

Town of Essex, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Essex, Vermont
Essex, Vermont

We have audited the accompanying basic financial statements of the Town of Essex, Vermont as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Town of Essex, Vermont's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Essex, Vermont as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2006, on our consideration of the Town of Essex, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information starting on page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Town of Essex, Vermont. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kittell Branagan + Sargent

St. Albans, Vermont
February 23, 2006

Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005

The following is a discussion and analysis of the Town of Essex's financial performance, including an overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Readers should consider this information in conjunction with the financial statements, which are located after this analysis. The Town implemented the new reporting standard, GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments during FY 2004. This discussion and analysis provides comparisons between FY 2005 and FY 2004.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets exceeded its liabilities at June 30, 2005, by \$23,343,976 compared to \$22,418,084 at June 30, 2004. This represents an increase of \$925,892 or 4.1%. The change in net assets for fiscal year 2004 was \$429,968. The 2005 increase was an increase of \$495,924 over the 2004 increase.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$2,395,030, a decrease of \$425,900 in comparison with \$2,820,930 for the prior year. Of the total fund balance, \$59,381 represents unreserved fund balance and the remaining \$2,335,649 represents amounts reserved or designated for specific purposes, such as reappraisal, Records Preservation, Public Safety, and various capital projects.

Long-term Debt

The Town's total debt decreased during the fiscal year to \$1,255,378, a decrease of \$475,318 or 27.5%. More detailed information regarding these activities begins on page 18. (See Note 5)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's financial statements consist of four sections; 1) Management's Discussion and Analysis 2) Basic Financial Statements 3) Required Supplementary Information; and 4) Other Supplementary Information

- **Management's Discussion and Analysis** - An introduction to the basic financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions or conditions.
- **Basic Financial Statements** - This section of the report includes government-wide financial statements, fund financial statements, and notes to the financial statements.
- **Required Supplementary Information** - This section of the report includes financial information that is not part of the basic financial statements but is required by accounting principles generally accepted in the United States of America (GAAP). It is comprised of the budgetary comparison schedule for the general fund.

Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005

- **Other Supplementary Information** - This section of the report is not required by GAAP but is presented as supplementary information. It contains the detail budgetary comparison schedule for the General Fund.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which helps readers determine whether the Town's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

- **Statement of Net Assets** - This statement presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Town's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 5 and provide detailed information about the major individual funds.

- **Governmental Funds** - Most of the basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Town's current needs.

The Town reports three (3) individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, the Capital Projects Fund, and Cemetery Trust Fund.

Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005

- **Proprietary fund** – The Proprietary fund provides water and sewer service for which the Town charges customers a fee and operates like a commercial business. The Proprietary fund provides the same type of information as the Government-wide financial statements only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for the business-type activity and the proprietary fund financial statements.
- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statement because the resources of these funds are restricted and cannot be used to finance the Town's operations. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 16. The Town's fiduciary fund is the Agency – Escheat and Developer's Escrow Fund.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- . Capital assets used in governmental activities are not reported on governmental fund statements.
- . Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- . Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- . Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures in the fund financial statements.
- . Bond proceeds provide current financial resources on the fund financial statement, but are recorded as long-term liabilities in the government-wide financial statements.

**Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005**

FINANCIAL ANALYSIS

Financial Analysis of Government-wide Financial Statements

The Town's combined assets exceeded its liabilities by \$23,343,976 during the fiscal year.

Net Assets as of June 30, 2004 & 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$4,405,190	\$3,863,226	\$337,100	\$362,899	\$4,742,290	\$4,226,125
Capital assets	\$13,993,197	\$15,167,056	\$7,424,978	\$7,185,116	\$21,418,175	\$22,352,172
Total Assets	\$18,398,387	\$19,030,282	\$7,762,078	\$7,548,015	\$26,160,465	\$26,578,297
Long-term liabilities outstanding	\$1,373,710	\$1,149,859	\$888,554	\$684,362	\$2,262,264	\$1,834,221
Other liabilities	\$1,329,190	\$1,244,664	\$150,927	\$155,436	\$1,480,117	\$1,400,100
Total Liabilities	\$2,702,900	\$2,394,523	\$1,039,481	\$839,798	\$3,742,381	\$3,234,321
Net Assets						
Invested in capital assets, net of related debt	\$13,090,468	\$14,531,678	\$6,597,011	\$6,565,116	\$19,687,479	\$21,096,794
Restricted	\$2,407,773	\$1,273,956	\$0	\$0	\$2,407,773	\$1,273,956
Unrestricted	\$197,246	\$830,125	\$125,586	\$143,101	\$322,832	\$973,226
Total Net Assets	\$15,695,487	\$16,635,759	\$6,722,597	\$6,708,217	\$22,418,084	\$23,343,976

The largest portion of the Town's net assets (90 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and infrastructure); less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (5 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used.

Town of Essex, Vermont
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Required Supplementary Information
For the Year Ended June 30, 2005

The following condensed financial information was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets.

Changes in Net Assets for the Fiscal Year Ended June 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Revenues						
Program revenues						
Charges for services	\$816,765	\$684,952	\$1,278,980	\$1,177,144	\$2,095,745	\$1,862,096
Operating grants and contributions	\$313,568	\$370,356		\$326,887	\$313,568	\$697,243
Capital grants and contributions	\$652,811	\$1,137,518			\$652,811	\$1,137,518
Property taxes (including penalty and interest)	\$5,445,838	\$5,862,859			\$5,445,838	\$5,862,859
IBM Payment for Services	\$936,562	\$835,594			\$936,562	\$835,594
Unrestricted investment earnings	\$28,190	\$67,100	\$9,846	\$3,578	\$7,404	\$70,678
Gain on Disposal of Assets	\$0	\$11,293				\$11,293
Other revenues	\$1,476	\$54,544	\$2,070		\$3,546	\$54,544
Total Revenues	\$8,195,210	\$9,024,216	\$1,290,896	\$1,507,609	\$9,455,474	\$10,531,825
Expenses						
Governmental activities						
General Government	\$1,679,964	\$1,818,837			\$1,679,964	\$1,861,930
Public Safety	\$2,810,546	\$3,031,999			\$2,810,546	\$3,031,999
Highway and Streets	\$1,567,158	\$1,799,894			\$1,567,158	\$1,760,393
Health and Welfare	\$128,845	\$131,342			\$128,845	\$123,445
Culture and Recreation	\$943,976	\$924,179			\$943,976	\$932,076
Interest on long-term debt	\$54,292	\$38,635			\$54,292	\$35,043
Intergovernmental	\$374,011	\$339,058			\$374,011	\$339,058
Business-type activities						
Water and Sewer			\$1,497,346	\$1,521,989	\$1,466,714	\$1,521,989
Total Expenses	\$7,558,792	\$8,083,944	\$1,497,346	\$1,521,989	\$9,025,506	\$9,605,933
Change in net assets before transfers	\$636,418	\$940,272	-\$206,450	-\$14,380	\$429,968	\$925,892
Transfers	-\$295		\$295			
Change in net assets	\$636,123	\$940,272	-\$206,155	-\$14,380	\$429,968	\$925,892
Net assets - July 1,	\$15,059,364	\$15,695,487	\$6,928,752	\$6,722,597	\$21,988,116	\$22,418,084
Net assets - June 30, 2004	\$15,695,487	\$16,635,759	\$6,722,597	\$6,708,217	\$22,418,084	\$23,343,976

Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005

Total Governmental activity expenses were \$8,083,944 and \$7,558,792 in fiscal years 2005 and 2004, respectively. The largest expenses were incurred for general government, public safety, and Highways and Streets. The expenses do not include capital outlays, which are now reflected in Town capital assets.

Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenue from governmental activities was \$2,192,826 in 2005 and \$1,783,144 in 2004. Governmental program revenues come from charges for services, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues. Program revenues in the capital grants and contributions category include federal, state and local grants that are restricted specifically for use in specific programs, capital projects or acquisitions.

General revenues are all other revenues not categorized as program revenues, and include property taxes, as well as unrestricted grants contributions and investment earnings. Total general revenues from governmental activities were \$6,831,390 in fiscal 2005 and \$6,411,771 in fiscal 2004. Approximately 85 percent of the Town's total general revenue came from taxes in 2005 and 2004.

Fund Financial Statements

The combined fund balance of the Fund Financial Statements was \$2,395,030 at June 30, 2005 and \$2,820,930 at June 30, 2004. \$59,381 of the FY 2005 fund balance constitutes unreserved funds, which are available for spending at the government's discretion. \$2,335,649 of the fund balance is reserved. (See note 10, page 22) for a description of the reserved funds.

The fund balance for the General Fund decreased from \$1,016,898 in FY 2004 to \$616,110 in FY 2005. The total decrease amounted to \$400,788 for the fiscal year ended June 30, 2005.

General Fund Budgetary Highlights

The fund balance of the Town of Essex's general fund decreased by \$400,788 during the current fiscal year. Key factors in this change are as follows:

- Funds from the excess of revenues over expenditures in previous years, which had been designated for subsequent period expenditures, were utilized in the current fiscal year to maintain a stable tax rate: (\$100,000).
- Tax revenue was decreased by the cost of Farm and Open land contracts with Town landowners (\$37,877)
- Revenue from recording of legal documents was less than expected due to rising interest rates which affected refinancing (\$60,000)
- Expenditures were over budget in some areas including: Insurance, general supplies, gasoline for vehicles, and legal services.

Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005

Capital Assets

The following is a schedule of capital assets as of June 30, 2005 and 2004.

	Governmental Activities		Business-type Activities		Total	
	6/30/2004	6/30/2005	6/30/2004	6/30/2005	6/30/2004	6/30/2005
Land	\$2,763,909	\$2,763,909			\$2,763,909	\$2,763,909
Buildings and Improvements	\$1,964,582	\$1,964,582			\$1,964,582	\$1,964,582
Equipment and Vehicles	\$3,168,166	\$3,589,818	\$214,936	\$221,336	\$3,383,102	\$3,811,154
Book Collection	\$429,559	\$459,726			\$429,559	\$459,726
Infrastructure	\$14,234,108	\$14,911,267	\$11,763,995	\$11,819,153	\$25,998,103	\$26,730,420
Construction in Progress	\$705,375	\$1,464,652	\$37,343		\$742,718	\$1,464,652
Total Assets	\$23,265,699	\$25,153,954	\$12,016,274	\$12,040,489	\$35,281,973	\$37,194,443
Less: Accumulated Depreciation	\$9,272,502	\$9,986,898	\$4,591,296	\$4,855,373	\$13,863,798	\$14,842,271
Net Assets	\$13,993,197	\$15,167,056	\$7,424,978	\$7,185,116	\$21,418,175	\$22,352,172

The Town had \$22,352,172 and \$21,418,175 invested in capital assets, net of depreciation, on June 30, 2005 and June 30, 2004, respectively. Net increase (including additions and deductions) between the two periods amounted to \$933,997.

Major capital asset events during the current fiscal year included the following:

- Continued reconstruction of the Butlers Corner intersection on Rout 15 in the amount of \$772,555. It is expected that construction will be completed in the current year.
- Special equipment for the Fire department such as breathing apparatus, hydraulic rescue equipment, radio equipment, thermal imaging cameras, and an ATV were purchased in the amount of \$133,579. These equipment purchases were made through Homeland Security and Assistance to Firefighters grants.
- Various streets were resurfaced or reconstructed for a total of \$409,985. These improvements included resurfacing / reconstruction of Pinecrest Dr., Perry Dr., Raymond Dr., Logwood Circle, Maplelawn Dr., Jackson Heights, Chelsea Rd., Old Stage Rd., and Lamell Ave. Crosswalk improvements and sidewalks and curbing were installed at various locations throughout the Town. Some of the funds for these projects were obtained through State paving grants.
- New vehicles purchased during the year included, two police cruisers, two used unmarked cruisers, two dump trucks for the highway department and a pick-up for the Parks department. The total cost for these vehicles was \$198,499.

**Town of Essex, Vermont
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2005**

Debt

At the end of the fiscal year, the Town had \$1,255,378 in long-term debt outstanding compared to \$1,730,696 in the prior year, an approximate 27% decrease. A list of outstanding long-term debt follows

	Governmental Activities		Business-type Activities		Total	
	6/30/2004	6/30/2005	6/30/2004	6/30/2005	6/30/2004	6/30/2005
Notes Payable	\$487,100	\$329,250			\$487,100	\$329,250
Bonds Payable	\$335,000	\$265,000	\$827,967	\$620,000	\$1,162,967	\$885,000
Capital Lease Obligations	\$80,629	\$41,128			\$80,629	\$41,128
Total	\$902,729	\$635,378	\$832,376	\$620,000	\$1,730,696	\$1,255,378

Economic Factors and Fiscal Year 2006 Budget

- The taxable grand list for the Town of Essex, Vermont increased \$206,434 or 1.6 percent over the previous year.
- The rate of increase in prices of health and dental insurance, and the price of fuel oil products has grown faster than general inflationary trends.
- The Town continues to lose \$97,500 per year as a result of the agreement with IBM when Machinery and Equipment taxes were phased out.

All of these factors were considered in preparing the Town of Essex's budget for the 2006 fiscal year. The FY 2006 total operating budget is \$8,002,407. The FY 2005 total operating budget was \$7,584,599. The increase is \$417,808 or 5.5% over the previous year. There is an increase of \$550,712 (9.5%) in the amount to be raised by taxes. The Town will utilize \$100,000 in unreserved fund balance to pay for expenditures included in this budget. The use of these funds was intended to keep increase in tax rates to a minimum. As a result, the Town's municipal tax rate for 2006 increased by 3.2 cents to 44.4 cents per \$100 of valuation.

Rates for water and wastewater operations were increased in fiscal year 2005 in response to increased costs for water purchases and wastewater treatment.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all of its citizens, taxpayers, customers and creditors. Questions concerning any of the information provided in the report or requests for additional information should be addressed to:

Town of Essex
81 Main Street
Essex Jct., VT 05402

Town of Essex, Vermont
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 3,045,202	\$ -	\$ 3,045,202
Taxes Receivable, net of allowance	285,627	-	285,627
Accounts Receivables - Other	399,661	223,020	622,681
Prepaid expenses	132,736	4,836	137,572
Notes Receivable	-	135,043	135,043
Capital assets, net	<u>15,167,056</u>	<u>7,185,116</u>	<u>22,352,172</u>
TOTAL ASSETS	<u>\$ 19,030,282</u>	<u>\$ 7,548,015</u>	<u>\$ 26,578,297</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Cash Overdraft	\$ -	\$ 139,294	\$ 139,294
Current portion long-term debt	167,250	75,000	242,250
Current portion capital lease	41,128	-	41,128
Current portion of compensated absences	308,000	31,000	339,000
Accounts payable	393,205	-	393,205
Accrued payroll	150,305	11,809	162,114
Other accrued expenses	12,346	4,333	16,679
Deferred revenue	<u>688,808</u>	<u>-</u>	<u>688,808</u>
TOTAL CURRENT LIABILITIES	<u>1,761,042</u>	<u>261,436</u>	<u>2,022,478</u>
LONG-TERM LIABILITIES			
Accrued Compensated Absences	206,481	33,362	239,843
Notes and bonds payable	<u>427,000</u>	<u>545,000</u>	<u>972,000</u>
TOTAL LONG-TERM LIABILITIES	<u>633,481</u>	<u>578,362</u>	<u>1,211,843</u>
TOTAL LIABILITIES	<u>2,394,523</u>	<u>839,798</u>	<u>3,234,321</u>
NET ASSETS			
Invested in capital assets, net of related debt	14,531,678	6,565,116	21,096,794
Restricted	1,273,956	-	1,273,956
Unrestricted	<u>830,125</u>	<u>143,101</u>	<u>973,226</u>
NET ASSETS	<u>16,635,759</u>	<u>6,708,217</u>	<u>23,343,976</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,030,282</u>	<u>\$ 7,548,015</u>	<u>\$ 26,578,297</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities	Business-Type Activities	
Governmental activities							
Current:							
General government	\$ 1,818,837	\$ 290,396	\$ 106,082	\$ -	\$ (1,422,359)	\$ -	\$ (1,422,359)
Public safety	3,031,999	88,375	94,036	403,383	(2,446,205)	-	(2,446,205)
Highways and Streets	1,799,894	26,390	134,954	729,135	(909,415)	-	(909,415)
Health & Welfare	131,342	13,200	-	-	(118,142)	-	(118,142)
Culture and Recreation	924,179	266,591	35,284	5,000	(617,304)	-	(617,304)
Intergovernmental	339,058	-	-	-	(339,058)	-	(339,058)
Interest on long-term debt	38,635	-	-	-	(38,635)	-	(38,635)
Total governmental activities	8,083,944	684,952	370,356	1,137,518	(5,891,118)	-	(5,891,118)
Business-type activities:							
Water/Sewer	1,521,989	1,177,144	326,887	-	-	(17,958)	(17,958)
General Revenues:							
Property taxes, levied for general purposes					5,783,764	-	5,783,764
Penalties and Interest on Delinquent Taxes					79,095	-	79,095
IBM Payment for Services					835,594	-	835,594
Unrestricted investment earnings					67,100	3,578	70,678
Gain on disposal of asset					11,293	-	11,293
Miscellaneous					54,544	-	54,544
Total general revenues and transfers					6,831,390	3,578	6,834,968
Change in Net Assets					940,272	(14,380)	925,892
Net assets, beginning					15,695,487	6,722,597	22,418,084
Net assets, ending					\$ 16,635,759	\$ 6,708,217	\$ 23,343,976

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2005

	General Fund	Capital Projects Fund	Other Government Funds Cemetery Trust	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,343,858	\$ 1,682,173	\$ 19,171	\$ 3,045,202
Taxes Receivable, net of allowance	285,627	-	-	285,627
Other Receivables	314,185	85,476	-	399,661
Prepaid expenses	<u>132,736</u>	<u>-</u>	<u>-</u>	<u>132,736</u>
 TOTAL ASSETS	 <u>\$ 2,076,406</u>	 <u>\$ 1,767,649</u>	 <u>\$ 19,171</u>	 <u>\$ 3,863,226</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 393,205	\$ -	\$ -	\$ 393,205
Accrued payroll	150,305	-	-	150,305
Deferred revenue	<u>916,786</u>	<u>7,900</u>	<u>-</u>	<u>924,686</u>
 TOTAL LIABILITIES	 <u>1,460,296</u>	 <u>7,900</u>	 <u>-</u>	 <u>1,468,196</u>
 FUND BALANCE				
Fund Balance:				
Reserved	469,826	792,841	11,289	1,273,956
Designated	146,284	915,409	-	1,061,693
Unreserved	<u>-</u>	<u>51,499</u>	<u>7,882</u>	<u>59,381</u>
 TOTAL FUND BALANCE	 <u>616,110</u>	 <u>1,759,749</u>	 <u>19,171</u>	 <u>2,395,030</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,076,406</u>	 <u>\$ 1,767,649</u>	 <u>\$ 19,171</u>	 <u>\$ 3,863,226</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances - governmental funds	\$ 2,395,030
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	15,167,056
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Reserve for non-current tax	235,878
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	(514,481)
Accrued Interest on long-term debt	(12,346)
Capital lease payable	(41,128)
Notes payable	<u>(594,250)</u>
Total net assets - governmental activities	<u>\$ 16,635,759</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds Cemetery Trust	Total Governmental Funds
REVENUES				
Property tax	\$ 5,688,721	\$ 126,580	\$ -	\$ 5,815,301
Licenses and permits	51,246	-	-	51,246
Intergovernmental revenues	759,154	-	-	759,154
Charges for services	1,444,291	89,753	9,650	1,543,694
Fines and forfeits	79,095	-	-	79,095
Interest income	43,483	23,380	238	67,101
Miscellaneous income	112,810	-	29	112,839
Grant income	-	710,899	-	710,899
	<u>8,178,800</u>	<u>950,612</u>	<u>9,917</u>	<u>9,139,329</u>
TOTAL REVENUES				
EXPENDITURES				
General government	1,795,348	-	-	1,795,348
Public safety	3,270,179	-	-	3,270,179
Highways and streets	1,536,402	-	-	1,536,402
Health and welfare	111,928	-	-	111,928
Culture and recreation	859,997	-	-	859,997
Intergovernmental	339,058	-	-	339,058
Debt service	213,193	-	-	213,193
Operating expenses	-	-	7,897	7,897
Capital expenditures	-	1,431,227	-	1,431,227
	<u>8,126,105</u>	<u>1,431,227</u>	<u>7,897</u>	<u>9,565,229</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,695	(480,615)	2,020	(425,900)
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(453,483)	453,483	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(400,788)	(27,132)	2,020	(425,900)
FUND BALANCE - July 1, 2004	<u>1,016,898</u>	<u>1,786,881</u>	<u>17,151</u>	<u>2,820,930</u>
FUND BALANCE - June 30, 2005	<u>\$ 616,110</u>	<u>\$ 1,759,749</u>	<u>\$ 19,171</u>	<u>\$ 2,395,030</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, 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, 2005

Net change in fund balances - governmental funds \$ (425,900)

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	(714,396)
Capital Outlay	1,888,255

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

Decrease in the reserve for non-current taxes	(31,537)
---	----------

Repayment of long-term debt is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the
 statement of net assets.

Long-term debt	227,850
Capital lease	39,500

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

Accrued compensated absences	<u>(43,500)</u>
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Change in net assets of governmental activities \$ 940,272

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 June 30, 2005

	Water/Sewer Fund
<u>ASSETS</u>	
CURRENT ASSETS	
Accounts receivable - net	\$ 223,020
Prepaid expenses	4,836
Notes Receivable	135,043
Capital assets, net	7,185,116
TOTAL ASSETS	\$ 7,548,015
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Cash Overdraft	\$ 139,294
Current portion long-term debt	75,000
Current portion compensated absences	31,000
Accrued payroll	11,809
Other accrued expenses	4,333
TOTAL CURRENT LIABILITIES	261,436
LONG-TERM LIABILITIES	
Accrued compensated absences	33,362
Notes and bonds payable	545,000
TOTAL LONG-TERM LIABILITIES	578,362
TOTAL LIABILITIES	839,798
NET ASSETS	
Invested in capital assets, net of related debt	6,565,116
Unrestricted	143,101
TOTAL NET ASSETS	6,708,217
TOTAL LIABILITIES AND NET ASSETS	\$ 7,548,015

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2005

	<u>Water/Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,177,144
Hookup fees	223,431
Interest and penalties on delinquents	11,705
Assessments	90,649
Miscellaneous	<u>1,102</u>
TOTAL OPERATING REVENUES	<u>1,504,031</u>
OPERATING EXPENSES	
Regular salaries	281,685
Overtime salaries	21,270
Group health insurance	76,240
Social security	23,165
Employee retirement	23,691
Other employee benefits	5,440
Professional services	12,945
Repair and maintenance	58,317
Rental of equipment	38
Telephone/communications	1,814
Advertising	3,991
Professional services	3,128
Travel	91
Small tools and equipment	1,565
Supplies	1,137
Utilities	47,166
Uniforms	2,675
Natural gas	2,162
CWD water purchases	376,354
Insurance	8,806
Dues and fees	1,660
Machinery	720
Depreciation expense	264,077
Sewage treatment	<u>276,556</u>
TOTAL OPERATING EXPENDITURES	<u>1,494,693</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2005

	Water/Sewer Fund
INCOME (LOSS) FROM OPERATIONS	9,338
NON-OPERATING REVENUE (EXPENSE)	
Interest Income	3,578
Interest Expense	(27,296)
TOTAL NON-OPERATING REVENUE (EXPENSE)	(23,718)
DECREASE IN NET ASSETS	(14,380)
NET ASSETS BEGINNING OF YEAR	6,722,597
NET ASSETS AT END OF YEAR	\$ 6,708,217

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2005

	Water/Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,460,683
Payments to suppliers	(784,315)
Payments for employees and benefits	(431,491)
NET CASH PROVIDED BY OPERATING ACTIVITIES	244,877
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of property, plant and equipment	(24,215)
Interest payments on debt	(29,771)
Principal payments on debt	(207,967)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(261,953)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Payments Received on Notes Receivable	13,689
Interest Income	3,578
NET CASH (USED) INVESTING ACTIVITIES	17,267
NET INCREASE IN CASH	190
CASH OVERDRAFT - BEGINNING OF YEAR	(139,484)
CASH OVERDRAFT - END OF YEAR	\$ (139,294)
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 9,338
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	264,077
Change in net assets and liabilities:	
Receivables, net	(43,348)
Prepaid expenses	3,840
Accounts payable	(3,219)
Other accrued expense	1,606
Accrued payroll and compensated absences	12,583
Net cash provided (used) by operating activities	\$ 244,877

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS - FIDUCIARY FUND
June 30, 2005

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>138,417</u>
TOTAL ASSETS	\$ <u><u>138,417</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
NET ASSETS	
Restricted	\$ <u>138,417</u>
TOTAL NET ASSETS	\$ <u><u>138,417</u></u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUND
 For the Year Ended June 30, 2005

	<u>Agency Fund</u>
ADDITIONS	
Additions to funds	\$ 34,060
Interest on deposits	<u>1,525</u>
TOTAL ADDITIONS	<u>35,585</u>
 DEDUCTIONS	
Release of funds	<u>29,215</u>
TOTAL DEDUCTIONS	<u>29,215</u>
CHANGES IN NET ASSETS	6,370
NET ASSETS AT BEGINNING OF YEAR	<u>132,047</u>
NET ASSETS AT END OF YEAR	<u>\$ 138,417</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Essex, Vermont operates under a Select Board Manager form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning and general administrative services.

A. Reporting Entity

The financial statements of the Town consist only of the funds and account groups of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Town. 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, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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.

Fiduciary Funds are used to account for assets held by the Town 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.

C. 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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Town 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Town receives cash.

The Town reports the following major governmental funds:

- * The Capital Project Fund accounts for resources that were established to fund the Town's long-term capital budget.
- * The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The Town'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 Town maintains one cash account in the general fund to collect money and pay bills for all funds. When money is collected and expended, the Town records a corresponding payable or receivable to the appropriate fund. This helps manage cash and eases administrative burdens.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., current portion of inter-fund loans) or “advances from/to other funds” (i.e., the non-current portion of inter-fund loans).

F. Capital Assets

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the Town’s activities.
- (3) The asset has a \$5,000 or greater value and useful life over one year at the date of acquisition.

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used over the estimated useful life of each asset.

G. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

H. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

I. 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.

J. Allowance for Uncollectible Accounts

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

K. Operating Transfers

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

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 DELINQUENT TAXES RECEIVABLE

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 270,746
Penalties on taxes receivable	19,957
Interest on taxes receivable	94,924
	385,627
Allowance for uncollectible delinquent taxes	(100,000)
	<u>\$ 285,627</u>

Property taxes attach 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 Town bills and collects its own taxes. Town 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 60 days after the close of the current period. Taxes receivable that remain uncollected as of August 31, 2005 have been charged to the Reserve for Non-current Taxes with a corresponding decrease in current year tax revenues. The Reserve for Non-current Tax Revenues amounted to \$185,878 at June 30, 2005.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 2,763,909	\$ 807,207	\$ -	\$ 2,763,909
Construction in progress	705,375	-	(47,930)	1,464,652
Total capital assets not being depreciated	3,469,284	807,207	(47,930)	4,228,561
Other capital assets:				
Book collection	429,559	30,167	-	459,726
Building and improvements	1,964,582	-	-	1,964,582
Equipment	3,168,166	421,652	-	3,589,818
Infrastructure	14,234,108	677,159	-	14,911,267
Total other capital assets	19,796,415	1,128,978	-	20,925,393
Less accumulated depreciation for:				
Book collection	(141,644)	(44,464)	-	(186,108)
Building and improvements	(1,152,007)	(33,746)	-	(1,185,753)
Equipment	(1,769,012)	(303,777)	-	(2,072,789)
Infrastructure	(6,209,839)	(332,409)	-	(6,542,248)
Total accumulated depreciation	(9,272,502)	(714,396)	-	(9,986,898)
Governmental Activities – Capital Assets, Net	<u>\$ 13,993,197</u>	<u>\$ 1,221,789</u>	<u>\$ (47,930)</u>	<u>\$ 15,167,056</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 3 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions, as follows:

General Government	\$ 16,419
Public Safety	191,947
Highways and Streets	407,826
Stormwater	3,194
Culture and Recreation	<u>95,010</u>
TOTAL	<u>\$ 714,396</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 37,343	\$ -	\$ (37,343)	\$ -
Capital assets being depreciated:				
Water/sewer plant	11,763,995	55,158	-	11,819,153
Machinery and equipment	110,034	6,400	-	116,434
Vehicles	<u>104,902</u>	<u>-</u>	<u>-</u>	<u>104,902</u>
	11,978,931	61,558	-	12,040,489
Less accumulated depreciation	<u>(4,591,296)</u>	<u>(264,077)</u>	<u>-</u>	<u>(4,855,373)</u>
Total capital assets being depreciated, net	<u>7,387,635</u>	<u>(202,519)</u>	<u>-</u>	<u>7,185,116</u>
Business-Type Activities – Capital Assets, Net	<u>\$ 7,424,978</u>	<u>\$ (202,519)</u>	<u>\$ (37,343)</u>	<u>\$ 7,185,116</u>

Depreciation expense for the Business-type Activities was \$264,077 for the fiscal year ended June 30, 2005

NOTE 4 ACCRUED COMPENSATION

At June 30, 2005, the Town had the following vested benefits earned by their employees:

Vested Compensation – Water/Sewer	\$ 64,362
Vested Compensation - General	<u>514,481</u>
	578,843
Less: Current Portion	<u>(339,000)</u>
TOTAL LONG-TERM PORTION	<u>\$ 239,843</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 5 NOTES AND BONDS PAYABLE

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Notes Payable</u>				
Note payable to TD Banknorth, capital improvement note, interest at 3.22%. Annual principal payments of \$50,000 plus interest due August 15, 2008.	\$ 332,000	\$ -	\$ (50,000)	\$ 282,000
Note payable to TD Banknorth, capital improvement note, interest at 3.02%. Annual principal payments of \$47,250 plus interest due June 15, 2006.	94,500	-	(47,250)	47,250
Note payable to TD Banknorth, capital improvement note, interest at 2.63%, due June 4, 2005.	10,900	-	(10,900)	-
Note payable to TD Banknorth, capital improvement note, interest at 1.74%, due July 8, 2004	49,700	-	(49,700)	-
<u>Bonds Payable</u>				
Vermont Bond Bank, refunded July 1, 1992 with 1992 Series A Bonds, interest varies from 3.75% to 7.5%. Annual principal payments of \$35,000 payable to Deutsche Bank Trust Company America's, New York	140,000	-	(35,000)	105,000
Municipal Bond Bank, 1989 Series II Bonds, interest rates vary from 6.75% to 7.4%. Annual principal payments of \$35,000 through December 1, 2006 and \$30,000 thereafter, due December 1, 2009	<u>195,000</u>	<u>-</u>	<u>(35,000)</u>	<u>160,000</u>
Total Governmental Activities	<u>\$ 822,100</u>	<u>\$ -</u>	<u>\$ (227,850)</u>	<u>\$ 594,250</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 5 NOTES AND BONDS PAYABLE (continued)

Anticipated maturities are as follows for the long-term debt of Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 167,250	\$ 24,487	\$ 191,737
2007	120,000	17,026	137,026
2008	115,000	10,965	125,965
2009	162,000	7,288	169,288
2010	30,000	1,013	31,013
	\$ 594,250	\$ 60,779	\$ 655,029

<u>Business-Type Funds</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vermont Municipal Bond Bank, 2003 Series II Bonds, interest varies from 1.19% to 3.7%. Annual principal payments of \$25,000 plus interest, due December 1, 2015.	\$ 250,000	\$ -	\$ (25,000)	\$ 225,000
Vermont Municipal Bond Bank, 2001 Series I Bonds, interest varies from 2.8% to 4.47%. Annual principal charge to \$40,000 on December 1, 2006, due December 1, 2011	325,000	-	(45,000)	280,000
Vermont Municipal Bond Bank, 1993 Series I Bonds, refunded March 27, 2003 with 2003 Series I Bonds, interest varies from 2.99% to 5.66%. Annual principal payments of \$10,000 through December 1, 2009 and \$15,000 thereafter, due December 1, 2013	125,000	-	(10,000)	115,000
Vermont Bond Bank, refunded July 1, 1992 with 1992 Series A Bonds, varying interest and annual principal payments, payable to Deutsche Bank Trust Company Americas, New York, due December 1, 2004	127,967	-	(127,967)	-
Total Business-Type Funds	\$ 827,967	\$ -	\$ (207,967)	\$ 620,000

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 5 NOTES AND BONDS PAYABLE (continued)

Anticipated maturities are as follows for the long-term debt of Business-Type Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 75,000	\$ 22,867	\$ 97,867
2007	75,000	20,437	95,437
2008	75,000	17,842	92,842
2009	75,000	15,074	90,074
2010	80,000	12,014	92,014
Thereafter	240,000	17,485	257,485
	<u>\$ 620,000</u>	<u>\$ 105,719</u>	<u>\$ 725,719</u>

NOTE 6 CAPITAL LEASE

The Town leases a street sweeper under an agreement that is classified as a capital lease. The cost of the street sweeper was \$162,625.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2004, are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2006	\$ 42,349
Less amount representing interest	(1,221)
Present value of net minimum lease payment	<u>\$ 41,128</u>

NOTE 7 CASH

Custodial credit risk for deposits is the risk that in the event of a bank failure the Town's deposits may not be returned. To mitigate this risk, the Town insures its cash management account.

The Town bank balances are categorized below to give an indication of the level of risk assumed by the Town at year-end.

- Category 1 - Insured by the FDIC or collateralized with securities held by the Town or its agent in the Town's name.
- Category 2 - Collateralized, with securities held by the counterparty's trust department or agent in the Town's name.
- Category 3 - Uncollateralized

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 7 CASH (continued)

	Book Balance	Bank Balance
Insured by the FDIC	\$ 200,000	\$ 200,000
Insured by Deposit Surety Bond	2,627,695	2,745,444
Uncollateralized	213,535	212,714
Petty Cash	3,095	-
Total Deposits	\$ 3,044,325	\$ 3,158,158

Due to cash flows during certain times of the year, the Town's uninsured and uncollateralized deposits in banks may be substantially higher than at year-end.

The Town's cash management account is insured under a Deposit Surety Bond by XL Capital Assurance, Inc. The coverage is in the amount of \$8,500,000 and is for the period June 23, 2005 to June 23, 2006.

NOTE 8 BUDGETARY INFORMATION

The Town's General Fund is the only fund that must legally adopt a budget. As such, no comparison of actual to budget revenues, expenditures and changes in fund balance is presented for any other fund.

NOTE 9 PENSION PLAN

Prior to January 1, 2004 all full-time employees were covered under the ICMA 401(A) Defined Contribution Plan. Under this plan the town contributes 8% and the employee contributes 3% of employee's salaries. Town contributions to the plan were \$118,241 for the year ended 2005.

Beginning January 1, 2004 all existing employees had the option of remaining in the ICMA plan or joining Plan C of the Vermont Municipal Employee's Retirement Plan.

All full-time employees of the Town hired after January 1, 2004 are covered under Plan C of the State of Vermont Municipal Employee's Retirement Plan. The Town contributes 8% and employees contribute 7% of employees salaries. Benefit and contribution provisions are established by State Law (VSA, Title 25, Chapter 125). The Town contributed \$159,215 to the plan for the year ended June 30, 2005.

Of the Town's total compensation of \$3,852,100, \$1,478,000 was covered under the ICMA retirement plan and \$1,990,200 was covered under the Sate of Vermont Municipal Employees Retirement Plan for the year ended June 30, 2005.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 10 FUND EQUITY

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reservations and designations as of June 30, 2005 are as follows:

GENERAL FUND

Reserved for Fiscal 2006 Use of Fund Balance - At the annual town meeting on March 1, 2005, the Town voted a reservation of fund balance to defray the expenses of fiscal year 2006

\$ 100,000

Reserved for Encumbrances - The reserve for encumbrances was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Town but not completed as of the close of the fiscal year.

47,000

Reserved for Reappraisal – Funds received from the State for the Town’s reappraisal

322,826

TOTAL RESERVED - GENERAL FUND \$ 469,826

Designated for Appraisal - This fund is comprised of \$146,284 designated by the Selectboard for the Towns reappraisal.

\$ 146,284

CAPITAL PROJECTS FUND

Reserved for Capital Projects - This reserve was established to account for major capital expenditures not financed by Enterprise Funds or Trust Funds.

\$ 792,841

Designated Funds - These are funds designated by the Board for Specific Projects, such as buildings and roads.

\$ 915,409

FIDUCIARY FUND

Reserved for Cemetery - These funds are used to account for funds that are to be used on behalf of the cemetery.

\$ 11,289

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 11 INTERFUND TRANSFERS

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The following table summarizes operating transfers for the year ended June 30, 2005.

<u>Purpose of Transfer</u>	<u>Amount</u>	<u>Transfer From</u>	<u>Transfer To</u>
Fund Capital Projects	<u>\$ 453,483</u>	General Fund	Capital Projects

NOTE 12 ECONOMIC DEPENDENCY

On December 3, 2001, the Town entered into a 12 year agreement with IBM. The agreement calls for the Town to cease taxing IBM on machinery and equipment which is consistent with the Town's policy of not taxing machinery and equipment in the Town. In return, IBM agreed to pay to the Town an annual declining subsidy for the term of the agreement. The amount received under this agreement in fiscal 2005 was \$835,594.

NOTE 13 RISK MANAGEMENT

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

In addition, the Town is a member of the Vermont League of Cities and Towns Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by the participating members. The agreement does not permit the Health Trust to make additional assessments to its members.

The Town 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.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property Taxes			
General tax	\$ 5,223,830	\$ 5,157,208	\$ (66,622)
Highway tax	<u>523,000</u>	<u>531,513</u>	<u>8,513</u>
Total Property Taxes	<u>5,746,830</u>	<u>5,688,721</u>	<u>(58,109)</u>
Licenses and Permits			
Alcoholic beverages	3,800	4,020	220
Building structures	30,000	34,473	4,473
Hunting and fishing	400	543	143
Marriage licenses	900	1,588	688
Animal licenses	6,000	7,776	1,776
Green Mountain passport	50	74	24
DMV registrations	<u>3,000</u>	<u>2,772</u>	<u>(228)</u>
Total Licenses and Permits	<u>44,150</u>	<u>51,246</u>	<u>7,096</u>
Intergovernmental Revenues			
Special state aid to highways	128,000	134,954	6,954
Railroad tax	1,400	1,526	126
State land PILOT	5,500	6,388	888
Current use/hold harmless	9,000	11,483	2,483
Storm water grant	-	6,315	6,315
State highway grants	-	18,236	18,236
TLC grant - Susie Wilson TOD	-	11,709	11,709
FEMA grant - flood	-	108,812	108,812
Act 68 revenue	-	17,148	17,148
Act 60 revenue	<u>7,090</u>	<u>7,264</u>	<u>174</u>
Total Intergovernmental Revenues	<u>150,990</u>	<u>323,835</u>	<u>172,845</u>
Charges for Services			
IBM payment - general	760,319	760,319	-
IBM payment - highway	45,063	45,063	-
Use of vault	5,000	4,036	(964)
Recording of legal documents	240,000	180,022	(59,978)
Zoning hearing fees	1,000	1,600	600
Subdivision filing fees	4,000	11,621	7,621
Zoning ordinance pamphlets	250	673	423
CO reinspections	<u>3,500</u>	<u>2,641</u>	<u>(859)</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Charges for Services (continued)			
Site plan amendments	500	1,025	525
Printing/duplication services	14,000	13,325	(675)
Sale of public works specs	600	1,352	752
Sale of maps	500	692	192
Sale of certified copy	5,500	6,270	770
Sale of checklists	30	52	22
Special police services	75,000	88,375	13,375
Health/inspection fees	2,000	2,320	320
Animal control/shelter	1,000	1,230	230
Swimming pool fees	33,800	24,447	(9,353)
Auditorium use fees	5,000	5,554	554
Indian Brook fees	28,000	25,715	(2,285)
Program registration fees	118,500	157,525	39,025
After school program	21,000	25,199	4,199
Total Charges for Services	<u>1,364,562</u>	<u>1,359,056</u>	<u>(5,506)</u>
 Fines and Forfeits			
Interest on delinquent taxes	35,000	38,932	3,932
Penalty on delinquent taxes	42,000	40,163	(1,837)
Total Fines	<u>77,000</u>	<u>79,095</u>	<u>2,095</u>
 Interest Income			
Interest on deposits	40,000	43,483	3,483
 Miscellaneous			
Rents and royalties	1,001	1,001	-
Records preservation	10,000	15,841	5,841
Sale of assets	5,000	11,293	6,293
Freeman grants	20,066	31,161	11,095
Unclassified	25,000	54,257	29,257
Total Miscellaneous	<u>61,067</u>	<u>113,553</u>	<u>52,486</u>
 TOTAL REVENUES	<u>7,484,599</u>	<u>7,658,989</u>	<u>174,390</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Selectboard			
Regular salaries	5,000	5,414	(414)
Professional services	13,000	402	12,598
Secretary	4,300	5,152	(852)
Printing/binding ordinances	11,000	8,599	2,401
Dues/subscriptions/meetings	13,855	14,572	(717)
Total Selectboard	<u>47,155</u>	<u>34,139</u>	<u>13,016</u>
Town Manager			
Salaries	229,593	238,574	(8,981)
Benefits	80,009	103,775	(23,766)
Professional services	500	-	500
Repair and maintenance services	200	188	12
Advertising	4,000	8,603	(4,603)
Printing and binding	1,500	486	1,014
Dues/subscriptions/meetings	5,900	6,247	(347)
Other purchased services	1,300	305	995
Travel	1,800	989	811
Supplies	150	135	15
Furniture and fixtures	250	310	(60)
Education	3,800	923	2,877
Total Town Manager	<u>329,002</u>	<u>360,535</u>	<u>(31,533)</u>
Economic Development			
Advertising	5,000	6,089	(1,089)
Dues/subscriptions/meetings	510	25	485
Travel	500	-	500
G.B.I.C.	7,000	7,000	-
Chamber of commerce	3,240	3,235	5
Total Economic Development	<u>16,250</u>	<u>16,349</u>	<u>(99)</u>
Elections			
Voter registration	1,000	-	1,000
Elections/town meetings	12,000	14,543	(2,543)
Total Elections	<u>13,000</u>	<u>14,543</u>	<u>(1,543)</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Finance			
Salaries	75,013	77,947	(2,934)
Benefits	32,813	32,163	650
Professional Services	3,000	900	2,100
Audit	10,000	13,670	(3,670)
Technical services	2,000	1,460	540
Repair and maintenance services	20,000	6,289	13,711
Insurance	130,000	157,556	(27,556)
Dues/subscriptions/meetings	1,500	1,279	221
Data processing	30,000	30,951	(951)
Travel	500	31	469
General supplies	350	492	(142)
Machinery	-	1,233	(1,233)
Total Finance	<u>305,176</u>	<u>323,971</u>	<u>(18,795)</u>
Tax Collection			
Printing and binding	1,500	1,061	439
Postage	2,500	2,505	(5)
Total Tax Collection	<u>4,000</u>	<u>3,566</u>	<u>434</u>
Legal Services			
Professional services	<u>18,000</u>	<u>59,333</u>	<u>(41,333)</u>
Town Clerk			
Salaries	106,001	109,394	(3,393)
Benefits	44,071	40,859	3,212
Repair and maintenance services	100	90	10
Advertising	-	965	(965)
Dues/subscriptions/meetings	900	120	780
Other purchased services	14,050	21,925	(7,875)
Travel	450	29	421
General supplies	<u>12,000</u>	<u>8,251</u>	<u>3,749</u>
Total Town Clerk	<u>177,572</u>	<u>181,633</u>	<u>(4,061)</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Buildings and Plant			
Water/sewer	1,300	1,151	149
R&M - services	20,500	18,659	1,841
R&M - supplies	2,800	2,948	(148)
Telephone	8,320	22,245	(13,925)
Postage	17,000	20,861	(3,861)
Other purchased services	4,730	6,705	(1,975)
General supplies	24,000	32,662	(8,662)
Electricity	20,400	21,291	(891)
Heating	8,800	8,705	95
Gasoline	60,000	94,194	(34,194)
Machinery	6,600	9,642	(3,042)
Memorial hall repairs	4,000	1,608	2,392
Total Buildings and Plant	<u>178,450</u>	<u>240,671</u>	<u>(62,221)</u>
Real Estate Appraisal			
Salaries	91,164	92,401	(1,237)
Benefits	50,408	49,721	687
Professional Services	1,790	135	1,655
Repair and maintenance services	600	134	466
Advertising	100	87	13
Dues/subscriptions/meetings	1,125	1,097	28
Other purchased services	500	9	491
Travel	100	4	96
General supplies	200	28	172
Total Real Estate Appraisal	<u>145,987</u>	<u>143,616</u>	<u>2,371</u>
Public Works			
Salaries	56,752	60,423	(3,671)
Benefits	22,249	23,172	(923)
Professional services	100	252	(152)
Repair and maintenance services	1,700	1,332	368
Dues/subscriptions/meetings	800	619	181
Other purchased services	2,100	2,199	(99)
Travel	1,000	1,105	(105)
Office supplies	600	652	(52)

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Works (continued)			
Machinery	2,600	2,813	(213)
Furniture and fixtures	150	210	(60)
Other objects	100	139	(39)
Total Public Works	<u>88,151</u>	<u>92,916</u>	<u>(4,765)</u>
Community Development			
Salaries	181,181	179,545	1,636
Benefits	78,215	73,177	5,038
Professional services	25,000	17,773	7,227
Technical services	500	88	412
R&M - services	4,596	3,630	966
Advertising	5,000	8,421	(3,421)
Printing and binding	2,000	588	1,412
Dues/subscriptions/meetings	3,000	4,923	(1,923)
Other purchased services	5,640	8,229	(2,589)
Travel	2,000	3,906	(1,906)
General supplies	1,000	1,615	(615)
Machinery	4,884	4,016	868
Total Community Development	<u>313,016</u>	<u>305,911</u>	<u>7,105</u>
Police			
Salaries	1,711,000	1,709,833	1,167
Benefits	659,217	642,398	16,819
Office supplies	10,000	8,114	1,886
Small tools and equipment	4,000	4,623	(623)
Advertising	1,500	2,207	(707)
Telephone	29,000	18,986	10,014
Dues/subscriptions/meetings	3,500	5,217	(1,717)
Printing and binding	1,500	2,076	(576)
Rentals	1,750	2,010	(260)
Uniforms	29,500	28,354	1,146
Registration, fees and licenses	150	90	60
Travel	8,000	6,700	1,300
Crime Prevention	6,000	5,701	299
Police training	12,000	10,477	1,523
Police communications	17,000	20,362	(3,362)

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Police (continued)			
Professional services	1,500	2,432	(932)
R&M - supplies	200	107	93
R&M - services	5,000	4,959	41
Utilities	4,500	4,883	(383)
Building and improvements	500	1,283	(783)
R&M - supplies - vehicle and equipment	5,000	14,242	(9,242)
R&M - services - vehicle and equipment	14,000	18,087	(4,087)
Purchase & maintenance of vehicles	62,000	58,960	3,040
Data Processing	18,000	16,006	1,994
Total Police	<u>2,634,039</u>	<u>2,617,411</u>	<u>16,628</u>
Fire			
Salaries	58,120	56,629	1,491
Benefits	4,446	4,312	134
Dues/subscriptions/meetings	900	1,487	(587)
Printing and binding	250	150	100
Communications	3,200	3,047	153
Travel	150	332	(182)
General supplies	2,152	2,228	(76)
Small tools and equipment	4,225	6,514	(2,289)
Uniforms	13,000	13,263	(263)
Machinery	7,825	8,225	(400)
Fire prevention	900	477	423
Fire training	6,610	4,977	1,633
Training - medical	1,600	480	1,120
Fire communications	14,000	14,023	(23)
R&M - supplies	900	999	(99)
R&M - services	15,450	20,273	(4,823)
R&M - supplies - building	690	613	77
R&M - services - building	1,650	1,727	(77)
General supplies	505	743	(238)
Water/gas	8,550	7,390	1,160
Building improvements	9,615	10,756	(1,141)
Total Fire	<u>154,738</u>	<u>158,645</u>	<u>(3,907)</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Emergency Management			
Salaries	21,103	21,032	71
Benefits	10,000	9,617	383
Professional services	150	-	150
Communications	300	267	33
General supplies	100	-	100
Total Emergency Management	<u>31,653</u>	<u>30,916</u>	<u>737</u>
Highways and Streets			
Salaries	420,949	428,533	(7,584)
Benefits	194,482	205,963	(11,481)
Professional Services	3,500	2,651	849
R&M - services - vehicles	15,000	27,292	(12,292)
R&M - supplies - vehicles	51,000	44,908	6,092
R&M - services - buildings	5,500	7,078	(1,578)
R&M - supplies - buildings	2,500	866	1,634
Rental of equipment	450	146	304
Communications	3,100	2,637	463
Advertising	600	1,680	(1,080)
Dues/subscriptions/meetings	1,900	1,938	(38)
Other purchased services	15,000	10,724	4,276
Travel	1,000	1,634	(634)
Taxes/licenses and registrations	340	25	315
Small tools and equipment	1,800	1,833	(33)
Uniforms	9,500	10,936	(1,436)
Operating supplies - vehicles	3,200	3,507	(307)
Operating supplies - buildings	4,200	6,355	(2,155)
Electricity	11,000	8,756	2,244
Natural gas	9,600	8,402	1,198
Machinery and equipment	4,000	5,872	(1,872)
Vehicles	115,000	115,000	-
Summer construction			
Rentals	1,700	3,650	(1,950)
Purchased services	160,000	146,631	13,369
Supplies	54,000	45,156	8,844
Traffic control			
Purchased services	7,100	13,776	(6,676)
Supplies	7,900	4,569	3,331

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Highways and Streets (continued)			
Sidewalks and crosswalks	16,500	22,359	(5,859)
Winter maintenance			
Purchased services	5,300	4,351	949
Supplies	148,000	177,253	(29,253)
Bridges and viaducts	1,000	-	1,000
Storm drains	22,250	22,885	(635)
Purchased services	13,400	7,528	5,872
Electricity - street lights	98,000	96,190	1,810
Grant expenditures	-	108,813	(108,813)
Total Highways and Streets	<u>1,408,771</u>	<u>1,549,897</u>	<u>(141,126)</u>
Storm water			
Salaries	27,793	32,341	(4,548)
Benefits	16,229	11,252	4,977
Professional services	10,000	11,736	(1,736)
Repairs and maintenance	27,000	31,152	(4,152)
Construction of facilities	40,000	10,779	29,221
Advertising	6,000	-	6,000
Other purchased services	5,000	3,492	1,508
Taxes/licenses/registrations	10,000	2,960	7,040
Grant expenditures	-	4,072	(4,072)
Total Storm water	<u>142,022</u>	<u>107,784</u>	<u>34,238</u>
Sanitation			
Landfill monitoring	<u>13,000</u>	<u>11,517</u>	<u>1,483</u>
Health and Welfare			
Public health officer	7,309	6,540	769
Dues/subscriptions/meetings	125	100	25
Dog control	18,912	18,911	1
Animal control/shelter	1,225	936	289
Human service grants	75,846	74,981	865
Donations - Essex rescue	6,500	6,500	-
Cemeteries - purchased services	2,000	2,360	(360)

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Health and Welfare (continued)			
E.C. historical museum	1,500	1,500	-
Grant expenditures	-	100	(100)
Total Health and Welfare	<u>113,417</u>	<u>111,928</u>	<u>1,489</u>
Culture and Recreation			
Salaries	133,313	137,155	(3,842)
Benefits	56,802	48,137	8,665
Professional services	1,600	2,000	(400)
Communications	150	341	(191)
Advertising	200	1,560	(1,360)
Printing and binding	4,800	4,688	112
Dues/subscriptions/meetings	700	1,585	(885)
Other purchased services	70,000	85,777	(15,777)
Travel	575	211	364
General Supplies	3,700	6,118	(2,418)
Machinery	200	259	(59)
Youth soccer	1,000	1,000	-
Memorial day celebration	1,000	1,000	-
Halloween celebration	600	489	111
Football - Essex league	500	500	-
Little league/softball	3,000	3,000	-
Lacrosse	750	4,389	(3,639)
Babe Ruth league	500	500	-
After school program	16,500	17,866	(1,366)
Total Recreation	<u>295,890</u>	<u>316,575</u>	<u>(20,685)</u>
Parks			
Salaries	66,240	69,470	(3,230)
Benefits	23,711	23,153	558
R&M - services	3,600	4,575	(975)
R&M - supplies	10,700	12,404	(1,704)
Communications	425	349	76
Advertising	50	298	(248)
Dues/subscriptions/meetings	250	223	27

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
 For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Parks (continued)			
Other purchased services	11,056	8,466	2,590
Travel	200	-	200
General supplies	1,718	1,809	(91)
Small tools and equipment	500	300	200
Uniforms	1,452	612	840
Utilities	3,400	2,768	632
Machinery	6,000	5,844	156
Vehicles	4,000	4,000	-
Total Parks	<u>133,302</u>	<u>134,271</u>	<u>(969)</u>
Swimming Pools			
Salaries	55,459	50,284	5,175
Benefits	4,242	3,542	700
R&M - services	700	394	306
R&M - supplies	500	370	130
Rental of equipment	150	211	(61)
Communications	950	557	393
Advertising	75	1,978	(1,903)
Dues/subscriptions/meetings	550	735	(185)
Other purchased services	3,020	1,516	1,504
Travel	200	-	200
General supplies	3,620	1,991	1,629
Small tools and equipment	1,150	100	1,050
Uniforms	700	86	614
Electricity	6,200	3,875	2,325
Total Swimming Pools	<u>77,516</u>	<u>65,639</u>	<u>11,877</u>
Senior Citizen Bus			
Salaries	34,727	35,216	(489)
Benefits	2,657	2,694	(37)
R&M - services	4,000	4,500	(500)
Communications	525	559	(34)
Advertising	50	1,110	(1,060)
General supplies	150	198	(48)
Total Senior Citizen Bus	<u>42,109</u>	<u>44,277</u>	<u>(2,168)</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Essex Free Library			
Salaries	149,975	147,861	2,114
Benefits	58,815	58,605	210
R&M - services	13,175	10,865	2,310
Dues/subscriptions/meetings	865	818	47
Other purchased services	1,952	4,198	(2,246)
Travel	150	145	5
General supplies	5,955	5,258	697
Electricity	6,025	6,888	(863)
Natural gas	1,760	1,948	(188)
Books and periodicals	31,500	29,479	2,021
Improvements	1,050	510	540
Machinery	2,690	2,587	103
Freeman Grant	-	11,029	(11,029)
Special programs	800	808	(8)
Total Essex Free Library	<u>274,712</u>	<u>280,999</u>	<u>(6,287)</u>
 Brownell Library			
Contributions	<u>15,000</u>	<u>15,000</u>	<u>-</u>
 Conservation			
Tree care	<u>11,900</u>	<u>9,994</u>	<u>1,906</u>
 Intergovernmental			
County tax	98,886	93,637	5,249
CCTA	179,857	179,857	-
Winooski Valley Park District	46,000	46,000	-
CCRPC	13,822	13,822	-
MPO	5,206	5,742	(536)
Total Intergovernmental	<u>343,771</u>	<u>339,058</u>	<u>4,713</u>
 Debt Service			
Principal			
Library/Memorial Hall	35,000	35,000	-
Indian Brook	35,000	35,000	-
7 Tower Road	10,900	10,900	-
Fire Truck - Water Supply/Hose	46,000	47,250	(1,250)
Fire Station	50,000	50,000	-

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Interest			
Library/Memorial Hall	11,973	11,973	-
Indian Brook	9,189	9,210	(21)
7 Tower Road	436	286	150
Fire Truck - Water Supply/Hose	3,780	2,854	926
Fire Station	10,690	10,720	(30)
Short term debt	2,500	-	2,500
Total Debt Service	<u>215,468</u>	<u>213,193</u>	<u>2,275</u>
 TOTAL EXPENDITURES	 <u>7,543,067</u>	 <u>7,784,287</u>	 <u>(241,220)</u>
 EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (58,468)	 (125,298)	 (66,830)
 OTHER FINANCING SOURCES/(USES)			
Operating Transfers Out	<u>(41,532)</u>	<u>(312,687)</u>	<u>(271,155)</u>
 EXCESS/(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 <u>\$ (100,000)</u>	 <u>\$ (437,985)</u>	 <u>\$ (337,985)</u>
 RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS			
Excess (deficiency) of revenues over expenditures - Budgetary		\$ (437,985)	
Adjustments			
Grant Revenues not budgeted		391,735	
Grant Expenditures not budgeted		(380,297)	
Other Non-budgeted Revenues (Restricted)		43,259	
Liquidation of Prior year Encumbrances		<u>(17,500)</u>	
 Excess (deficiency) of revenues over expenditures - GAAP		 <u>\$ (400,788)</u>	

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2005

Town of Essex, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2005

Grantor/Program or Cluster Title	CFDA#	Pass-through Entity Number	FYE05 EXP
US Department of Housing and Urban Development Pass through from:			
Vermont Agency of Commerce & Community Development VCDP Grant - Strategic Economic Development Plan	14.228	0064/02PG(02)	\$ 665
US Department of Homeland Security pass through from:			
Vermont Department of Public Safety			
FY2003 Part II State Homeland Security Grant	16.007		17,922
FY2004 Homeland Security Grant	97.004	02140-11817-025	86,846
FY2005 State Homeland Security Program Equipment Grant	97.073	02140-11825-025	7,457
FY04 Homeland Security Assistance to Firefighters Grant	97.044	EMW-2004-FG-19319	29,754
FY2004 Homeland Security Grant	97.004	2004-GE-T4-0040	101,002
FY2003 Part II State Homeland Security Grant	16.007		37,302
Vermont Agency of Transportation			
Public Assistance Grant Program - FEMA-1559-DR-VT	97.036	FEMA#1559-DR-VT	126,149
US Department of Justice pass through from:			
Vermont Department of Public Safety			
DEA Overtime	16.580		11,756
2002 Local Law Enforcement Block Grant (LLEBG)	16.592	2002-LB-BX-0222	9,426
2003 Local Law Enforcement Block Grant (LLEBG)	16.592	2003-LB-BX-0208	9,217
2004 Local Law Enforcement Block Grant (LLEBG)	16.592	2004-LB-BX-0874	1,551
US Department of Transportation pass through from:			
Vermont Department of Public Safety			
State & Community Highway Safety-Sharp (Police Traffic Services)	20.600	PT-04-04-2115	798
State & Community Highway Safety-Sharp (Police Traffic Services)	20.600	PT-05-05-2115	3,088
Vermont Department of Transportation			
Essex STP 030-1(17)S 0301017-100 Contract CA0004	20.205	STP 030-1(17)S	639,391
Essex STP Walk (9) Jericho Road Sidewalk	20.205	ESSEX STP WALK(9)	33,539
US Department of Health and Human Services pass through from:			
Vermont Department of Health			
Lead Hazard/Healthy Homes Grant	93.283	2963	100
Federal Highway Administration, Department of Transportation			
Chittenden County Metropolitan Planning Organization			
TLC Grant for Susie Wilson Corridor TOD Plan	20.505	TLC 05-3	13,452
Forest Service Department of Agriculture			
Vermont Department of Forest, Parks and Recreation, Agency of Natural Resources			
2004 Trees for Local Communities-Urban & Community Forestry Grant	10.664	04-TLC-PL-7	2,123
National Park Service, Department of the Interior			
Vermont Department of Forest, Parks and Recreation, Agency of Natural Resources			
Lang Farm Park (Land & Water Conservation Fund)	15.916	50-00544	33,111

Town of Essex, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2005

<u>Grantor/Program or Cluster Title</u>	<u>CFDA#</u>	<u>Pass-thorough Entity Number</u>	<u>FYE05 EXP</u>
Office of Library Services, Institute of Museum and Library services, National Foundation on the Arts and the Humanities Vermont Department of Libraries FY2005 Resource Sharing Supplemental Grant for Public Libraries	45.310	LS-00-05-0046-05	<u>743</u>
TOTALS			<u>\$ 1,165,392</u>

NOTE A The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Essex and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE B The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Kittell Branagan & Sargent

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REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Selectmen
Town of Essex, Vermont
Essex, Vermont

We have audited the financial statements of the Town of Essex, Vermont as of and for the year ended June 30, 2005, and have issued our report thereon dated February 23, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Essex, Vermont's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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

However, we noted other matters involving the internal control over the financial reporting, which we have reported to management of the Town of Essex, Vermont in a separate letter dated February 23, 2006.

This report is intended solely for the information of the Selectboard, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kittell Branagan & Sargent

St. Albans, Vermont

February 23, 2006

certified public accountants

Kittell Branagan & Sargent

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Selectmen
Town of Essex, Vermont
Essex, Vermont

Compliance

We have audited the compliance of the Town of Essex, Vermont with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town of Essex, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Essex, Vermont's management. Our responsibility is to express an opinion on the Town of Essex, Vermont's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Essex, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Essex, Vermont's compliance with those requirements.

In our opinion, the Town of Essex, Vermont complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Town of Essex, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Essex, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Board of Selectmen
Town of Essex, Vermont
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Selectboard, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kittell Branaman + Sargent

St. Albans, Vermont
February 23, 2006

Town of Essex, Vermont
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Essex, Vermont.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Town of Essex, Vermont were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Town of Essex, Vermont expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Town of Essex, Vermont.
7. The program tested as a major program was Essex STP 030-1(17)S.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Town of Essex, 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.