

Town of Essex, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2014

Town of Essex, Vermont
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Vermont License #167

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 Town of Essex, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Essex, Vermont's basic financial statements. The introductory section and the cemetery trust and agency fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



St. Albans, Vermont
January 26, 2015

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

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, 2014. 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 2014 and FY 2013.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets exceeded its liabilities and deferred inflows at June 30, 2014, by \$31,839,291 compared to \$30,865,696 at June 30, 2013. This represents an increase of \$973,595 or 3.1%. The change in net position for fiscal year 2013 was \$1,171,658. The 2014 increase was \$198,063 more than the 2013 increase.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$8,401,872, an increase of \$3,113,529 when compared with \$5,288,343 for the prior year. Of the total fund balance, \$6,501,178 represents amounts committed or restricted for specific purposes, such as reappraisal, prepaid expenses, and various capital projects. The remaining \$1,900,694 represents unassigned fund balance in the General Fund.

In the General Fund, the unassigned total of \$1,900,694 is an increase of \$412,107 from the June 30, 2013 unassigned balance of \$1,488,587. Included in the total Fund Balance increase in the General Fund of \$526,597, are amounts that are restricted and committed for specific purposes. There were increases in the amount restricted for reappraisal of \$65,731, an increase of \$14,213 in the amount committed for Economic Development, an increase of \$8,459 in the amount committed for prepaid expenses, and in the amount committed for records preservation of \$26,087.

In the General Fund, the unassigned balance of \$1,900,694 represents 17% of the General Fund operating budget for FYE 2014 or approximately nine weeks of operating expenses. Various organizations recommend from 5% to 15% or two months of operating expenses as an appropriate fund balance. The Town's Unassigned Fund Balance sits at the high end of the recommended range and a portion is recommended for use in FYE 2016. When compared to the proposed FYE 2016 budget it represents 14% or approximately 7 weeks of operating expenses.

Long-term Debt

The Town's total debt increased during the fiscal year to \$8,164,464 a net increase of \$6,803,492. The main cause of the increase was the addition of \$6,900,000 for the new police facility. Principal payments were made on outstanding debt for a fire truck and various sewer bonds. In FYE 2011 there was the addition of 2 ARRA loans that were received to help fund a major upgrade to one of the Town sewer pump stations and the construction of two stormwater projects. The ARRA projects provided project funding in the form of grants equal to 50% of the project costs and loans for the remaining 50%. The combined total of the two loans was \$356,408 as of June 30, 2014. These loans carry no interest rate but are subject to a 2% administrative fee each year on the outstanding balance. In the case of the stormwater projects, the debt service costs will be shared between the Town and the private landowners whose properties benefited from the projects. More detailed information regarding this debt begins on page 19. (See Note 5)

Another component of the Town's long-term debt is accrued and compensated absences. The total balance of accrued and compensated balances was \$908,046, and \$848,598 as of June 30, 2014 and 2013 respectively. The total balance increased by \$59,448 during the year. These amounts reflect accrued but unused vacation, comp, and sick time. During the year ended June 30, 2013, the Selectboard designated an additional \$70,000 of Fund Balance in recognition of the need to pay out this liability for retirement in the future. This designation increased to \$100,000 the amount designated for Retirement. The Town makes every attempt to fund these commitments with operating funds in the year of payout through the use of existing funds or delaying new hires when possible.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

In November 2012 the voters approved (by a 2 to 1 margin) the issuance of bonds, for a period of 20 years, in an amount not to exceed \$6.9 million for the purchase and construction of a new Police facility. The bonds were issued on July 30, 2013 in the amount of \$6.9 million with a weighted average interest rate of 3.955% over the life of the bonds. As of June 30, 2014, \$3,486,215 had been expended on the project and the remaining \$3,413,785 was held in a trust account.

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.
- 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 Position - This statement presents information on all of the Town's assets and liabilities and deferred inflows, with the difference between the three reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 3 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.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

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.

- Proprietary funds – The Proprietary funds provide water and sewer service and recreation programs for which the Town charges customers a fee and operates like a commercial business. The Proprietary funds provide 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 activities 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 Position and Changes in Fiduciary Net Position beginning on page 11. The Town's fiduciary funds are the Agency / Escheat / 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.

FINANCIAL ANALYSIS

Financial Analysis of Government-wide Financial Statements

The Town's combined assets exceeded its liabilities by \$31,839,291 at the end of the fiscal year.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

Net Position as of June 30, 2014 & 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Current & other assets	\$ 6,896,986	\$10,321,873	\$ 1,405,783	\$ 1,767,669	\$ 8,302,769	\$12,089,542
Capital assets	<u>19,058,243</u>	<u>23,647,415</u>	<u>6,160,708</u>	<u>5,911,798</u>	<u>25,218,951</u>	<u>29,559,213</u>
Total Assets	<u>\$25,955,229</u>	<u>\$33,969,288</u>	<u>\$ 7,566,491</u>	<u>\$ 7,679,467</u>	<u>\$33,521,720</u>	<u>\$41,648,755</u>
Long-term liabilities outstanding	\$ 803,397	\$ 7,345,458	\$ 370,290	\$ 357,456	\$ 1,173,687	\$ 7,702,914
Other Liabilities	<u>1,101,269</u>	<u>1,689,024</u>	<u>96,526</u>	<u>60,891</u>	<u>1,197,795</u>	<u>1,749,915</u>
Total Liabilities	<u>\$ 1,904,666</u>	<u>\$ 9,034,482</u>	<u>\$ 466,816</u>	<u>\$ 418,347</u>	<u>\$ 2,371,482</u>	<u>\$ 9,452,829</u>
Deferred Inflows	<u>\$ 273,888</u>	<u>\$ 350,953</u>	<u>\$ 10,654</u>	<u>\$ 5,682</u>	<u>\$ 284,542</u>	<u>\$ 356,635</u>
Net Position						
Invested in capital assets, net of related debt	\$18,849,594	\$16,642,406	\$ 5,856,993	\$ 5,660,399	\$24,706,587	\$22,302,805
Restricted	740,150	934,701	-	-	740,150	934,701
Unrestricted	<u>4,186,931</u>	<u>7,006,746</u>	<u>1,232,028</u>	<u>1,595,039</u>	<u>5,418,959</u>	<u>8,601,785</u>
Total Net Position	<u>\$23,776,675</u>	<u>\$24,583,853</u>	<u>\$ 7,089,021</u>	<u>\$ 7,255,438</u>	<u>\$30,865,696</u>	<u>\$31,839,291</u>

The largest portion of the Town's net position (70 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 position (2.9 percent or \$934,701) represents restricted net position. These resources are restricted for reappraisal and records preservation.

The remaining portion of the Town's net position (27 percent or \$8,601,785) represents unrestricted net position. These resources are neither restricted nor invested in capital assets. Included in these funds is \$3,413,785 that is committed for the police facility.

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

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

Changes in Net Position for the Fiscal Year Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Revenues						
Program revenues						
Charges for services	\$ 587,385	\$ 597,286	\$ 2,527,698	\$ 2,519,119	\$ 3,115,083	\$ 3,116,405
Operating grants & contributions	1,009,924	901,705	323,352	247,536	1,333,276	1,149,241
Capital grants & contr.	2,962	32,212	-	-	2,962	32,212
Property taxes (including penalty and interest)	9,794,807	10,352,938	-	-	9,794,807	10,352,938
IBM Payment for Services	90,321	-	-	-	90,321	-
Unrestricted investment earnings	11,481	10,640	487	921	11,968	11,561
Transfers	-	3,900	-	1,481	-	5,381
Gain on Disposal of Assets	-	4,434	-	-	-	4,434
Other revenues	19,721	42,344	-	-	19,721	42,344
Total Revenues	<u>11,516,601</u>	<u>11,945,459</u>	<u>2,851,537</u>	<u>2,769,057</u>	<u>14,368,138</u>	<u>14,714,516</u>
Expenses						
Governmental activities						
General Government	2,391,993	2,421,085	-	-	2,391,993	2,421,085
Public Safety	4,161,126	4,390,140	-	-	4,161,126	4,390,140
Highway and Streets	2,549,963	2,714,228	-	-	2,549,963	2,714,228
Health and Welfare	145,757	158,609	-	-	145,757	158,609
Culture and Recreation	1,000,208	1,018,522	-	-	1,000,208	1,018,522
Interest on long-term debt	6,155	2,775	-	-	6,155	2,775
Intergovernmental	400,196	432,922	-	-	400,196	432,922
Business-type activities						
Water and Sewer	-	-	2,193,106	2,243,879	2,193,106	2,243,879
Recreation Programs	-	-	347,975	358,761	347,975	358,761
Total Expenses	<u>10,655,398</u>	<u>11,138,281</u>	<u>2,541,081</u>	<u>2,602,640</u>	<u>13,196,479</u>	<u>13,740,921</u>
Change in net position before transfers	861,203	807,178	310,456	166,417	1,171,659	973,595
Net position - July 1,	<u>22,915,472</u>	<u>23,776,675</u>	<u>6,778,565</u>	<u>7,089,021</u>	<u>29,694,037</u>	<u>30,865,696</u>
Net position - June 30,	<u>\$23,776,675</u>	<u>\$24,583,853</u>	<u>\$ 7,089,021</u>	<u>\$ 7,255,438</u>	<u>\$30,865,696</u>	<u>\$31,839,291</u>

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
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For the Year Ended June 30, 2014

Total Governmental activity expenses were \$11,138,281 and \$10,655,398 in fiscal years 2014 and 2013, 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 \$1,480,991 in 2013 and \$1,600,271 in 2013. 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 \$10,414,256 in fiscal 2014 and \$9,916,330 in fiscal 2013. In 2014 approximately 98 percent of the Town's total general revenue came from taxes, in 2013 it was 97%.

Fund Financial Statements

The combined fund balance of the Fund Financial Statements was \$8,401,872 at June 30, 2014 and \$5,288,343 at June 30, 2013. Of the FYE 2014 fund balance, \$1,900,694 constitutes unassigned funds in the General Fund, which are available for spending at the government's discretion. An amount of \$414,409 of the fund balance is restricted for reappraisal and \$6,086,769 is committed for specific purposes. (See note 9 on pages 22 and 23 for a description of the restricted, committed, and designated funds.

The fund balance for the General Fund increased from \$2,553,869 in FYE 2013 to \$3,080,466 in FYE 2014. The total increase amounted to \$526,597 for the fiscal year ended June 30, 2014.

General Fund Budgetary Highlights

The fund balance of the Town's General Fund increased by \$526,597 during the current fiscal year. The restricted portion of fund balance increased by \$65,731 from \$348,678 to \$414,409. This restricted portion represents the amount restricted specifically for reappraisal. The amount of fund balance committed for specific purposes such as prepaid expenses, Economic Development, Planning, Retirement, and Selectboard professional services increased by \$48,759 from a combined balance of \$716,604 to \$765,363 as of June 30, 2014. The unassigned portion of the fund balance increased from \$1,488,587 to \$1,900,694, an increase of \$412,107. Key factors in this change are as follows:

On the revenue side:

- Property tax revenues were higher than anticipated due to increased tax collection efforts and the elimination of some larger delinquencies.
- Licenses and permits were slightly higher than expected, mainly due to increased building permits.
- Intergovernmental revenue exceeded expectations due to the receipt of FEMA funds for flood damage incurred during 2013.
- Charges for services in total were close to budget. Management services revenue was greater than anticipated while recording of legal documents was significantly less than budget.
- Interest on delinquent taxes were slightly less than expected due to increased collections.
- Miscellaneous revenue was again less than expected in the area of interest revenue, due to historically low interest rates. Conversely, miscellaneous revenues were greater than expected due to

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
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For the Year Ended June 30, 2014

On the expenditure side:

- Total expenditures were \$172,000 less than expected.
- Expenditures for General Governmental operations were 2% under budget. Unfilled positions in a number of departments helped keep total costs down in the Town Clerk, Police, Highway Departments, and the Library. While saving total costs to the Town, a number of initiatives went unaddressed due to these vacancies.
- Changes to the Town's health care programs resulted in lower than anticipated increases in health insurance costs, thereby keeping benefits expenses under budget in a number of departments.
- Liability and Worker's Compensation insurance were over budget as was data processing and repairs and maintenance on IT equipment.
- Legal costs were less than budget.
- Gasoline expenses were not as high as anticipated resulting in fuel costs being under budget.
- IT costs in the Police Department were over budget as a result of increasing costs that were previously funded by asset seizure funds.
- In the Fire Department, uniforms, machinery, and communications were less than budget.
- In the Highway department savings from salaries and benefits, due to less than anticipated overtime and Summer construction allowed for greater expenditures in other areas that were over budget, including winter salt costs, Repairs and Maintenance, and Storm Drains.
- Other expenditures that were unanticipated were for damages incurred during the year from a major flooding event in 2013 that washed out many public and private roads. A large portion of the direct costs were covered by FEMA.
- Other expenditures were over budget in some areas including: Repairs and Maintenance to the Senior buses and the County Tax.

Capital Assets

The following is a schedule of capital assets as of June 30, 2014 and 2013.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Land	\$ 2,950,608	\$ 3,531,844	\$ -	\$ -	\$ 2,950,608	\$ 3,531,844
Buildings & Impr.	2,601,097	2,657,874	-	-	2,601,097	2,657,874
Equip. & Vehicles	5,916,008	6,172,314	347,614	353,414	6,263,622	6,525,728
Book Collection	459,726	459,726	-	-	459,726	459,726
Infrastructure	22,983,800	23,311,105	12,766,648	12,766,648	35,750,448	36,077,753
Constr. in progress	425,700	4,538,056	22,782	59,740	448,482	4,597,796
Total Assets	35,336,939	40,670,919	13,137,044	13,179,802	48,473,983	53,850,721
Less: Accum. Depr.	16,278,696	17,023,504	6,976,336	7,268,004	23,255,032	24,291,508
Net Assets	<u>\$ 19,058,243</u>	<u>\$ 23,647,415</u>	<u>\$ 6,160,708</u>	<u>\$ 5,911,798</u>	<u>\$ 25,218,951</u>	<u>\$ 29,559,213</u>

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

The Town had \$29,599,213 and \$25,218,951 invested in capital assets, net of depreciation, on June 30, 2014 and June 30, 2013, respectively. The net increase (including additions and deductions) between the two periods amounted to \$4,380,262.

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

- Various streets and sidewalks were resurfaced or reconstructed at a cost of \$236,000. These improvements included resurfacing / reconstruction of portions of Hagan Dr., Skyline Dr., Jackson Heights, Deer Crossing, Cabot, Chelsea, and Old Stage Rd.
- Various new drainage and culvert was performed at a total cost \$71,000 including; Cindy Ln., Wildwood, Creek Rd., and Weed Rd. these improvements were in addition to repair work that was done in the wake of flooding that occurred in 2013.
- The land for the new Police facility was purchased at a cost of \$581,236 and construction was under way. As of June 30, 2014, just over \$5 million had been expended for construction.
- New vehicles purchased during the year included, 2 SUV's for use as Police cruisers and 1 unmarked sedan, a heavy duty pick-up truck for the Parks department, and a new dump / plow truck for the Highway department. The total cost for these vehicles was \$224,836.
- A new pumper fire truck was placed in service during the year at a cost of \$302,415.
- Other improvements include a license plate reader for the Police Department funded through a grant.
- More trail construction was undertaken at Indian Brook reservoir and new flooring and piping were installed at the pool. Other park improvements included playground equipment at Pearl St. Park. Total cost of these improvements was \$52,000.
- New network equipment was purchased including new switches and storage capacity at a cost of \$44,000.
- A new emergency generator was installed at the Highway garage / Firestation complex on sand Hill Rd..

Debt

At the end of the fiscal year, the Town had \$7,256,408 in long-term debt outstanding compared to \$512,364 in the prior year, an increase of \$6,744,044. The reason for the increase was the \$6,900,000 bond taken for the police facility. A summary of outstanding long-term debt follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Notes Payable	\$ 208,649	\$ 105,009	\$ 263,715	\$ 251,399	\$ 472,364	\$ 356,408
Bonds Payable	-	6,900,000	40,000	-	40,000	6,900,000
TOTAL	\$ 208,649	\$ 7,005,009	\$ 303,715	\$ 251,399	\$ 512,364	\$ 7,256,408

In November 2012 voters approved the issuance of up to \$6.9 million in 20 year bonds for the purchase and construction of a new Police facility. On July 30, 2013, bonds were issued for \$6.9 million at a weighted average interest rate of 3.95% over the 20 year life of the bonds.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

Economic Factors and Fiscal Year 2014 Budget

- The results of operations for the year were an increase in Fund Balance in the amount of \$526,597. Of that total \$65,731 was an increase in amount restricted for reappraisal. The amounts committed for other specific purposes such as, Prepaid Expenses (increased \$8,459), Economic Development (increased \$14,213), Planning, Retirement, Records Preservation (increase \$26,087), and Professional Services increased in total \$48,759. The increase in unassigned (formerly unreserved) Fund Balance amounted to \$412,107.
- The excess of revenues over expenditures was accomplished through a combination of increased delinquent tax collections, increased non-tax revenues, including a FEMA grant for flooding in 2013, and holding expenditures to less than budget when possible.
- FYE 2013 was the last year of the agreement with IBM from when Machinery and Equipment taxes were phased out for all Town taxpayers. The annual loss of revenue had been \$87,000 per year through FY 2014 when the subsidy declines to zero.
- Delinquent taxes collections were a factor in the operating surplus for FYE 2014. Increased collection efforts and the successful pay down of some delinquencies resulted in a modest reduction of delinquent taxes. The Town will continue its collection efforts while remaining sympathetic to the economic issues faced by taxpayers.

All of these factors were considered in preparing the Town of Essex's budget for the 2015 fiscal year. At the 2014 Town meeting the voters approved the Selectboard recommended FYE 2015 budget, in the amount of \$11,389, an increase of \$684,833 over the previous year. The approved budget resulted in a tax rate for FYE 2015 of \$.4034, an increase of \$0.0199 over FYE 2014.

During FYE 2011 the Selectboard authorized the creation of an enterprise fund for Recreation programs beginning July 1, 2011. This proprietary fund operates like a business and expenses are covered by user fees charged for the programs. As a result of this change, these program expenses and the related revenues are reported separately from the General fund. For the year ended June 30, 2014 this fund realized net income from operations in the amount of \$17,217. This surplus will remain in the Fund and will be used to support future growth of the programs.

Rates for water and wastewater operations were increased in fiscal year 2014 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 contributed to a deficit cash position in the Water / Sewer Fund in prior years. This deficit position has been addressed in the preparation of operating budgets and rates for recent periods and was again reduced significantly in FYE 2014. The new rates along with better metering of individual users as well as better metering of wastewater flows to the Village treatment plant helped reduce the fund's cash deficit at certain times during the year thereby reducing interest expense on borrowed funds. All of these factors will continue to be considered and monitored in the operation of the fund.

Consolidation of Service Delivery Systems

In FYE 2014 the Town and Village of Essex Junction entered into a shared manager agreement whereby the Town Manager would act as the Village Municipal Manager and the Town and Village would share the salary costs of the position. That effort has been deemed a success and management has been encouraged to find more areas where cooperation and coordination of effort can help to reduce costs for the community or achieve efficiencies in the delivery of services to residents.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2014

These efforts have resulted in agreements between the Town and Village and the Town and Village School district whereby the Town will bill and collect all property taxes and thus eliminate the duplication of effort that went into the process.

Other areas of cooperation include a joint stormwater committee that recommended a combined effort in the Town and Village approach to stormwater permit compliance and management. The Town and Village have also agreed to combine the efforts of the Highway Departments again to find efficiencies in service delivery and any potential cost savings. These combined efforts have been programmed into the town's proposed FYE 2016 budget.

The Town will also be creating the position of Administrative Services Director that will oversee administrative functions in the Town and Village in an effort to combine administrative and Finance functions, again to find efficiencies in service delivery that will help to reduce the cost of providing services in the future.

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 POSITION
 June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 6,099,236	\$ 1,195,014	\$ 7,294,250
Restricted cash	3,413,785	-	3,413,785
Taxes receivable, net of allowance	408,487	-	408,487
Accounts receivables - other	310,610	565,856	876,466
Prepaid expenses	<u>89,755</u>	<u>6,799</u>	<u>96,554</u>
TOTAL CURRENT ASSETS	<u>10,321,873</u>	<u>1,767,669</u>	<u>12,089,542</u>
 CAPITAL ASSETS, net	 <u>23,647,415</u>	 <u>5,911,798</u>	 <u>29,559,213</u>
 TOTAL ASSETS	 <u><u>\$ 33,969,288</u></u>	 <u><u>\$ 7,679,467</u></u>	 <u><u>\$ 41,648,755</u></u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 928,618	\$ -	\$ 928,618
Accrued payroll	284,243	22,295	306,538
Exchange	15,535	17,967	33,502
Accrued interest	15,946	3,771	19,717
Current portion notes and bonds payable	379,312	12,562	391,874
Current portion of compensated absences	<u>65,370</u>	<u>4,296</u>	<u>69,666</u>
TOTAL CURRENT LIABILITIES	<u>1,689,024</u>	<u>60,891</u>	<u>1,749,915</u>
 LONG-TERM LIABILITIES			
Accrued compensated absences	719,761	118,619	838,380
Notes and bonds payable	<u>6,625,697</u>	<u>238,837</u>	<u>6,864,534</u>
TOTAL LONG-TERM LIABILITIES	<u>7,345,458</u>	<u>357,456</u>	<u>7,702,914</u>
 TOTAL LIABILITIES	 <u>9,034,482</u>	 <u>418,347</u>	 <u>9,452,829</u>
 DEFERRED INFLOWS			
Deferred revenue	<u>350,953</u>	<u>5,682</u>	<u>356,635</u>
 NET POSITION			
Invested in capital assets, net of related debt	16,642,406	5,660,399	22,302,805
Restricted	934,701	-	934,701
Unrestricted	<u>7,006,746</u>	<u>1,595,039</u>	<u>8,601,785</u>
NET POSITION	<u>24,583,853</u>	<u>7,255,438</u>	<u>31,839,291</u>
 TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION	 <u><u>\$ 33,969,288</u></u>	 <u><u>\$ 7,679,467</u></u>	 <u><u>\$ 41,648,755</u></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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 2,421,085	\$ 340,241	\$ 350,189	\$ -	\$ (1,730,655)	\$ -	\$ (1,730,655)
Public safety	4,390,140	58,901	373,041	-	(3,958,198)	-	(3,958,198)
Highways and Streets	2,714,228	92,664	148,479	5,168	(2,467,917)	-	(2,467,917)
Health and Welfare	158,609	1,236	-	-	(157,373)	-	(157,373)
Culture and Recreation	1,018,522	104,244	29,996	27,044	(857,238)	-	(857,238)
Intergovernmental	432,922	-	-	-	(432,922)	-	(432,922)
Interest on long-term debt	2,775	-	-	-	(2,775)	-	(2,775)
Total governmental activities	<u>11,138,281</u>	<u>597,286</u>	<u>901,705</u>	<u>32,212</u>	<u>(9,607,078)</u>	<u>-</u>	<u>(9,607,078)</u>
Business-type activities:							
Water and Sewer	2,243,879	2,143,141	247,536	-	-	146,798	146,798
Recreation	358,761	375,978	-	-	-	17,217	17,217
Total business-type activities	<u>2,602,640</u>	<u>2,519,119</u>	<u>247,536</u>	<u>-</u>	<u>-</u>	<u>164,015</u>	<u>164,015</u>
General Revenues:							
Property taxes, levied for general purposes					10,241,354	-	10,241,354
Penalties and interest on delinquent taxes					111,584	-	111,584
Unrestricted investment earnings					10,640	921	11,561
Transfers					3,900	1,481	5,381
Gain/loss on sale of fixed assets					4,434	-	4,434
Miscellaneous					42,344	-	42,344
Total general revenues and transfers					<u>10,414,256</u>	<u>2,402</u>	<u>10,416,658</u>
Change in Net Position					807,178	166,417	973,595
Net position, beginning					<u>23,776,675</u>	<u>7,089,021</u>	<u>30,865,696</u>
Net position, ending			See Accompanying Notes to Basic Financial Statements.		<u>\$ 24,583,853</u>	<u>\$ 7,255,438</u>	<u>\$ 31,839,291</u>

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 4,224,727	\$ 1,874,509	\$ 6,099,236
Restricted cash	-	3,413,785	3,413,785
Taxes receivable, net of allowance	67,835	-	67,835
Other receivables	277,498	33,112	310,610
Prepaid expenses	<u>89,755</u>	<u>-</u>	<u>89,755</u>
 TOTAL ASSETS	 <u>\$ 4,659,815</u>	 <u>\$ 5,321,406</u>	 <u>\$ 9,981,221</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 928,618	\$ -	\$ 928,618
Accrued payroll	284,243	-	284,243
Exchange	15,535	-	15,535
Deferred revenue	<u>350,953</u>	<u>-</u>	<u>350,953</u>
 TOTAL LIABILITIES	 <u>1,579,349</u>	 <u>-</u>	 <u>1,579,349</u>
FUND BALANCE			
Restricted	414,409	-	414,409
Committed	765,363	5,321,406	6,086,769
Unassigned	<u>1,900,694</u>	<u>-</u>	<u>1,900,694</u>
 TOTAL FUND BALANCE	 <u>3,080,466</u>	 <u>5,321,406</u>	 <u>8,401,872</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 4,659,815</u>	 <u>\$ 5,321,406</u>	 <u>\$ 9,981,221</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances - governmental funds \$ 8,401,872

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. 23,647,415

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 340,652

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 (785,131)

Accrued interest on long-term debt (15,946)

Notes payable (7,005,009)

Total net position - governmental activities \$ 24,583,853

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, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 9,791,594	\$ 479,859	\$ 10,271,453
Licenses and permits	59,782	-	59,782
Intergovernmental revenues	306,975	27,644	334,619
Charges for services	415,068	96,748	511,816
Fines and forfeits	111,584	-	111,584
Interest income	7,112	3,530	10,642
Miscellaneous income	96,712	-	96,712
Grant income	566,249	5,168	571,417
TOTAL REVENUES	<u>11,355,076</u>	<u>612,949</u>	<u>11,968,025</u>
EXPENDITURES			
General government	2,338,012	4,700,472	7,038,484
Public safety	4,273,342	-	4,273,342
Highways and Streets	1,925,278	340,207	2,265,485
Stormwater	233,288	-	233,288
Sanitation	7,409	-	7,409
Health and Welfare	157,129	-	157,129
Culture and Recreation	917,846	130,986	1,048,832
Intergovernmental	432,922	-	432,922
Debt service	296,676	-	296,676
Interest expense	5,382	-	5,382
TOTAL EXPENDITURES	<u>10,587,284</u>	<u>5,171,665</u>	<u>15,758,949</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>767,792</u>	<u>(4,558,716)</u>	<u>(3,790,924)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term debt	-	6,900,000	6,900,000
Proceeds from sale of fixed assets	4,434	-	4,434
Operating transfers In	-	245,648	245,648
Operating transfers Out	(245,629)	-	(245,629)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(241,195)</u>	<u>7,145,648</u>	<u>6,904,453</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	526,597	2,586,932	3,113,529
FUND BALANCE - July 1, 2013	<u>2,553,869</u>	<u>2,734,474</u>	<u>5,288,343</u>
FUND BALANCE - June 30, 2014	<u>\$ 3,080,466</u>	<u>\$ 5,321,406</u>	<u>\$ 8,401,872</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, 2014

Net change in fund balances - governmental funds **\$ 3,113,529**

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

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

Depreciation Expense	(1,111,573)
Capital Outlay	5,700,745
Proceeds from Sale of Asset	(4,434)
Gain on Sale of Asset	4,434

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	(30,100)
---	----------

Issuance and repayment of long-term debt are revenue and expenditures in the governmental
 funds, but the Issuance and repayment increase and decrease long-term liabilities in the
 statement of net assets.

Proceeds from issuance of long-term debt	(6,900,000)
Repayment of long-term debt	103,640

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	(11,415)
Accrued compensated absences	<u>(57,648)</u>

Change in net position of governmental activities **\$ 807,178**

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2014

	Water & Sewer Fund	Recreation Fund	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 1,080,753	\$ 114,261	\$ 1,195,014
Accounts receivable - net	565,856	-	565,856
Prepaid expenses	6,799	-	6,799
TOTAL CURRENT ASSETS	1,653,408	114,261	1,767,669
 CAPITAL ASSETS, net	 5,911,798	 -	 5,911,798
 TOTAL ASSETS	 \$ 7,565,206	 \$ 114,261	 \$ 7,679,467
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
CURRENT LIABILITIES			
Current portion compensated absences	\$ 4,296	\$ -	\$ 4,296
Current portion long-term debt	12,562	-	12,562
Accrued payroll	11,928	10,367	22,295
Exchange	-	17,967	17,967
Other accrued expenses	3,771	-	3,771
TOTAL CURRENT LIABILITIES	32,557	28,334	60,891
LONG-TERM LIABILITIES			
Accrued compensated absences	118,619	-	118,619
Notes and bonds payable	238,837	-	238,837
TOTAL LONG-TERM LIABILITIES	357,456	-	357,456
 TOTAL LIABILITIES	 390,013	 28,334	 418,347
DEFERRED INFLOWS			
Deferred revenue	-	5,682	5,682
NET POSITION			
Invested in capital assets, net of related debt	5,660,399	-	5,660,399
Unrestricted - designated	311,076	-	311,076
Unrestricted	1,203,718	80,245	1,283,963
TOTAL NET POSITION	7,175,193	80,245	7,255,438
 TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	 \$ 7,565,206	 \$ 114,261	 \$ 7,679,467

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION - PROPRIETARY FUNDS
 For the Year Ended June 30, 2014

	Water & Sewer Fund	Recreation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ 2,143,141	\$ 368,020	\$ 2,511,161
Hookup fees	211,901	-	211,901
Interest and penalties on delinquents	28,867	-	28,867
Assessments	402	-	402
Miscellaneous	6,366	7,958	14,324
	<u> </u>	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	<u>2,390,677</u>	<u>375,978</u>	<u>2,766,655</u>
OPERATING EXPENSES			
Regular salaries	388,963	79,837	468,800
Overtime salaries	29,944	2,422	32,366
Group health insurance	129,789	-	129,789
Social security	31,693	6,345	38,038
Employee retirement	32,888	835	33,723
Other employee benefits	4,996	-	4,996
Professional services	25,092	14,403	39,495
Repair and maintenance	77,382	-	77,382
Rental of equipment	34	-	34
Telephone/communications	3,963	673	4,636
Printing and postage	-	16,709	16,709
Purchased Services	-	212,566	212,566
Advertising	3,749	713	4,462
Travel	314	2,102	2,416
Small tools and equipment	1,386	2,500	3,886
Supplies	73	6,225	6,298
Utilities	56,656	-	56,656
Uniforms	1,907	-	1,907
Natural gas	1,208	-	1,208
CWD water purchases	535,259	-	535,259
Insurance	18,605	-	18,605
Dues and fees	3,630	-	3,630
Machinery	128,983	-	128,983
Depreciation expense	291,668	-	291,668
Recreation activities	-	13,431	13,431
Sewage treatment	469,982	-	469,982
	<u> </u>	<u> </u>	<u> </u>
TOTAL OPERATING EXPENDITURES	<u>2,238,164</u>	<u>358,761</u>	<u>2,596,925</u>
INCOME FROM OPERATIONS	<u>152,513</u>	<u>17,217</u>	<u>169,730</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION - PROPRIETARY FUNDS
 For the Year Ended June 30, 2014

	Water & Sewer Fund	Recreation Fund	Total
NON-OPERATING REVENUE (EXPENSE)			
Transfers	1,481		1,481
Interest Income	921	-	921
Interest Expense	(5,715)	-	(5,715)
TOTAL NON-OPERATING REVENUE (EXPENSE)	(3,313)	-	(3,313)
INCREASE IN NET POSITION	149,200	17,217	166,417
NET POSITION BEGINNING OF YEAR	7,025,993	63,028	7,089,021
NET POSITION AT END OF YEAR	\$ 7,175,193	\$ 80,245	\$ 7,255,438

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, 2014

	Water & Sewer Fund	Recreation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,336,327	\$ 371,006	\$ 2,707,333
Payments to suppliers	(1,329,518)	(264,191)	(1,593,709)
Payments for employees and benefits	(618,273)	(88,801)	(707,074)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>388,536</u>	<u>18,014</u>	<u>406,550</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of property, plant and equipment	(42,758)	-	-
Interest payments on debt	(5,715)	-	(5,715)
Principal payments on debt	(52,316)	-	(52,316)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(100,789)</u>	<u>-</u>	<u>(58,031)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Operating transfers in	1,481	-	1,481
Payments received on notes receivable	14,172	-	14,172
Interest income	921	-	921
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,574</u>	<u>-</u>	<u>16,574</u>
NET INCREASE IN CASH	304,321	18,014	322,335
CASH - BEGINNING OF YEAR	<u>776,432</u>	<u>96,247</u>	<u>872,679</u>
CASH - END OF YEAR	<u>\$ 1,080,753</u>	<u>\$ 114,261</u>	<u>\$ 1,195,014</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income	\$ 152,513	\$ 17,217	\$ 169,730
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	291,668	-	291,668
Change in net assets and liabilities:			
Receivables, net	(54,350)	-	(54,350)
Prepaid expenses	627	-	627
Deferred revenue	-	(4,972)	(4,972)
Exchange	-	5,131	5,131
Accrued payroll and compensated absences	(1,922)	638	(1,284)
Net cash provided by operating activities	<u>\$ 388,536</u>	<u>\$ 18,014</u>	<u>\$ 406,550</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUND
 June 30, 2014

	<u>Cemetery Trust Fund</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 33,333	\$ 153,900
TOTAL ASSETS	<u>\$ 33,333</u>	<u>\$ 153,900</u>
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES		
Unearned revenue	\$ -	\$ 153,900
TOTAL LIABILITIES	<u>-</u>	<u>153,900</u>
NET POSITION		
Restricted	<u>33,333</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 33,333</u>	<u>\$ 153,900</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
 For the Year Ended June 30, 2014

	Cemetery Trust Fund <hr/>
ADDITIONS	
Sales of plots	\$ 3,900
Interest on deposits	<u>38</u>
TOTAL ADDITIONS	<u>3,938</u>
OTHER ADDITIONS/DEDUCTIONS	
Operating Transfers Out	<u>(1,500)</u>
TOTAL OTHER ADDITIONS/DEDUCTIONS	<u>(1,500)</u>
CHANGES IN NET POSITION	2,438
NET POSITION AT BEGINNING OF YEAR	<u>30,895</u>
NET POSITION AT END OF YEAR	<u>\$ 33,333</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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.

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.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the Town 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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
- 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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

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.

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 position.

Fund Equity

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

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

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

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

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

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned – All amounts not included in other classifications.

Estimates

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

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.

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	\$ 347,911
Penalties on taxes receivable	25,151
Interest on taxes receivable	<u> 103,425</u>
	476,487
Allowance for uncollectible delinquent taxes	<u> (68,000)</u>
	<u><u> \$ 408,487</u></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, 2014 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 \$340,652 at June 30, 2014.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 CAPITAL ASSETS

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,950,608	\$ 581,236	\$ -	\$ 3,531,844
Construction in progress	<u>425,700</u>	<u>4,447,835</u>	<u>(335,479)</u>	<u>4,538,056</u>
Total capital assets not being depreciated	<u>3,376,308</u>	<u>5,029,071</u>	<u>(335,479)</u>	<u>8,069,900</u>
Other capital assets:				
Book Collection	459,726	-	-	459,726
Building and improvements	2,601,097	56,777	-	2,657,874
Equipment	5,916,008	623,071	(366,765)	6,172,314
Infrastructure	<u>22,983,800</u>	<u>327,305</u>	<u>-</u>	<u>23,311,105</u>
Total other capital assets	<u>31,960,631</u>	<u>1,007,153</u>	<u>(366,765)</u>	<u>32,601,019</u>
Less accumulated depreciation for:				
Book collection	(453,754)	(4,465)	-	(458,219)
Building and improvements	(1,552,811)	(54,664)	-	(1,607,475)
Equipment	(3,887,486)	(449,662)	366,765	(3,970,383)
Infrastructure	<u>(10,384,645)</u>	<u>(602,782)</u>	<u>-</u>	<u>(10,987,427)</u>
Total accumulated depreciation	<u>(16,278,696)</u>	<u>(1,111,573)</u>	<u>366,765</u>	<u>(17,023,504)</u>
Total capital assets being depreciated, net	<u>15,681,935</u>	<u>(104,420)</u>	<u>-</u>	<u>15,577,515</u>
Governmental Activities - Capital Assets, Net	<u>\$ 19,058,243</u>	<u>\$ 4,924,651</u>	<u>\$ (335,479)</u>	<u>\$ 23,647,415</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 33,360
Public Safety	301,379
Highways and Streets	672,240
Storm Water	10,369
Culture and Recreation	<u>94,225</u>
TOTAL	<u>\$ 1,111,573</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 CAPITAL ASSETS (continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 22,782	\$ 36,958	\$ -	\$ 59,740
Capital assets being depreciated:				
Water/sewer plant	12,766,648	-	-	12,766,648
Machinery and equipment	245,154	5,800	-	250,954
Vehicles	<u>102,460</u>	<u>-</u>	<u>-</u>	<u>102,460</u>
Total Capital assets being depreciated	<u>13,114,262</u>	<u>5,800</u>	<u>-</u>	<u>13,120,062</u>
Less accumulated depreciation for:				
Water/sewer plant	(6,670,261)	(279,566)	-	(6,949,827)
Machinery and equipment	(207,210)	(8,507)	-	(215,717)
Vehicles	<u>(98,865)</u>	<u>(3,595)</u>	<u>-</u>	<u>(102,460)</u>
Total accumulated depreciation	<u>(6,976,336)</u>	<u>(291,668)</u>	<u>-</u>	<u>(7,268,004)</u>
Total capital assets being depreciated, net	<u>6,137,926</u>	<u>(285,868)</u>	<u>-</u>	<u>5,852,058</u>
Business-Type Activities - Capital Assets, Net	<u>\$ 6,160,708</u>	<u>\$ (248,910)</u>	<u>\$ -</u>	<u>\$ 5,911,798</u>

Depreciation expense for the Business-type Activities was \$291,668 for the fiscal year ended June 30, 2014.

NOTE 4 ACCRUED COMPENSATION

At June 30, 2014, the Town had the following vested benefits earned by their employees:

	<u>General Fund</u>	<u>Water/Sewer Fund</u>
Vested Compensation	\$ 785,131	\$ 122,915
Less: Current Portion	<u>(65,370)</u>	<u>(4,296)</u>
TOTAL LONG-TERM PORTION	<u>\$ 719,761</u>	<u>\$ 118,619</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 NOTES AND BONDS PAYABLE

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>Notes Payable</u>					
Note payable to TD Banknorth, fire truck note, interest at 3.79%, due October 7, 2013.	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
Vermont Municipal Bond Bank, 2013 Series I Bonds, interest varies from .444% to 4.644%. Annual principal payments of \$345,000 plus interest, due November 15, 2033	-	6,900,000	-	6,900,000	345,000
Note payable to State of Vermont, ARRA note, 2% administrative fee, due September 1, 2016	<u>138,649</u>	<u>-</u>	<u>(33,640)</u>	<u>105,009</u>	<u>34,312</u>
	<u>\$ 208,649</u>	<u>\$ 6,900,000</u>	<u>\$ (103,640)</u>	<u>\$ 7,005,009</u>	<u>\$ 379,312</u>

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Governmental Activities as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 379,312	\$ 231,587	\$ 610,899
2016	379,999	227,489	607,488
2017	380,698	222,066	602,764
2018	345,000	215,318	560,318
2019	345,000	207,973	552,973
2020-2024	1,725,000	891,394	2,616,394
2025-2029	1,725,000	573,873	2,298,873
2030-2034	<u>1,725,000</u>	<u>198,358</u>	<u>1,923,358</u>
TOTAL	<u>\$ 7,005,009</u>	<u>\$ 2,768,058</u>	<u>\$ 9,773,067</u>

Of the \$6,900,000 bond proceeds received during 2014 for the police facility construction \$3,413,785 remained unspent at year end. This amount is recognized as restricted cash on the fund and government wide balance sheets.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 NOTES AND BONDS PAYABLE (continued)

<u>Business-Type Funds</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>	<u>Current Portion</u>
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, 2013	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
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	15,000	-	(15,000)	-	-
Note payable to State of Vermont, ARRA note, 2% administrative fee, due October 1, 2032.	<u>263,715</u>	<u>-</u>	<u>(12,316)</u>	<u>251,399</u>	<u>12,562</u>
	<u>\$ 303,715</u>	<u>\$ -</u>	<u>\$ (52,316)</u>	<u>\$ 251,399</u>	<u>\$ 12,562</u>

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Business-Type Funds as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 12,562	\$ 5,028	\$ 17,590
2016	12,814	4,777	17,591
2017	13,070	4,520	17,590
2018	13,331	4,259	17,590
2019	13,598	3,992	17,590
2020-2024	72,180	15,772	87,952
2025-2029	79,692	8,261	87,953
2030-2033	<u>34,152</u>	<u>1,028</u>	<u>35,180</u>
	<u>\$ 251,399</u>	<u>\$ 47,637</u>	<u>\$ 299,036</u>

Total interest expense for the year ended June 30, 2014 was \$204,133, of which \$193,036 was capitalized as part of police facility bond interest only payments which are included in construction in progress at June 30, 2014.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 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	\$ 792,238	\$ 796,717
Insured by Deposit Surety Bond	6,935,999	7,040,832
Offset by debt with institution	3,163,785	3,163,785
Petty Cash	3,246	-
Total Deposits	\$ 10,895,268	\$ 11,001,334

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 \$6,600,000 and is for the period June 11, 2014 – August 13, 2014. The coverage with Merchants bank is in the amount of \$1,900,000 and is for the period of May 30, 2014 – August 29, 2014.

NOTE 7 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 8 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 \$75,443 and the employee contributions were \$25,292 for the year ended June 30, 2014.

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 8 PENSION PLAN (continued)

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% - 8.5% and employees contribute 7.25% - 7.75% of employee's salaries. Benefit and contribution provisions are established by State Law (VSA, Title 25, Chapter 125). The Town contributed \$295,155 and the employee contributions were \$214,992 to the plan for the year ended June 30, 2014. 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 \$5,092,890, \$943,034 was covered under the ICMA retirement plan, \$3,610,210 was covered under the State of Vermont Municipal Employees Retirement Plan and \$539,646 was not covered for the year ended June 30, 2014.

NOTE 9 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, 2014 are as follows:

GENERAL FUND

Restricted for:

Reappraisal	<u>\$ 414,409</u>
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Committed for:

Prepaid expenses	\$ 89,755
Economic development	20,213
Planning	28,703
Retirement	100,000
Records preservation	520,292
BOS Professional services	<u>6,400</u>

Total Committed Fund Balance	<u>\$ 765,363</u>
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Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 FUND EQUITY (continued)

Committed for:

Future vehicle purchases	\$ 135,321
Future parks and recreation projects	571,890
Future highway projects	289,333
Future stormwater projects	205,599
Future water projects	47,409
Future building projects	3,675,721
Future capital projects	<u>396,133</u>

Total Committed Fund Balance \$ 5,321,406

WATER & SEWER FUND

Designated for:

Future capital expenses	\$ 304,277
Prepaid expenses	<u>6,799</u>

Total Designated Fund Balance \$ 311,076

FIDUCIARY FUND

Restricted for Cemetery - These funds are accumulated for the maintenance of the cemetery.	<u>\$ 33,333</u>
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NOTE 10 RESTRICTED NET POSITION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

GENERAL FUND

Restricted for:

Reappraisal	\$ 414,409
Records Preservation	<u>520,292</u>

Total Restricted Net Position \$ 934,701

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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, 2014.

<u>Amount</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>
\$ 9,700	General Fund	Capital Projects	Stormwater Equipment
2,400	General Fund	Capital Projects	Community Development
30,000	General Fund	Capital Projects	Fire Department
31,000	General Fund	Capital Projects	Parks Equipment
150,000	General Fund	Capital Projects	Highway Equipment
4,000	General Fund	Capital Projects	Senior Citizen Bus
17,048	General Fund	Capital Projects	Future Projects
1,481	General Fund	Water/Sewer Fund	Conservation
<u>1,500</u>	Cemetery Trust	Capital Projects	Cemetery Equipment
<u>\$ 247,129</u>			

NOTE 12 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 13 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.

The Town received a \$515,500 Vermont Community Development Program Grant award during the fiscal year 2012. This grant was loaned to the Cedar's Edge Apartments Limited Partnership to assist in the acquisition of an affordable housing development located on 47 Susie Wilson Drive in Essex, Vermont. The loan is deferred for 30 years and bears no interest. As such, the Town has recorded an allowance for the entire amount.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 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 \$7,409 for the year ended June 30, 2014.

NOTE 15 DISCLOSURE OF SUBSEQUENT EVENTS

Effective July 1, 2014 the Town of Essex contracted with the Village of Essex Junction to collect all current and delinquent property tax receivables. As part of this agreement the Town agreed to purchase all delinquent receivables, penalties and interest from the Village of Essex Junction at the full face value of the balance owed effective July 1, 2014.

In accordance with professional accounting standards, the Town has evaluated subsequent events through January 26, 2015, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2014, have been incorporated into the financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Essex, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - GENERAL FUND
 For the Year Ended June 30, 2014

	Original Budget	Budget	Actual	Variance
REVENUES				
Property tax	\$ 9,751,585	\$ 9,751,585	\$ 9,791,595	\$ 40,010
Licenses and permits	49,200	49,200	59,782	10,582
Intergovernmental revenues	301,700	301,700	506,822	205,122
Charges for services	419,800	419,800	415,046	(4,754)
Fines and forfeits	122,000	122,000	111,585	(10,415)
Interest income	15,000	15,000	7,112	(7,888)
Miscellaneous income	40,001	40,001	64,711	24,710
Proceeds from sale of fixed assets	5,000	5,000	4,434	(566)
TOTAL REVENUES	<u>10,704,286</u>	<u>10,704,286</u>	<u>10,961,087</u>	<u>256,801</u>
EXPENDITURES				
General government	2,386,771	2,386,771	2,340,411	46,360
Public safety	4,203,223	4,203,223	4,002,291	200,932
Highways and Streets	1,869,015	1,869,015	2,075,278	(206,263)
Stormwater	231,632	231,632	242,988	(11,356)
Sanitation	12,500	12,500	7,409	5,091
Health and Welfare	169,740	169,740	157,129	12,611
Culture and Recreation	1,087,479	1,087,479	954,329	133,150
Debt service	318,186	318,186	319,106	(920)
Intergovernmental	425,740	425,740	432,922	(7,182)
TOTAL EXPENDITURES	<u>10,704,286</u>	<u>10,704,286</u>	<u>10,531,863</u>	<u>172,423</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,224</u>	<u>\$ 429,224</u>

**RECONCILIATION OF BUDGETARY
BASIS TO GAAP BASIS**

Excess (Deficiency) of Revenues over Expenditures - Budgetary Basis	\$ 429,224
Adjustments for non-budget:	
Grant revenues	300,669
Other revenues	97,757
Grant expenditures	<u>(301,053)</u>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - GAAP BASIS	<u>\$ 526,597</u>
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See Accompanying Notes to Basic Financial Statements.