,427,806	22,442,964	22,427,806
	42,000,252	36,830,938	44,612,364	43,985,016	86,612,616	80,815,954
Less: Accumulated Depreciation	(13,757,300)	(12,666,471)	(26,007,685)	(25,066,682)	(39,764,985)	(37,733,153)
Total Assets, Net	\$ 28,242,952	\$ 24,164,467	\$18,604,679	\$ 18,918,334	\$46,847,631	\$ 43,082,801

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

LONG TERM DEBT

Summary of Long Term Debt

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Governmental Activities				
General Obligation Bonds	\$ 1,756,921	\$ -	\$ 135,135	\$ 1,621,786
Business-type Activities				
Water and Sewer Bonds	1,433,079	3,070,000	84,865	4,418,214
Notes Payable	10,420,704	-	666,492	9,754,212
Total Government	<u>\$ 13,610,704</u>	<u>\$ 3,070,000</u>	<u>\$ 886,492</u>	<u>\$ 15,794,212</u>

On April 8, 2014 the City voters agreed to issue general obligation bonds in an amount not to exceed \$3,300,000. In July 2015 \$3,300,000 was received from the Vermont Municipal Bond Bank for the purpose of performing five infrastructure projects. In FY15 the School St. south Roadway/Water/Sewer line project was completed. In FY16 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 FY17. At June 30, 2023 the outstanding principal on this bond is \$1,980,000; with \$1,621,786 in governmental activities and \$358,214 in business-type activities.

In FY10 the City 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 City'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 balance due at June 30, 2023 is \$126,995.

In FY11 the City began two long term projects in the Wastewater Treatment Fund and the Sanitation Fund. In a special meeting on April 12, 2011, the City voters authorized the City to issue bonds for \$15,230,000 for improvements to the Wastewater Treatment Facility and \$1,287,000 for the upgrade of City pump stations. As of June 30, 2016, the High School Pump Station project was complete and the City 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 June 30, 2023 is \$656,888. As of June 30, 2015 the City 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 was made in FY17 and the principal due on the loan as of June 30, 2023 is \$8,970,329. 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 FY12. As of June 30, 2023, the principal outstanding on this bond was \$990,000. The Wastewater Treatment Facility, while owned by the City of Essex Junction serves three towns, the City of Essex Junction, the Town of Essex and the Town of Williston. The debt payments for the Wastewater Treatment Facility are distributed to the Tri-town members according to capacity owned in the Facility.

On April 12, 2022 the City voters agreed to issue general obligations bonds in an amount not to exceed \$3,070,000. In July 2023 \$3,070,000 was received from the Vermont Bond Bank for the purposes of replacing the waterline on Main Street. Work on this project began in the summer of 2023. At June 30, 2023 the outstanding principal on this bond is \$3,070,000.

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Consolidation of Service Delivery Systems

- Starting in FY15 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 FY14 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 FY15 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 substantial savings for both the Village and Town. In FY18 the current Unified Municipal Manager, Pat Scheidel, who has been Town Manager for 27 retired. A new Unified Municipal Manager, Evan Teich, began 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.
- FY16 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 FY16 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 FY17 the Village Clerk/Treasurer became the combined Town and Village Clerk/Treasurer when the Town Clerk/Treasurer position became vacant through retirement.
- In FY18 a Human Resources Director was hired as the combined Town and Village Human Resource Director.
- In FY19 the pay rates and practices of both Fire Departments were aligned. A combined Assistant to the Manager position was established which is funded by both entities.
- In FY20, EJRP and the Essex Parks and Recreation Department co-located at 75 Maple Street and began streamlining services at the front desk by co-supervising the Customer Service Specialist, the Program Director – Senior Services, and by contracting for joint Communications Services. The two departments have hosted joint events and have moved to producing one brochure.

City of Essex Junction, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

- In FY 20, the Village Trustees and Town Selectboard met jointly and worked to put together a merger plan for the two entities. The Village voted during the November 2020 election on a plan of merger and it passed 3,453 to 1,205.
- In FY21, The Village Highway and Streets Rolling Stock capital was added to the Highway operating budget, funding for this budget is part of the Town budget.
- The Town of Essex (including Village residents) voted via Australian ballot in March 2021 on Article II, a plan of merger for the Town of Essex and Village of Essex Junction. The article did not pass, 3,737 Yes to 3,756 No. A Special Town Meeting was held in April for a vote to reconsider the plan for merger; that vote also did not pass 4,199 Yes to 4,225 No. The Village of Essex Junction also held an advisory vote in April, asking voters if the Village should pursue separation from the Town in the event the merger did not pass.
- Village voters voted in a special election held November 2, 2021 on whether to adopt a proposed charter for the City of Essex Junction, VT which would effectively separate the Village from the Town of Essex. The vote passed 3,070 to 411.
- The charter for the City of Essex Junction, VT was approved by the state legislature in May 2022, and became effective July 1, 2022. The City began working towards full separation from the Town throughout FY23, with the exception of police and assessing services which will remain under new agreements defined by the City and Town.

FY24 Budgets

The FY24 General Fund budget increased by \$5,111,156 or 81% from the FY23 budget, bringing total budgeted General Fund expenditures to \$11,421,171 from \$6,310,015. The increase is largely a result of separation from the Town of Essex as there were shared expenses and revenues that no longer exist between the two separate entities. The total tax rate (City and Town rates combined) increased 0.17% from \$0.9198 to \$0.9214. In addition to the General Fund rate, there is a 1 cent tax for Economic Development that was added in FY17.

The City Water, Wastewater and Sanitation Funds saw a budget increase in total of \$771,350 or 17.12% from an aggregate of \$4,505,616 for the three funds to \$5,276,966. This caused an overall rate increase for FY24 of 12.07% for the average user using 120 gallons per day.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City 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 Finance Director, City of Essex Junction, 2 Lincoln Street, Essex Junction, VT 05452. The report is available online at www.essexjunction.org.

City of Essex Junction, Vermont
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION
 June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 11,424,961	\$ 3,070,000	\$ 14,494,961
Taxes receivable, net of allowance	41,049	-	41,049
Other accounts receivable	2,208,857	1,622,774	3,831,631
Due from other funds	-	5,520,000	5,520,000
Due from Town of Essex	430,786	30,372	461,158
Inventory	86,750	81,180	167,930
Prepaid expenses	349,201	59,359	408,560
Total Current Assets	14,541,604	10,383,685	24,925,289
Capital assets not being depreciated:			
Land	127,876	118,077	245,953
Construction in progress	7,885,735	303,959	8,189,694
Antiques and works of art	7,550	-	7,550
Capital assets, net of accumulated depreciation			
Buildings	2,824,378	7,968,712	10,793,090
Infrastructure	11,797,524	65,775	11,863,299
Machinery, equipment, and vehicles	5,599,889	2,820,803	8,420,692
Water and sewer infrastructure	-	7,327,353	7,327,353
Capital assets, net	28,242,952	18,604,679	46,847,632
Deferred outflows of resources			
Deferred outflows of resources related to the City's participation in VMERS	500,818	344,135	844,953
Total Assets and Deferred Outflows of Resources	43,285,374	29,332,499	72,617,873
CURRENT LIABILITIES			
Accounts payable	1,862,013	555,727	2,417,740
Due to other funds	5,520,000	-	5,520,000
Accrued payroll and benefits payable	99,608	156,524	256,132
Unearned revenue	2,815,642	587,973	3,403,615
Accrued interest	7,305	19,693	26,998
Current portion compensated absences	10,855	-	10,855
Current portion notes and bonds payable	135,135	867,030	1,002,165
Total Current Liabilities	10,450,558	2,186,947	12,637,505
NONCURRENT LIABILITIES			
Accrued compensated absences	309,862	162,453	472,315
Net pension liability	504,558	346,707	851,265
Notes and bonds payable	1,486,651	13,305,396	14,792,047
Total Noncurrent Liabilities	2,301,071	13,814,556	16,115,627
Total Liabilities	12,751,629	16,001,503	28,753,132
NET POSITION			
Net investment in capital assets	26,621,166	7,502,253	34,123,419
Restricted	22,142	-	22,142
Unrestricted - designated	-	5,828,743	5,828,743
Unrestricted	3,890,437	-	3,890,437
Total Net Position	\$ 30,533,745	\$ 13,330,996	\$ 43,864,741

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2023

Functions/Programs	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
Governmental activities							
General government	\$ 1,448,143	\$ 488,411	\$ 429,241	\$ 15,918	\$ (514,573)	\$ -	\$ (514,573)
Public safety	495,940	-	-	-	(495,940)	-	(495,940)
Highways and Streets	2,053,025	2,695	1,543,062	4,079,000	3,571,732	-	3,571,732
Culture and Recreation	2,164,649	22,157	31,433	6,709	(2,104,350)	-	(2,104,350)
Interest on long-term debt	59,995	-	-	-	(59,995)	-	(59,995)
Total governmental activities	<u>6,221,752</u>	<u>513,263</u>	<u>2,003,736</u>	<u>4,101,627</u>	<u>396,874</u>	<u>-</u>	<u>396,874</u>
Business-type activities:							
Water	4,176,004	4,321,751	-	-	-	145,747	145,747
Sanitation	677,934	715,548	-	141,300	-	178,914	178,914
Wastewater	3,300,728	2,485,999	-	585,899	-	(228,830)	(228,830)
Recreation	2,896,655	2,977,377	251,460	-	-	332,182	332,182
Total business-type activities	<u>\$ 11,051,321</u>	<u>\$ 10,500,675</u>	<u>\$ 251,460</u>	<u>\$ 727,199</u>	<u>-</u>	<u>428,013</u>	<u>428,013</u>
General Revenues:							
Property taxes, levied for general purposes					4,011,137	-	4,011,137
Penalties and interest on delinquent taxes					(6,825)	-	(6,825)
Local option tax revenue					655,824	-	655,824
Unrestricted investment earnings					66,841	70,634	137,475
Transfers					1,500	(1,500)	-
Loss on disposal of equipment					(5,300)	(5,200)	(10,500)
Donations					3,750	-	3,750
Other revenues					33,395	-	33,395
Total general revenues and transfers					<u>4,760,322</u>	<u>63,934</u>	<u>4,824,256</u>
Change in Net Position					5,157,196	491,947	5,649,143
Net position, beginning					<u>25,376,549</u>	<u>12,839,049</u>	<u>38,215,598</u>
Net position, ending					<u>\$ 30,533,745</u>	<u>\$ 13,330,996</u>	<u>\$ 43,864,741</u>

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Rolling Stock Reserve Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 11,424,861	\$ -	\$ -	\$ 100	\$ 11,424,961
Taxes receivable, net of allowance	47,870	-	-	-	47,870
Other receivables	236,479	1,965,557	-	-	2,202,036
Inventory	86,750	-	-	-	86,750
Due from Town of Essex	430,786	-	-	-	430,786
Due from other funds	-	367,930	1,190,165	1,053,625	2,611,720
Prepaid expenses	<u>349,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,201</u>
 Total Assets	 <u>\$ 12,575,947</u>	 <u>\$ 2,333,487</u>	 <u>\$ 1,190,165</u>	 <u>\$ 1,053,725</u>	 <u>\$ 17,153,324</u>
LIABILITIES					
Accounts payable	\$ 99,109	\$ 1,260,330	\$ 488,860	\$ 13,714	\$ 1,862,013
Accrued payroll and benefits	99,608	-	-	-	99,608
Due to other funds	8,043,378	-	-	88,342	8,131,720
Unavailable revenue - property taxes	46,600	-	-	-	46,600
Unavailable revenue - other	<u>2,815,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,815,642</u>
 Total Liabilities	 <u>11,104,337</u>	 <u>1,260,330</u>	 <u>488,860</u>	 <u>102,056</u>	 <u>12,955,583</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable grant revenue	<u>-</u>	<u>1,912,648</u>	<u>-</u>	<u>-</u>	<u>1,912,648</u>
FUND BALANCE					
Nonspendable	435,951	-	-	-	435,951
Restricted	-	-	-	22,142	22,142
Committed	-	-	701,305	83,803	785,108
Assigned	148,853	-	-	934,066	1,082,919
Unassigned	<u>886,806</u>	<u>(839,491)</u>	<u>-</u>	<u>(88,342)</u>	<u>(41,027)</u>
 Total Fund Balances	 <u>1,471,610</u>	 <u>(839,491)</u>	 <u>701,305</u>	 <u>951,669</u>	 <u>2,285,093</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 12,575,947</u>	 <u>\$ 2,333,487</u>	 <u>\$ 1,190,165</u>	 <u>\$ 1,053,725</u>	 <u>\$ 17,153,324</u>

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2023

Total fund balances - governmental funds \$ 2,285,093

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. 28,242,952

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

Unavailable grant revenue 1,912,648

Unavailable property tax revenue 46,600

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 (320,717)

Accrued interest on long-term debt (7,305)

Notes payable (1,621,786)

Net pension liabilities (504,558)

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and therefore not reported as assets in the funds. 500,818

Total net position - governmental activities \$ 30,533,745

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Rolling Stock Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$ 3,838,114	\$ -	\$ -	\$ 112,295	\$ 3,950,409
Local options sales tax	655,824	-	-	-	655,824
Licenses and permits	43,721	-	-	-	43,721
Intergovernmental revenues	1,622,116	-	-	-	1,622,116
Charges for services	324,474	-	-	6,409	330,883
Fines and forfeits	5,479	-	-	-	5,479
Interest income	42,826	2,743	9,964	11,308	66,841
Grant income	439,892	2,382,981	-	-	2,822,873
Donations	13,811	15,919	-	-	29,730
Miscellaneous income	110,160	-	-	8,923	119,083
Total Revenues	<u>7,096,417</u>	<u>2,401,643</u>	<u>9,964</u>	<u>138,935</u>	<u>9,646,959</u>
EXPENDITURES					
Current expenditures:					
General government	1,107,221	-	-	-	1,107,221
Public safety	387,039	-	-	-	387,039
Public works	372,394	999	-	-	373,393
Community development	297,783	-	-	13,688	311,471
Culture and recreation	1,819,793	-	-	80,824	1,900,617
Capital Outlay					
General government	3,000	-	-	47,967	50,967
Public safety	13,368	-	-	-	13,368
Public works	1,064,859	4,626,040	167,500	24,724	5,883,123
Culture and recreation	187,535	-	-	14,830	202,365
Debt Service					
Principal	135,135	-	-	-	135,135
Interest expense	63,157	-	-	-	63,157
Total Expenditures	<u>5,451,284</u>	<u>4,627,039</u>	<u>167,500</u>	<u>182,033</u>	<u>10,427,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,645,133</u>	<u>(2,225,396)</u>	<u>(157,536)</u>	<u>(43,098)</u>	<u>(780,897)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	383,835	531,585	258,900	206,949	1,381,269
Operating transfers out	<u>(1,379,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,379,769)</u>
Total Other Financing Sources (Uses)	<u>(995,934)</u>	<u>531,585</u>	<u>258,900</u>	<u>206,949</u>	<u>1,500</u>
Net Change in Fund Balance	649,199	(1,693,811)	101,364	163,851	(779,397)
Fund Balance - July 1, 2022	<u>822,411</u>	<u>854,320</u>	<u>599,941</u>	<u>787,818</u>	<u>3,064,490</u>
Fund Balance - June 30, 2023	<u>\$ 1,471,610</u>	<u>\$ (839,491)</u>	<u>\$ 701,305</u>	<u>\$ 951,669</u>	<u>\$ 2,285,093</u>

See Accompanying Notes to Basic Financial Statements.

City 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, 2023

Net change in fund balances - governmental funds **\$ (779,397)**

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	(1,260,281)
Capital Outlay	5,344,064
Loss on Disposal/Abandonment	(5,300)

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

Increase in the unavailable property taxes	46,600
Decrease in unavailable grant revenue	1,696,019

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	135,135
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Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in
governmental funds.

Pension expense	(3,740)
Accrued interest on long-term debt	494
Accrued compensated absences	<u>(16,398)</u>

Change in net position of governmental activities **\$ 5,157,196**

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Water Fund	Sanitation Fund	Wastewater Fund	Rec Programs Fund	Total
ASSETS					
Current Assets:					
Cash	\$ 3,070,000	\$ -	\$ -	\$ -	\$ 3,070,000
Accounts receivable, net of allowance	1,035,483	246,329	340,359	603	1,622,774
Due from Town of Essex	-	30,372	-	-	30,372
Due from other funds	306,221	1,531,228	2,251,644	1,430,907	5,520,000
Inventory	-	-	81,180	-	81,180
Prepaid expenses	2,523	2,395	17,133	37,308	59,359
Total Current Assets	<u>4,414,227</u>	<u>1,810,324</u>	<u>2,690,316</u>	<u>1,468,818</u>	<u>10,383,685</u>
Noncurrent Assets:					
Capital assets not being depreciated:					
Land	-	-	118,077	-	118,077
Construction in progress	114,340	-	189,619	-	303,959
Capital assets					
Machinery, equipment, and vehicles	647,800	1,081,209	19,624,583	229,591	21,583,183
Water and sewer infrastructure	9,389,641	8,503,169	4,714,335	-	22,607,145
Accumulated depreciation	(7,623,335)	(6,497,417)	(11,752,628)	(134,305)	(26,007,685)
Capital assets, net	<u>2,528,446</u>	<u>3,086,961</u>	<u>12,893,986</u>	<u>95,286</u>	<u>18,604,679</u>
Total Assets	<u>6,942,673</u>	<u>4,897,285</u>	<u>15,584,302</u>	<u>1,564,104</u>	<u>28,988,364</u>
Deferred outflows of resources					
Deferred outflows of resources related to the City's participation in VMERS	25,549	28,673	113,318	176,595	344,135
Total Assets and Deferred Outflows of Resources	<u>\$ 6,968,222</u>	<u>\$ 4,925,958</u>	<u>\$ 15,697,620</u>	<u>\$ 1,740,699</u>	<u>\$ 29,332,499</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 376,353	\$ 12,343	\$ 109,391	\$ 57,640	\$ 555,727
Accrued payroll	5,245	5,431	25,572	120,276	156,524
Accrued interest	16,795	-	2,898	-	19,693
Unearned Revenue	-	-	-	587,973	587,973
Current portion long-term debt	132,208	66,678	668,144	-	867,030
Total Current Liabilities	<u>530,601</u>	<u>84,452</u>	<u>806,005</u>	<u>765,889</u>	<u>2,186,947</u>
Noncurrent Liabilities:					
Accrued compensated absences	30,984	22,992	41,694	66,783	162,453
Net pension liabilities	25,740	28,888	114,165	177,914	346,707
Notes and bonds payable	3,296,006	699,181	9,310,209	-	13,305,396
Total Noncurrent Liabilities	<u>3,352,730</u>	<u>751,061</u>	<u>9,466,068</u>	<u>244,697</u>	<u>13,814,556</u>
Total Liabilities	<u>3,883,331</u>	<u>835,513</u>	<u>10,272,073</u>	<u>1,010,586</u>	<u>16,001,503</u>
NET POSITION					
Net investment in capital assets	2,170,232	2,321,102	2,915,633	95,286	7,502,253
Unrestricted - designated	914,659	1,769,343	2,509,914	634,827	5,828,743
Total Net Position	<u>3,084,891</u>	<u>4,090,445</u>	<u>5,425,547</u>	<u>730,113</u>	<u>13,330,996</u>
Total Liabilities and Net Position	<u>\$ 6,968,222</u>	<u>\$ 4,925,958</u>	<u>\$ 15,697,620</u>	<u>\$ 1,740,699</u>	<u>\$ 29,332,499</u>

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Water Fund	Sanitation Fund	Wastewater Fund	Rec Programs Fund	Total
OPERATING REVENUES					
Charges for services	\$ 4,317,220	\$ 710,490	\$ 2,481,623	\$ 2,974,822	\$ 10,484,155
Other income	<u>4,531</u>	<u>5,058</u>	<u>4,376</u>	<u>2,555</u>	<u>16,520</u>
 Total Operating Revenues	 <u>4,321,751</u>	 <u>715,548</u>	 <u>2,485,999</u>	 <u>2,977,377</u>	 <u>10,500,675</u>
OPERATING EXPENSES					
Operating, maintenance and general and administrative expenses	3,997,648	551,779	2,105,766	2,873,584	9,528,777
Depreciation	<u>53,582</u>	<u>109,525</u>	<u>965,909</u>	<u>23,071</u>	<u>1,152,087</u>
 Total Operating Expenses	 <u>4,051,230</u>	 <u>661,304</u>	 <u>3,071,675</u>	 <u>2,896,655</u>	 <u>10,680,864</u>
 Operating Income Gain (Loss)	 <u>270,521</u>	 <u>54,244</u>	 <u>(585,676)</u>	 <u>80,722</u>	 <u>(180,189)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	5,858	23,182	26,433	15,161	70,634
Interest expense	(124,774)	(16,630)	(229,053)	-	(370,457)
Capital contributions	-	141,300	585,899	-	727,199
Federal grant revenue	-	-	-	251,460	251,460
Gain on asset disposal	9,900	-	-	-	9,900
Loss on asset disposal	<u>-</u>	<u>(15,000)</u>	<u>(100)</u>	<u>-</u>	<u>(15,100)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(109,016)</u>	 <u>132,852</u>	 <u>383,179</u>	 <u>266,621</u>	 <u>673,636</u>
 Net Income Gain (Loss) Before Transfers	 161,505	 187,096	 (202,497)	 347,343	 493,447
 Transfers	 <u>-</u>	 <u>(296,963)</u>	 <u>295,463</u>	 <u>-</u>	 <u>(1,500)</u>
 Change in Net Position	 161,505	 (109,867)	 92,966	 347,343	 491,947
 Net Position - July 1, 2022	 <u>2,923,386</u>	 <u>4,200,312</u>	 <u>5,332,581</u>	 <u>382,770</u>	 <u>12,839,049</u>
 Net Position - June 30, 2023	 <u>\$ 3,084,891</u>	 <u>\$ 4,090,445</u>	 <u>\$ 5,425,547</u>	 <u>\$ 730,113</u>	 <u>\$ 13,330,996</u>

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Water Fund	Sanitation Fund	Wastewater Fund	Rec Programs Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,079,173	\$ 753,220	\$ 2,523,182	\$ 3,019,384	\$ 10,374,959
Payments to suppliers	(3,470,417)	31,603	(1,585,751)	(994,626)	(6,019,191)
Payments for employees and benefits	(245,343)	(249,875)	(671,297)	(2,286,529)	(3,453,044)
Net Cash Provided/(Used) by Operating Activities	<u>363,413</u>	<u>534,948</u>	<u>266,134</u>	<u>(261,771)</u>	<u>902,724</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of property, plant and equipment	(267,103)	(335,438)	(291,041)	(4,850)	(898,432)
Proceeds from sale of assets	37,400	15,000	2,400	-	54,800
Capital Contributions	-	141,300	585,899	-	727,199
Interest payments on debt	(109,703)	(16,630)	(229,195)	-	(355,528)
Proceeds from state and federal grants	-	-	-	251,460	251,460
Proceeds from issuance of debt	3,070,000	-	-	-	3,070,000
Principal payments on debt	(29,865)	(65,399)	(656,093)	-	(751,357)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,700,729</u>	<u>(261,167)</u>	<u>(588,030)</u>	<u>246,610</u>	<u>2,098,142</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Operating transfers in/(out)	-	(296,963)	295,463	-	(1,500)
Interest income	5,858	23,182	26,433	15,161	70,634
Net Cash Provided (Used) by Investing Activities	<u>5,858</u>	<u>(273,781)</u>	<u>321,896</u>	<u>15,161</u>	<u>69,134</u>
Net Increase in Cash	3,070,000	-	-	-	3,070,000
Cash - July 1, 2022	-	-	-	-	-
Cash - June 30, 2023	<u>\$ 3,070,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,070,000</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income gain (loss)	\$ 270,521	\$ 54,244	\$ (585,676)	\$ 80,722	\$ (180,189)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	53,582	109,525	965,909	23,071	1,152,087
Change in net assets and liabilities:					
Receivables, net	(242,578)	37,672	37,183	102,558	(65,165)
Inventory	-	-	12,160	-	12,160
Due from Town	-	(30,372)	-	-	(30,372)
Due from other funds	252,110	351,976	(168,162)	(446,329)	(10,405)
Prepaid expenses	5,491	6,305	10,065	10,952	32,813
Deferred outflows of resources	(25,549)	(28,673)	(113,318)	(176,595)	(344,135)
Accounts payable	34,911	6,215	25,292	9,626	76,044
Unearned revenue	-	-	-	(60,551)	(60,551)
Accrued payroll	(67)	66	3,186	1,646	4,831
Net pension liability	25,740	28,888	114,165	177,914	346,707
Accrued compensated absences	(10,748)	(898)	(34,670)	15,215	(31,101)
Net cash provided (used) by operating activities	<u>\$ 363,413</u>	<u>\$ 534,948</u>	<u>\$ 266,134</u>	<u>\$ (261,771)</u>	<u>\$ 902,724</u>

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Essex Junction, Vermont, (herein the "City") operates under a City Council-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 City 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 City 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 City.

Basis of Presentation

The accounts of the City 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 City 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 City as a whole and presents a longer-term view of the City'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 City and presents a shorter-term view of how operations were financed and what remains available for future spending.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City 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 City 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.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 City 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 City reports the following major governmental funds:

General Fund - This is the City's main operating fund. It accounts for all financial resources of the City except those accounted for in another fund.

Capital Reserve Fund - This fund accounts for the general capital expenditures of the City.

Rolling Stock Reserve Fund - This fund accounts for general rolling stock (vehicles) purchases of the City.

The City 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.

Recreation Programs Fund – This fund accounts for the operations of the recreation programs.

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

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 City.

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 City 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 City'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 City'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 City 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 City records a corresponding payable or receivable to the Town. This helps manage cash and eases administrative burdens. The city began the process of establishing separate cash accounts for full separation on July 1, 2023.

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.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 City 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.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and comp time benefits. Employees who leave employment in good standing shall have sick time paid out depending on age and length of service, a scale used for payment eligible is included in Note 11. The City 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 City 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 City 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 City's creditors, by enabling legislation, by grantors (both federal and state) and/or by contributors.

Unrestricted – all other net position reported in this category

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 City.

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.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 City Meeting in April. Budget transfers between departments can be made upon the approval of the Council during the last three (3) months of the year without increasing the total appropriated amount.

Enterprise fund budgets are approved by the City Council.

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, 2023 consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by the FDIC	\$ 501,002	\$ 501,002
Offset by debt with institution	2,820,000	2,820,000
Insured by Repurchase Agreement	11,173,659	11,179,966
Petty Cash	<u>300</u>	<u>-</u>
 Total Deposits	 <u>\$14,494,961</u>	 <u>\$14,500,968</u>

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

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 CASH AND CASH EQUIVALENTS (continued)

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 City's policy only allows deposits in banks that are FDIC insured and agree to collateralize amounts in excess of FDIC limits.

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 City 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 City'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 City has no limit on the amount that they may invest with any one issuer. As of June 30, 2023, the City is not exposed to concentration of credit risk.

NOTE 5 RECEIVABLES

Receivables at June 30, 2023, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 53,049	\$ -	\$ 53,049
Penalties and Interest	6,821	-	6,821
Allowance for Doubtful Accounts	(12,000)	-	(12,000)
Billed Services	-	1,453,305	1,453,305
Unbilled Services	-	169,469	169,469
Grants	1,912,648	-	1,912,648
Other	289,388	-	289,388
	<u>\$ 2,249,906</u>	<u>\$ 1,622,774</u>	<u>\$ 3,872,680</u>

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 RECEIVABLES (continued)

Property taxes are attached as an enforceable lien on property as of September 16th and March 16th. Taxes are levied in August and payable on September 15th and March 15th. The City bills and collects its own taxes. City property tax revenues are recognized when levied to the extent they result in current receivables. Current receivables are defined as receivables which are due or past due, and receivable within the current period and collected no later than sixty days after the close of the current period. Taxes receivable that remain uncollected as of August 31, 2023 have been recorded as unavailable property tax revenue, a deferred inflow of resources, with a corresponding decrease in current year tax revenues. Unavailable property tax revenue amounted to \$46,600 at June 30, 2023.

NOTE 6 NOTE RECEIVABLE

The City 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, 2023 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	\$ 127,876	\$ -	\$ -	\$ 127,876
Construction in Progress	4,053,873	4,708,060	(876,198)	7,885,735
Antiques and Works of Art	<u>7,550</u>	<u>-</u>	<u>-</u>	<u>7,550</u>
Total capital assets not being depreciated	<u>4,189,299</u>	<u>4,708,060</u>	<u>(876,198)</u>	<u>8,021,161</u>
Other capital assets:				
Buildings and Improvements	4,681,637	23,275	-	4,704,912
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	8,528,169	283,453	(107,954)	8,703,668

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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>
Library Books	810,783	74,639	(76,998)	808,424
Parks	2,037,631	40,975	-	2,078,606
Roads, Curbs, Sidewalks, and Storm Sewers	<u>16,583,419</u>	<u>1,100,062</u>	<u>-</u>	<u>17,683,481</u>
 Total other capital assets	 <u>32,641,639</u>	 <u>1,522,404</u>	 <u>(184,952)</u>	 <u>33,979,091</u>
 Less accumulated depreciation for:				
Buildings and Improvements	(1,761,278)	(119,256)	-	(1,880,534)
Vehicles, Machinery, Equipment, Furniture and Traffic Signals	(3,775,079)	(399,336)	92,454	(4,081,961)
Library Books	(590,713)	(66,796)	76,998	(580,511)
Parks	(1,269,065)	(59,272)	-	(1,328,337)
Roads, Curbs, Sidewalks, and Storm Sewers	<u>(5,270,336)</u>	<u>(615,621)</u>	<u>-</u>	<u>(5,885,957)</u>
 Total accumulated depreciation	 <u>(12,666,471)</u>	 <u>(1,260,281)</u>	 <u>169,452</u>	 <u>(13,757,300)</u>
 Total capital assets being depreciated, net	 <u>19,975,168</u>	 <u>262,123</u>	 <u>(15,500)</u>	 <u>20,221,791</u>
 Governmental Activities - Capital Assets, Net	 <u>\$ 24,164,467</u>	 <u>\$ 4,970,183</u>	 <u>\$ (891,698)</u>	 <u>\$ 28,242,952</u>

Depreciation expense was charged to functions, as follows:

General Government	\$ 22,685
Public Safety	117,293
Highways and Streets	881,574
Culture and Recreation	237,934
Community Development	<u>795</u>
 TOTAL	 <u>\$ 1,260,281</u>

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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>226,566</u>	<u>77,393</u>	<u>-</u>	<u>303,959</u>
Total capital assets not being depreciated	<u>344,643</u>	<u>77,393</u>	<u>-</u>	<u>422,036</u>
Capital assets being depreciated:				
Buildings and Improvements	15,171,806	-	-	15,171,806
Vehicles, Machinery, Equipment and Furniture	5,876,579	805,881	(271,084)	6,411,376
Infrastructure	164,182	-	-	164,182
Distribution and Collection Systems	<u>22,427,806</u>	<u>15,158</u>	<u>-</u>	<u>22,442,964</u>
Total Capital assets being depreciated	<u>43,640,373</u>	<u>821,039</u>	<u>(271,084)</u>	<u>44,190,328</u>
Less accumulated depreciation for:				
Buildings and Improvements	(6,691,315)	(511,779)	-	(7,203,094)
Vehicles, Machinery, Equipment and Furniture	(3,434,757)	(366,900)	211,084	(3,590,573)
Infrastructure	(90,198)	(8,209)	-	(98,407)
Distribution and Collection Systems	<u>(14,850,412)</u>	<u>(265,199)</u>	<u>-</u>	<u>(15,115,611)</u>
Total accumulated depreciation	<u>(25,066,682)</u>	<u>(1,152,087)</u>	<u>211,084</u>	<u>(26,007,685)</u>
Total capital assets being depreciated, net	<u>18,573,691</u>	<u>(331,048)</u>	<u>(60,000)</u>	<u>18,182,643</u>
Business-Type Activities - Capital Assets, Net	<u>\$ 18,918,334</u>	<u>\$ (253,655)</u>	<u>\$ (60,000)</u>	<u>\$ 18,604,679</u>

Depreciation expense was charged as follows:

Water Fund	\$ 53,582
Sanitation Fund	109,525
Wastewater Fund	965,909
Recreation Fund	<u>23,071</u>
TOTAL	<u>\$ 1,152,087</u>

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances at June 30, 2023 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 8,043,378
Capital Projects Fund	367,930	-
Rolling Stock Reserve Fund	1,190,165	-
Water Fund	306,221	-
Sanitation Fund	1,531,228	-
Wastewater Fund	2,251,644	-
Recreation Fund	1,430,907	-
Memorial Park Fund	3,704	-
Senior Center Fund	18,554	-
EJRP Capital Reserve Fund	-	88,342
Building Maintenance Fund	294,284	-
Economic Development Fund	653,280	-
Land Acquisition Reserve Fund	<u>83,803</u>	<u>-</u>
	<u>\$ 8,131,720</u>	<u>\$ 8,131,720</u>

NOTE 9 TRANSFERS

The interfund transfers during the year ended June 30, 2023 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Rolling Stock Reserve Fund	\$ 258,900	Annual Appropriation
General Fund	Capital Reserve	531,585	Annual Appropriation
General Fund	Building Maintenance Fund	50,000	Annual Appropriation
General Fund	Building Maintenance Fund	44,406	2 Lincoln St. Renovation
Wastewater Fund	General Fund	(1,500)	Mowing
EJRP	EJRP Capital Reserve Fund	<u>112,543</u>	Annual Appropriation
	Total Governmental Activities	<u>\$ 995,934</u>	

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Sanitation Fund	Wastewater Fund	\$ 296,963	Bond Debt Service
Wastewater Fund	General Fund	<u>1,500</u>	Mowing
	Total Proprietary Funds	<u>\$ 298,463</u>	

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 **UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

Unearned Revenue in the General Fund consists of \$4,540 in recreation fees paid in advance a \$300 grant that was paid in advance and \$2,970 in donation revenue received in advance and \$2,807,832 in ARPA grant funding received in advance. Unavailable Revenue in the General Fund consists of \$0 in grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

The Capital Projects Fund has deferred inflows of resources in the amount of \$1,912,648. This consists of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

NOTE 11 **LONG-TERM LIABILITIES**

General Obligation Bonds - The City 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 City. 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 City 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 City 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 who leave employment in good standing shall have sick time paid out in accordance to the following charts based on age at the time of termination and years of service:

Age 55+		No Age Requirement	
Years of Service	Max Hours	Years of Service	Max Hours
20	800	20	400
19	700	19	350
18	600	18	300
17	500	17	250
16	400	16	200
15	300	15	150
14	200	14	100
13	100	13	50
12	75	12	37.5
11	50	11	25
10	25	10	12.5

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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>				
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.	\$ 1,756,921	\$ -	\$ (135,135)	\$ 1,621,786
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,756,921</u>	<u>\$ -</u>	<u>\$ (135,135)</u>	<u>\$ 1,621,786</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 135,135	\$ 56,344	\$ 191,479
2025	135,135	52,070	187,205
2026	135,135	47,646	182,781
2027	135,135	43,082	178,217
2028	135,135	38,388	173,523
2029-2033	675,675	117,834	793,509
2034-2036	<u>270,436</u>	<u>10,758</u>	<u>281,194</u>
TOTAL	<u>\$ 1,621,786</u>	<u>\$ 366,122</u>	<u>\$ 1,987,908</u>

<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.	\$ 141,501	\$ -	\$ (14,506)	\$ 126,995

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 LONG-TERM LIABILITIES (continued)

<u>Business-Type Funds (continued)</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, 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 July 2035.	9,569,391	-	(599,062)	8,970,329
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 May 2034.	709,812	-	(52,924)	656,888
Bond Payable- Vermont Municipal Bond Bank, Water Improvements, Net Interest Cost of 3.403%, \$30,031 due Annually on November 1, Semi-Annual Interest Payments Due May and November 1, Due November 2034.	388,079	-	(29,865)	358,214
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	1,045,000	-	(55,000)	990,000
Bond Payable- Vermont Municipal Bond Bank, Main St. Waterline Replacement, Net Interest Cost of 3.899%, \$102,333 due Annually on November 1, Semi-Annual Interest Payments due May and November 1, Due November 2052.	-	3,070,000	-	3,070,000
	<u>\$ 11,853,783</u>	<u>\$ 3,070,000</u>	<u>\$ (751,357)</u>	<u>\$ 14,172,426</u>

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 LONG-TERM LIABILITIES (continued)

Year Ending June 30,	Principal	Interest	Total
2024	\$ 867,030	\$ 359,170	\$ 1,226,200
2025	880,616	338,901	1,219,517
2026	894,485	318,268	1,212,753
2027	908,631	297,240	1,205,871
2028	923,060	272,833	1,195,893
2029-2033	4,808,011	1,047,293	5,855,304
2034-2038	3,191,765	499,287	3,691,052
2039-2043	675,498	258,357	933,855
2044-2048	511,665	149,625	661,290
2049-2053	511,665	49,875	561,540
	<u>\$ 14,172,426</u>	<u>\$ 3,590,849</u>	<u>\$ 17,763,275</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 City Council's intended use of the resources); and unassigned.

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

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 City does not have any stabilization arrangements.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 NET POSITION/FUND BALANCES (continued)

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 City does not have a minimum fund balance policy. The City 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 City'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, 2023 are as follows:

GENERAL FUND

Nonspendable for:

Inventories	\$ 86,750
Prepaid Expenses	<u>349,201</u>
Total Nonspendable Fund Balance	<u>\$ 435,951</u>

Assigned for:

Library Book Replacement	\$ 9,198
Termination Benefits	81,809
Health Reimbursement Arrangement Expenses	10,000
Salary Study	22,500
Records Preservation	19,754
Finance Separation	2,592
Conservation	<u>3,000</u>
Total Assigned Fund Balance	<u>\$ 148,853</u>

ROLLING STOCK RESERVE FUND

Committed for:

Rolling Stock Reserve Fund Expenditures	<u>\$ 701,305</u>
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City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 NET POSITION/FUND BALANCES (continued)

NON MAJOR FUNDS

Restricted for:

Veterans Memorial Park by Donation	\$ 3,704
Senior Center	<u>18,438</u>
Total Restricted Fund Balance	<u>\$ 22,142</u>

Committed for:

Land Acquisition Capital Reserve Fund Expenditures	<u>\$ 83,803</u>
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Assigned for:

Economic Development	\$ 653,280
Building Maintenance	<u>280,786</u>
Total Assigned Fund Balance	<u>\$ 934,066</u>

WATER, SANITATION, WASTEWATER AND RECREATION PROGRAMS FUNDS

Designated for:

Water Fund Expenses	\$ 102,872
Water Fund Capital Expenses	<u>811,787</u>
Total Water Designated Fund Balance	<u>\$ 914,659</u>

Sanitation Fund Expenses	\$ 498,091
Sanitation Fund Capital Expenses	200,277
Sanitation Wastewater Treatment Facility Upgrades	<u>1,070,975</u>

Total Sanitation Designated Fund Balance	<u>\$ 1,769,343</u>
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Wastewater Fund Capital Expenses	\$ 1,756,786
Wastewater Expenses- Attributable to the City of Essex Junction	315,273
Wastewater Expenses- Attributable to the Town of Essex	124,440
Wastewater Expenses- Attributable to the Town of Williston	183,383
Wastewater Fund Expenses- General	<u>130,032</u>

Total Wastewater Designated Fund Balance	<u>\$ 2,509,914</u>
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Recreation Programs Fund - General	<u>\$ 634,827</u>
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City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 PENSION PLAN

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

The schedules below have been prepared to provide City of Newport, Vermont's proportional share of the overall amounts of the VMERS plan. City of Essex Junction, Vermont's portion has been allocated based on City of Essex Junction, Vermont's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the City of Essex Junction, Vermont's reporting date June 30, 2023 and for the City of Essex Junction, Vermont's reporting period (the year ended June 30, 2023). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of City of Essex Junction, Vermont, the State has chosen to use the end of the prior fiscal year (June 30, 2022) as the measurement date, and the year ended June 30, 2021, as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2021, to the measurement date of June 30, 2022.

Schedule A – Employer Allocations as of June 30, 2021

Fiscal Year Ended June 30, 2021						
Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.00% Disc Rate)	Net Pension Liability 1% Decrease (8.00% Disc Rate)
\$ -	0.00000%	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule B – Employers' Allocation as of June 30, 2022

Fiscal Year Ended June 30, 2022						
Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.00% Disc Rate)	Net Pension Liability 1% Decrease (8.00% Disc Rate)
\$ 70,206	0.28060%	\$ 851,264	\$ 657,062	\$ -	\$ 1,275,581	\$ 502,245

City of Essex Junction, Vermont
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 13 PENSION PLAN (continued)

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2022

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportional Share of Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.28060%	\$ 851,264	\$ 63,930	\$ 43,521	\$ -	\$ 138,203	\$ 411,408	\$ 657,062

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 161,556	\$ 102,851	\$ 264,407

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2022

Fiscal Year Ending June 30,					
2023	2024	2025	2026	2027	Thereafter
\$ 179,978	\$ 163,746	\$ 123,779	\$ 189,558	\$ -	\$ -

For entities with a reporting date in 2023, the amounts shown will be recognized in the expense for plan years ending in 2024, 2025, 2026 and 2027.

Schedule E – Contributions History for Fiscal Years 2020-2022

FY 2022	FY 2021	FY 2020
\$ 70,206	\$ -	\$ -

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 PENSION PLAN (continued)

The full report containing the schedules of all employers in the VMERS plan will be available on the State of Vermont Treasurer's website at:

<http://www.vermonttreasurer.gov/content/retirement/vmers/financial-reports>

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont Municipal Employees' Retirement System (VMERS) or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

<http://finance.vermont.gov/reports-and-publications/annual-compenhensive-financial-report>

Plan Description

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2022, the retirement system consisted of 359 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives—one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Summary of System Provisions

Membership	Full time employees of participating municipalities. Municipality elect's coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service.

City of Essex Junction, Vermont
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 13 PENSION PLAN (continued)

Average Final Compensation (AFC) Group A – average annual compensation during highest 5 consecutive years.

Groups B and C – average annual compensation during highest 3 consecutive years.

Group D – average annual compensation during highest 2 consecutive years.

Service Retirement Allowance

Eligibility Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.

Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service.

Groups C and D – Age 55 with 5 years of service.

Amount Group A – 1.4% of AFC x service

Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC

Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC

Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions

Early Retirement Allowance

Eligibility Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.

Amount Normal retirement allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B member; payable without reduction to Group D members.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 PENSION PLAN (continued)

Vested Retirement Allowance

Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.

Disability Retirement Allowance

Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit

Eligibility	Death after 5 years of service.
Amount	For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional Benefit and Death
after Retirement

For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution

Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments

Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 PENSION PLAN (continued)

Retirement Stipend	\$25 per month payable at the option of the Board of retirees.	
Member Contributions	For Fiscal Year Ended	
	June 30, 2022	Effective July 1, 2022
	Group A – 3.25%	3.50%
	Group B – 5.625%	5.875%
	Group C – 10.75%	11.00%
	Group D – 12.10%	12.35%
Employer Contributions	Group A – 4.75%	5.00%
	Group B – 6.25%	6.50%
	Group C – 8.00%	8.25%
	Group D – 10.60%	10.85%

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7%, net of pension plan investment expenses, including inflation

Salary Increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.5% (individuals assumed inflation rate of 2.3%) for all subsequent year.

Mortality:

Pre-Retirement:

Groups A, B, C: 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.

Group D: PubG-2010 General Employee above-median, with generational projection using scale MP-2019.

Healthy Post-Retirement - Retirees:

Groups A, B, C: 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Group D: PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Healthy Post-Retirement – Beneficiaries:

Groups A, B, C – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 PENSION PLAN (continued)

Group D – Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-Retirement:

All Groups- PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

Spouse's Age: Females three years younger than males

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2023, COLAs is assumed to be 2% for Group A and 3% for Groups B, C and D. The January 1, 2022, COLAs were 2% for Group A and 2.3% for Groups B, C and D members.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Assets: The valuation is based on the market value of assets as of valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

Inflation: 2.30 per year%

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Passive Global Equity	24.00%	4.30%
Activity Global Equities	5.00%	4.30%
US Equity - Large Cap	4.00%	3.25%
US Equity - Small/Mid Cap	3.00%	3.75%
Non-US Developed US Equities	7.00%	5.00%
Emerging Markets Debt	4.00%	3.50%
Core Fixed Income	19.00%	0.00%
Private & Alternative Credit	10.00%	4.75%
US TIPS	3.00%	-0.50%
Core Real Estate	3.00%	3.75%
Non-Core Real Estate	4.00%	6.00%
Private Equity	10.00%	5.50%
Infrastructure/Farmland	4.00%	4.25%

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 PENSION PLAN (continued)

Discount Rate: The long-term expected rate of return on pension plan assets is 7%. The high quality tax-exempt general obligation municipal bond rate (20-Bond GO Index) as of the closes date prior to the valuation date of June 30, 2022, is 3.54%, as published by The Bond Buyer.

The discount rate used to measure the total pension liability was 7% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022, to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by Legislature. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries. As well as projected contributions from future plan members, are not included.

Discount Rate (continued): Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%) than the current rate:

1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
\$ 4,167,940	\$ 2,781,490	\$ 1,641,076

NOTE 14 BENEFIT PLANS

The City offers a 401(a) pension plan to all full time employees hired before October 2022 with 100% vesting after three (3) years of service. When a participant in a 401(a) plan has been separated from service for a period of at least three years or withdraws their entire account balance, whichever is earlier, any non-vested employer contributions are forfeited by the participant and transferred to the plan-level forfeiture account. 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 City for all employees. Mission Square Retirement (formerly International City/County Management Association "ICMA" Retirement Corporation) administers the Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All of the investments are self-directed by each employee. The total payroll for the year was \$3,437,899 while the covered payroll was \$1,160,443. Pension expenses for the years ended June 30, 2023, 2023 and 2022 were \$116,044, \$191,648 and \$246,028 respectively. No forfeiture funds were used in FY23.

The City also offers its employees a deferred compensation plan through Mission Square Retirement (formerly 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.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 BENEFIT PLANS (continued)

Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City 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, 2023 was \$875,931.

The city began participating in the Vermont Municipal Employees' Retirement System (VMERS) in October 2022 for all full-time employees hired October 2022 or after. For the year ended June 30, 2023, the covered payroll totaled \$2,277,456 and pension expense totaled \$187,890.

The City also offers its employees a Cafeteria Plan in accordance with Internal Revenue Code Section 125 for the period July to December 2022. This allows employees to pay for health benefits and dependent care pre-tax and pre-social security. The Cafeteria Plan was no longer offered as of January 1, 2023 due to changes in health plan offerings and lack of staff participation in the Cafeteria Plan.

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

NOTE 15 CONCENTRATION OF REVENUE/EXPENSES

The City receives a major portion of its revenue from GlobalFoundries. For the year ended June 30, 2023, the City received 7.3% of total property taxes from GlobalFoundries and received 71.2% of total water sales from GlobalFoundries.

The City purchased a major portion of their water from Champlain Water District "CWD" for the year ended June 30, 2023. The City purchased \$2,894,894 in water from CWD.

NOTE 16 PROPERTY TAXES

The Town of Essex is responsible for assessing and collecting City property taxes, as well as education property taxes for the State. 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 City in two (2) installments in October and April. Delinquencies for FY23 are absorbed by the City; delinquencies for FY22 and prior were absorbed by the Town. The City tax rates for fiscal year 2023 included City General Fund \$0.3464 and City Economic Development \$0.0100.

NOTE 17 RISK MANAGEMENT

The City of Essex Junction, Vermont 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 City of Essex Junction, Vermont maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 RISK MANAGEMENT (continued)

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of Essex Junction, Vermont. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City 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 rate setting 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 City of Essex Junction, Vermont is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

NOTE 18 CONTINGENT LIABILITIES

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

NOTE 19 OTHER INFORMATION

The City finished refurbishing its Wastewater Treatment Facility. The City owns the facility, however, the facility serves three municipalities; the City of Essex Junction, Vermont, the Town of Essex and the Town of Williston. The City 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 2023, the City owns 33.94%, the Town of Essex owns 33.33% and the Town of Williston owns 32.73%.

NOTE 20 AUTHORIZED BORROWING

In June, 2011, the City 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 City highways and sidewalks. The total estimated cost of such improvements is \$11,531,000. No action has taken place as of June 30, 2023.

NOTE 21 RELATED PARTY

In July 2014 the City 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 through FY22.

City of Essex Junction, Vermont
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 21 RELATED PARTY (continued)

All penalties and interest that accrues on delinquent balances shall belong to the Town through FY22. Effective July 2015, the accounting departments of the City and 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, 2023 \$430,786 of the balance in the operating account belonged to the City, this is reported as Due from Town of Essex in the accompanying financial statements.

NOTE 22 TAX ABATEMENT

The City has three tax stabilization agreements that qualify as tax abatements per GASB Statement no. 77 Tax Abatement Disclosures. The City, under the authority of the City Council, has agreed to exclude the value of two structures on a parcel of farm land in exchange for the land to continue to be open to residents for non-motorized recreational purposes. In FY2023 the amount of taxes abated totaled \$1,960.

The City has two active agreements in FY2023 under the authority of the City of Essex Junction, Vermont Commercial Tax Stabilization Policy. One is a standard commercial tax stabilization where the City has agreed to abate 70% of the municipal taxes for the first year of the agreement. The percentage of abated taxes decreases to 50% in year 2, and 30% in year 3. For FY2023 \$3,444 was abated. The second falls under the historic building stabilization schedule where the City has agreed to abate 70% of the municipal taxes for the first year of the agreement. The percentage of abated taxes decreases by 10% annually until year 6 when the property is fully taxable. For FY2023 \$299 was abated.

These agreements apply to City taxes only and have no impact on Town of Essex property taxes or Educational property taxes.

NOTE 23 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the General Fund by \$469,297. This was due primarily to overspending in general government, public works and culture and recreation. These amounts were offset by unbudgeted grant revenues, local option tax collections and fund balance assignments for related purposes.

NOTE 24 DISCLOSURE OF SUBSEQUENT EVENTS

In accordance with professional accounting standards, the City has evaluated subsequent events through December 21, 2023, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2023, have been incorporated into the financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

City of Essex Junction, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - GENERAL FUND
 For the Year Ended June 30, 2023

	Original Budget	Budget	Actual	Variance
REVENUES				
Property tax	\$ 3,890,397	\$ 3,890,397	\$ 3,838,114	\$ (52,283)
Local options sales tax	-	-	655,824	655,824
Licenses and permits	39,000	39,000	43,721	4,721
Intergovernmental revenues	1,614,637	1,614,637	1,622,116	7,479
Charges for services	329,300	329,300	324,474	(4,826)
Fines and forfeits	2,000	2,000	5,479	3,479
Interest income	3,000	3,000	42,826	39,826
Grant revenues	375,000	375,000	439,892	64,892
Donations	-	-	13,811	13,811
Other income	13,220	13,220	110,160	96,940
	<u>6,266,554</u>	<u>6,266,554</u>	<u>7,096,417</u>	<u>829,863</u>
Total Revenues				
EXPENDITURES				
Current:				
General government	1,117,617	1,117,617	1,110,221	7,396
Public safety	396,238	396,238	400,407	(4,169)
Public works	1,409,362	1,409,362	1,437,253	(27,891)
Community development	317,227	317,227	297,783	19,444
Culture and recreation	1,920,993	1,920,993	2,007,328	(86,335)
Grant expenditures	(375,000)	(375,000)	-	(375,000)
Debt Service:				
Principal	135,135	135,135	135,135	-
Interest expense	60,415	60,415	63,157	(2,742)
	<u>4,981,987</u>	<u>4,981,987</u>	<u>5,451,284</u>	<u>(469,297)</u>
Total Expenditures				
Excess of Revenues Over Expenditures	<u>1,284,567</u>	<u>1,284,567</u>	<u>1,645,133</u>	<u>360,566</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	383,835	383,835
Operating transfers out	(1,328,028)	(1,328,028)	(1,379,769)	(51,741)
	<u>(1,328,028)</u>	<u>(1,328,028)</u>	<u>(995,934)</u>	<u>332,094</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	<u>\$ (43,461)</u>	<u>\$ (43,461)</u>	<u>\$ 649,199</u>	<u>\$ 692,660</u>

See Accompanying Notes to Basic Financial Statements.

City of Essex Junction, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For the Year Ended June 30, 2023

	<u>2022</u>
City's proportion of the net pension liability (asset)	0.2806%
City's proportionate share of the net pension liability (asset)	<u>\$ 851,264</u>
City's covered-employee payroll	<u>\$ 877,575</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	97.00%
Plan fiduciary net position as a percentage of the total pension liability	73.60%

Significant Actuarial Assumptions and methods are described in Note 13 to the financial statements.

Changes in Assumptions:

There were no changes in methods or assumptions since the last measurement date.

City of Essex Junction, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2023

	<u>2022</u>
Contractually Required Contributions (Actuarially Determined)	\$ 70,206
Contributions in Relation to the Actuarially Determined Contributions	<u>70,206</u>
Contribution Excess/(Deficiency) Covered Employee Payroll	<u>\$ 877,575</u>
Contributions as a Percentage of Covered Employee Payroll	8.00%

Significant Actuarial Assumptions and methods are described in Note 13 to the financial statements.

Changes in Assumptions:

There were no changes in methods or assumptions since the last measurement date.

OTHER SUPPLEMENTARY INFORMATION

City of Essex Junction, Vermont
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2023

	Special Revenue Fund		Capital Project Fund				Total
	Veteran Memorial Park Fund	Senior Center Fund	Land Acquisition Capital Reserve Fund	Economic Development	EJRP Capital Reserve Fund	Building Maintenance	
ASSETS							
Cash	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 100
Due from other funds	<u>3,704</u>	<u>18,554</u>	<u>83,803</u>	<u>653,280</u>	<u>-</u>	<u>294,284</u>	<u>1,053,625</u>
Total Assets	<u>\$ 3,704</u>	<u>\$ 18,654</u>	<u>\$ 83,803</u>	<u>\$ 653,280</u>	<u>\$ -</u>	<u>\$ 294,284</u>	<u>\$ 1,053,725</u>
LIABILITIES							
Accounts Payable	\$ -	\$ 216	\$ -	\$ -	\$ -	\$ 13,498	\$ 13,714
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,342</u>	<u>-</u>	<u>88,342</u>
Total Liabilities	<u>-</u>	<u>216</u>	<u>-</u>	<u>-</u>	<u>88,342</u>	<u>13,498</u>	<u>102,056</u>
FUND BALANCE							
Restricted	3,704	18,438	-	-	-	-	22,142
Committed	-	-	83,803	-	-	-	83,803
Assigned	-	-	-	653,280	-	280,786	934,066
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,342)</u>	<u>-</u>	<u>(88,342)</u>
Total Fund Balances	<u>3,704</u>	<u>18,438</u>	<u>83,803</u>	<u>653,280</u>	<u>(88,342)</u>	<u>280,786</u>	<u>951,669</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,704</u>	<u>\$ 18,654</u>	<u>\$ 83,803</u>	<u>\$ 653,280</u>	<u>\$ -</u>	<u>\$ 294,284</u>	<u>\$ 1,053,725</u>

City of Essex Junction, Vermont
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2023

	Special Revenue Fund		Capital Project Fund				Total
	Veteran Memorial Park Fund	Senior Center Fund	Land Acquisition Capital Reserve Fund	Economic Development	EJRP Capital Reserve Fund	Building Maintenance	
REVENUES							
Charges for Service	\$ -	\$ 6,409	\$ -	\$ -	\$ -	\$ -	\$ 6,409
Property Tax	-	-	-	112,295	-	-	112,295
Miscellaneous Income	-	5,286	-	3,637	-	-	8,923
Interest	30	262	1,055	8,019	(1,353)	3,295	11,308
Total Revenue	<u>30</u>	<u>11,957</u>	<u>1,055</u>	<u>123,951</u>	<u>(1,353)</u>	<u>3,295</u>	<u>138,935</u>
EXPENDITURES							
Program Expense	-	13,478	-	210	78,755	2,069	94,512
Capital Outlay	-	-	-	24,724	-	62,797	87,521
Total Expenditures	<u>-</u>	<u>13,478</u>	<u>-</u>	<u>24,934</u>	<u>78,755</u>	<u>64,866</u>	<u>182,033</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30</u>	<u>(1,521)</u>	<u>1,055</u>	<u>99,017</u>	<u>(80,108)</u>	<u>(61,571)</u>	<u>(43,098)</u>
OTHER FINANCING SOURCES							
Transfer	-	-	-	-	112,543	94,406	206,949
Net Change in Fund Balance	30	(1,521)	1,055	99,017	32,435	32,835	163,851
Fund Balance - July 1, 2022	<u>3,674</u>	<u>19,959</u>	<u>82,748</u>	<u>554,263</u>	<u>(120,777)</u>	<u>247,951</u>	<u>787,818</u>
Fund Balance - June 30, 2023	<u>\$ 3,704</u>	<u>\$ 18,438</u>	<u>\$ 83,803</u>	<u>\$ 653,280</u>	<u>\$ (88,342)</u>	<u>\$ 280,786</u>	<u>\$ 951,669</u>

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water Sales - City	\$ 1,320,757	\$ 1,241,900	\$ (78,857)
Water Sales - GF	-	2,941,930	2,941,930
Water Sales - Large Users	110,000	125,230	15,230
Penalties	5,000	5,600	600
Hook on Fees	7,000	2,560	(4,440)
Interest Earnings	800	5,858	5,058
Miscellaneous	150	4,531	4,381
	<u>1,443,707</u>	<u>4,327,609</u>	<u>2,883,902</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries - Regular	140,268	123,665	16,603
Salaries - Overtime	15,082	8,379	6,703
Salaries - Part time	1,382	104	1,278
Social security	12,056	10,919	1,137
Unemployment insurance	190	353	(163)
Workers compensation insurance	7,101	5,924	1,177
Health insurance	82,964	75,965	6,999
Other employee benefits	875	-	875
Retirement	13,902	9,410	4,492
Liability and property insurance	5,765	2,283	3,482
Supplies	13,000	10,851	2,149
Telephone	2,500	3,760	(1,260)
Postage	3,500	3,629	(129)
Gas, oil and grease	3,000	2,290	710
Meters and parts	6,000	824	5,176
Computer expenses	3,700	3,410	290
Water and sewer charges	200	128	72
Training and conferences	3,000	573	2,427
Electrical services	1,400	845	555
Heat	3,078	2,907	171
Maintenance	4,000	15,831	(11,831)
Water line maintenance - breaks	16,000	34,333	(18,333)
Uniforms and boots	1,350	1,581	(231)

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
For the Year Ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED)			
Contracted services	125,960	125,960	-
Other professional services	1,000	1,239	(239)
Audit services	4,750	3,850	900
Right of way agreements	150	100	50
Water purchases - City	559,534	636,128	(76,594)
Water purchases - GF	-	2,894,894	(2,894,894)
Printing and advertising	2,000	1,537	463
Transfer to capital reserve	410,000	410,000	-
Capital outlay	-	15,976	(15,976)
Total Operating Expenses	1,443,707	4,407,648	(2,963,941)
Operating Income (loss)	\$ -	\$ (80,039)	\$ (80,039)

**RECONCILIATION OF BUDGETARY
BASIS TO GAAP BASIS**

Change in Net Position - Budgetary Basis	\$ (80,039)
Adjustments for non-budget:	
Bond Interest	(124,774)
Capital Contributions	410,000
Gain on Sale of Asset	9,900
Depreciation	(53,582)
Change in Net Position - Budgetary Basis	\$ 161,505

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SANITATION FUND
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sanitation billing	\$ 700,325	\$ 657,505	\$ (42,820)
Sanitation penalty	2,500	3,160	660
Essex pump station fees	35,625	26,825	(8,800)
Two party agreement revenue	15,000	15,000	-
Hook on fees	30,000	8,000	(22,000)
Interest earnings	5,000	23,182	18,182
Miscellaneous	<u>3,000</u>	<u>5,058</u>	<u>2,058</u>
 Total Operating Revenues	 <u>791,450</u>	 <u>738,730</u>	 <u>(52,720)</u>
 OPERATING EXPENSES			
Salaries - Regular	124,788	134,576	(9,788)
Salaries - Overtime	13,574	12,066	1,508
Salaries - Part time	1,382	104	1,278
Social security	10,755	11,294	(539)
Unemployment insurance	190	353	(163)
Workers compensation insurance	6,330	5,421	909
Health insurance	63,266	74,883	(11,617)
Other employee benefits	840	-	840
Retirement	12,356	10,561	1,795
Liability and property insurance	3,457	1,778	1,679
Insurance Deductibles	1,000	-	1,000
Supplies	1,000	2,430	(1,430)
Tech Subs & Licenses	750	1,757	(1,007)
Postage	5,750	7,336	(1,586)
Gas, oil and grease	4,000	5,276	(1,276)
Computer expenses	3,000	-	3,000
Water and sewer charges	500	354	146
Training and conferences	200	92	108
Electrical services	14,000	9,132	4,868
Heating/natural gas	2,052	1,287	765
Maintenance	2,000	868	1,132
Pump station maintenance	14,000	14,677	(677)
Sanitation line maintenance	6,000	16,658	(10,658)
Meter Replacement Program	-	31,962	(31,962)

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SANITATION FUND
For the Year Ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Susie Wilson pump station costs	15,000	9,015	5,985
West St. pump station costs	17,000	12,883	4,117
Uniforms and boots	1,350	1,841	(491)
Contracted services	161,960	161,960	-
Right-Of-Way Agreements	1,700	4,758	(3,058)
Other professional services	1,000	2,236	(1,236)
Audit services	2,500	2,100	400
Machinery and Equipment	5,000	-	5,000
Capital reserve fund contributions	95,000	95,000	-
Capital outlay	-	14,121	(14,121)
	<u>591,700</u>	<u>646,779</u>	<u>(55,079)</u>
Total Operating Expenses	<u>591,700</u>	<u>646,779</u>	<u>(55,079)</u>
Operating Income	<u>\$ 199,750</u>	<u>\$ 91,951</u>	<u>\$ (107,799)</u>

**RECONCILIATION OF BUDGETARY
BASIS TO GAAP BASIS**

Change in Net Position - Budgetary Basis	\$	91,951
Adjustments for non-budget:		
Admin Fee on ARRA Loan		(2,434)
RF1-157 Loan Admin Fee		(14,196)
Sale of WWTF Capacity		141,300
Capital Reserve Fund Transfer		95,000
Transfer to WWTF for Upgrade		(296,963)
Loss on sale of Fixed Assets		(15,000)
Depreciation		(109,525)
Change in Net Position - Budgetary Basis	\$	<u>(109,867)</u>

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
WASTEWATER FUND
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
City user charges	\$ 921,161	\$ 855,051	\$ (66,110)
City user penalties	3,500	3,985	485
Wastewater charge - Essex	649,661	649,661	-
Wastewater charge - Williston	853,286	853,401	115
Pump station maintenance fee	36,000	36,000	-
City septage discharge income	20,000	54,115	34,115
Shared septage revenue	10,000	27,058	17,058
City leachate revenues	500	1,568	1,068
Share leachate revenues	100	784	684
Interest Earnings	-	26,433	26,433
Miscellaneous	-	4,376	4,376
	<u>2,494,208</u>	<u>2,512,432</u>	<u>18,224</u>
Total Operating Revenues			

OPERATING EXPENSES			
Salaries - Regular	445,885	402,863	43,022
Salaries - Overtime	50,000	41,276	8,724
Salaries - Part-time	-	1,950	(1,950)
Social security	38,102	37,067	1,035
Workers comp insurance	22,462	17,049	5,413
Unemployment insurance	720	1,323	(603)
Health insurance	178,057	97,397	80,660
Other employee benefits	2,159	-	2,159
Retirement	44,364	41,735	2,629
Liability and property insurance	38,605	41,794	(3,189)
Supplies	10,000	9,464	536
Supplies - Laboratory	20,000	19,889	111
Chemicals	355,000	467,512	(112,512)
Gas, grease and oil	3,500	3,937	(437)
Water and sewer charge	4,000	3,076	924
Training and conference	7,500	5,480	2,020
Techs, Subs and Licenses	1,925	10,941	(9,016)
Telephone services	6,400	10,634	(4,234)
Electrical service	175,000	204,567	(29,567)
Heating	25,650	24,010	1,640

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
WASTEWATER FUND
For the Year Ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Maintenance - other	130,000	132,566	(2,566)
Rental of Equipment	-	1,370	(1,370)
Vehicles maintenance - travel	4,000	2,734	1,266
Uniforms, boots, etc.	5,000	5,816	(816)
Contract laboratory services	40,000	44,298	(4,298)
Contract services	62,980	62,980	-
Legal services	3,000	3,152	(152)
Grit Disposal	16,000	17,513	(1,513)
Sludge dewatering	190,000	156,005	33,995
Sludge management	150,000	198,632	(48,632)
Other professional services	5,500	22,286	(16,786)
Audit	4,500	3,675	825
WWTF Annual permit fee	9,900	12,775	(2,875)
Capital reserve fund contributions	420,000	420,000	-
Total Operating Expenses	2,470,209	2,525,766	(55,557)
Operating Income	\$ 23,999	\$ (13,334)	\$ (37,333)

**RECONCILIATION OF BUDGETARY
BASIS TO GAAP BASIS**

Change in Net Position - Budgetary Basis	\$ (13,334)
Adjustments for non-budget:	
Bond Interest	(37,269)
Admin Fee on Bonds	(191,784)
Capital Reserve Fund Transfer	420,000
Town of Essex Bond Contribution	294,287
Town of Williston Bond Contribution	291,612
Essex Junction Debt Payment	296,963
Transfer to General Fund	(1,500)
Loss on Sale of Fixed Assets	(100)
Depreciation	(965,909)
Change in Net Position - Budgetary Basis	\$ 92,966

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ESSEX JUNCTION RECREATION AND PARKS
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Pool day admission	\$ 72,444	\$ 72,224	\$ (220)
Pool memberships	43,296	40,057	(3,239)
Swim lessons	51,924	40,718	(11,206)
Facility and field rental	12,549	29,684	17,135
Youth programs	203,155	330,287	127,132
Adult programs	129,663	136,134	6,471
Childcare - AS	1,247,624	1,232,847	(14,777)
Childcare- PS	397,508	396,284	(1,224)
Childcare- DC	538,825	571,617	32,792
Shared staffing contract	138,924	110,820	(28,104)
Memorial day parade	-	14,150	14,150
Interest earnings	-	15,161	15,161
Sponsorship	<u>26,550</u>	<u>2,555</u>	<u>(23,995)</u>
 Total Operating Revenues	 <u>2,862,462</u>	 <u>2,992,538</u>	 <u>130,076</u>
OPERATING EXPENSES			
Administration			
Salaries - Regular	51,064	52,109	(1,045)
Salaries - Part-time	-	448	(448)
Health insurance and other benefits	24,865	350	24,515
Social security	3,906	4,221	(315)
Workers compensation insurance	40,552	29,838	10,714
Retirement	4,085	4,258	(173)
Other professional services	6,000	3,980	2,020
Equipment rentals	2,135	7,300	(5,165)
Training, conferences, dues	15,549	19,100	(3,551)
Postage	6,953	5,627	1,326
Printing and advertising	22,220	9,674	12,546
Credit card processing fees	-	64,996	(64,996)
Recreation Programs			
Salaries - Regular	-	4,626	(4,626)
Salaries- Part-time	14,400	13,215	1,185
Social security	1,102	1,361	(259)

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ESSEX JUNCTION RECREATION AND PARKS
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Other professional services	241,880	336,591	(94,711)
Water and sewer charges	800	649	151
Maintenance- buildings/grounds	800	504	296
Rental	600	-	600
Equipment rentals	900	2,818	(1,918)
Training, conferences, dues	750	1,180	(430)
Printing and advertising	200	150	50
Supplies	30,610	52,955	(22,345)
Student special programs	2,912	-	2,912
Memorial Day parade	-	8,521	(8,521)
After School Care			
Salaries - Regular	483,791	456,161	27,630
Salaries- Part-time	390,955	363,635	27,320
Overtime wages	-	7,383	(7,383)
Health insurance and other benefits	100,189	108,884	(8,695)
Social security	64,612	62,163	2,449
Retirement	44,165	47,297	(3,132)
Other professional services	31,480	36,178	(4,698)
Interest Expense	17,306	-	17,306
Training, conferences, dues	36,940	13,502	23,438
Telephone	5,700	12,860	(7,160)
Travel	54,380	20,421	33,959
Supplies	53,286	74,482	(21,196)
Gas, grease, oil	2,650	1,836	814
Preschool			
Salaries- Regular	203,065	223,650	(20,585)
Salaries- Part-time	37,480	22,690	14,790
Salaries - Overtime	-	276	(276)
Health insurance and other benefits	113,606	85,888	27,718
Social security	18,509	18,547	(38)
Retirement	20,307	13,484	6,823
Other professional services	3,114	7,862	(4,748)
Training, conferences, dues	5,100	8,296	(3,196)
Travel	1,728	-	1,728
Supplies	4,500	23,982	(19,482)

City of Essex Junction, Vermont
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ESSEX JUNCTION RECREATION AND PARKS
For the Year Ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (continued)			
Summer Day Camps			
Salaries- Regular	60,195	18,266	41,929
Salaries- Part-time	308,642	283,585	25,057
Salaries - Overtime	-	13,310	(13,310)
Social security	28,215	24,192	4,023
Other professional services	8,905	25,881	(16,976)
Travel	72,240	62,967	9,273
Supplies	26,515	30,064	(3,549)
Pool			
Maintenance- buildings/grounds	25,887	32,737	(6,850)
Supplies	5,640	4,652	988
Aquatics			
Salaries- Part-time	108,694	95,344	13,350
Social security	8,316	7,294	1,022
Other professional services	6,580	6,168	412
Water and Sewer Charges	2,701	1,877	824
Communications	1,320	1,320	-
Parks & Facilities			
Salaries- Part-time	7,922	4,016	3,906
Social security	606	307	299
Other professional services	13,110	11,698	1,412
Equipment rental	7,200	7,892	(692)
Training, conferences, dues	4,000	7,207	(3,207)
Parks and facilities supplies	-	859	(859)
	2,861,834	2,873,584	(11,750)
 Total Operating Expenses			
	2,861,834	2,873,584	(11,750)
 Operating Income Gain (loss)	<u>\$ 628</u>	<u>\$ 118,954</u>	<u>\$ 118,326</u>

**RECONCILIATION OF BUDGETARY
BASIS TO GAAP BASIS**

Change in Net Position - Budgetary Basis	\$ 118,954
Adjustments for non-budget:	
Federal Grant Revenue	251,460
Depreciation	(23,071)
 Change in Net Position - Budgetary Basis	<u>\$ 347,343</u>

City of Essex Junction, Vermont

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2023

City of Essex Junction, Vermont
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor Number	Federal Assistance Listing Number	Federal Expenditures
U. S. Department of Transportation			
Passed through State of Vermont, Agency of Transportation			
Highway Planning and Construction	CA0315	20.205	\$ 2,807,284
Highway Planning and Construction	CA0397	20.205	<u>250,286</u>
Total Highway Planning and Construction			<u>3,057,570</u>
U.S. Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	02140-84474-20	97.036	<u>1,112</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>1,112</u>
U.S. Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds	SLFRFVT0073	21.027	<u>426,741</u>
Total Coronavirus State and Local Fiscal Recovery Funds			<u>426,741</u>
U.S. Department of Health and Human Services			
Passed through State of Vermont, Agency of Human Services			
Child Care and Development Block Grant	20222358	93.575	<u>21,750</u>
Total Child Care and Development Block Grant			<u>21,750</u>
National Endowments for the Humanities			
Inter Library Loan Courier System Grants for Public Libraries	01130.ARPA.C&E.079	45.310	5,180
Inter Library Loan Courier System Grants for Public Libraries	01130.LSTA.COURIER.FY23.016	45.310	<u>571</u>
Total National Endowment for the Humanities			<u>5,751</u>
Total Expenditure of Federal Awards			<u>\$ 3,512,924</u>

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Essex Junction, Vermont under programs of the federal government for the year ended June 30, 2023. 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 City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City 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 City 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 City Council
City of Essex Junction, Vermont
Essex Junction, Vermont

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 City of Essex Junction, Vermont, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Essex Junction, Vermont's basic financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Essex Junction, Vermont's internal control over financial reporting (internal control) as a basis for designing 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 City of Essex Junction, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of City 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City 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 financial statements. 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.



St. Albans, Vermont
December 21, 2023



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 City Council
City of Essex Junction, Vermont
Essex Junction, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Essex Junction, Vermont's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Essex Junction, Vermont's major federal programs for the year ended June 30, 2023. City 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.

In our opinion, City 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Essex Junction, Vermont and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Essex Junction, Vermont's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Essex Junction, Vermont's federal programs

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Essex Junction, Vermont's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Essex Junction, Vermont's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Essex Junction, Vermont's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Essex Junction, Vermont's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Essex Junction, Vermont's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Kittell Brangan" followed by a stylized flourish or second name.

St. Albans, Vermont
December 21, 2023

City of Essex Junction, Vermont
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements City of Essex Junction, Vermont .
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Essex Junction, Vermont were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for City of Essex Junction, Vermont expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for City of Essex Junction, Vermont.
7. The programs tested as major programs were:

DOT #20.205 Highway Planning and Construction
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Essex Junction, Vermont was not determined to be a low-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.