

Town of Essex, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2009

Town of Essex, Vermont
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Essex, Vermont as of June 30, 2009, 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.

The management's discussion and analysis and budgetary comparison information 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.

Kittell Branagan & Sargent

St. Albans, Vermont
February 5, 2010

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2009

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, 2009. 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 2009 and FY 2008.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets exceeded its liabilities at June 30, 2009, by \$25,994,572 compared to \$25,033,958 at June 30, 2008. This represents an increase of \$960,164 or 3.8%. The change in net assets for fiscal year 2008 was \$1,053,207. The 2009 increase was a decrease of \$93,043 over the 2008 increase.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$3,067,940, a decrease of \$222,623 when compared with \$3,290,563 for the prior year. Of the total fund balance, \$1,996,492 represents amounts reserved or designated for specific purposes, such as reappraisal, prepaid expenses, and various capital projects. The remaining \$1,071,448 represents unreserved fund balance, including \$606,936 in the General Fund and \$464,512 in the Capital Projects Fund.

In the General Fund, the unreserved total of \$606,936 is a decrease of \$208,788 from the June 30, 2008 unreserved balance of \$815,724. The decrease was due, in large part to the reclassification, from unreserved to reserved, an amount equal to prepaid expenses in the amount of \$217,974. Without the reclassification for prepaid expenses, the unreserved portion of Fund Balance would have increased by \$9,186. Also included in the June 30, 2008 unreserved Fund Balance was \$55,000 that had been designated by the Selectboard for future Storm-water facilities. The construction of certain facilities did not occur in FYE 2008 as planned but was completed in the fiscal year ended June 30, 2009. The construction of these facilities was funded in part from the designated fund balance.

Long-term Debt

The Town's total debt increased during the fiscal year to \$1,530,013, a net increase of \$182,312 or 13.5%. The main cause of the increase was a five year note payable for \$350,000 that was used to finance the purchase of a pumper fire truck. More detailed information regarding these activities begins on page 19. (See Note 5)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's financial statements consist of three sections; 1) Management's Discussion and Analysis 2) Basic Financial Statements; and 3) Required 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.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2009

- **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.

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 two (2) individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and the Capital Projects Fund.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2009

- **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 11. The Town's fiduciary fund is the Agency – Escheat and Developer's Escrow Fund and the Cemetery Trust 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, 2009

FINANCIAL ANALYSIS

Financial Analysis of Government-wide Financial Statements

The Town's combined assets exceeded its liabilities by \$25,994,572 at the end of the fiscal year.

Net Assets as of June 30, 2009 & 2008

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Current and other assets | \$ 5,136,671 | \$ 4,925,495 | \$ 461,265 | \$ 530,163 | \$ 5,597,936 | \$ 5,455,658 |
| Capital assets | <u>15,764,493</u> | <u>17,114,100</u> | <u>6,811,192</u> | <u>6,641,317</u> | <u>22,575,685</u> | <u>23,755,417</u> |
| Total Assets | <u>\$20,901,164</u> | <u>\$22,039,595</u> | <u>\$ 7,272,457</u> | <u>\$ 7,171,480</u> | <u>\$28,173,621</u> | <u>\$29,211,075</u> |
| Long-term liabilities outstanding | \$ 887,422 | \$ 926,063 | \$ 460,279 | \$ 308,724 | \$ 1,347,701 | \$ 1,234,787 |
| Other liabilities | <u>1,368,798</u> | <u>1,514,529</u> | <u>423,164</u> | <u>467,187</u> | <u>1,791,962</u> | <u>1,981,716</u> |
| Total Liabilities | <u>\$ 2,256,220</u> | <u>\$ 2,440,592</u> | <u>\$ 883,443</u> | <u>\$ 775,911</u> | <u>\$ 3,139,663</u> | <u>\$ 3,216,503</u> |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | \$15,523,494 | \$16,643,027 | \$ 6,416,192 | \$ 6,321,317 | \$21,939,686 | \$22,964,344 |
| Unrestricted | <u>3,121,450</u> | <u>2,955,976</u> | <u>(27,178)</u> | <u>74,252</u> | <u>3,094,272</u> | <u>3,030,228</u> |
| Total Net Assets | <u>\$18,644,944</u> | <u>\$19,599,003</u> | <u>\$ 6,389,014</u> | <u>\$ 6,395,569</u> | <u>\$25,033,958</u> | <u>\$25,994,572</u> |

The largest portion of the Town's net assets (88%) 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 (12%) represents unrestricted net assets. These resources are neither restricted nor invested in capital assets.

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

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information
 For the Year Ended June 30, 2009

| | Changes in Net Assets for the Fiscal Year Ended June 30 | | | | | |
|--|--|--------------------------|-----------------------------|-------------------------|-----------------------------|--------------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 738,984 | \$ 832,100 | \$1,589,242 | \$1,536,715 | \$ 2,328,226 | \$ 2,368,815 |
| Operating grants & contr. | 1,089,447 | 749,143 | 182,245 | 108,625 | 1,271,692 | 857,768 |
| Capital grants & contr. | 5,410 | 337,020 | - | - | 5,410 | 337,020 |
| Property taxes (including penalty and interest) | 8,182,370 | 8,326,982 | - | - | 8,182,370 | 8,326,982 |
| IBM Payment for Services | 543,100 | 452,545 | - | - | 543,100 | 452,545 |
| Unrestricted investment earnings | 220,018 | 100,152 | 5,366 | 2,057 | 225,384 | 102,209 |
| Gain on Disposal of Assets | | | | | | |
| Other revenues | 56,034 | 30,843 | - | - | 56,034 | 30,843 |
| TOTAL REVENUES | <u>10,835,363</u> | <u>10,828,785</u> | <u>1,776,853</u> | <u>1,647,397</u> | <u>12,612,216</u> | <u>12,476,182</u> |
| EXPENSES | | | | | | |
| Governmental activities: | | | | | | |
| General Government | 2,174,917 | 2,114,150 | - | - | 2,174,917 | 2,114,150 |
| Public Safety | 3,586,045 | 3,790,479 | - | - | 3,586,045 | 3,790,479 |
| Highway and Streets | 2,036,907 | 2,092,469 | - | - | 2,036,907 | 2,092,469 |
| Health and Welfare | 572,998 | 184,885 | - | - | 572,998 | 184,885 |
| Culture and Recreation | 1,187,948 | 1,279,021 | - | - | 1,187,948 | 1,279,021 |
| Int. on long-term debt | 10,961 | 15,518 | - | - | 10,961 | 15,518 |
| Intergovernmental | 387,839 | 398,204 | - | - | 387,839 | 398,204 |
| Business-type activities: | | | | | | |
| Water and Sewer | - | - | 1,619,395 | 1,640,842 | 1,619,395 | 1,640,842 |
| TOTAL EXPENSES | <u>9,957,615</u> | <u>9,874,726</u> | <u>1,619,395</u> | <u>1,640,842</u> | <u>11,577,010</u> | <u>11,515,568</u> |
| Change in net assets | 877,748 | 954,059 | 157,458 | 6,555 | 1,035,206 | 960,614 |
| Net assets - July 1, | <u>17,767,196</u> | <u>18,644,944</u> | <u>6,231,556</u> | <u>6,389,014</u> | <u>23,998,752</u> | <u>25,033,958</u> |
| Net assets - June 30, | <u>\$18,644,944</u> | <u>\$19,599,003</u> | <u>\$6,389,014</u> | <u>\$6,395,569</u> | <u>\$25,033,958</u> | <u>\$25,994,572</u> |

Total Governmental activity expenses were \$9,874,726 and \$9,957,615 in fiscal years 2009 and 2008, 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.

Town of Essex, Vermont
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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 \$1,918,263 in 2009 and \$1,833,841 in 2008. 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 revenue 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 \$8,910,522 in fiscal 2009 and \$9,001,522 in fiscal 2008. In 2008 approximately 90% of the Town's total general revenue came from taxes, in 2009 it was 93%.

Fund Financial Statements

The combined fund balance of the Governmental Fund Financial Statements was \$3,067,940 at June 30, 2009 and \$3,290,563 at June 30, 2008. Of the FY 2009 fund balance, \$606,936 constitutes unreserved funds in the General Fund and \$464,512 in the Capital Projects Fund, which are available for spending at the government's discretion. An amount of \$1,996,492 of the fund balance is reserved. (See note 11 on pages 22 and 23 for a description of the reserved funds).

The fund balance for the General Fund increased from \$836,770 in FY 2008 to \$922,300 in FY 2009. The total increase amounted to \$85,530 for the fiscal year ended June 30, 2009.

General Fund Budgetary Highlights

The fund balance of the Town's General Fund increased by \$85,530 during the current fiscal year. The reserved / designated portion of the fund balance increased by \$294,318 from \$21,046 to \$315,364. The increase was due to the inclusion of an amount equal to prepaid expenses in the reserved portion of fund balance and an increase in the amount of funds restricted specifically for reappraisal. The unreserved portion of the fund balance decreased from \$815,724 to \$606,936, a decrease of \$208,788. Without the reclassification of prepaid expenses, from unreserved to reserved in the amount of \$217,974, the unreserved portion of fund balance would have increased by \$9,186 instead of decreasing by \$208,788. Key factors in this change are as follows:

On the revenue side:

- Property tax revenues were less than anticipated due to an unexpected rise in delinquencies.
- License and Permit revenues exceeded expectations mainly in the area of building permits.
- Intergovernmental revenue exceeded expectations due to stormwater projects and other grants related to governmental activities and increases in State revenues from PILOT and Current Use programs which offset a decrease in State aid to highways.
- Charges for services were greater than expected in the area of Police services, recording of legal documents, and recreation related revenues including after school programs.
- Interest and Penalties on delinquent taxes exceeded expectations due to rising delinquencies.
- Lower than expected interest rates hurt miscellaneous revenue which was partially offset by increases in other miscellaneous revenues such as from the sale of assets and a larger than expect distribution from the Town's health insurance provider due to employee participation in various fitness programs.

Town of Essex, Vermont
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On the expenditure side:

- Expenditures for General Governmental operations were less than expected in most departments. These favorable variances were due in large part to increased efficiencies and constant efforts to minimize expenses.
- Lower than anticipated increases in health insurance costs kept benefits expenses under budget.
- Salaries and Benefits in the Police department were less than expected due to reductions in actual overtime incurred and unfilled vacancies in the department.
- Salaries in the Fire Department were less than expected. This was more a result of fewer responders being available for calls as opposed to fewer calls for assistance.
- Stormwater expenditures, especially in the area of facilities construction were greater than expected. These expenditures were originally expected to be incurred in FYE2008. Various factors contributed to their delay until FYE2009. In recognition of this delay from FYE2008, the Selectboard designated \$55,000 of Fund balance for Stormwater construction in FYE 2009. A large portion of these projects costs were covered by Federal and State grants as shown in the Intergovernmental revenue section.
- Debt Service expenditures exceeded budget due to the increase in grand list over the prior year. The total amount expended for Debt service is a function of the grand list times the tax rate of 1 and 1/3 pennies as authorized at the 1994 Town Meeting.
- Other expenditures were over budget in some areas including: Insurance, repairs and maintenance services in IT, Fire, and Highway departments, Communications for newly mandated radio technology, and other purchased services mainly in Recreation, which was offset by greater than expected program revenues as mentioned above.
- Conversely, other expenditures that were under budget included: Election expenses, Selectboard professional services, Information Technology, Purchased services for records preservation, Highway Summer construction, and supplies for winter maintenance.

Capital Assets

The following is a schedule of capital assets as of June 30, 2009 and 2008.

| | Governmental | | Business-type | | Total | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Land | \$ 2,763,909 | \$ 2,763,909 | \$ - | \$ - | \$ 2,763,909 | \$ 2,763,909 |
| Buildings & Improv. | 2,250,934 | 2,407,997 | - | - | 2,250,934 | 2,407,997 |
| Equip. & Vehicles | 4,130,963 | 4,639,965 | 246,218 | 293,554 | 4,377,181 | 4,933,519 |
| Book Collection | 459,726 | 459,726 | - | - | 459,726 | 459,726 |
| Infrastructure | 17,948,062 | 19,362,569 | 11,929,703 | 12,121,082 | 29,877,765 | 31,483,651 |
| Const. in Progress | 197,481 | 93,251 | 248,436 | 93,738 | 445,917 | 186,989 |
| Total Assets | 27,751,075 | 29,727,417 | 12,424,357 | 12,508,374 | 40,175,432 | 42,235,791 |
| Less: Accum. Depr. | 11,986,582 | 12,613,317 | 5,613,165 | 5,867,057 | 17,599,747 | 18,480,374 |
| Net Assets | \$15,764,493 | \$17,114,100 | \$ 6,811,192 | \$ 6,641,317 | \$22,575,685 | \$23,755,417 |

Town of Essex, Vermont
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The Town had \$23,755,417 and \$22,575,685 invested in capital assets, net of depreciation, on June 30, 2009 and June 30, 2008, respectively. The net increase (including additions and deductions) between the two periods amounted to \$1,179,732.

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

- The continuation of work on sidewalks and paths along route 15 in Essex Center. The majority of these costs were funded through Federal and State grants.
- Completion of the columbarium at Mountain View Cemetery that will allow for the interment of cremation urns.
- Various streets and sidewalks were resurfaced or reconstructed for a cost of \$197,000. These improvements included resurfacing / reconstruction of Logwood Circle, Susie Wilson Rd., Damon Dr., Greenbrier, Pioneer, Chapin Rd. and Ira Allen Dr. Crosswalks, sidewalks, curbing and drainage were installed and improved at various locations throughout the Town.
- Improvements and changes were made along the Susie Wilson corridor, including a new traffic light at the David Dr. intersection.
- Stormwater projects were completed in various locations including the re-lining of a culvert under Susie Wilson Rd. and improvements on Colbert St. These projects, amounting to \$365,612 were funded in large part by State and federal grants. Funds were also designated in FYE 2008 to help fund these construction projects.
- New vehicles purchased during the year included a new pumper firetruck, two police cruisers, one used unmarked cruiser, a dump truck and one heavy duty pickup truck for the highway department. A new vehicle for use by the Police department was acquired at a fraction of it's value through a federal asset seizure program. The total cost for these vehicles was \$682,000. A new heavy duty mower was acquired for the Park Department.
- A new server and mobile data terminals, for use in Police patrol cars, were put into service. The source of funding for this project was Equitable Sharing in the amount of \$45,000.
- Building renovations amounting to \$160,000 included renovations to the Town offices at 81 Main St, Memorial Hall, the Public Works office, the highway garage, and Powell Museum.
- Equitable Sharing funds were used to purchase portable electronic speed information signs.
- Other improvements include new playground equipment at Foster Rd Park and a new radio system to comply with impending FCC requirements.
- The Water and Sewer fund funded infrastructure projects including new water lines on Old Colchester Rd. and Sand Hill Rd. The Department also began converting to a new meter reading system that will enhance the meter reading process, making it more efficient and accurate.

Debt

At the end of the fiscal year, the Town had \$791,073 in long-term debt outstanding compared to \$638,892 in the prior year, an approximate 24% increase. The reason for the increase was a loan for \$350,000 to finance the purchase of a new pumper fire truck. A list of outstanding long-term debt follows:

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
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| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Notes Payable | \$ 132,000 | \$ 416,000 | \$ - | \$ - | \$ 132,000 | \$ 416,000 |
| Bonds Payable | 60,000 | 30,000 | 395,000 | 320,000 | 455,000 | 350,000 |
| Capital Lease Obligations | 51,892 | 25,073 | - | - | 51,892 | 25,073 |
| TOTAL | \$ 243,892 | \$ 471,073 | \$ 395,000 | \$ 320,000 | \$ 638,892 | \$ 791,073 |

Economic Factors and Fiscal Year 2009 Budget

- Due to the effects of the State mandated reappraisal in FYE 2008, the Selectboard authorized the use of \$225,000 of fund balance as a revenue source in FYE 2009. This use of fund balance was made possible by cuts that were made to the operating budget in FYE 2008. The results of operations for the year were actually an increase in Fund Balance in the amount of \$85,530 instead of the budgeted loss of \$225,000.
- The Excess of revenues over expenditures was accomplished through a combination of increased non-tax revenues and holding total expenditures to less than budget for the year.
- The Town continues to lose revenue every year as a result of the agreement with IBM when Machinery and Equipment taxes were phased out. The annual loss of revenue will be \$87,000 per year from FY 2008 through FY 2014 when the subsidy from IBM will be zero.
- At Town meeting in March 2009 the voters authorized the borrowing of up to \$600,000 for the purchase and installation of new pumps at a major sewer pump station. These new pumps will be more energy efficient and prolong the life of the station as well as provide better flow monitoring capabilities. The Town also acquired Federal Stimulus funds to pay for one half of the total cost of the project.
- In November 2009 the Town received voter approval for borrowing up to \$450,000 to finance the construction of two stormwater projects that will enable the Town to comply with new stormwater requirements. The Town again acquired Federal Stimulus funding to pay up to one half of these projects. A portion of the remaining costs for one of the projects will be paid for by the commercial property owners in the affected area.

All of these factors were considered in preparing the Town of Essex's budget for the 2010 fiscal year. At the 2009 Town meeting the voters rejected the Selectboard recommended FYE 2010 budget in the amount of \$9,482,009 in favor of a level funded budget in the amount of \$9,437,138. Due to the use of \$225,000 of fund balance in FYE 2009 and the loss of that revenue source for FYE 2010 along with the loss of other non-tax revenue, the tax rate for FYE 2010 increased by \$.0077 even with the level funded budget.

Rates for water and wastewater operations were increased in fiscal year 2009 in response to increased costs for water purchases and wastewater treatment. Other factors, such as fewer new connections than anticipated and reduced usage by large commercial customers have contributed to a deficit cash position in the Water / Sewer Fund. This deficit position is being addressed in the preparation of operating budgets and rates for future periods. The new rates along with better metering of wastewater flows to the Village treatment plant resulted in an operating surplus for FY2009 and helped reduce the fund's cash overdraft thereby reducing interest expense on borrowed funds.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2009

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 sent to the following address:

Town of Essex
81 Main Street
Essex Jct., VT 05452

Town of Essex, Vermont
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
June 30, 2009

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 3,610,795 | \$ 21 | \$ 3,610,816 |
| Taxes receivable, net of allowance | 627,135 | - | 627,135 |
| Accounts receivables - other | 91,856 | 443,281 | 535,137 |
| Due from other funds | 377,735 | - | 377,735 |
| Prepaid expenses | 217,974 | 6,329 | 224,303 |
| TOTAL CURRENT ASSETS | 4,925,495 | 449,631 | 5,375,126 |
| NOTES RECEIVABLE | - | 80,532 | 80,532 |
| CAPITAL ASSETS, net | 17,114,100 | 6,641,317 | 23,755,417 |
| TOTAL ASSETS | \$ 22,039,595 | \$ 7,171,480 | \$ 29,211,075 |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 353,540 | \$ - | \$ 353,540 |
| Due to other funds | - | 374,309 | 374,309 |
| Accrued payroll | 212,629 | 10,641 | 223,270 |
| Note payable | 61,000 | - | 61,000 |
| Deferred revenue | 644,141 | - | 644,141 |
| Exchange | 15,172 | - | 15,172 |
| Other accrued expenses | 13,921 | 1,137 | 15,058 |
| Current portion notes and bonds payable | 166,000 | 80,000 | 246,000 |
| Current portion capital leases payable | 25,073 | - | 25,073 |
| Current portion of compensated absences | 23,053 | 1,100 | 24,153 |
| TOTAL CURRENT LIABILITIES | 1,514,529 | 467,187 | 1,981,716 |
| LONG-TERM LIABILITIES | | | |
| Accrued compensated absences | 646,063 | 68,724 | 714,787 |
| Notes and bonds payable | 280,000 | 240,000 | 520,000 |
| TOTAL LONG-TERM LIABILITIES | 926,063 | 308,724 | 1,234,787 |
| TOTAL LIABILITIES | 2,440,592 | 775,911 | 3,216,503 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 16,643,027 | 6,321,317 | 22,964,344 |
| Unrestricted | 2,955,976 | 74,252 | 3,030,228 |
| NET ASSETS | 19,599,003 | 6,395,569 | 25,994,572 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 22,039,595 | \$ 7,171,480 | \$ 29,211,075 |

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|------------------|----------------------|-------------------------------|---|-------------------------|--------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Revenues | Capital Grants and Revenues | Governmental Activities | Business-Type Activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 2,114,150 | \$ 248,978 | \$ 158,069 | \$ - | \$ (1,707,103) | \$ - | \$ (1,707,103) |
| Public safety | 3,790,479 | 84,602 | 408,038 | - | (3,297,839) | - | (3,297,839) |
| Highways and Streets | 2,092,469 | 144,905 | 131,211 | 308,854 | (1,507,499) | - | (1,507,499) |
| Health and Welfare | 184,885 | 1,285 | 49,000 | - | (134,600) | - | (134,600) |
| Culture and Recreation | 1,279,021 | 352,330 | 2,825 | 28,166 | (895,700) | - | (895,700) |
| Intergovernmental | 398,204 | - | - | - | (398,204) | - | (398,204) |
| Interest on long-term debt | 15,518 | - | - | - | (15,518) | - | (15,518) |
| Total governmental activities | 9,874,726 | 832,100 | 749,143 | 337,020 | (7,956,463) | - | (7,956,463) |
| Business-type activities: | | | | | | | |
| Water and Sewer | 1,640,842 | 1,536,715 | 108,625 | - | - | 4,498 | 4,498 |
| General Revenues: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 8,256,670 | - | 8,256,670 |
| Penalties and interest on delinquent taxes | | | | | 70,312 | - | 70,312 |
| IBM payment for services | | | | | 452,545 | - | 452,545 |
| Unrestricted investment earnings | | | | | 100,152 | 2,057 | 102,209 |
| Miscellaneous | | | | | 30,843 | - | 30,843 |
| Total general revenues and transfers | | | | | 8,910,522 | 2,057 | 8,912,579 |
| Change in Net Assets | | | | | 954,059 | 6,555 | 960,614 |
| Net assets, beginning | | | | | 18,644,944 | 6,389,014 | 25,033,958 |
| Net assets, ending | | | | | \$ 19,599,003 | \$ 6,395,569 | \$ 25,994,572 |

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|--------------------------------|--------------------------------------|---|
| <u>ASSETS</u> | | | |
| Cash | \$ 1,807,661 | \$ 2,180,870 | \$ 3,988,531 |
| Taxes receivable, net of allowance | 56,062 | - | 56,062 |
| Other receivables | 66,085 | 25,770 | 91,855 |
| Due from other funds | - | - | - |
| Prepaid expenses | <u>217,974</u> | <u>-</u> | <u>217,974</u> |
| TOTAL ASSETS | <u>\$ 2,147,782</u> | <u>\$ 2,206,640</u> | <u>\$ 4,354,422</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 353,540 | \$ - | \$ 353,540 |
| Accrued payroll | 212,629 | - | 212,629 |
| Notes Payable | - | 61,000 | 61,000 |
| Exchange | 15,172 | - | 15,172 |
| Deferred revenue | <u>644,141</u> | <u>-</u> | <u>644,141</u> |
| TOTAL LIABILITIES | <u>1,225,482</u> | <u>61,000</u> | <u>1,286,482</u> |
| FUND BALANCE | | | |
| Reserved | 315,364 | 1,681,128 | 1,996,492 |
| Unreserved | <u>606,936</u> | <u>464,512</u> | <u>1,071,448</u> |
| TOTAL FUND BALANCE | <u>922,300</u> | <u>2,145,640</u> | <u>3,067,940</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,147,782</u> | <u>\$ 2,206,640</u> | <u>\$ 4,354,422</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, 2009

Total fund balances - governmental funds **\$ 3,067,940**

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in governmental funds. 17,114,100

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds 571,073
Reserve for non-current tax

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 (669,116)

Accrued interest on long-term debt (13,921)

Capital lease payable (25,073)

Notes payable (446,000)

Total net assets - governmental activities **\$ 19,599,003**

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, 2009

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| REVENUES | | | |
| Property tax | \$ 7,713,604 | \$ 471,328 | \$ 8,184,932 |
| Licenses and permits | 49,113 | - | 49,113 |
| Intergovernmental revenues | 286,780 | 210,483 | 497,263 |
| Charges for services | 1,072,046 | - | 1,072,046 |
| Fines and forfeits | 127,651 | - | 127,651 |
| Interest income | 25,100 | 17,713 | 42,813 |
| Miscellaneous income | 19,305 | - | 19,305 |
| Grant income | 735,244 | - | 735,244 |
| TOTAL REVENUES | <u>10,028,843</u> | <u>699,524</u> | <u>10,728,367</u> |
| EXPENDITURES | | | |
| General government | 2,054,013 | 753,098 | 2,807,111 |
| Public safety | 3,696,161 | - | 3,696,161 |
| Highways and Streets | 2,021,954 | 757,114 | 2,779,068 |
| Health and Welfare | 135,774 | 18,181 | 153,955 |
| Culture and Recreation | 1,109,101 | 248,759 | 1,357,860 |
| Intergovernmental | 447,204 | - | 447,204 |
| Debt service | 96,000 | - | 96,000 |
| Interest expense | 7,260 | - | 7,260 |
| TOTAL EXPENDITURES | <u>9,567,467</u> | <u>1,777,152</u> | <u>11,344,619</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>461,376</u> | <u>(1,077,628)</u> | <u>(616,252)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds of long-term debt | - | 350,000 | 350,000 |
| Proceeds from sale of fixed assets | 43,629 | - | 43,629 |
| Operating transfers In | - | 419,475 | 419,475 |
| Operating transfers Out | (419,475) | - | (419,475) |
| TOTAL OTHER FINANCING SOURCES(USES) | <u>(375,846)</u> | <u>769,475</u> | <u>393,629</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | <u>85,530</u> | <u>(308,153)</u> | <u>(222,623)</u> |
| FUND BALANCE - July 1, 2008 | <u>836,770</u> | <u>2,453,793</u> | <u>3,290,563</u> |
| FUND BALANCE - June 30, 2009 | <u>\$ 922,300</u> | <u>\$ 2,145,640</u> | <u>\$ 3,067,940</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, 2009

Net change in fund balances - governmental funds **\$ (222,623)**

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 | (959,500) |
| Capital Outlay | 2,340,419 |
| Proceeds from Sale of Asset | (43,629) |
| Gain on Sale of Asset | 12,318 |

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

| | |
|---|-----------|
| Increase in the reserve for non-current taxes | 88,100 |
| Proceeds from issuance of debt | (350,000) |

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 | 96,000 |
| Capital lease | 23,926 |

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

| | |
|------------------------------------|-----------------|
| Accrued interest on long-term debt | (8,259) |
| Accrued compensated absences | <u>(22,693)</u> |

Change in net assets of governmental activities **\$ 954,059**

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2009

Water & Sewer
Fund

ASSETS

CURRENT ASSETS

| | | |
|---------------------------|----|---------------|
| Cash | \$ | 21 |
| Accounts receivable - net | | 443,281 |
| Prepaid expenses | | 6,329 |
| Notes receivable | | <u>80,532</u> |

TOTAL CURRENT ASSETS 530,163

CAPITAL ASSETS, net 6,641,317

TOTAL ASSETS \$ 7,171,480

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|--------------------------------------|----|--------------|
| Due to other funds | \$ | 374,309 |
| Current portion compensated absences | | 1,100 |
| Current portion long-term debt | | 80,000 |
| Accrued payroll | | 10,641 |
| Other accrued expenses | | <u>1,137</u> |

TOTAL CURRENT LIABILITIES 467,187

LONG-TERM LIABILITIES

| | | |
|------------------------------|--|----------------|
| Accrued compensated absences | | 68,724 |
| Notes and bonds payable | | <u>240,000</u> |

TOTAL LONG-TERM LIABILITIES 308,724

TOTAL LIABILITIES 775,911

NET ASSETS

| | | |
|---|--|---------------|
| Invested in capital assets, net of related debt | | 6,321,317 |
| Unrestricted | | <u>74,252</u> |

TOTAL NET ASSETS 6,395,569

TOTAL LIABILITIES AND NET ASSETS \$ 7,171,480

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, 2009

| | <u>Water & Sewer Fund</u> |
|---------------------------------------|-----------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 1,536,715 |
| Hookup fees | 79,183 |
| Interest and penalties on delinquents | 20,456 |
| Assessments | 4,799 |
| Miscellaneous | <u>4,187</u> |
| | |
| TOTAL OPERATING REVENUES | <u>1,645,340</u> |
| | |
| OPERATING EXPENSES | |
| Regular salaries | 305,024 |
| Overtime salaries | 26,017 |
| Group health insurance | 94,224 |
| Social security | 25,355 |
| Employee retirement | 25,915 |
| Other employee benefits | 7,508 |
| Professional services | 9,791 |
| Repair and maintenance | 43,092 |
| Rental of equipment | 44 |
| Telephone/communications | 1,536 |
| Advertising | 3,461 |
| Travel | 688 |
| Small tools and equipment | 3,440 |
| Supplies | 504 |
| Utilities | 46,162 |
| Uniforms | 3,438 |
| Natural gas | 2,476 |
| CWD water purchases | 411,903 |
| Insurance | 12,093 |
| Dues and fees | 3,170 |
| Machinery | 14,268 |
| Depreciation expense | 253,892 |
| Sewage treatment | <u>325,897</u> |
| | |
| TOTAL OPERATING EXPENDITURES | <u>1,619,898</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, 2009

| | <u>Water & Sewer Fund</u> |
|---------------------------------------|-----------------------------------|
| INCOME FROM OPERATIONS | <u>25,442</u> |
| NON-OPERATING REVENUE (EXPENSE) | |
| Interest Income | 2,057 |
| Interest Expense | <u>(20,944)</u> |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | <u>(18,887)</u> |
| INCREASE IN NET ASSETS | 6,555 |
| NET ASSETS BEGINNING OF YEAR | <u>6,389,014</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 6,395,569</u> |

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, 2009

| | <u>Water & Sewer Fund</u> |
|--|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 1,562,173 |
| Payments to suppliers | (879,178) |
| Payments for employees and benefits | <u>(484,043)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>198,952</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Net loans from general fund | 376,509 |
| Purchases of property, plant and equipment | (84,018) |
| Interest payments on debt | (20,944) |
| Principal payments on debt | <u>(75,000)</u> |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>196,547</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Payments received on notes receivable | 14,856 |
| Interest income | <u>2,057</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>16,913</u> |
| NET INCREASE IN CASH | 412,412 |
| CASH OVERDRAFT - BEGINNING OF YEAR | <u>(412,391)</u> |
| CASH - END OF YEAR | <u>\$ 21</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | |
| Operating income (loss) | \$ 25,442 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 253,892 |
| Change in net assets and liabilities: | |
| Receivables, net | (83,167) |
| Prepaid expenses | (565) |
| Other accrued expense | (238) |
| Accrued payroll and compensated absences | <u>3,588</u> |
| Net cash provided (used) by operating activities | <u>\$ 198,952</u> |

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS - FIDUCIARY FUND
 June 30, 2009

| | Cemetery Trust Fund | Agency Fund |
|--|---------------------------|----------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 22,566 | \$ 156,002 |
| TOTAL ASSETS | \$ 22,566 | \$ 156,002 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Due to other funds | \$ 3,437 | \$ - |
| Deferred revenue | - | 156,002 |
| TOTAL LIABILITIES | 3,437 | 156,002 |
| NET ASSETS | | |
| Restricted | 19,129 | - |
| TOTAL NET ASSETS | \$ 22,566 | \$ 156,002 |

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, 2009

| | <u>Cemetery Trust Fund</u> |
|--|------------------------------------|
| ADDITIONS | |
| Sales of plots | \$ 2,550 |
| Interest on deposits | <u>199</u> |
| TOTAL ADDITIONS | <u>2,749</u> |
| DEDUCTIONS | |
| Repairs and maintenance | - |
| Cost of burials | <u>-</u> |
| TOTAL DEDUCTIONS | <u>-</u> |
| CHANGES IN NET ASSETS | 2,749 |
| NET ASSETS AT BEGINNING OF YEAR | <u>16,380</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 19,129</u> |

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

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

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

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

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

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

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

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Property taxes, sewer usage fees and water usage fees are recognized under the susceptible to accrual concept in accordance with Governmental Accounting Standards Board ("GASB") pronouncements. Revenues received from the State of Vermont are also recognized when susceptible to accrual. Miscellaneous revenues and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

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.

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

The 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.

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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 DELINQUENT TAXES RECEIVABLE

Delinquent taxes receivable consist of:

| | <u>General Fund</u> |
|--|---------------------|
| Delinquent property taxes | \$ 530,814 |
| Penalties on taxes receivable | 35,251 |
| Interest on taxes receivable | 71,070 |
| | 637,135 |
| Allowance for uncollectible delinquent taxes | (10,000) |
| | \$ 627,135 |

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, 2009 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 \$571,073 at June 30, 2009.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------|-----------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,763,909 | \$ - | \$ - | \$ 2,763,909 |
| Construction in progress | 197,481 | 697,537 | (801,767) | 93,251 |
| Total capital assets not being depreciated | 2,961,390 | 697,537 | (801,767) | 2,857,160 |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 CAPITAL ASSETS (continued)

| <u>Governmental Activities</u> (cont'd) | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Other capital assets: | | | | |
| Book Collection | 459,726 | - | - | 459,726 |
| Building and improvements | 2,250,934 | 159,984 | (2,921) | 2,407,997 |
| Equipment | 4,130,963 | 870,157 | (361,155) | 4,639,965 |
| Infrastructure | <u>17,948,062</u> | <u>1,414,507</u> | <u>-</u> | <u>19,362,569</u> |
| Total other capital assets | <u>24,789,685</u> | <u>2,444,648</u> | <u>(364,076)</u> | <u>26,870,257</u> |
| Less accumulated depreciation for: | | | | |
| Book collection | (324,027) | (45,973) | - | (370,000) |
| Building and improvements | (1,304,044) | (45,103) | 2,921 | (1,346,226) |
| Equipment | (2,596,148) | (400,044) | 329,844 | (2,666,348) |
| Infrastructure | <u>(7,762,363)</u> | <u>(468,380)</u> | <u>-</u> | <u>(8,230,743)</u> |
| Total accumulated depreciation | <u>(11,986,582)</u> | <u>(959,500)</u> | <u>332,765</u> | <u>(12,613,317)</u> |
| Total capital assets being depreciated, net | <u>12,803,103</u> | <u>1,485,148</u> | <u>(31,311)</u> | <u>14,256,940</u> |
| Governmental Activities - Capital Assets, Net | <u>\$ 15,764,493</u> | <u>\$ 2,182,685</u> | <u>\$ (833,078)</u> | <u>\$ 17,114,100</u> |

Depreciation expense was charged to functions as follows:

| | |
|------------------------|-------------------|
| General Government | \$ 28,099 |
| Public Safety | 259,974 |
| Highways and Streets | 553,910 |
| Storm Water | 4,793 |
| Culture and Recreation | <u>112,724</u> |
| TOTAL | <u>\$ 959,500</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 | <u>\$ 248,436</u> | <u>\$ 36,682</u> | <u>\$ (191,380)</u> | <u>\$ 93,738</u> |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 CAPITAL ASSETS (continued)

| <u>Business-Type Activities (cont'd)</u> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|---------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Water/sewer plant | 11,929,703 | 191,379 | - | 12,121,082 |
| Machinery and equipment | 141,316 | 47,336 | - | 188,652 |
| Vehicles | <u>104,902</u> | <u>-</u> | <u>-</u> | <u>104,902</u> |
| Total Capital assets being depreciated | <u>12,175,921</u> | <u>238,715</u> | <u>-</u> | <u>12,414,636</u> |
| Less accumulated depreciation for: | | | | |
| Water/sewer plant | (5,359,642) | (243,257) | - | (5,602,899) |
| Machinery and equipment | (164,089) | (7,039) | - | (171,128) |
| Vehicles | <u>(89,434)</u> | <u>(3,596)</u> | <u>-</u> | <u>(93,030)</u> |
| Total accumulated depreciation | <u>(5,613,165)</u> | <u>(253,892)</u> | <u>-</u> | <u>(5,867,057)</u> |
| Total capital assets being depreciated, net | <u>6,562,756</u> | <u>(15,177)</u> | <u>-</u> | <u>6,547,579</u> |
| Business-Type Activities - Capital Assets, Net | <u>\$ 6,811,192</u> | <u>\$ 21,505</u> | <u>\$ (191,380)</u> | <u>\$ 6,641,317</u> |

Depreciation expense for the Business-type Activities was \$253,892 for the fiscal year ended June 30, 2009.

NOTE 4 ACCRUED COMPENSATION

At June 30, 2009, the Town had the following vested benefits earned by their employees:

| | <u>General Fund</u> | <u>Water/Sewer Fund</u> |
|-------------------------|-------------------------|-----------------------------|
| Vested Compensation | \$ 669,116 | \$ 69,824 |
| Less: Current Portion | <u>(23,053)</u> | <u>(1,100)</u> |
| TOTAL LONG-TERM PORTION | <u>\$ 646,063</u> | <u>\$ 68,724</u> |

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 5 SHORT TERM DEBT

| | Principal Balance <u>06/30/08</u> | Fiscal Year Activity | | Principal Balance <u>06/30/09</u> |
|---|---|----------------------|-------------|---|
| Governmental Activities | | Borrowings | Repayments | |
| TD Bank, N.A., payable in full October 7, 2009, plus 2.99% interest, used to purchase a highway truck | \$ - | \$ 61,000 | \$ - | \$ 61,000 |
| TOTAL SHORT TERM DEBT | <u>\$ -</u> | <u>\$ 61,000</u> | <u>\$ -</u> | <u>\$ 61,000</u> |

NOTE 6 NOTES AND BONDS PAYABLE

| Governmental Activities | Beginning Balance | Additions | Principal Reduction | Ending Balance | Current Portion |
|--|----------------------|-------------------|------------------------|-------------------|--------------------|
| <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, 2013. | \$ 132,000 | \$ - | \$ (66,000) | \$ 66,000 | \$ 66,000 |
| Note payable to TD Banknorth, firetruck note, interest at 3.79%, due October 7, 2013. | - | 350,000 | - | 350,000 | 70,000 |
| 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, 2007 and \$30,000 thereafter due, December 1, 2009 | <u>60,000</u> | <u>-</u> | <u>(30,000)</u> | <u>30,000</u> | <u>30,000</u> |
| | <u>\$ 192,000</u> | <u>\$ 350,000</u> | <u>\$ (96,000)</u> | <u>\$ 446,000</u> | <u>\$ 166,000</u> |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 6 NOTES AND BONDS PAYABLE (continued)

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Governmental Activities as of June 30, 2009, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------|-----------|------------|
| 2010 | \$ 166,000 | \$ 16,246 | \$ 182,246 |
| 2011 | 70,000 | 10,612 | 80,612 |
| 2012 | 70,000 | 7,959 | 77,959 |
| 2013 | 70,000 | 5,306 | 75,306 |
| 2014 | 70,000 | 2,653 | 72,653 |
| TOTAL | \$ 446,000 | \$ 42,776 | \$ 488,776 |

| <u>Business-Type Funds</u> | Beginning Balance | Additions | Principal Reduction | Ending Balance | Current Portion |
|---|----------------------|-----------|------------------------|-------------------|--------------------|
| Vermont Municipal Bond Bank, 2003 Series II Bonds, interest varies from 1.19% to 3.73%. Annual principal payments of \$25,000 plus interest, due December 1, 2015 | \$ 150,000 | \$ - | \$ (25,000) | \$ 125,000 | \$ 30,000 |
| Vermont Municipal Bond Bank, 2001 Series I Bonds, interest varies from 2.28% to 4.47%. Annual principal charge \$40,000 on December 1, 2007, due December 1, 2011 | 160,000 | - | (40,000) | 120,000 | 40,000 |
| 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 | 85,000 | - | (10,000) | 75,000 | 10,000 |
| | \$ 395,000 | \$ - | \$ (75,000) | \$ 320,000 | \$ 80,000 |

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 6 NOTES AND BONDS PAYABLE (continued)

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Business-Type Funds as of June 30, 2009, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|------------------|-------------------|
| 2010 | \$ 80,000 | \$ 12,014 | \$ 92,014 |
| 2011 | 80,000 | 8,692 | 88,692 |
| 2012 | 80,000 | 5,260 | 85,260 |
| 2013 | 40,000 | 2,646 | 42,646 |
| 2014-2018 | <u>40,000</u> | <u>887</u> | <u>40,887</u> |
| | <u>\$ 320,000</u> | <u>\$ 29,499</u> | <u>\$ 349,499</u> |

NOTE 7 CAPITAL LEASE

The Town has entered into a lease agreement as lessee for financing the acquisition of a grader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| ASSETS | |
| Grader | \$ 138,000 |
| Less: Accumulated Depreciation | <u>(41,400)</u> |
| | <u>\$ 96,600</u> |

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2009, are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|--|------------------|
| 2010 | \$ 25,946 |
| Less: Amount representing interest | <u>(873)</u> |
| Present value of net minimum lease payment | <u>\$ 25,073</u> |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 8 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

| | Book Balance | Bank Balance |
|--------------------------------|---------------------|---------------------|
| Insured by the FDIC | \$ 526,919 | \$ 526,896 |
| Insured by Deposit Surety Bond | 3,255,852 | 3,514,722 |
| Uncollateralized | 31 | - |
| Petty Cash | 3,145 | - |
| Total Deposits | \$ 3,785,947 | \$ 4,041,618 |

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 two Irrevocable Standby Letters of Credit. The coverage with TD Bank is in the amount of \$8,500,000 and is for the period June 30, 2008 to June 30, 2009. The coverage with Merchants bank is in the amount of \$300,000 and is for the period of June 05, 2009 to September 30, 2009.

NOTE 9 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.

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 10 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 \$94,431 and the employee contributions were \$35,459 for the year ended June 30, 2009. Under this plan the town also makes fixed quarterly contributions for the Town Manager totaling \$19,420 for the year ended June 30, 2009.

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, a defined benefit plan, of the State of Vermont Municipal Employee's Retirement Plan. The Town contributes 8% and employees contribute 7% of employee's salaries. Benefit and contribution provisions are established by State Law (VSA, Title 25, Chapter 125). The Town contributed \$227,103 and the employee contributions were \$187,031 to the plan for the year ended June 30, 2009. The State of Vermont issues an audited financial report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Of the Town's total compensation of \$4,355,417, \$1,180,388 was covered under the ICMA retirement plan, \$3,175,029 was covered under the State of Vermont Municipal Employees Retirement Plan and \$454,982 was not covered for the year ended June 30, 2009.

NOTE 11 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, 2009 are as follows:

GENERAL FUND

| | |
|---------------------------------|-----------------------|
| Reserved for: | |
| Encumbrances | \$ 11,200 |
| Prepaid expenses | 217,974 |
| Reappraisal | <u>86,190</u> |
| Total Reserved Fund Balance | <u>\$ 315,364</u> |

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 11 FUND EQUITY (continued)

CAPITAL PROJECTS FUND

| | |
|--------------------------------------|---------------------|
| Reserved for: | |
| Future vehicle purchases | \$ 79,651 |
| Future parks and recreation projects | 372,013 |
| Future highway projects | 254,618 |
| Future building projects | <u>974,846</u> |
| Total Reserved Fund Balance | <u>\$ 1,681,128</u> |

FIDUCIARY FUND

| | |
|--|------------------|
| Restricted for Cemetery - These funds are accumulated for the maintenance of the cemetery. | <u>\$ 16,379</u> |
|--|------------------|

NOTE 12 ECONOMIC DEPENDENCIES

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 the year ended June 30, 2009 was \$452,545.

NOTE 13 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, 2009.

| <u>Amount</u> | <u>Transfer From</u> | <u>Transfer To</u> | <u>Purpose</u> |
|-------------------|----------------------|--------------------|-----------------------|
| \$ 20,000 | General Fund | Capital Projects | Highway Equipment |
| 25,000 | General Fund | Capital Projects | Highway Equipment |
| 3,500 | General Fund | Capital Projects | Recreation Facilities |
| 142,000 | General Fund | Capital Projects | Highway Equipment |
| 8,000 | General Fund | Capital Projects | Senior Citizen Bus |
| <u>220,975</u> | General Fund | Capital Projects | Future Projects |
| <u>\$ 419,475</u> | | | |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 14 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 rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

NOTE 15 DEFERRED LOAN RECEIVABLE

The Town received a \$490,000 Vermont Community Development Program Grant award during the fiscal year 2008. This grant was loaned to the Essex Senior Housing Limited Partnership to assist in the acquisition of land and construction of 48 new senior housing units. The loan is deferred for 30 years and bears no interest. As such, the Town has recorded an allowance for the entire amount.

NOTE 16 LANDFILL POST CLOSURE COSTS

Landfill post closure costs are necessitated by the closure of the Town landfill in 1992 and the continuing site maintenance and testing requirements of the State of Vermont as ordered in the Closure Order. Sufficient funds were not set aside in the tipping fee during the landfill's years of operation to cover these continuing expenses. The Town must budget on an annual basis for site maintenance and testing as set forth in the legal closure order. The Town's cost of the site maintenance and testing were \$2,380 and \$10,425, respectively, for the year ended June 30, 2009.

NOTE 17 DISCLOSURE OF SUBSEQUENT EVENTS

The Town has evaluated all events subsequent to the balance sheet date of June 30, 2009, through February 5, 2010, which is the date these financial statements were issued, and have determined that except as set forth below, there are no subsequent events that require disclosure under FASB Accounting Standards Codification Topic 855, *Subsequent Events*.

On December 21, 2009 the Town entered into a loan agreement with the Vermont-Environmental Protection Agency Pollution Control Revolving Fund in the amount of \$450,000. Of the total loan amount of \$450,000, \$225,000 will be repaid with "American Recovery and Reinvestment Act of 2009" funds and the remaining balance will repaid with a 2% administrative fee starting in September 2012 through September 2016. The loan proceeds are to be used for the construction of stormwater collection system improvements at the Euro West Town Center and Perkins Bend developments.

Town of Essex, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
For the Year Ended June 30, 2009

| | <u>Original Budget</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|--------------------|---------------------|
| REVENUES | | | | |
| Property tax | \$ 7,796,304 | \$ 7,796,304 | \$ 7,713,604 | \$ 82,700 |
| Licenses and permits | 45,500 | 45,500 | 49,113 | (3,613) |
| Intergovernmental revenues | 185,000 | 185,000 | 493,292 | (308,292) |
| Charges for services | 986,333 | 986,333 | 1,072,047 | (85,714) |
| Fines and forfeits | 103,000 | 103,000 | 122,361 | (19,361) |
| Miscellaneous income | <u>96,001</u> | <u>96,001</u> | <u>70,328</u> | <u>25,673</u> |
| | | | | |
| TOTAL REVENUES | <u>9,212,138</u> | <u>9,212,138</u> | <u>9,520,745</u> | <u>(308,607)</u> |
| | | | | |
| EXPENDITURES | | | | |
| General government | 2,164,396 | 2,164,396 | 2,058,213 | 106,183 |
| Public safety | 3,475,687 | 3,475,687 | 3,290,377 | 185,310 |
| Highways and Streets | 1,673,661 | 1,673,661 | 1,621,447 | 52,214 |
| Stormwater | 208,993 | 208,993 | 549,878 | (340,885) |
| Sanitation | 12,500 | 12,500 | 12,625 | (125) |
| Health and Welfare | 135,697 | 135,697 | 135,774 | (77) |
| Culture and Recreation | 1,046,953 | 1,046,953 | 1,143,861 | (96,908) |
| Debt service | 321,300 | 321,300 | 324,235 | (2,935) |
| Intergovernmental | <u>397,951</u> | <u>397,951</u> | <u>398,204</u> | <u>(253)</u> |
| | | | | |
| TOTAL EXPENDITURES | <u>9,437,138</u> | <u>9,437,138</u> | <u>9,534,614</u> | <u>(97,476)</u> |
| | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (225,000)</u> | <u>\$ (225,000)</u> | <u>\$ (13,869)</u> | <u>\$ (211,131)</u> |

**RECONCILIATION OF BUDGETARY
BASIS TO GAAP BASIS**

| | |
|--|------------------|
| Excess (Deficiency) of Revenues over Expenditures - Budgetary Basis | \$ (13,869) |
| Adjustments for non-budget: | |
| Grant revenues | 458,601 |
| Other revenues | 72,166 |
| Grant expenditures | (440,829) |
| Other expenditures | (1,739) |
| Reserve for encumbrances | <u>11,200</u> |
| | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - GAAP BASIS | <u>\$ 85,530</u> |

See Accompanying Notes to Basic Financial Statements.