

Town of Essex, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2016

Town of Essex, Vermont
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Kittell Branagan & Sargent

Certified Public Accountants

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, 2016, 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, 2016, 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, budgetary comparison information on page 37 and the schedule of proportionate share of the net pension liability on page 38 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 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.

Kittell Branagan & Sargent

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2016

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, 2016. 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 2016 and FY 2015.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets exceeded its liabilities and deferred inflows at June 30, 2016, by \$33,335,390 compared to \$32,386,070 at June 30, 2015. This represents an increase of \$949,320 or 2.9%. The change in net position for fiscal year 2015 was \$996,779. The 2016 increase was \$47,459 less than the 2015 increase.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$5,643,243, a decrease of \$1,276,695 when compared with \$6,919,938 for the prior year. Of the total fund balance, \$3,242,977 represents amounts committed or restricted for specific purposes, such as reappraisal, prepaid expenses, and various capital projects. The remaining \$2,400,266 represents unassigned fund balance in the General Fund.

In the General Fund, the unassigned total of \$2,400,266 is an increase of \$446,109 from the June 30, 2015 unreserved balance of \$1,954,157. Included in the total Fund Balance decrease in the General Fund of \$23,997, are changes in amounts that are restricted and committed for specific purposes. There was an increase in the amount restricted for reappraisal of \$66,300, a decrease in the amount committed for prepaid expenses of \$33,559, and a decrease of \$502,807 in the amount committed for records preservation.

In the General Fund, the unassigned balance of \$2,400,266 represents 19% of the General Fund operating budget for FYE2016 or approximately ten 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 was approved for use in FYE 2017. When considering the approved use in FYE2017 and the proposed use in FYE2018, the remaining balance will represent 15.6% of the FYE2018 proposed budget. When compared to the proposed FYE 2018 budget it represents approximately 9 weeks of operating expenses.

Long-term Debt

The Town's total debt increased during the fiscal year to \$9,016,484 a net increase of \$1,005,869. The cause of the increase was the combination of the reduction of debt on the new police facility of \$355,000 which was offset by an increase in the amount for accrued and compensated absences and the increase of \$1,265,914 in Net Pension Liabilities which represents the Town's share of net pension liability in the VMERS retirement plan. It is important to note that the Town has made all required contributions to the plan and this liability is a reflection on the overall funding levels of the plan.

Principal payments were also made on the outstanding ARRA loans. In FYE2011 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 \$261,721 as of June 30, 2016. 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 10)

Town of Essex, Vermont
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Another component of the Town's long-term debt is accrued and compensated absences. The total balance of accrued and compensated balances was \$1,146,531, and \$1,013,764 as of June 30, 2016 and 2015 respectively. The total balance increased by \$132,767 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.

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, 2016, \$6,900,000 of these funds have been expended. Due to funds remaining on this project, the voters approved the re-purposing of up to \$800,000 of the bond proceeds to be used for the rehabilitation of 81 Main St.

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.)

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2016

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.

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.

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- 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 \$33,335,390 at the end of the fiscal year.

Net Position as of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Current & other assets	\$ 8,970,454	\$ 9,635,621	\$ 2,169,780	\$ 2,790,764	\$ 11,140,234	\$ 12,426,385
Capital assets	<u>25,251,566</u>	<u>27,125,775</u>	<u>5,664,685</u>	<u>5,366,145</u>	<u>30,916,251</u>	<u>32,491,920</u>
Total Assets	<u>\$ 34,222,020</u>	<u>\$ 36,761,396</u>	<u>\$ 7,834,465</u>	<u>\$ 8,156,909</u>	<u>\$ 42,056,485</u>	<u>\$ 44,918,305</u>
Deferred Outflows	<u>\$ 341,845</u>	<u>\$ 823,928</u>	<u>\$ 37,983</u>	<u>\$ 83,450</u>	<u>\$ 379,828</u>	<u>\$ 907,378</u>
Long-term liabilities						
outstanding	\$ 7,191,789	\$ 8,077,851	\$ 391,842	\$ 513,107	\$ 7,583,631	\$ 8,590,958
Other Liabilities	<u>1,426,926</u>	<u>3,379,456</u>	<u>60,175</u>	<u>72,088</u>	<u>1,487,101</u>	<u>3,451,544</u>
Total Liabilities	<u>\$ 8,618,715</u>	<u>\$ 11,457,307</u>	<u>\$ 452,017</u>	<u>\$ 585,195</u>	<u>\$ 9,070,732</u>	<u>\$ 12,042,502</u>
Deferred Inflows	<u>\$ 921,079</u>	<u>\$ 439,146</u>	<u>\$ 58,432</u>	<u>\$ 8,645</u>	<u>\$ 979,511</u>	<u>\$ 447,791</u>
Net Position						
Invested in capital assets, net of related debt	\$ 19,605,149	\$ 21,859,357	\$ 5,425,848	\$ 5,140,122	\$ 25,030,997	\$ 26,999,479
Restricted	1,038,729	602,222	-	-	1,038,729	602,222
Unrestricted	<u>4,380,193</u>	<u>3,227,292</u>	<u>1,936,151</u>	<u>2,506,397</u>	<u>6,316,344</u>	<u>5,733,689</u>
Total Net Position	<u>\$ 25,024,071</u>	<u>\$ 25,688,871</u>	<u>\$ 7,361,999</u>	<u>\$ 7,646,519</u>	<u>\$ 32,386,070</u>	<u>\$ 33,335,390</u>

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The largest portion of the Town's net position (81 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 (1.8 percent or \$602,222) represents restricted net position. These resources are restricted for reappraisal and records preservation.

The remaining portion of the Town's net position (17.2 percent or \$5,733,689) represents unrestricted net position. These resources are neither restricted nor invested in capital assets. Included in these funds is \$106,500 that is committed for the police facility and renovations at 81 Main St.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Revenues						
Program revenues						
Charges for services	\$ 615,238	\$ 626,183	\$ 2,720,118	\$ 2,875,423	\$ 3,335,356	\$ 3,501,606
Operating grants & contributions	692,724	849,603	218,854	314,547	911,578	1,164,150
Capital grants & contr.	133,773	246,205	-	-	133,773	246,205
Property taxes (including penalty and interest)	11,072,072	12,057,000	-	-	11,072,072	12,057,000
Unrestricted investment earnings	13,572	35,117	1,457	4,995	15,029	40,112
Gain on Disposal of Assets	-	(54,376)	-	-	-	(54,376)
Other revenues	35,758	18,233	-	-	35,758	18,233
Total Revenues	12,563,137	13,777,965	2,940,429	3,194,965	15,503,566	16,972,930

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
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For the Year Ended June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Expenses						
Governmental activities						
General Government	2,626,527	2,648,370	-	-	2,626,527	2,648,370
Public Safety	4,597,325	4,654,764	-	-	4,597,325	4,654,764
Highway and Streets	2,635,453	3,737,050	-	-	2,635,453	3,737,050
Health and Welfare	166,245	208,825	-	-	166,245	208,825
Culture and Recreation	1,113,779	1,229,360	-	-	1,113,779	1,229,360
Interest on long-term debt	196,378	198,754	-	-	196,378	198,754
Intergovernmental	423,617	434,616	-	-	423,617	434,616
Business-type activities						
Water and Sewer	-	-	2,422,179	2,486,095	2,422,179	2,486,095
Recreation Programs	-	-	372,082	425,776	372,082	425,776
Total Expenses	<u>11,759,324</u>	<u>13,111,739</u>	<u>2,794,261</u>	<u>2,911,871</u>	<u>14,553,585</u>	<u>16,023,610</u>
Change in net position						
before transfers	803,813	666,226	146,168	283,094	949,981	949,320
Transfers	<u>3,600</u>	<u>(1,426)</u>	<u>1,192</u>	<u>1,426</u>	<u>4,792</u>	<u>-</u>
Change in net position	807,413	664,800	147,360	284,520	954,773	949,320
Net position - July 1,	24,583,853	25,024,071	7,255,438	7,361,999	31,839,291	32,386,070
GASB 68 Adjustment	<u>(367,195)</u>	<u>-</u>	<u>(40,799)</u>	<u>-</u>	<u>(407,994)</u>	<u>-</u>
Net position - June 30,	<u>\$ 25,024,071</u>	<u>\$ 25,688,871</u>	<u>\$ 7,361,999</u>	<u>\$ 7,646,519</u>	<u>\$ 32,386,070</u>	<u>\$ 33,335,390</u>

Total Governmental activity expenses were \$13,111,739 and \$11,759,327 in fiscal years 2016 and 2015, 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 \$1,721,991 in 2016 and \$1,441,735 in 2015. 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 \$12,054,548 in fiscal 2016 and 11,125,002 in fiscal 2015. In 2016 approximately 100 percent of the Town's total general revenue came from taxes, in 2015 it was 99.5%.

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Fund Financial Statements

The combined fund balance of the Governmental Fund Financial Statements was \$5,643,243 at June 30, 2016 and \$8,401,872 at June 30, 2014. Of the FYE 2016 fund balance, \$2,400,266 constitutes unassigned funds in the General Fund, which are available for spending at the government's discretion. An amount of \$547,009 of the fund balance is restricted for reappraisal and \$2,695,968 is committed for specific purposes. (See note 11 on pages 25, 26 and 27 for a description of the restricted, committed, and designated funds.

The fund balance for the General Fund decreased from \$3,233,948 in FYE 2015 to \$3,209,951 in FYE 2016. The total decrease amounted to \$23,997 for the fiscal year ended June 30, 2016.

General Fund Budgetary Highlights

The fund balance of the Town's General Fund decreased by \$23,977 during the current fiscal year. The restricted portion of fund balance increased by \$66,300 from \$480,709 to \$547,009. 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 decreased by \$536,604 from a combined balance of \$799,082 to \$262,676 as of June 30, 2016 due to the use of Records Preservation reserve that was used in the construction of the new vault at 81 Main St. The unassigned portion of the fund balance increased from \$1,954,157 to \$2,400,266, an increase of \$446,109. Key factors in this change are as follows:

On the revenue side:

- Property tax revenues were more than budgeted by about \$54,000 primarily due to a reduction in the reserve for non-current taxes.
- Intergovernmental revenue exceeded expectations due to higher than anticipated State Highway Aid and the receipt of FEMA grant flood money.
- Charges for services in total were a little higher than budget. Revenues for Management Services were higher than budget due to the addition of Village of Essex Junction payments for the Senior Center Coordinator. Recording of legal documents was less than budget.
- Interest and penalties on delinquent taxes were greater than expected due to adjusting to holding the delinquents for the Village of Essex Junction and the Essex Junction School District.
- Miscellaneous revenue was more than expected due to higher than anticipated Interest on Deposits.

On the expenditure side:

- Total expenditures were \$409,886 less than expected.
- Expenditures for General Governmental operations were 2% over budget. Costs for liability and workers comp insurance and legal fees were over budget. The Town Clerk budget was also over budget due to a scanning project of old land records, which was funded through Records Preservation funds.
- Employee benefits were lower than anticipated in most departments due to lower than expected health care costs in the Vermont Health Exchange and lower utilization.
- Police Department costs were significantly under budget due to unfilled positions and the aforementioned health care costs being less than anticipated. Vehicle costs were more than budget as were communications costs. Repairs and Maintenance costs for the new police facility were greater than expected. In the Fire Department repairs to vehicles and equipment were significantly over budget as were costs for communications.

Town of Essex, Vermont
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- Highways and Streets ended the year less than one percent under budget. Savings from Winter Maintenance and Street Light costs were offset by higher than planned costs for Storm Drains.
- Stormwater costs were less than anticipated due to the delay in Stream monitoring by the State.
- Parks was underspent due to an employee out with an injury and Library salaries were also underspent due to timing of filling vacancies.

Capital Assets

The following is a schedule of capital assets as of June 30, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Land	\$ 3,531,844	\$ 3,531,844	\$ -	\$ -	\$ 3,531,844	\$ 3,531,844
Buildings & Impr.	9,081,258	11,140,722	-	-	9,081,258	11,140,722
Equip. & Vehicles	6,166,560	6,290,182	436,798	436,798	6,603,358	6,726,980
Book Collection	459,726	459,726	-	-	459,726	459,726
Infrastructure	23,538,654	23,851,257	12,766,648	12,766,648	36,305,302	36,617,905
Constr. in progress	<u>422,551</u>	<u>654,890</u>	<u>22,785</u>	<u>22,785</u>	<u>445,336</u>	<u>677,675</u>
Total Assets	43,200,593	45,928,621	13,226,231	13,226,231	56,426,824	59,154,852
Less: Accum. Depr.	<u>17,949,027</u>	<u>18,802,846</u>	<u>7,561,546</u>	<u>7,860,086</u>	<u>25,510,573</u>	<u>26,662,932</u>
Net Capital Assets	<u>\$ 25,251,566</u>	<u>\$ 27,125,775</u>	<u>\$ 5,664,685</u>	<u>\$ 5,366,145</u>	<u>\$ 30,916,251</u>	<u>\$ 32,491,920</u>

The Town had \$32,491,920 and \$30,916,251 invested in capital assets, net of depreciation, on June 30, 2016 and June 30, 2015, respectively. The net increase (including additions and deductions) between the two periods amounted to \$1,575,669.

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

- Various streets and sidewalks were resurfaced or reconstructed at a cost of \$304,788. These improvements included resurfacing / reconstruction of portions of River Rd. Sidewalk, Margaret St., Allen Martin Dr., Sand Hill Rd., and Valley View Sidewalk.
- 81 Main St. Renovation was completed and a total amount of \$2,432,163 was capitalized.
- New vehicles purchased during the year included; 4 Police vehicles, a new pool car vehicle, a new pickup truck for Highway. The total cost for these vehicles was \$135,402.
- Other improvements include remodeling of the Highway Complex, paving of 81 Main Parking Lot, purchase of a tractor by the Highway Department, and conference room furniture was purchased for 81 Main St.
- There were no capital asset purchases in the Water/Sewer Fund in FYE16

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2016

Debt

At the end of the fiscal year, the Town had \$6,471,721 in long-term debt outstanding compared to \$6,864,534 in the prior year, a decrease of \$392,813. The main reason for the decrease was a \$345,000 principal payment on the police facility bond. A summary of outstanding long-term debt follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Notes Payable	\$ 70,697	\$ 35,698	\$ 238,837	\$ 226,023	\$ 309,534	\$ 261,721
Bonds Payable	<u>6,555,000</u>	<u>6,210,000</u>	<u>-</u>	<u>-</u>	<u>6,555,000</u>	<u>6,210,000</u>
TOTAL	<u>\$ 6,625,697</u>	<u>\$ 6,245,698</u>	<u>\$ 238,837</u>	<u>\$ 226,023</u>	<u>\$ 6,864,534</u>	<u>\$ 6,471,721</u>

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. In March 2015 the voters approved the re-purposing of up to \$800,000 of the bond issue for the renovation project at 81 Main St.

Economic Factors and Fiscal Year 2017 Budget

- Starting in FYE2015 the Town entered into an agreement with the Village of Essex Junction and the Essex Junction School District to bill and collect their property taxes. This action was an effort to reduce the duplication of services that existed. As part of the agreement the Town assumed the delinquent taxes of the Village and Village School District. These delinquent taxes of approximately \$130,000 caused an increase in the Town's reserve for uncollected taxes which negatively affected Tax revenue for the year FYE15. The Town has continued its collection efforts while remaining sympathetic to the economic issues faced by taxpayers. In FYE16, due to collection efforts, the reserve for uncollected taxes was decreased.
- In FYE2014 the Town and Village entered into an agreement to share the services of the Town Manager as the Municipal Manager for both entities. This arrangement led to the Village sharing the salary costs of the Manager with the Town, thereby reducing the cost to all taxpayers. In FYE2015 it was determined that this cost sharing was beneficial and efforts should continue to find more areas to cooperate in the delivery of services to be more efficient. This arrangement has resulted in total savings through FYE2017 of \$297,000 for the Town and \$397,500 for the Village, and continues in FYE18.
- FYE16 was the first of a three year commitment to combine Highway and Street budgets with the Village of Essex Junction. The Village Trustees adopted the Village Street budget and the Town of Essex voters approved the funding for this budget as part of the Town budget. The success of this combination will be evaluated to determine if it will be continued beyond FYE18.
- In FYE16 the Town and the Village combined accounts payable, accounts receivable, cash receipts and general ledger. Two Village employees were relocated to the Town offices to share this work.
- In FYE17 the Village Clerk/Treasurer became the combined Town and Village Clerk/Treasurer when the Town Clerk/Treasurer position became vacant through retirement.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2016

These factors were considered in preparing the Town of Essex's budget for the 2017 fiscal year. At the 2016 Town meeting the voters approved the Selectboard recommended FYE 2017 budget, in the amount of \$13,182,890, an increase of \$595,426 over the previous year. The budget with the largest increase was the Highway budget. In this budget the funds to pave Village roads were introduced into the budget. At the same time the Town Highway tax was decreased to balance the increase in the Town General Rate. The approved budget resulted in a tax rate for FYE2017 of \$.489, an increase of \$0.0228 over FYE2016. The increase in the General tax rate was offset by a decrease in the Town Highway Tax of \$0.107 and a decrease in the Village General tax rate of \$0.01863.

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, 2016, this fund realized net loss from operations in the amount of \$4,426. The fund has a fund balance of \$102,744, which remains in the Fund and is used to support future growth of the programs.

Rates for water and wastewater operations were increased in fiscal year 2016 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 was addressed in the preparation of operating budgets and rates for recent periods and was eliminated in FYE 2016. 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 FYE2014 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. Through FYE2017 the shared Manager agreement has saved the Town over \$297,000 and the Village over \$397,500 for total savings to the community of over \$694,000. 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.

These efforts have resulted in agreements between the Town and Village and the Town and Village School district whereby the Town bills and collects all property taxes and thus eliminating the duplication of effort that went into the prior 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 were programmed into the Town's FYE 2016 budget. Through these consolidated efforts, over \$80,000 in combined savings has been identified and the Town and Village have been awarded over \$500,000 in stormwater grants that would not have otherwise been awarded without the cooperative effort.

Town of Essex, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
For the Year Ended June 30, 2016

The FYE2017 budget continued this combination effort by including all Village and Town operational paving costs into the operating budgets of the Departments. This combination of costs resulted in an increase in the proposed Village Highway budget of \$200,000 and the movement of \$165,000 in town paving costs from the Town Highway tax to the Town General Tax. Finance operations have also been combined in order to promote efficiency. In FYE18 IT functions and the Clerk's Department are proposed to be combined for further efficiencies and cost savings.

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, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
CURRENT ASSETS			
Cash	\$ 7,820,902	\$ 2,136,206	\$ 9,957,108
Restricted cash	979,280	-	979,280
Taxes receivable, net of allowance	700,342	-	700,342
Accounts receivables - other	72,450	649,553	722,003
Prepaid expenses	62,647	5,005	67,652
TOTAL CURRENT ASSETS	9,635,621	2,790,764	12,426,385
CAPITAL ASSETS, net	27,125,775	5,366,145	32,491,920
DEFERRED OUTFLOWS	823,928	83,450	907,378
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 37,585,324	\$ 8,240,359	\$ 45,825,683
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 1,325,110	\$ -	\$ 1,325,110
Due from Village of Essex Junction	1,309,759	-	1,309,759
Accrued payroll	297,717	37,105	334,822
Exchange	9,672	15,981	25,653
Accrued interest	28,960	1,714	30,674
Current portion notes and bonds payable	380,698	13,070	393,768
Current portion of compensated absences	27,540	4,218	31,758
TOTAL CURRENT LIABILITIES	3,379,456	72,088	3,451,544
LONG-TERM LIABILITIES			
Accrued compensated absences	946,575	168,198	1,114,773
Net pension liabilities	1,266,276	131,956	1,398,232
Notes and bonds payable	5,865,000	212,953	6,077,953
TOTAL LONG-TERM LIABILITIES	8,077,851	513,107	8,590,958
TOTAL LIABILITIES	11,457,307	585,195	12,042,502
DEFERRED INFLOWS			
Deferred inflows	15,823	1,602	17,425
Deferred revenue	423,323	7,043	430,366
TOTAL DEFERRED INFLOWS	439,146	8,645	447,791
NET POSITION			
Net Investment in Capital Assets	21,859,357	5,140,122	26,999,479
Restricted	602,222	-	602,222
Unrestricted	3,227,292	2,506,397	5,733,689
TOTAL NET POSITION	25,688,871	7,646,519	33,335,390
TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION	\$ 37,585,324	\$ 8,240,359	\$ 45,825,683

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2016

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Revenues</u>	<u>Capital Grants and Revenues</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>
<u>Functions/Programs</u>							
Governmental activities							
General government	\$ 2,648,370	\$ 389,374	\$ 247,577	\$ -	\$ (2,011,419)	\$ -	\$ (2,011,419)
Public safety	4,654,764	68,984	297,539	-	(4,288,241)	-	(4,288,241)
Highways and Streets	3,737,050	38,870	256,421	164,334	(3,277,425)	-	(3,277,425)
Health and Welfare	208,825	25,252	-	-	(183,573)	-	(183,573)
Culture and Recreation	1,229,360	103,703	48,066	81,871	(995,720)	-	(995,720)
Intergovernmental	434,616	-	-	-	(434,616)	-	(434,616)
Interest on long-term debt	198,754	-	-	-	(198,754)	-	(198,754)
Total governmental activities	<u>13,111,739</u>	<u>626,183</u>	<u>849,603</u>	<u>246,205</u>	<u>(11,389,748)</u>	<u>-</u>	<u>(11,389,748)</u>
Business-type activities:							
Water and Sewer	2,486,095	2,454,073	314,547	-	-	282,525	282,525
Recreation	425,776	421,350	-	-	-	(4,426)	(4,426)
Total business-type activities	<u>\$ 2,911,871</u>	<u>\$ 2,875,423</u>	<u>\$ 314,547</u>	<u>\$ -</u>	<u>-</u>	<u>278,099</u>	<u>278,099</u>
General Revenues:							
Property taxes, levied for general purposes					11,874,252	-	11,874,252
Penalties and interest on delinquent taxes					182,748	-	182,748
Unrestricted investment earnings					35,117	4,995	40,112
Transfers					(1,426)	1,426	-
Gain/loss on sale of fixed assets					(54,376)	-	(54,376)
Miscellaneous					18,233	-	18,233
Total general revenues and transfers					<u>12,054,548</u>	<u>6,421</u>	<u>12,060,969</u>
Change in Net Position					664,800	284,520	949,320
Net position, beginning					<u>25,024,071</u>	<u>7,361,999</u>	<u>32,386,070</u>
Net position, ending					<u>\$ 25,688,871</u>	<u>\$ 7,646,519</u>	<u>\$ 33,335,390</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 6,400,125	\$ 1,420,777	\$ 7,820,902
Restricted cash	-	979,280	979,280
Taxes receivable, net of allowance	84,321	-	84,321
Other receivables	28,439	33,235	61,674
Prepaid expenses	<u>62,647</u>	<u>-</u>	<u>62,647</u>
 TOTAL ASSETS	 <u>\$ 6,575,532</u>	 <u>\$ 2,433,292</u>	 <u>\$ 9,008,824</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 1,325,110	\$ -	\$ 1,325,110
Due to Village of Essex Junction	1,309,759	-	1,309,759
Accrued payroll	297,717	-	297,717
Exchange	9,672	-	9,672
Deferred revenue	<u>423,323</u>	<u>-</u>	<u>423,323</u>
 TOTAL LIABILITIES	 <u>3,365,581</u>	 <u>-</u>	 <u>3,365,581</u>
FUND BALANCE			
Restricted	547,009	-	547,009
Committed	262,676	2,433,292	2,695,968
Unassigned	<u>2,400,266</u>	<u>-</u>	<u>2,400,266</u>
 TOTAL FUND BALANCE	 <u>3,209,951</u>	 <u>2,433,292</u>	 <u>5,643,243</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 6,575,532</u>	 <u>\$ 2,433,292</u>	 <u>\$ 9,008,824</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, 2016

Total fund balances - governmental funds \$ 5,643,243

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 27,125,775

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 616,021

Reserve for non-current grant revenue 10,776

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 (974,115)

Net pension liabilities (1,266,276)

Accrued interest on long-term debt (28,960)

Notes payable (6,245,698)

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and therefore not reported as assets in the funds. 823,928

Deferred inflows of resources represent the acquisition of net position applicable to a future reporting period and therefore are not reported as liabilities in funds. (15,823)

Total net position - governmental activities \$ 25,688,871

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, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property tax	\$ 11,406,510	\$ 498,474	\$ 11,904,984
Licenses and permits	64,480	-	64,480
Intergovernmental revenues	447,315	243,282	690,597
Charges for services	469,364	82,026	551,390
Fines and forfeits	182,748	-	182,748
Interest income	29,351	5,766	35,117
Miscellaneous income	72,648	-	72,648
Grant income	311,314	39,016	350,330
	<u>12,983,730</u>	<u>868,564</u>	<u>13,852,294</u>
TOTAL REVENUES			
EXPENDITURES			
General government	2,576,187	2,353,494	4,929,681
Public safety	4,312,117	-	4,312,117
Highways and Streets	2,701,166	333,288	3,034,454
Stormwater	256,025	283	256,308
Sanitation	7,692	-	7,692
Health and Welfare	208,825	-	208,825
Culture and Recreation	1,057,278	279,104	1,336,382
Intergovernmental	434,616	-	434,616
Debt service	379,999	-	379,999
Interest expense	227,489	-	227,489
	<u>12,161,394</u>	<u>2,966,169</u>	<u>15,127,563</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>822,336</u>	<u>(2,097,605)</u>	<u>(1,275,269)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers In	-	844,907	844,907
Operating transfers Out	(846,333)	-	(846,333)
	<u>(846,333)</u>	<u>844,907</u>	<u>(1,426)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	(23,997)	(1,252,698)	(1,276,695)
FUND BALANCE - July 1, 2015	<u>3,233,948</u>	<u>3,685,990</u>	<u>6,919,938</u>
FUND BALANCE - June 30, 2016	<u>\$ 3,209,951</u>	<u>\$ 2,433,292</u>	<u>\$ 5,643,243</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, 2016

Net change in fund balances - governmental funds \$ (1,276,695)

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	(1,318,821)
Capital Outlay	3,193,030

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	(30,731)
Increase in the reserve for non-current grants	10,776

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 position.

Repayment of long-term debt	379,999
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Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in
governmental funds.

Pension expense	(206,762)
Accrued interest on long-term debt	28,735
Accrued compensated absences	<u>(114,731)</u>

Change in net position of governmental activities \$ 664,800

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

	Water & Sewer Fund	Recreation Fund	Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
CURRENT ASSETS			
Cash	\$ 1,983,075	\$ 153,131	\$ 2,136,206
Accounts receivable - net	649,553	-	649,553
Prepaid expenses	5,005	-	5,005
TOTAL CURRENT ASSETS	2,637,633	153,131	2,790,764
 CAPITAL ASSETS, net	 5,366,145	 -	 5,366,145
 DEFERRED OUTFLOWS	 67,294	 16,156	 83,450
 TOTAL ASSETS AND DEFERRED OUTFLOWS	 \$ 8,071,072	 \$ 169,287	 \$ 8,240,359
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
CURRENT LIABILITIES			
Current portion compensated absences	\$ 4,218	\$ -	\$ 4,218
Current portion long-term debt	13,070	-	13,070
Accrued payroll	19,712	17,393	37,105
Exchange	-	15,981	15,981
Other accrued expenses	1,714	-	1,714
TOTAL CURRENT LIABILITIES	38,714	33,374	72,088
 LONG-TERM LIABILITIES			
Accrued compensated absences	168,198	-	168,198
Net pension liabilities	106,140	25,816	131,956
Notes and bonds payable	212,953	-	212,953
TOTAL LONG-TERM LIABILITIES	487,291	25,816	513,107
 TOTAL LIABILITIES	 526,005	 59,190	 585,195
 DEFERRED INFLOWS			
Deferred inflows	1,292	310	1,602
Deferred revenue	-	7,043	7,043
TOTAL DEFERRED INFLOWS	1,292	7,353	8,645
 NET POSITION			
Net investment in capital assets	5,140,122	-	5,140,122
Unrestricted - designated	309,734	-	309,734
Unrestricted	2,093,919	102,744	2,196,663
TOTAL NET POSITION	7,543,775	102,744	7,646,519
 TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	 \$ 8,071,072	 \$ 169,287	 \$ 8,240,359

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, 2016

	Water & Sewer Fund	Recreation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ 2,454,073	\$ 417,312	\$ 2,871,385
Hookup fees	275,742	-	275,742
Interest and penalties on delinquents	38,355	-	38,355
Miscellaneous	450	4,038	4,488
	<u> </u>	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	<u>2,768,620</u>	<u>421,350</u>	<u>3,189,970</u>
OPERATING EXPENSES			
Regular salaries	374,894	94,510	469,404
Overtime salaries	30,775	2,885	33,660
Group health insurance	100,036	-	100,036
Social security	30,553	7,499	38,052
Employee retirement	51,939	5,627	57,566
Other employee benefits	21,251	-	21,251
Professional services	12,292	31,195	43,487
Repair and maintenance	134,481	-	134,481
Rental of equipment	310	9,750	10,060
Telephone/communications	3,184	411	3,595
Printing and postage	-	17,714	17,714
Purchased Services	-	201,723	201,723
Advertising	5,734	-	5,734
Travel	1,291	17,567	18,858
Small tools and equipment	4,135	4,112	8,247
Supplies	169	3,775	3,944
Utilities	49,678	-	49,678
Uniforms	2,454	-	2,454
Natural gas	631	-	631
CWD water purchases	564,585	-	564,585
Insurance	24,512	-	24,512
Dues and fees	5,436	-	5,436
Machinery	253,495	-	253,495
Depreciation expense	298,540	-	298,540
Recreation activities	-	29,008	29,008
Sewage treatment	510,943	-	510,943
	<u> </u>	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	<u>2,481,318</u>	<u>425,776</u>	<u>2,907,094</u>
CHANGE IN NET POSITION FROM OPERATIONS	<u>287,302</u>	<u>(4,426)</u>	<u>282,876</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, 2016

	<u>Water & Sewer Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
NON-OPERATING REVENUE (EXPENSE)			
Transfers	1,426	-	1,426
Interest Income	4,995	-	4,995
Interest Expense	<u>(4,777)</u>	<u>-</u>	<u>(4,777)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>1,644</u>	<u>-</u>	<u>1,644</u>
CHANGE IN NET POSITION	288,946	(4,426)	284,520
NET POSITION AT BEGINNING OF YEAR	<u>7,254,829</u>	<u>107,170</u>	<u>7,361,999</u>
NET POSITION AT END OF YEAR	<u>\$ 7,543,775</u>	<u>\$ 102,744</u>	<u>\$ 7,646,519</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, 2016

	Water & Sewer Fund	Recreation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,693,756	\$ 422,646	\$ 3,116,402
Payments to suppliers	(1,573,330)	(316,448)	(1,889,778)
Payments for employees and benefits	(568,236)	(101,099)	(669,335)
	<u>552,190</u>	<u>5,099</u>	<u>557,289</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest payments on debt	(4,777)	-	(4,777)
Principal payments on debt	(12,813)	-	(12,813)
	<u>(17,590)</u>	<u>-</u>	<u>(17,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Operating transfers in	1,426	-	1,426
Interest income	4,995	-	4,995
	<u>6,421</u>	<u>-</u>	<u>6,421</u>
NET INCREASE IN CASH	541,021	5,099	546,120
CASH - BEGINNING OF YEAR	<u>1,442,054</u>	<u>148,032</u>	<u>1,590,086</u>
CASH - END OF YEAR	<u>\$ 1,983,075</u>	<u>\$ 153,131</u>	<u>\$ 2,136,206</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 287,302	\$ (4,426)	\$ 282,876
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	298,540	-	298,540
Change in net assets and liabilities:			
Receivables, net	(77,433)	-	(77,433)
Prepaid expenses	2,569	-	2,569
Deferred outflows	(36,908)	(8,559)	(45,467)
Net pension liability	95,555	23,169	118,724
Deferred inflows	(40,856)	(10,227)	(51,083)
Deferred revenue	-	1,296	1,296
Exchange	-	(1,193)	(1,193)
Accrued payroll and compensated absences	23,421	5,039	28,460
	<u>\$ 552,190</u>	<u>\$ 5,099</u>	<u>\$ 557,289</u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUND
 June 30, 2016

ASSETS

	<u>Cemetery Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 42,002	\$ 172,672
TOTAL ASSETS	<u>\$ 42,002</u>	<u>\$ 172,672</u>

LIABILITIES AND NET POSITION

LIABILITIES		
Unearned revenue	\$ -	\$ 172,672
TOTAL LIABILITIES	<u>-</u>	<u>172,672</u>
NET POSITION		
Restricted	<u>42,002</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 42,002</u>	<u>\$ 172,672</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, 2016

	Cemetery Trust Fund
ADDITIONS	
Sales of plots	\$ 4,850
Interest on deposits	85
TOTAL ADDITIONS	4,935
CHANGES IN NET POSITION	4,935
NET POSITION AT BEGINNING OF YEAR	37,067
NET POSITION AT END OF YEAR	\$ 42,002

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Essex, Vermont, (herein the “Town”) 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.

The accounting policies adopted by the Town conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

Financial Reporting Entity

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.

Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and presents a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting the operating results and financial position of the most significant funds of the Town and presents a shorter-term view of how operations were financed and what remains available for future spending.

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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major governmental funds:

- 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.
- The Capital Project Fund accounts for resources that were established to fund the Town's long-term capital budget.

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

Property taxes, licenses, ordinance violation fees and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty (60) days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Deposits and Investments

The 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

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

Unbilled revenues consist of revenues earned as of June 30, but not yet billed as of that date.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Balances

Activities between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as Advances to/from Other Funds. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Expenses

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

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.

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

Long-term Obligations

Noncurrent liabilities are comprised of notes payable and compensated absences. Noncurrent liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any noncurrent liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one (1) type of item which qualifies under the modified accrual basis of accounting. The governmental funds report deferred outflow of resources from one (1) source: proportionate share of VMERS pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two (2) types of items which qualify under the modified accrual basis of accounting. The governmental funds report deferred inflows of resources from two (2) source: unavailable grant revenue and proportionate share of VMERS pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Government-Wide and Proprietary Fund Net Position

Government-wide and Proprietary Fund Net Position are divided into three components:

Net Investment in Capital Assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted – consists of net position that is restricted by the Town's creditors, by enabling legislation, by grantors (both federal and state) and/or by contributors.

Unrestricted – all other net position reported in this category

Governmental Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town of Essex, Vermont's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town of Essex, Vermont's policy to use the fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Estimates

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

Operating Transfers

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

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

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as another financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as another financing source and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

NOTE 3 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, 2016

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2016 consisted of the following:

	Book Balance	Bank Balance
Insured by the FDIC	\$ 822,073	\$ 822,008
Insured by Deposit Surety Bond	9,596,363	10,452,324
Offset by debt with institution	729,280	729,280
Petty Cash	3,346	-
Total Deposits	\$ 11,151,062	\$ 12,003,612

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

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 an Irrevocable Standby Letter of Credit. The coverage with TD Bank is in the amount of \$25,000 and is for the period November 7, 2016 – January 17, 2017.

The Town's general fund checking account is insured by a sweep account. The coverage with Merchants Bank is in the full amount of the bank balance at the close of business on any given day if the bank were to fail. The funds swept from the account are secured by a perfected security interest in purchased securities and therefore would not be considered deposits with the bank.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town's policy only allows deposits in banks that are FDIC insured and agree to collateralize amounts in excess of FDIC limits. The Town has no investments subject to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town has no investments subject to interest rate risk disclosure.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 CASH AND CASH EQUIVALENTS (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's policy does not allow investment in securities that are subject to credit risk unless issued by the Federal Government.

Concentration of Credit Risk

The Town has no limit on the amount that they may invest with any one issuer. As of June 30, 2016, the Town is not exposed to concentration of credit risk.

Restricted Cash and Investments

Restricted cash and investments consist of unspent bond proceeds held by the Vermont Municipal Bond Bank's trustee bank.

NOTE 5 DELINQUENT TAXES RECEIVABLE

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 674,545
Penalties on taxes receivable	45,947
Interest on taxes receivable	<u>90,850</u>
	811,342
Allowance for uncollectible delinquent taxes	<u>(111,000)</u>
	<u>\$ 700,342</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, 2016 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 \$616,021 at June 30, 2016.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 NOTE 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.

NOTE 7 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	\$ 3,531,844	\$ -	\$ -	\$ 3,531,844
Construction in progress	<u>422,551</u>	<u>2,637,565</u>	<u>(2,405,226)</u>	<u>654,890</u>
Total capital assets not being depreciated	<u>3,954,395</u>	<u>2,637,565</u>	<u>(2,405,226)</u>	<u>4,186,734</u>
Other capital assets:				
Book Collection	459,726	-	-	459,726
Building and improvements	9,081,258	2,556,464	(497,000)	11,140,722
Equipment	6,166,560	303,424	(179,801)	6,290,182
Infrastructure	<u>23,538,654</u>	<u>312,603</u>	<u>-</u>	<u>23,851,257</u>
Total other capital assets	<u>39,246,198</u>	<u>3,172,491</u>	<u>(676,801)</u>	<u>41,741,887</u>
Less accumulated depreciation for:				
Book collection	(459,726)	-	-	(459,726)
Building and improvements	(1,743,980)	(244,362)	320,637	(1,667,705)
Equipment	(4,144,235)	(452,723)	144,364	(4,452,594)
Infrastructure	<u>(11,601,086)</u>	<u>(621,736)</u>	<u>-</u>	<u>(12,222,821)</u>
Total accumulated depreciation	<u>(17,949,027)</u>	<u>(1,318,821)</u>	<u>465,001</u>	<u>(18,802,846)</u>
Total capital assets being depreciated, net	<u>21,297,171</u>	<u>1,853,670</u>	<u>(211,800)</u>	<u>22,939,041</u>
Governmental Activities - Capital Assets, Net	<u>\$ 25,251,566</u>	<u>\$ 4,491,235</u>	<u>\$ (2,617,026)</u>	<u>\$ 27,125,775</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

General Government	\$ 64,117
Public Safety	414,152
Highways and Streets	733,354
Storm Water	10,369
Culture and Recreation	<u>96,829</u>
TOTAL	<u>\$ 1,318,821</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>\$ 22,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,785</u>
Capital assets being depreciated:				
Water/sewer plant	12,766,648	-	-	12,766,648
Machinery and equipment	280,293	-	-	280,293
Vehicles	<u>156,505</u>	<u>-</u>	<u>-</u>	<u>156,505</u>
Total Capital assets being depreciated	<u>13,203,446</u>	<u>-</u>	<u>-</u>	<u>13,203,446</u>
Less accumulated depreciation for:				
Water/sewer plant	(7,228,548)	(277,851)	-	(7,506,399)
Machinery and equipment	(225,133)	(9,880)	-	(235,013)
Vehicles	<u>(107,865)</u>	<u>(10,809)</u>	<u>-</u>	<u>(118,674)</u>
Total accumulated depreciation	<u>(7,561,546)</u>	<u>(298,540)</u>	<u>-</u>	<u>(7,860,086)</u>
Total capital assets being depreciated, net	<u>5,641,900</u>	<u>(298,540)</u>	<u>-</u>	<u>5,343,360</u>
Business-Type Activities - Capital Assets, Net	<u>\$ 5,664,685</u>	<u>\$ (298,540)</u>	<u>\$ -</u>	<u>\$ 5,366,145</u>

Depreciation expense for the Business-type Activities was \$298,540 for the fiscal year ended June 30, 2016.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 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, 2016.

<u>Amount</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>
\$ 3,600	General Fund	Capital Projects	Community Development
116,307	General Fund	Capital Projects	Fire Department
31,000	General Fund	Capital Projects	Parks Equipment
160,000	General Fund	Capital Projects	Highway Equipment
4,000	General Fund	Capital Projects	Senior Citizen Bus
1,426	General Fund	Water/Sewer Fund	Conservation
<u>530,000</u>	General Fund	Capital Projects	
 <u>\$ 846,333</u>			

The Town generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

NOTE 9 ACCRUED COMPENSATION

At June 30, 2016, the Town had the following vested benefits earned by their employees:

	<u>General Fund</u>	<u>Water/Sewer Fund</u>
Vested Compensation	\$ 974,115	\$ 172,416
Less: Current Portion	<u>(27,540)</u>	<u>-</u>
 TOTAL LONG-TERM PORTION	 <u>\$ 946,575</u>	 <u>\$ 172,416</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 NOTES AND BONDS PAYABLE

	Beginning Balance	Additions	Principal Reduction	Ending Balance	Current Portion
<u>Governmental Activities</u>					
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	\$ 6,555,000	\$ -	\$ (345,000)	\$ 6,210,000	\$ 345,000
Note payable to State of Vermont, ARRA note, 2% administrative fee, due September 1, 2016	70,697	-	(34,999)	35,698	35,698
	<u>\$ 6,625,697</u>	<u>\$ -</u>	<u>\$ (379,999)</u>	<u>\$ 6,245,698</u>	<u>\$ 380,698</u>

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Governmental Activities as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 380,698	\$ 222,066	\$ 602,764
2018	345,000	215,318	560,318
2019	345,000	207,973	552,973
2020	345,000	199,386	544,386
2021	345,000	189,764	534,764
2022-2026	1,725,000	773,773	2,498,773
2027-2031	1,725,000	428,628	2,153,628
2032-2034	1,035,000	71,874	1,106,874
TOTAL	<u>\$ 6,245,698</u>	<u>\$ 2,308,782</u>	<u>\$ 8,554,480</u>

Of the \$6,900,000 bond proceeds received during 2014 for the police facility construction \$979,280 remained unspent at June 30, 2016. This amount is recognized as restricted cash on the fund and government wide balance sheets. In March 2015, the voters approved repurposing \$800,000 of the \$6.9 million bond issue for renovations to the administration building at 81 Main St. These expenses were incurred during fiscal year 2016 however the remaining bond funds had not yet been drawn down as of June 30, 2016.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 NOTES AND BONDS PAYABLE (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Reduction</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>Business-Type Funds</u>					
Note payable to State of Vermont, ARRA note, 2% administrative fee, due January 1, 2031.	<u>\$ 238,837</u>	<u>\$ -</u>	<u>\$ (12,814)</u>	<u>\$ 226,023</u>	<u>\$ 13,070</u>

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Business-Type Funds as of June 30, 2016, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 13,070	\$ 4,777	\$ 17,847
2018	13,331	4,520	17,851
2019	13,598	4,259	17,857
2020	13,897	3,992	17,889
2021	14,147	3,443	17,590
2022-2026	75,096	12,857	87,953
2027-2031	<u>82,884</u>	<u>5,041</u>	<u>87,925</u>
	<u>\$ 226,023</u>	<u>\$ 38,889</u>	<u>\$ 264,912</u>

Total interest expense for the year ended June 30, 2016 was \$227,489 in the governmental activities funds and \$4,777 in the business-type funds.

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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 FUND EQUITY (continued)

Reservations and designations as of June 30, 2016 are as follows:

GENERAL FUND

Restricted for:		
Reappraisal		\$ <u>547,009</u>
Committed for:		
Prepaid expenses	\$	62,647
Economic development		9,713
Planning		28,703
Retirement		100,000
Records preservation		55,213
BOS Professional services		<u>6,400</u>
Total Committed Fund Balance		<u>\$ 262,676</u>

CAPITAL PROJECTS FUND

Committed for:		
Future vehicle purchases	\$	292,343
Future parks and recreation projects		694,103
Future highway projects		653,321
Future stormwater projects		304,680
Future building projects		236,516
Future capital projects		<u>252,329</u>
Total Committed Fund Balance		<u>\$ 2,433,292</u>

WATER & SEWER FUND

Designated for:		
Future capital expenses	\$	304,729
Prepaid expenses		<u>5,005</u>
Total Designated Fund Balance		<u>\$ 309,734</u>

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 11 FUND EQUITY (continued)

FIDUCIARY FUND

Restricted for Cemetery - These funds are accumulated for the maintenance of the cemetery.	\$ <u>42,002</u>
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When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use the fund balances in the following order: (1) Committed (2) Assigned (3) Unassigned.

NOTE 12 RESTRICTED NET POSITION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

GENERAL FUND

Restricted for:	
Reappraisal	\$ 547,009
Records Preservation	<u>55,213</u>
Total Restricted Net Position	<u>\$ 602,222</u>

NOTE 13 DEFINED CONTRIBUTION 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 \$60,522 and the employee contributions were \$22,696 for the year ended June 30, 2016.

NOTE 14 PENSION PLAN

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to provide Town of Essex, Vermont's proportional share of the overall amounts of the VMERS plan. Town of Essex, Vermont's portion has been allocated based on Town of Essex, Vermont's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 PENSION PLAN (continued)

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Town of Essex, Vermont's reporting date June 30, 2016 and for the Town of Essex, Vermont's reporting period (the year ended June 30, 2016). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of Town of Essex, Vermont, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of July 1, 2014, to the measurement date of June 30, 2015.

Schedule A – Employers' Allocations as of June 30, 2014

Fiscal Year Ended June 30, 2014				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 241,486	1.87207%	\$ 10,177,567	\$ 10,006,710	\$ 170,857

Fiscal Year Ended June 30, 2014			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Disc Rate)	Net Pension Liability 1% Increase (9.15% Disc Rate)
\$ 25,692	\$ (526,853)	\$ 1,439,369	\$ (893,386)

Schedule B – Employers' Allocation as of June 30, 2015

Fiscal Year Ended June 30, 2015				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 253,517	1.81363%	\$ 11,117,522	\$ 9,719,290	\$ 1,398,232

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 14 PENSION PLAN (continued)

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Increase Decrease (8.95% Disc Rate)
\$ 612,054	\$ (17,425)	\$ 2,792,872	\$ 229,121

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2015

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
1.8136%	\$ 1,398,230	\$ 44,198	\$ 278,458	\$ -	\$ 270,129	\$ 19,269	\$ 612,054

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
\$ -	\$ -	\$ -	\$ -	\$ (17,425)	\$ (17,425)

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 PENSION PLAN (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 383,036	\$ 2,066	\$ 385,102

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2015

Fiscal Year Ending					
June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	Thereafter
\$ 118,362	\$ 118,362	\$ 118,362	\$ 239,540	\$ -	\$ -

Schedule E – Contribution History for Fiscal Years 2013 – 2015

FY 2015	FY 2014	FY 2013
\$ 214,135	\$ 241,486	\$ 214,135

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

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

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

http://finance.vermont.gov/reports_and_publications/cafr

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 14 PENSION PLAN (continued)

Plan Description

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

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

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

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

Summary of System Provisions

Membership	Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service.
Average Final Compensation (AFC)	Group A – average annual compensation during highest 5 consecutive years. Groups B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	
Eligibility	Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 14 PENSION PLAN (continued)

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

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

Amount

Group A – 1.4% of AFC x service

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

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

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

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

Early Retirement Allowance

Eligibility

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

Amount

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

Vested Retirement Allowance

Eligibility

5 years of service.

Amount

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

Disability Retirement Allowance

Eligibility

5 years of service and disability as determined by Retirement Board.

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 14 PENSION PLAN (continued)

Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.
 Death Benefit	
Eligibility	Death after 5 years of service.
Amount	For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
 Optional Benefit and Death after Retirement	
	For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
 Refund of Contribution	
	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
 Post-Retirement Adjustments	
	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
 Member Contributions	
	Group A – 2.5% effective July 1, 2000 (reduced from 3.0%).
	Group B – 4.75% effective July 1, 2014 (increased from 4.625%).
	Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%).
	Group D – 11.25% effective July 1, 2014 (increased from 11.25%).
 Employer Contributions	
	Group A – 4.0%

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 14 PENSION PLAN (continued)

Group B – 5.375% (changed from 5.125%) effective July 1, 2014

Group C – 6.875% from July 1, 2014 to December 31, 2014 (changed from 6.625% and then 7.0% effective January 1, 2015)

Group D – 9.75% effective July 1, 2014 (increased from 9.625%)

Retirement Stipend \$25 per month payable at the option of the Board of retirees.

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum. Through July 1, 2014, a select-and-ultimate rate set was used, as specified below. The interest rate set was restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary Increases: 5% per year

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females

Non-disabled retirees and terminated vested participants - The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Town of Essex, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 14 PENSION PLAN (continued)

Asset Valuation Method (for funding purposes): A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term expected rate of return: The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

Discount rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$ 2,792,872	\$ 1,398,230	\$ 229,121

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 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 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 \$7,692 for the year ended June 30, 2016.

NOTE 17 RELATED PARTY

In July 2014 the Town entered agreements with the Village of Essex Junction and the Essex Junction School District to bill and collect property taxes for each entity. Under the terms of the agreements, the Town purchased the outstanding delinquent taxes, penalty and interest receivables as of July 1, 2014, and assumes liability for the collection of those balances due. The Town will turn over to each entity, one half of the total amounts billed within 20 days of each due date. All penalties and interest that accrues on delinquent balances shall belong to the Town. Included in the Reserve for non-current taxes, is a provision for the delinquent balances associated with the taxes billed for the Village of Essex Junction and The Essex Junction School District. Effective July 2015, the accounting departments of the Village of Essex (the Village) and the Town merged and operate under one accounting system and one operating cash account. At June 30, 2016 \$1,309,759 was owed to the Village from the Town.

NOTE 18 DISCLOSURE OF SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Town has evaluated subsequent events through February 14, 2017, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2016, 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, 2016

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property tax	\$ 11,352,328	\$ 11,352,328	\$ 11,406,510	\$ 54,182
Licenses and permits	58,000	58,000	64,480	6,480
Intergovernmental revenues	375,100	375,100	393,884	18,784
Charges for services	457,035	457,035	467,891	10,856
Fines and forfeits	155,000	155,000	182,747	27,747
Interest income	12,000	12,000	29,351	17,351
Miscellaneous income	50,001	50,001	44,662	(5,339)
Proceeds from sale of fixed assets	5,000	5,000	-	(5,000)
TOTAL REVENUES	<u>12,464,464</u>	<u>12,464,464</u>	<u>12,589,525</u>	<u>125,061</u>
EXPENDITURES				
General government	2,529,252	2,529,252	2,579,784	(50,532)
Public safety	4,479,326	4,479,326	4,129,778	349,548
Highways and Streets	2,871,321	2,871,321	2,859,666	11,655
Stormwater	282,269	282,269	256,025	26,244
Sanitation	12,500	12,500	7,692	4,808
Health and Welfare	203,493	203,493	208,825	(5,332)
Culture and Recreation	1,176,649	1,176,649	1,093,704	82,945
Debt service	607,488	607,488	607,488	-
Intergovernmental	425,166	425,166	434,616	(9,450)
TOTAL EXPENDITURES	<u>12,587,464</u>	<u>12,587,464</u>	<u>12,177,578</u>	<u>409,886</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (123,000)</u>	<u>\$ (123,000)</u>	<u>\$ 411,947</u>	<u>\$ 534,947</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess of Revenues over Expenditures - Budgetary Basis			\$ 411,947	
Adjustments for non-budget:				
Grant revenues			297,539	
Other revenues			95,165	
Sale of capital assets			-	
Grant expenditures			(297,898)	
Other expenditures			(750)	
Transfers to Capital Projects from Records Preservation			<u>(530,000)</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES - GAAP BASIS			<u>\$ (23,997)</u>	

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	1.8136%	1.8721%	1.7839%
Town's proportionate share of the net pension liability (asset)	<u>\$ 253,517</u>	<u>\$ 241,486</u>	<u>\$ 214,135</u>
Town's covered-employee payroll	<u>\$ 4,109,687</u>	<u>\$ 3,610,210</u>	<u>\$ 3,294,379</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.17%	6.69%	6.50%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

Significant Actuarial Assumptions and methods are described in Note 9 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2016.

See Accompanying Notes to Basic Financial Statements.