

Town of Essex, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2022

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 Selectboard
Town of Essex, Vermont
Essex, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Essex, Vermont's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Essex, Vermont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Essex, Vermont's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Essex, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Information

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

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

A handwritten signature in black ink that reads "Kittell Brangan & Seyfert". The signature is written in a cursive style with a long horizontal flourish extending to the right.

St. Albans, Vermont
December 19, 2022

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Management of the Town of Essex (the Town) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. Readers should consider this information in conjunction with the financial statements immediately following this analysis. Please note that this section of the Basic Financial Statements is unaudited.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,014,062 (net position). Of this amount, \$9,290,363 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$29,772,727 invested in capital assets net of related debt and \$950,972 restricted for specific purposes.
- The Town's total net position increased by \$576,654 (1.46%). Of this amount, net position of the governmental activities increased by \$606,366 (1.97%), and net position attributable to business-type activities decreased by \$29,712 (0.34%).
- The Town's total debt decreased during the fiscal year to \$5,335,501, a net decrease of principal payments total \$570,247 as the Town did not incur any new debt during the fiscal year. Of the principal payments totaling \$570,247; of these, \$14,430 were in the water and sewer fund.

Fund Highlights

- At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,518,583 an increase of \$98,143 from the prior year's combined ending fund balance.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$5,337,362; or approximately 35.00% of total general fund expenditures (excluding transfers) in the fiscal year ended June 30, 2022. The Town has a fund balance policy authorizing the Town to maintain and administer an unassigned fund balance of up to 15% of the current year General Fund operating budget. The unassigned fund balance of \$2,501,286 as of June 30, 2022 is 15% of the General Fund operating budget for the fiscal year ending June 30, 2023 (\$16,675,241).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are presented in three sections: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains other and required supplementary information such as a general fund budget to actual comparison.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

It is important for the reader to understand that, although governmental accounting resembles private sector accounting, the two differ significantly. The government-wide financial statements will be the most familiar for readers versed in private sector financial reporting. Readers should know that the financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example, the Town has a Water and Sewer Fund and a Recreation Programs Fund. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities, which are accounted for primarily in the general fund and supported in large part by property tax revenues.

Government-Wide Financial Statements

The government-wide financial statements provide a general overview of the Town's operations presenting all data on a full accrual basis, similar to the way a private sector business would present its financial statements. There are two statements presented at the government-wide level: the Statement of Net Position and the Statement of Activities. Within each of these statements, governmental activities are presented separately from business-type activities. The governmental activities reflect the Town's basic services; including general government, public safety, public works, community development, parks and recreation, and public improvements. Property taxes finance the majority of these services supplemented by program fees, grant revenues, and other miscellaneous revenues such as investment earnings or proceeds from the sale of assets. The business-type activities reflect private-sector-type operations for which user fees recover all or a significant portion of costs. The business-type activities of the Town include the water and sewer operations and recreation programming.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities reports 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 leave time).

The government-wide financial statements include not only the Town itself (referred to as the primary government), but also other legally separate entities for which the Town is financially accountable (referred to as component units). During the current year, the Town was not responsible for any entities that qualify as component units.

The government-wide financial statements can be found on pages 1 and 2 of this report.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Fund Financial Statements

A fund is a group of related accounts 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 finance-related legal compliance. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine the level of financial resources that are available to finance the Town's programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship between the two. The Town maintains two governmental funds - the General Fund and the Capital Projects Fund.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report. The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided on page 40 for the purpose of demonstrating compliance with the duly appropriated budget.

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 or measurement focus. Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- 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.

Proprietary funds are used to account for a government's business-type activities at the fund level. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town maintains two enterprise funds: the Water and Sewer Fund and the Recreation Programs Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. At this time, the Town has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund and the Recreation Programs Fund separately. The proprietary fund financial statements of the Town may be found on pages 7 through 9.

Fiduciary funds, also known as trust and agency funds, account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains a Cemetery Trust Fund and an Agency Fund for developer escrow funds. The Town's fiduciary activities are reported in a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position beginning on page 10.

Notes to the Financial Statements provide additional information that is necessary to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes serve to explain, clarify, and expand upon the financial data presented in the financial statements, and provide some additional information. The notes can be found immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, certain **Supplementary Information** is provided, including a budgetary comparison statement for the general fund, information on changes in the net pension liability, employer contributions to pensions, and investment returns. The supplementary information can be found immediately following the notes to the financial statements in this report.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2022	2021	2022	2021	2022	2021
Assets:						
Cash	\$ 22,064,799	\$ 17,491,165	\$ 4,158,296	\$ 3,836,958	\$ 26,223,095	\$ 21,328,123
Other Assets	754,620	664,653	1,104,465	1,144,132	1,859,085	1,808,785
Capital Assets	30,917,635	30,848,702	4,190,593	4,463,308	35,108,228	35,312,010
Total Assets	53,737,054	49,004,520	9,453,354	9,444,398	63,190,408	58,448,918
Deferred Outflows of Resources	2,044,782	1,388,296	219,926	141,788	2,264,708	1,530,084
Liabilities:						
Other Liabilities	13,665,913	9,223,702	212,604	157,617	13,878,517	9,381,319
Noncurrent Liabilities	8,257,116	10,742,874	552,851	797,413	8,809,967	11,540,287
Total Liabilities	21,923,029	19,966,576	765,455	955,030	22,688,484	20,921,606
Deferred Inflows of Resources	1,924,451	326,521	174,019	28,091	2,098,470	354,612
Net Position:						
Net Investment in Capital Assets	25,725,711	25,100,960	4,047,016	4,305,301	29,772,727	29,406,261
Restricted	950,972	883,057	0	0	950,972	883,057
Unrestricted	4,685,888	4,772,188	4,604,475	4,375,902	9,290,363	9,148,090
Total Net Position	31,362,571	30,756,205	8,651,491	8,681,203	40,014,062	39,437,408

As noted earlier, net position serves as a useful indicator of a government's financial position over time. At the end of the most recent fiscal year, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,014,062. The Town's total net position is split between governmental activities net position of \$31,362,571 and business-type activities net position of \$8,651,491.

The largest portion of the Town's total net position \$25,725,711 (74.40%) reflects its investment in capital assets (construction in progress, equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire or construct those assets. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's total net position includes \$950,972 (2.38%) of restricted net position. Restricted net position represents assets whose use is subject to external restrictions. The remaining balance of \$4,685,888 (23.22%) is unrestricted net position, which may be used to meet the government's ongoing financial obligations. Included in unrestricted net position are amounts that have been assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Governmental Activities

Summary of the Statement of Activities

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 875,406	\$ 961,344	\$ 3,130,048	\$ 3,453,555	\$ 4,005,454	\$ 4,414,899
Operating Grants & Revenues	867,703	1,605,439	75,712	123,128	943,415	1,728,567
Capital Grants & Revenues	31,734	430,025	-	-	31,734	430,025
General Revenues:						
Property Taxes	14,814,089	14,319,831	-	-	14,814,089	14,319,831
Other	343,695	220,365	9,622	13,503	353,317	233,868
Total Revenues	<u>16,932,627</u>	<u>17,537,004</u>	<u>3,215,382</u>	<u>3,590,186</u>	<u>20,148,009</u>	<u>21,127,190</u>
Expenses:						
General Government	3,102,788	3,241,955	-	-	3,102,788	3,241,955
Public Safety	5,518,857	5,583,553	-	-	5,518,857	5,583,553
Highways and Streets	5,204,155	4,922,438	-	-	5,204,155	4,922,438
Health and Welfare	294,131	256,369	-	-	294,131	256,369
Culture and Recreation	1,494,940	1,494,190	-	-	1,494,940	1,494,190
Intergovernmental	501,051	483,057	-	-	501,051	483,057
Interest on Long-Term Debt	209,884	224,632	-	-	209,884	224,632
Water and Sewer	-	-	3,066,348	3,025,587	3,066,348	3,025,587
Recreation Programs	-	-	179,201	261,087	179,201	261,087
Total Expenses	<u>16,325,806</u>	<u>16,206,194</u>	<u>3,245,549</u>	<u>3,286,674</u>	<u>19,571,355</u>	<u>19,492,868</u>
Increase (Decrease) in Net Position						
Before Transfers	606,821	1,330,810	(30,167)	303,512	576,654	1,634,322
Transfers	(455)	(925)	455	925	-	-
Increase (Decrease) in Net Position	<u>606,366</u>	<u>1,329,885</u>	<u>(29,712)</u>	<u>304,437</u>	<u>576,654</u>	<u>1,634,322</u>
Beginning Net Position -as reported	30,756,205	29,426,320	8,681,203	8,376,766	39,437,408	37,803,086
Ending Net Position	<u>\$ 31,362,571</u>	<u>\$ 30,756,205</u>	<u>\$ 8,651,491</u>	<u>\$ 8,681,203</u>	<u>\$ 40,014,062</u>	<u>\$ 39,437,408</u>

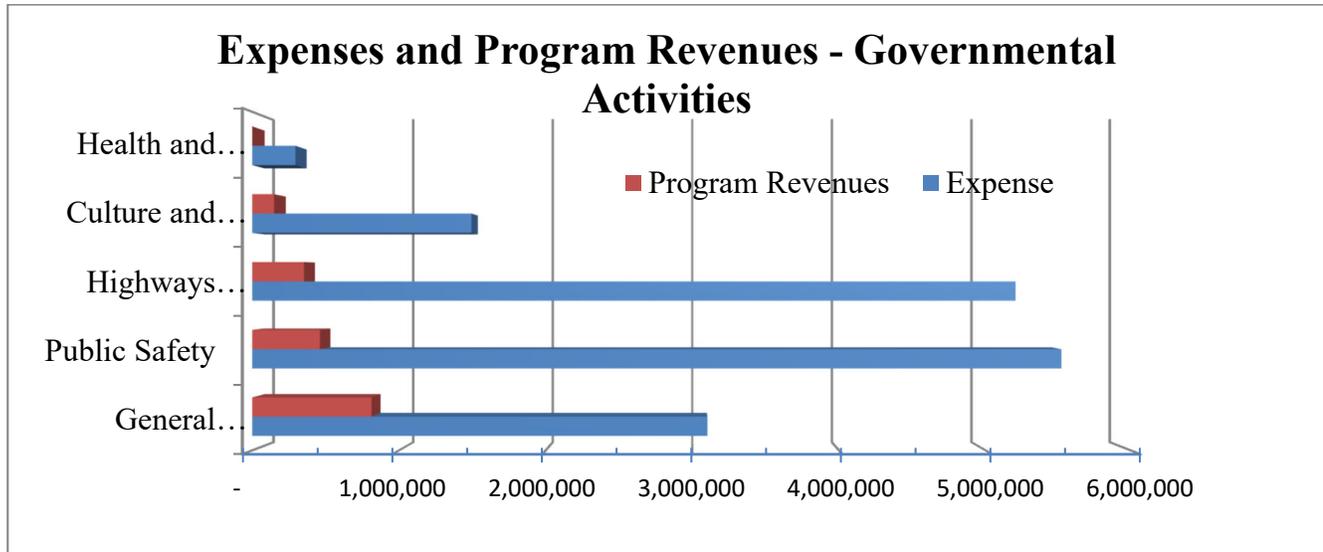
Governmental activities increased the Town's net position by \$606,366 for the year ended June 30, 2022. Key elements of the change are as follows.

- Total governmental activities' revenues decreased by 3.4% (\$604,377) from 2021 to 2022. Operating grants and revenues decreased by \$737,736 (46.0%) while capital grants and revenues decreased by \$398,291, both of which are largely due to grants specifically related to the impacts of COVID-19 being awarded in fiscal 2021.
- Property tax revenues increased 3.5% or \$494,258 from the previous year as a result of growth in the grand list combined with a 0.0228 cent (4.3%) increase in the Town general fund tax rate.
- Total governmental activities' expenses increased by 0.7% (\$119,612) from 2021 to 2022. Public Safety expenses end the year at 33.8% (\$5,518,857) of total governmental activities' expenses. Public Safety remains the largest category of expenses from year to year followed by Highways and Streets which ended the year at 31.9% (\$5,204,155) of total governmental activities' expenses.

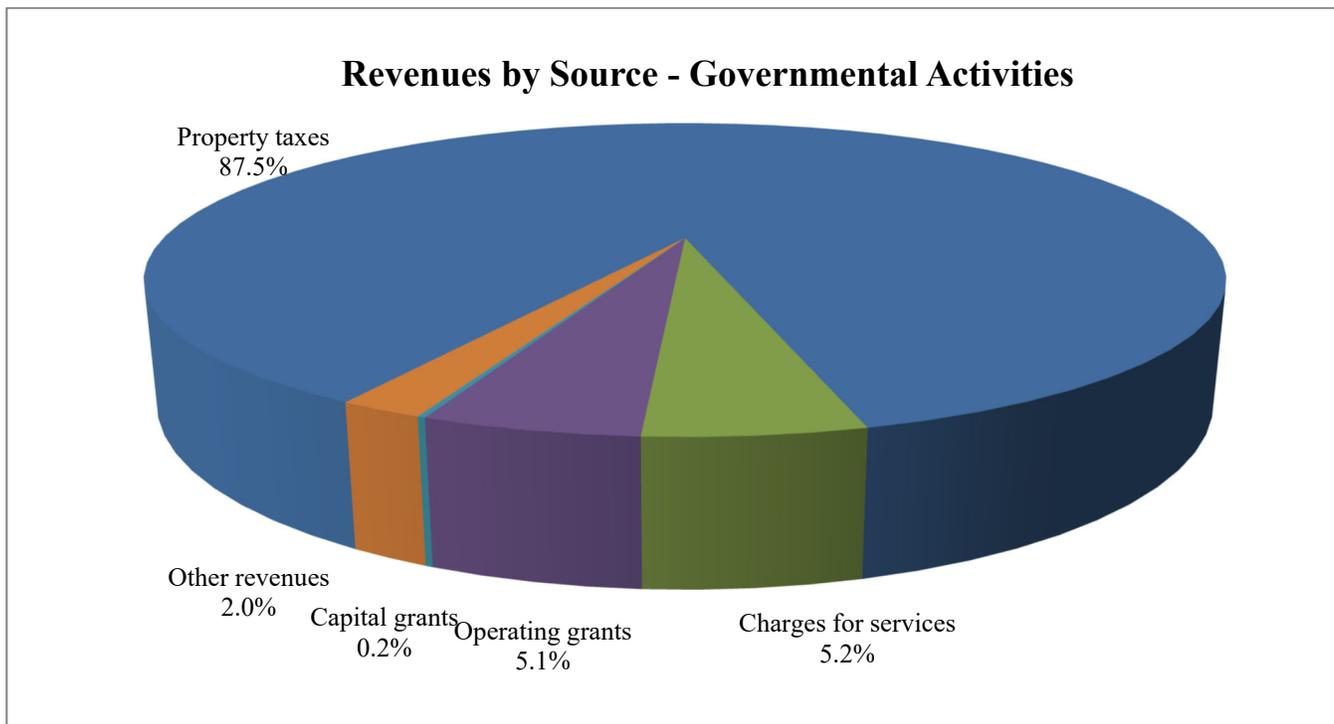
The following graph entitled Expense and Program Revenues – Governmental Activities, gives the reader an idea of how each major program is funded. The revenues included in this graph are program specific revenues including user fees, operating grants, and capital grants. General revenues such as property taxes and interest earnings are excluded from the graph but are used to support the cost of each major program that is not covered by program specific revenues. The supporting data may be found in the Statement of Activities on page 2.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

As noted previously, Public Safety is the largest category of expenses in the current year and historically, followed by Highways and Streets.



Most of the governmental activities revenue comes from property taxes; 87.5% of total revenue or \$14,814,089. The second largest category of revenue is Charges for services accounting for 5.2% or \$875,406. The third largest category of revenue is operating grants coming in at \$867,703; 5.1% of total revenue. Prior year property tax revenue accounted for 81.7% of total revenues, operating grants and revenues at 9.2% and charges for services at 5.5%. The following graph shows the distribution of governmental activities revenues by source for the year ended June 30, 2022.



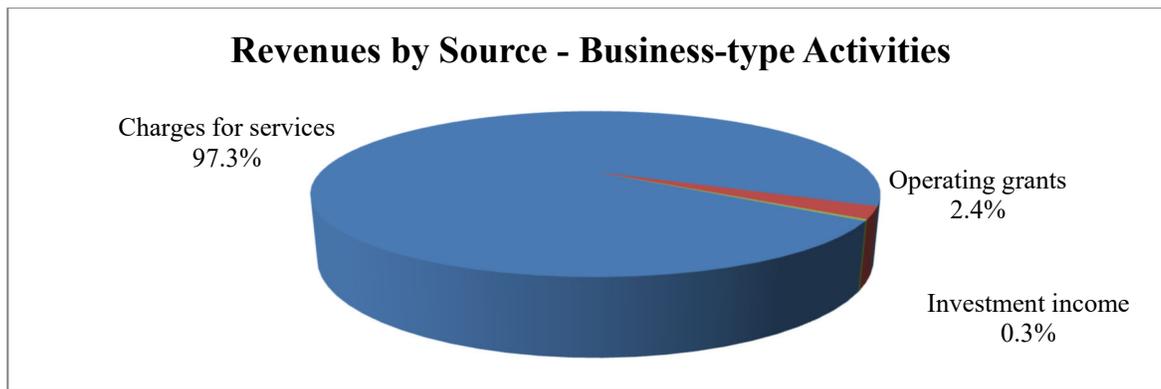
TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Business-type Activities

Business-type activities decreased the Town's net position by \$29,712 (0.34%) during the current fiscal year. Key elements of this increase are as follows:

- Total revenues of \$3,215,382 were \$374,804 or 10.44% lower than the previous year. The decrease is attributable to a \$319,346 (9.26%) decrease in charges for services as well as a reduction in operating grants and revenues and other revenues by \$51,577 and \$3,881 respectively.
- Total expenses of \$3,245,549 reflect a decrease of \$41,125 (1.25%) from the prior year. This decrease is primarily by an \$81,886 decrease in recreation costs.

The Town's business-type activities are supported by user fees, also referred to as charges for services of \$3,130,048 or 97.3%, with assistance from operating grants of \$75,712 or 2.4% and investment income \$9,622 at 0.3%.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

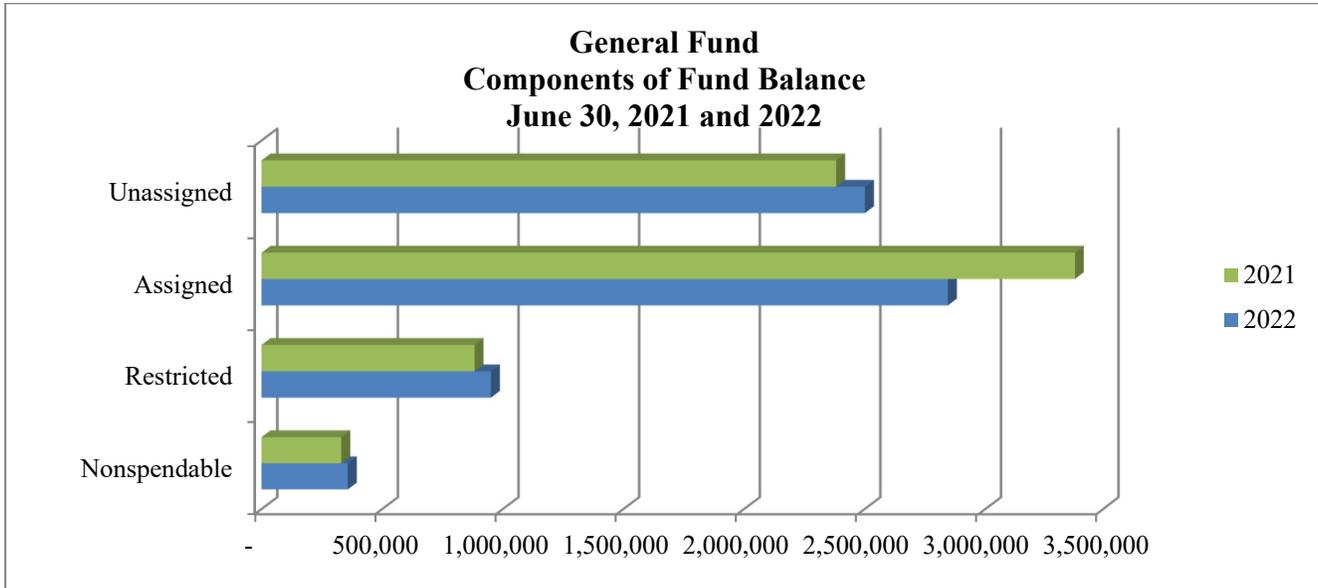
As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Information presented and discussed in this section is specific to the fund financial statements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds (general fund and capital projects fund) reported combined ending fund balances of \$9,518,583, an increase of \$98,143 over the prior year,. Of the total fund balance amount, \$366,645 is non-spendable (prepaid items and inventories) and \$950,972 is restricted, which indicates it is not available for discretionary spending, as it is otherwise restricted by grant agreements, statutes, or debt covenants. Of the remaining amount, \$5,699,680 has been assigned by the Town for various purposes (detailed in Note 15 Fund Balances and Net Position) and unassigned fund balance is \$2,501,286.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**



The general fund is the chief operating fund of the Town. At the end of the year, total fund balance in the general fund was \$6,654,979, a decrease of \$319,604 from the previous year. Of this amount, \$366,645 is non-spendable and \$950,972 is restricted. Assignments totaling \$2,836,076 in the general fund are detailed in Note 14 and unassigned fund balance is \$2,501,286. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures. Total fund balance represents approximately 41.79% of total general fund expenditures (excluding transfer), however, this amount includes nonspendable and restricted balances which would not be available to finance general fund expenditures if necessary. The remaining categories of fund balance (committed, assigned, and unassigned) are referred to as unrestricted fund balance and are resources that could be liquidated to support general fund expenditures if necessary. Unrestricted fund balance represents 37.06% of total general fund expenditures, excluding transfers.

The Selectboard is the body that authorizes assignments of fund balance in accordance with its fund balance policy and has the authority to make changes if they see fit. The Town's fund balance policy limits the amount of unassigned fund balance in the general fund to 15% of the current year's general fund operating budget.

General Fund Budgetary Highlights

The Town's budget for the year ended June 30, 2023 passed on the first vote at Town Meeting in March of 2022. There were no amendments made to the budget during the year.

On the revenue side, the Town recorded property tax revenue less than the amount budgeted by \$33,840 and fines and forfeits revenue greater than the amount budgeted by \$44,835. Recording fees exceeding budget by \$5,619 for fiscal year 2022. Intergovernmental revenues exceeded budget by \$124,256; of this \$67,915 is the amount received for future reappraisals, which has been reserved for such in the general fund's fund balance.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Public safety expenditures were \$487,610 under budget driven by unanticipated vacancies. Culture and recreation expenditures were \$150,104 under budget, the majority of which was a result of actual personnel costs that were less than budgeted. General government expenditures were over budget overall by \$40,386.

During the year, the Town collected unbudgeted grants and other revenues, which went to offset unbudgeted grant and other expenditures. One of the larger grant fundings was for the Community Justice Center at \$274,000 for the year. Other items in this category are federal forfeiture funds used for public safety purposes, unrestricted revenue raised by the Community Justice Center, and a small number of miscellaneous grants.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the Water and Sewer Fund is \$8,741,421 an increase of 0.48% or \$41,632 from the previous year. Nearly half of the Water and Sewer Fund's net position is invested in capital assets net of related debt; 46.30% or \$4,047,016. This is a decrease from the previous year when the net investment in capital assets was \$4,305,301. Over time, the net book value (historical cost less accumulated depreciation) of assets decreases with the systematic allocation of the cost of said assets over their useful life by way of annual depreciation expense. Of the \$4,694,405 balance in unrestricted net position at the end of the year, \$1,045,228 is designated for future capital projects and \$8,849 is designated for prepaid expenses. This balance designated for future capital projects grows annually by the amount of connection fees received in excess of the amount budgeted to offset operating expenses.

The Town's second proprietary fund is the Recreation Programs Fund which was authorized by the Selectboard during the fiscal year ended June 30, 2011. This fund accounts for the majority of recreation programs which are expected to be supported by user fees. Program revenues, unlike property tax revenues, are derived from exchange transactions where the user receives a service of perceived equal value to the amount the user is willing to pay for the service. For the year ended June 30, 2022, this fund realized a net loss from operations in the amount of \$71,344. The fund has a deficit fund balance of \$89,930.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for governmental and business-type activities as of June 30, 2022 were \$68,587,162 offset by \$33,478,934 in accumulated depreciation resulting in capital assets net of accumulated depreciation of \$35,108,228. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Summary of Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2022	2021	2022	2021	2022	2021
Capital Assets:						
Land	\$ 4,636,481	\$ 4,636,481	\$ -	\$ -	\$ 4,636,481	\$ 4,636,481
Construction in Progress	275,860	287,059	41,086	37,565	316,946	324,624
Buildings and Improvements	11,866,065	11,780,569	-	-	11,866,065	11,780,569
Machinery and Equipment	8,760,682	8,643,218	585,422	574,753	9,346,104	9,217,971
Book Collection	459,726	459,726	-	-	459,726	459,726
Infrastructure	28,730,365	27,772,080	13,231,475	13,207,025	41,961,840	40,979,105
	<u>54,729,179</u>	<u>53,579,133</u>	<u>13,857,983</u>	<u>13,819,343</u>	<u>68,587,162</u>	<u>67,398,476</u>
Less: Accumulated Depreciation	(23,811,544)	(22,730,431)	(9,667,390)	(9,356,035)	(33,478,934)	(32,086,466)
Total Assets, Net	<u>\$ 30,917,635</u>	<u>\$ 30,848,702</u>	<u>\$ 4,190,593</u>	<u>\$ 4,463,308</u>	<u>\$ 35,108,228</u>	<u>\$ 35,312,010</u>

Additional information on the Town's capital assets can be found in Note 7 Capital Assets.

Long-Term Debt

The Town began the year with \$5,905,748 in long-term debt outstanding. As of June 30, 2022, this amount had decreased by \$570,247 or 9.66% to end the current year with \$5,335,501 in long-term debt outstanding.

Summary of Long Term Debt

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Governmental Activities				
General Obligation Bonds	\$ 4,485,000	\$ -	\$ 345,000	\$ 4,140,000
Notes Payable	1,262,741	-	210,817	1,051,924
Business-type Activities				
Water and Sewer Bond	<u>158,007</u>	<u>-</u>	<u>14,430</u>	<u>143,577</u>
Total Government	<u>\$ 5,905,748</u>	<u>\$ -</u>	<u>\$ 570,247</u>	<u>\$ 5,335,501</u>

The Town entered into no new debt during the year and made all required payments on the two items of long-term debt outstanding. Additional information about long-term debt can be found in Note 10 Notes and Bonds Payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Consolidation and Separation of Service Delivery Systems

- Starting in FY2015 the Town entered into an agreement with the Village (City) of Essex Junction and the Essex Junction School District to bill and collect their property taxes. This action was an effort to reduce the duplication of services that existed. As part of the agreement the Town assumed the delinquent taxes of the Village and Village School District. The Town of Essex will continue to do the school tax billing for those residents that reside in the Town of Essex. The Town will conclude billing and collecting property taxes for the City of Essex Junction with the conclusion of FY23.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- In FY16 the Town and the Village (City) combined accounts payable, accounts receivable, cash receipts and general ledger. Two Village employees were relocated to the Town offices to share this work at the time. In FY23, work is being conducted to separate these functions for the two entities.
- In FY17 the Village Clerk/Treasurer became the combined Town and Village Clerk/Treasurer when the Town Clerk/Treasurer position became vacant through retirement. These positions between the Town and City will be separated again as FY24 begins.

FY23 Budgets

The above listed factors were considered in preparing the Town of Essex's budget for the 2023 fiscal year. The approved budget resulted in a tax rate for FY22 of \$0.5713 (Town General and Capital Tax),

Rates for water and sewer operations were increased in fiscal year 2022 in response to increased costs for water purchases and an increase in repairs and maintenance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 81 Main Street, Essex Jct., and VT 05452. The report is available online at www.essexvt.org.

TOWN OF ESSEX, VERMONT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 22,064,799	\$ 4,158,296	\$ 26,223,095
Taxes receivable, net of allowance	339,504	-	339,504
Other accounts receivable	48,471	1,095,421	1,143,892
Inventory	176,730	-	176,730
Prepaid expenses	189,915	9,044	198,959
Capital assets not being depreciated:			
Land	4,636,481	-	4,636,481
Construction in progress	275,860	41,086	316,946
Capital assets, net of accumulated depreciation:			
Buildings	8,504,876	-	8,504,876
Infrastructure	12,945,670	-	12,945,670
Machinery, equipment, and vehicles	4,554,748	112,578	4,667,326
Water and sewer infrastructure	-	4,036,929	4,036,929
Total Assets	53,737,054	9,453,354	63,190,408
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to the Town's participation in VMERS	1,472,997	137,611	1,610,608
CURRENT LIABILITIES			
Accounts payable	597,156	105,577	702,733
Due to Village of Essex Junction	10,356,576	-	10,356,576
Accrued payroll and benefits payable	285,718	22,200	307,918
Unearned revenue	1,769,388	68,786	1,838,174
Accrued interest payable	34,568	718	35,286
Current portion of compensated absences	84,846	604	85,450
Current portion notes and bonds payable	537,661	14,719	552,380
Total Current Liabilities	13,665,913	212,604	13,878,517
NONCURRENT LIABILITIES			
Accrued compensated absences	840,671	136,037	976,708
Net pension liability	2,762,182	287,956	3,050,138
Notes and bonds payable	4,654,263	128,858	4,783,121
Total Noncurrent Liabilities	8,257,116	552,851	8,809,967
Total Liabilities	21,923,029	765,455	22,688,484
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	61,747	-	61,747
Deferred inflows of resources related to the Town's participation in VMERS	1,862,704	174,019	2,036,723
Total Deferred Inflows of Resources	1,924,451	174,019	2,098,470
NET POSITION			
Net investment in capital assets	25,725,711	4,047,016	29,772,727
Restricted	950,972	-	950,972
Unrestricted- designated	-	1,002,261	1,002,261
Unrestricted	4,685,888	3,602,214	8,288,102
Total Net Position	\$ 31,362,571	\$ 8,651,491	\$ 40,014,062

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities		Business-Type Activities
Functions/Programs							
Governmental activities:							
General government	\$ 3,102,788	\$ 557,292	\$ 255,300	\$ -	\$ (2,290,196)	\$ -	\$ (2,290,196)
Public safety	5,518,857	183,900	277,583	-	(5,057,374)	-	(5,057,374)
Highways and Stree	5,204,155	17,307	306,243	28,948	(4,851,657)	-	(4,851,657)
Health and Welfare	294,131	-	-	-	(294,131)	-	(294,131)
Culture and Recreation	1,494,940	116,907	28,577	2,786	(1,346,670)	-	(1,346,670)
Intergovernmental	501,051	-	-	-	(501,051)	-	(501,051)
Interest on long-term debt	209,884	-	-	-	(209,884)	-	(209,884)
Total governmental activities	<u>16,325,806</u>	<u>875,406</u>	<u>867,703</u>	<u>31,734</u>	<u>(14,550,963)</u>	<u>-</u>	<u>(14,550,963)</u>
Business-type activities:							
Water and Sewer	3,066,348	3,022,202	75,712	-	-	31,566	31,566
Recreation	179,201	107,846	-	-	-	(71,355)	(71,355)
Total business-type activities	<u>\$ 3,245,549</u>	<u>\$ 3,130,048</u>	<u>\$ 75,712</u>	<u>\$ -</u>	<u>-</u>	<u>(39,789)</u>	<u>(39,789)</u>
General Revenues:							
Property taxes, levied for general purposes					14,814,089	-	14,814,089
Penalties and interest on delinquent taxes					207,918	-	207,918
Unrestricted investment earnings					40,005	9,622	49,627
Transfers					(455)	455	-
Gain on sale of capital assets					90,280	-	90,280
Other revenues					5,492	-	5,492
Total general revenues and transfers					<u>15,157,329</u>	<u>10,077</u>	<u>15,167,406</u>
Change in Net Position					606,366	(29,712)	576,654
Net position, beginning					<u>30,756,205</u>	<u>8,681,203</u>	<u>39,437,408</u>
Net position, ending					<u>\$ 31,362,571</u>	<u>\$ 8,651,491</u>	<u>\$ 40,014,062</u>

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 19,160,001	\$ 2,904,798	\$ 22,064,799
Taxes receivable, net of allowance	339,504	-	339,504
Other receivables	41,970	6,501	48,471
Inventory	176,730	-	176,730
Prepaid expenses	<u>189,915</u>	<u>-</u>	<u>189,915</u>
 Total Assets	 <u>\$ 19,908,120</u>	 <u>\$ 2,911,299</u>	 <u>\$ 22,819,419</u>
LIABILITIES			
Accounts payable	\$ 554,312	\$ 42,844	\$ 597,156
Due to Village of Essex Junction	10,356,576	-	10,356,576
Accrued payroll and benefits payable	285,718	-	285,718
Unearned revenue	<u>1,769,388</u>	<u>-</u>	<u>1,769,388</u>
 Total Liabilities	 <u>12,965,994</u>	 <u>42,844</u>	 <u>13,008,838</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	61,747	-	61,747
Unavailable revenue - property taxes	225,400	-	225,400
Unavailable revenue - other	<u>-</u>	<u>4,851</u>	<u>4,851</u>
 Total Deferred Inflows of Resources	 <u>287,147</u>	 <u>4,851</u>	 <u>291,998</u>
FUND BALANCE			
Nonspendable	366,645	-	366,645
Restricted	950,972	-	950,972
Assigned	2,836,076	2,863,604	5,699,680
Unassigned	<u>2,501,286</u>	<u>-</u>	<u>2,501,286</u>
 Total Fund Balances	 <u>6,654,979</u>	 <u>2,863,604</u>	 <u>9,518,583</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 19,908,120</u>	 <u>\$ 2,911,299</u>	 <u>\$ 22,819,419</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, 2022**

Total fund balances - governmental funds	\$ 9,518,583
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.	30,917,635
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Unavailable property tax revenue	225,400
Unavailable grant revenue	4,851
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	(925,517)
Net pension liabilities	(2,762,182)
Accrued interest on long-term debt	(34,568)
Notes payable	(5,191,924)
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.	1,472,997
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.	<u>(1,862,704)</u>
Total net position - governmental activities	<u><u>\$ 31,362,571</u></u>

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property tax	\$ 14,242,216	\$ 539,857	\$ 14,782,073
Licenses and permits	69,430	-	69,430
Intergovernmental revenues	525,956	-	525,956
Charges for services	709,917	24,906	734,823
Fines and forfeits	194,835	-	194,835
Interest income	33,808	6,197	40,005
Grant income	402,175	21,250	423,425
Miscellaneous income	38,183	1,650	39,833
Total Revenues	16,216,520	593,860	16,810,380
EXPENDITURES			
Current expenditures:			
General government	2,956,426	14,849	2,971,275
Public safety	4,893,211	28,043	4,921,254
Highways and Streets	4,057,927	11,552	4,069,479
Stormwater	46,112	600	46,712
Health and Welfare	257,954	-	257,954
Culture and Recreation	1,353,946	37,820	1,391,766
Intergovernmental	501,051	-	501,051
Capital Outlays:			
Public safety	223,939	44,778	268,717
Highways and Streets	186,918	798,115	985,033
Stormwater	275,121	152,387	427,508
Culture and Recreation	-	113,483	113,483
Debt Service:			
Principal	347,815	209,858	557,673
Interest	174,465	38,412	212,877
Total Expenditures	15,274,885	1,449,897	16,724,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	941,635	(856,037)	85,598
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	-	13,000	13,000
Operating transfers in/(out)	(1,261,239)	1,260,784	(455)
Total Other Financing Sources (Uses)	(1,261,239)	1,273,784	12,545
Net Change in Fund Balance	(319,604)	417,747	98,143
Fund Balance - July 1, 2021	6,974,583	2,445,857	9,420,440
Fund Balance - June 30, 2022	\$ 6,654,979	\$ 2,863,604	\$ 9,518,583

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, 2022**

Net change in fund balances - governmental funds \$ 98,143

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	(1,767,037)
Capital Outlay	1,758,690
Proceeds from Sale of Asset	(13,000)
Gain on Sale of Asset	90,280

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

Decrease in the unavailable property taxes	45,100
Decrease in the unearned and other unavailable revenue	(20,810)

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	555,817
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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	(129,206)
Accrued interest on long-term debt	4,850
Accrued compensated absences	<u>(16,461)</u>

Change in net position of governmental activities **\$ 606,366**

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	<u>Water & Sewer Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 4,139,027	\$ 19,269	\$ 4,158,296
Accounts receivable - net	1,095,421	-	1,095,421
Prepaid expenses	<u>8,849</u>	<u>195</u>	<u>9,044</u>
Total Current Assets	<u>5,243,297</u>	<u>19,464</u>	<u>5,262,761</u>
Noncurrent Assets:			
Capital assets not being depreciated:			
Construction in progress	41,086	-	41,086
Capital assets, net of accumulated depreciation:			
Machinery, equipment, and vehicles	112,578	-	112,578
Water and sewer infrastructure	<u>4,036,929</u>	<u>-</u>	<u>4,036,929</u>
Total Noncurrent Assets	<u>4,190,593</u>	<u>-</u>	<u>4,190,593</u>
 Total Assets	 <u>9,433,890</u>	 <u>19,464</u>	 <u>9,453,354</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to the Town's participation in VMERS	<u>133,284</u>	<u>4,327</u>	<u>137,611</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 9,567,174</u>	 <u>\$ 23,791</u>	 <u>\$ 9,590,965</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 95,276	\$ 10,301	\$ 105,577
Current portion compensated absences	604	-	604
Current portion long-term debt	14,719	-	14,719
Accrued payroll	22,200	-	22,200
Unearned revenue	-	68,786	68,786
Other accrued expenses	<u>718</u>	<u>-</u>	<u>718</u>
Total Current Liabilities	<u>133,517</u>	<u>79,087</u>	<u>212,604</u>
Noncurrent Liabilities:			
Accrued compensated absences	136,037	-	136,037
Net pension liabilities	258,795	29,161	287,956
Notes and bonds payable	<u>128,858</u>	<u>-</u>	<u>128,858</u>
Total Noncurrent Liabilities	<u>523,690</u>	<u>29,161</u>	<u>552,851</u>
 Total Liabilities	 <u>657,207</u>	 <u>108,248</u>	 <u>765,455</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to the Town's participation in VMERS	<u>168,546</u>	<u>5,473</u>	<u>174,019</u>
NET POSITION			
Net investment in capital assets	4,047,016	-	4,047,016
Unrestricted - designated	1,002,261	-	1,002,261
Unrestricted	<u>3,692,144</u>	<u>(89,930)</u>	<u>3,602,214</u>
Total Net Position	<u>8,741,421</u>	<u>(89,930)</u>	<u>8,651,491</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 9,567,174</u>	 <u>\$ 23,791</u>	 <u>\$ 9,590,965</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, 2022

	Water & Sewer Fund	Recreation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ 3,022,202	\$ 107,456	\$ 3,129,658
Connection fees	20,085	-	20,085
Interest and penalties	37,618	-	37,618
Other income	18,009	390	18,399
Total Operating Revenues	<u>3,097,914</u>	<u>107,846</u>	<u>3,205,760</u>
OPERATING EXPENSES			
Salaries and benefits	766,503	17,556	784,059
Professional services	44,994	3,563	48,557
Repair and maintenance	165,121	-	165,121
Rentals	681	2,761	3,442
Printing and postage	-	1,507	1,507
Travel	-	2,329	2,329
Utilities	73,942	796	74,738
Dues and fees	1,452	-	1,452
CWD water purchases	708,068	-	708,068
Insurance	41,336	-	41,336
Machinery	16,802	-	16,802
Bond expense	296,567	-	296,567
Other operating	33,795	35,999	69,794
Depreciation expense	311,355	-	311,355
Recreation programming	-	114,690	114,690
Sewage treatment	602,644	-	602,644
Total Operating Expenses	<u>3,063,260</u>	<u>179,201</u>	<u>3,242,461</u>
Operating Income (Loss)	<u>34,654</u>	<u>(71,355)</u>	<u>(36,701)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	9,611	11	9,622
Interest expense	(3,088)	-	(3,088)
Transfers	455	-	455
Total Nonoperating Revenues (Expenses)	<u>6,978</u>	<u>11</u>	<u>6,989</u>
Change in Net Position	41,632	(71,344)	(29,712)
Net Position - July 1, 2021	<u>8,699,789</u>	<u>(18,586)</u>	<u>8,681,203</u>
Net Position - June 30, 2022	<u>\$ 8,741,421</u>	<u>\$ (89,930)</u>	<u>\$ 8,651,491</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, 2022

	Water & Sewer Fund	Recreation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,132,840	\$ 107,846	\$ 3,240,686
Payments to suppliers	(1,992,164)	(97,305)	(2,089,469)
Payments for salaries and benefits	(762,503)	(21,295)	(783,798)
	<u>378,173</u>	<u>(10,754)</u>	<u>367,419</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of property, plant and equipment	(38,640)	-	(38,640)
Interest payments on debt	(3,088)	-	(3,088)
Principal payments on debt	(14,430)	-	(14,430)
	<u>(56,158)</u>	<u>-</u>	<u>(56,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfers	455	-	455
Interest income	9,611	11	9,622
	<u>10,066</u>	<u>11</u>	<u>10,077</u>
Net Increase (Decrease) in Cash	332,081	(10,743)	321,338
Cash - July 1, 2021	<u>3,806,946</u>	<u>30,012</u>	<u>3,836,958</u>
Cash - June 30, 2022	<u>\$ 4,139,027</u>	<u>\$ 19,269</u>	<u>\$ 4,158,296</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 34,654	\$ (71,355)	\$ (36,701)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	311,355	-	311,355
Change in net assets and liabilities:			
Receivables, net	34,926	-	34,926
Prepaid expenses	3,075	1,666	4,741
Deferred outflows of resources	75,351	6,964	82,315
Accounts payable	(9,765)	5,013	(4,752)
Accrued payroll and compensated absences	(7,691)	(4,118)	(11,809)
Unearned revenue	-	57,661	57,661
Other accrued expenses	(72)	-	(72)
Net pension liability	(205,557)	(10,616)	(216,173)
Deferred inflows of resources	141,897	4,031	145,928
	<u>\$ 378,173</u>	<u>\$ (10,754)</u>	<u>\$ 367,419</u>

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - FIDUCIARY FUND
June 30, 2022

		<u>Private Purpose Trust Fund</u>
		<u>Cemetary Fund</u>
ASSETS		
Cash and cash equivalents	\$	<u>60,113</u>
Total Assets	\$	<u><u>60,113</u></u>
 LIABILITIES		
Accounts payable	\$	<u>704</u>
Total Liabilities		<u>704</u>
 NET POSITION		
Restricted		<u>59,409</u>
Total Net Position and Liabilities	\$	<u><u>60,113</u></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, 2022**

	<u>Private Purpose Trust Fund</u>	<u>Cemetary Fund</u>
ADDITIONS		
Sales of plots	\$ 5,950	
Interest on deposits		<u>120</u>
Total Additions		<u>6,070</u>
DEDUCTIONS		
Grounds maintenance		<u>(8,889)</u>
Total Deductions		<u>(8,889)</u>
Decrease in Net Position		(2,819)
Net Position - July 1, 2021		<u>62,228</u>
Net Position - June 30, 2022		<u><u>\$ 59,409</u></u>

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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.

A. 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.

B. 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 present 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 present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements report the financial activities of the overall government, excluding fiduciary activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Eliminations have been made to minimize the double counting of activities between funds.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Town reports on the following major governmental funds:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

Capital Projects Fund – This capital project fund accounts for resources established to fund the Town's long-term capital plan.

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.

The Town reports on the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the operations of the Water and Sewer Department of the Town.

Recreation Fund – This fund accounts for the majority of programs sponsored by the Town's Recreation Department. Programs in this fund are supported by user fees.

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. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of that fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the Town reports the following fiduciary fund:

Cemetery Trust Fund – This is a private purpose trust fund that accounts for monies maintained for use in operating the Town’s cemeteries.

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.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, intergovernmental revenues, sewer usage fees and water usage fees are considered 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. Measurable means the amount of the transaction can be determined, and available means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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, except for principal and interest on general long-term debt, the net pension liability, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes, licenses, 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 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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash 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 primary 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.

2. 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.

3. Internal Balances

Activities between funds that is representative of lending or 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".

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventory in the General Fund consists of salt, sand and various gravels. Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses. Inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

5. 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. Assets are 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 greater than 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.

6. Long-term Liabilities

Long-term liabilities include bonds, notes and capital leases payable and other obligations such as compensated absences and the net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term 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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. 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 type of item which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources related to the Town's participation in VMERS.

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 types of items which arise under the accrual basis of accounting and three types which arise under the modified accrual basis of accounting that qualify for reporting in this category.

The governmental activities, the business-type activities and the proprietary funds report deferred inflows of resources from two sources: prepaid property taxes and deferred inflows of resources related to the Town's participation in VMERS. The governmental funds report deferred inflows of resources from three sources: prepaid property taxes, unavailable property taxes (including penalty and interest) and unavailable other revenue. Unavailable other revenue includes grant revenues earned but not received within sixty days of the end of the current period.

8. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows and inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) pension plan and additions to or deductions from the VMERS fiduciary net position have been determined on the same bases as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Net Position

Government-wide and proprietary fund net position is divided into three components:

Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any outstanding debt 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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted – all other net position is reported in this category

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to use restricted net position before unrestricted net position.

10. Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balances are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned. Positive unassigned fund balance can only be reported in the General Fund.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Town has a fund balance policy allowing it to maintain an unassigned fund balance of up to fifteen percent (15%) of the current year General Fund operating budget.

E. Estimates

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

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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, whereas 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 other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town's proportionate share of the VMERS net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

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, 2022

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2022 consisted of the following:

	Book Balance	Bank Balance
Insured by the FDIC	\$ 423,507	\$ 423,507
Insured by Deposit Surety Bond	25,858,015	26,434,247
Petty Cash	1,686	-
 Total Deposits	 \$ 26,283,208	 \$ 26,857,754

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

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.

The Town's general fund checking account and cash management account are insured under sweep accounts and the Town CD's are insured under two Irrevocable Standby Letters of Credit. The coverage with Community Bank, NA 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, 2022

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 June 30, 2022, the Town is not exposed to concentration of credit risk.

NOTE 5 RECEIVABLES

Receivables at June 30, 2022, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 339,997	\$ -	\$ 339,997
Penalties and Interest	59,507	-	59,507
Billed Services	41,878	47,921	89,799
Unbilled Services	-	1,050,000	1,050,000
Grants	6,501	-	6,501
Other	92	-	92
Allowance for Doubtful Accounts	<u>(60,000)</u>	<u>(2,500)</u>	<u>(62,500)</u>
	<u>\$ 387,975</u>	<u>\$ 1,095,421</u>	<u>\$ 1,483,396</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 17th and March 16th. 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 sixty days after the close of the current period. Taxes receivable that remain uncollected as of August 31, 2022 have been recorded as unavailable property tax revenue, a deferred inflow of resources, with a corresponding decrease in current year tax revenues. Unavailable property tax revenue amounted to \$225,400 at June 30, 2022.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 NOTES 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 \$510,447 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

Governmental Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,636,481	\$ -	\$ -	\$ 4,636,481
Construction in progress	<u>287,059</u>	<u>295,766</u>	<u>(306,965)</u>	<u>275,860</u>
Total capital assets not being depreciated	<u>4,923,540</u>	<u>295,766</u>	<u>(306,965)</u>	<u>4,912,341</u>
Other capital assets:				
Book collection	459,726	-	-	459,726
Building and improvements	11,780,569	85,496	-	11,866,065
Infrastructure	27,772,080	958,285	-	28,730,365
Vehicles and Equipment	<u>8,643,218</u>	<u>828,358</u>	<u>(710,894)</u>	<u>8,760,682</u>
Total other capital assets	<u>48,655,593</u>	<u>1,872,139</u>	<u>(710,894)</u>	<u>49,816,838</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 CAPITAL ASSETS (continued)

Governmental Activities (continued)	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Book collection	(459,726)	-	-	(459,726)
Building and improvements	(3,062,905)	(298,284)		(3,361,189)
Infrastructure	(15,020,636)	(764,059)		(15,784,695)
Vehicles and Equipment	(4,187,164)	(704,694)	685,924	(4,205,934)
	<u>(22,730,431)</u>	<u>(1,767,037)</u>	<u>685,924</u>	<u>(23,811,544)</u>
Total capital assets being depreciated, net	<u>25,925,162</u>	<u>105,102</u>	<u>(24,970)</u>	<u>26,005,294</u>
Governmental Activities - Capital Assets, Net	<u>\$ 30,848,702</u>	<u>\$ 400,868</u>	<u>\$ (331,935)</u>	<u>\$ 30,917,635</u>

Depreciation expense was charged to functions, as follows:

General Government	\$ 86,183
Public Safety	541,184
Highways and Streets	1,013,931
Stormwater	27,141
Culture and Recreation	<u>98,598</u>
TOTAL	<u>\$ 1,767,037</u>

Business-Type Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 37,565</u>	<u>\$ 3,521</u>	<u>\$ -</u>	<u>\$ 41,086</u>
Capital assets being depreciated:				
Water and sewer infrastructure	13,207,025	24,450	-	13,231,475
Machinery and equipment	387,614	10,669	-	398,283
Vehicles	<u>187,139</u>	<u>-</u>	<u>-</u>	<u>187,139</u>
Total Capital assets being depreciated	<u>13,781,778</u>	<u>35,119</u>	<u>-</u>	<u>13,816,897</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 CAPITAL ASSETS (continued)

Business-Type Activities (continued)	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Water and sewer infrastructure	(8,909,794)	(284,752)	-	(9,194,546)
Machinery and equipment	(282,306)	(14,467)	-	(296,773)
Vehicles	(163,935)	(12,136)	-	(176,071)
	<u>(9,356,035)</u>	<u>(311,355)</u>	<u>-</u>	<u>(9,667,390)</u>
Total accumulated depreciation	<u>(9,356,035)</u>	<u>(311,355)</u>	<u>-</u>	<u>(9,667,390)</u>
Total capital assets being depreciated, net	<u>4,425,743</u>	<u>(276,236)</u>	<u>-</u>	<u>4,149,507</u>
Business-Type Activities - Capital Assets, Net	<u>\$ 4,463,308</u>	<u>\$ (272,715)</u>	<u>\$ -</u>	<u>\$ 4,190,593</u>

Depreciation expense for the Business-type Activities was \$311,355 for the fiscal year ended June 30, 2022.

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, 2022.

<u>Amount</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>
\$ 195,000	General Fund	Capital Projects	Fire Department
6,000	General Fund	Capital Projects	Administration Vehicles
10,000	General Fund	Capital Projects	Police Department
28,000	General Fund	Capital Projects	Parks Equipment
190,000	General Fund	Capital Projects	Public Works Vehicles
4,000	General Fund	Capital Projects	Senior Vans
4,000	General Fund	Capital Projects	Information Technology
823,784	General Fund	Capital Projects	FY23 Assignments for Capital
455	General Fund	Water/Sewer Fund	Enforce Wholesale Rate
<u>\$ 1,261,239</u>			

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 ACCRUED COMPENSATION

Accrued compensation includes vacation, compensatory time and sick leave for eligible employees. Upon termination (voluntary or involuntary) the employee shall be entitled to receive the accrued and unused vacation and compensatory time in a cash payment. Sick time is only paid out upon retirement. It is the Town's policy to begin accruing sick time for individuals who are 55 or older as of the end of the fiscal year.

At June 30, 2022, the Town had the following vested benefits earned by their employees:

	General Fund	Water/Sewer Fund
Vested Compensation	\$ 925,517	\$ 136,641
Less: Current Portion	(84,846)	(604)
TOTAL LONG-TERM PORTION	\$ 840,671	\$ 136,037

NOTE 10 NOTES AND BONDS PAYABLE

	Beginning Balance	Additions	Principal Reduction	Ending Balance	Current Portion
Governmental Activities					
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	\$ 4,485,000	\$ -	\$ (345,000)	\$ 4,140,000	\$ 345,000
All American Investment Group, Finance Purchase agreement for 2 Fire Trucks principal and 2.69% interest payments of \$102,064 due annually, Matures May, 2028	638,529	-	(83,610)	554,919	86,026
All American Investment Group, Finance Purchase agreement for a Fire Truck principal and 3.38% interest payments of \$72,953 due annually, Matures December, 2028	503,996	-	(55,918)	448,078	57,808

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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>
Ford Motor Credit Company, LLC, Finance Purchase agreement for a Vehicle principal and 7.00% interest payments of \$479 due monthly, Matured January, 2022	2,815	-	(2,815)	-	-
Toyota Financial, Finance Purchase agreement for a Vehicle, principal and 2.86% interest payments of \$285 due monthly, paid in full in 2022	22,178	-	(22,178)	-	-
Kubota Finance Purchase agreement for equipment, principal and 7.437% interest payments of \$19,353 due annually, Matures July, 2023	35,948	-	(17,260)	18,688	18,588
Santander Bank, N.A. Finance Purchase for equipment, principal and 4.14% interest payments of \$31,490 due annually, Matures October, 2022	59,275	-	(29,036)	30,239	30,239
	<u>\$ 5,747,741</u>	<u>\$ -</u>	<u>\$ (555,817)</u>	<u>\$ 5,191,924</u>	<u>\$ 537,661</u>

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Government Activities as of June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 537,661	\$ 196,043	\$ 733,704
2024	493,374	177,359	670,733
2025	497,852	149,380	647,232
2026	502,573	132,781	635,354
2027	507,439	114,280	621,719
2028-2032	1,963,025	296,033	2,259,058
2033-2034	690,000	13,586	703,586
TOTAL	<u>\$ 5,191,924</u>	<u>\$ 1,079,462</u>	<u>\$ 6,271,386</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance	Additions	Principal Reduction	Ending Balance	Current Portion
Business-Type Funds					
Note payable to State of Vermont, note, 2% administrative fee, due January 1, 2031.	\$ 158,007	\$ -	\$ (14,430)	\$ 143,577	\$ 14,719

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Government Activities as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 14,719	\$ 2,872	\$ 17,591
2024	15,013	2,577	17,590
2025	15,313	2,277	17,590
2026	15,620	1,971	17,591
2027	15,932	1,658	17,590
2028-2031	66,980	3,382	70,362
	\$ 143,577	\$ 14,737	\$ 158,314

Total interest expense paid for the year ended June 30, 2022 was \$209,884 in the governmental activities funds and \$3,088 in the business-type funds.

NOTE 11 DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources on the Government-wide financial statements related solely to the Town's participation in VMERS with \$1,472,997 attributable to Governmental Activities and \$137,611 attributable to Business-Type Activities.

NOTE 12 UNEARNED REVENUE

Unearned revenue in the General Fund consists of \$113,219 in police department equitable sharing funds; \$4,277 and \$1,916 in other funds received in advance. There was an additional \$1,649,976 of unearned ARPA funds. The revenue will be recognized as related expenses are incurred. Total Unearned Revenue in the General Fund is \$1,769,388.

Unearned revenue in the Recreation Programs Fund of \$68,786 consists funds collected for providing scholarships (\$9,944), funds raised in support of specific programs (\$1,855) and fees collected for FY 2023 summer programs (\$56,987). This revenue will be earned as related expenses are incurred.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the General Fund consists of \$225,400 in delinquent property taxes, penalties and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Deferred inflows of resources also includes \$61,747 of prepaid property taxes. Total deferred inflows of resources in the General Fund are \$287,147.

Deferred inflows of resources in the Capital Projects Fund consists of \$4,851 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Governmental Activities consist \$61,747 of prepaid property taxes and \$1,862,704 related to the Town's participation in VMERS. Deferred inflows of resources in the Business-Type Activities consist of \$174,019 related to the Town's participation in VMERS.

NOTE 14 FUND BALANCES AND NET POSITION

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use. The Town has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

Governmental fund balances are classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of resources); and unassigned.

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

Reservations and designations as of June 30, 2022 are as follows:

Governmental Activities

Restricted for:	
Reappraisal	<u>\$ 950,972</u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 FUND BALANCES AND NET POSITION (continued)

General Fund

Nonspendable for:

Inventory	\$ 176,730
Prepaid expenses	<u>189,915</u>
Total Nonspendable Fund Balance	<u><u>\$ 366,645</u></u>

Restricted for:

Reappraisal	<u><u>\$ 950,972</u></u>
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Assigned for:

Economic development	\$ 9,713
Planning	56,069
Retirement	294,764
Governance Separation	90,661
Records preservation	324,540
Community Justice Center	89,063
Conservation	57,979
Personnel costs	103,000
Health and Wellness	4,800
Future Expenses	1,488,759
Transfer to capital	200,000
Fire Equipment	46,728
Future police vehicle	<u>70,000</u>
Total Assigned Fund Balance	<u><u>\$ 2,836,076</u></u>

Capital Projects Fund

Assigned for:

Future vehicle purchases	\$ 232,172
Future parks and recreation projects	573,972
Future highway projects	212,808
Future stormwater projects	500,212
Future building projects	183,996
Future paths projects	135,362
Future conservation initiatives	44,242
Future information management	36,524
Future capital projects	<u>944,316</u>
Total Assigned Fund Balance	<u><u>\$ 2,863,604</u></u>

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 FUND BALANCES AND NET POSITION (continued)

Water and Sewer Fund

Designated for:	
Future capital expenses	\$ 993,412
Prepaid expenses	<u>8,849</u>
 Total Designated Net Assets	 <u>\$ 1,002,261</u>

Fiduciary Fund

Restricted for Cemetery - These funds are accumulated for the maintenance of the cemetery.	 <u>\$ 59,409</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 15 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 \$31,468 and the employee contributions were \$11,801 for the year ended June 30, 2022.

NOTE 16 PENSION PLAN

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) 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, 2020, the retirement system consisted of 353 participating employers.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Town's reporting date June 30, 2022 and for the Town's reporting period (the year ended June 30, 2022). 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 the Town, the State has chosen to use the end of the prior fiscal year (**June 30, 2021**) as the measurement date, and the year ended **June 30, 2021** as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of July 1, 2015, to the measurement date of **June 30, 2021**.

As of **June 30, 2021**, the Town's proportionate share of the total VMERS net pension liability was 2.0723%, a decrease from 2.09919% as of **June 30, 2020**. For the year ended June 30, 2022, the Town recognized pension expense of \$691,330.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

As of June 30, 2022, the Town reported deferred outflows or resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportional share of contributions	\$ 41,856	\$ 238,276
Difference between projected and actual earnings on pension plan investments	-	1,798,447
Difference between expected and actual experience	568,491	-
Town's required employer contributions made subsequent to the measurement date	518,140	-
Changes in assumptions	<u>482,121</u>	<u>-</u>
Total	<u>\$ 1,610,608</u>	<u>\$ 2,036,723</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows.

<u>Year Ended June 30</u>	
2022	\$ (40,481)
2023	(152,438)
2024	(256,246)
2025	<u>(495,090)</u>
Total	<u>\$ (944,255)</u>

Summary of System Provisions

Membership: Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions. The Town has elected coverage under Group C and D provisions for the year ended June 30, 2022

Credible Service: Service as a member plus purchased service.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

Average Final Compensation (AFC): Group C – Average annual compensation during the highest 3 consecutive years.

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

Service Retirement Allowance:

Eligibility: Group C and D – Age 55 with five (5) years of service.

Amount: Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

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

Maximum benefit is 50% of AFC for Group C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility: There is no early retirement allowance for Group C. Age 50 with 20 years of Service for Group D.

Amount: Normal allowance on service and AFC at early retirement, payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility: Five (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: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability. Children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled full-times studies) of a disabled Group D member.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Group C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional Benefit and Death after Retirement: For Group C, lifetime allowance or actuarially equivalent 50% or 100% joint and 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 the Consumer Price Index but not more than 3% for Group C and D.

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

Member Contributions: Group C – 10.75%
Group D – 12.10%

Employer Contributions: Group C – 8.00%
Group D – 10.60%

Significant Actuarial Assumptions and Methods

Interest Rate: 7.00%, net of pension plan investment expenses, including inflation

Salary Increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Mortality:

Pre-Retirement:

Group C- 40% of PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generations projection using scale MP-2019.

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

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

Healthy Post-Retirement:

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

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

Healthy Post-retirement – Beneficiaries:

Group C- 70% Pub-2010 Contingent Survivor below-median and 30% of PubG-2010 Contingent Survivor, with generational projection using scale MP-2019.

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

Disabled Post-Retirement:

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

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: 1.20% for Group C and D members. The January 1, 2021 COLA is 0.40% for all groups. The January 1, 2022 COLA is 2.30% for Groups C and D members.

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

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

Inflation: 2.30 per year%

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of **June 30, 2021** are summarized in the following table:

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equity	24.00%	5.05%
Active Global Equities	5.00%	5.05%
US Equity- Large Cap	4.00%	4.00%
US Equity- Small/Mid Cap	3.00%	4.50%
Non-US Developed US Equities	7.00%	5.50%
Emerging Markets Debt	4.00%	3.00%
Core Fixed Income	19.00%	0.00%
Private & Alternate Credit	10.00%	4.75%
US TIPS	3.00%	-0.50%
Core Real Estate	4.00%	3.75%
Non-Core Real Estate	4.00%	5.75%
Private Equity	10.00%	6.75%
Infrastructure/Farmland	3.00%	4.25%

Discount Rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022 to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by the Legislature. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	6.00%	\$ 6,028,773
Current Rate	7.00%	\$ 3,050,139
1% Increase	8.00%	\$ 600,829

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 16 PENSION PLAN (continued)

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

NOTE 17 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 Inter-municipal 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 18 LANDFILL POST CLOSURE COSTS

Landfill post closure costs were 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. The monitoring program outlined in the Closure Order expired in May 2013. Annual water quality monitoring has continued per the request of the State of VT Solid Waste Management Program. Sufficient funds were not set aside in the tipping fee during the landfill's years of operation to cover these continuing expenses. The Town budgets on an annual basis for continued site maintenance and testing. The Town's cost of the site maintenance and testing were \$4,769 for the year ended June 30, 2022.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 19 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 penalty and interest that accrues on delinquent balances shall belong to the Town. Included in the Unavailable Property Tax Revenue, is a provision for the delinquent balances associated with the taxes billed for the Village of Essex Junction and The Essex Westford 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, 2022 \$10,356,576 was owed to the Village from the Town.

NOTE 20 CONCENTRATION OF REVENUES

The Town receives a major portion of its revenue from Global Foundries. For the year ended June 30, 2022, the Town received 3.0% of its total property tax income from Global Foundries.

NOTE 21 TAX ABATEMENT

The Town has tax stabilization agreements that qualifies as a tax abatements per GASB Statement no. 77 Tax Abatement Disclosures. In FY2018, the Town, under the authority of the Town of Essex Selectboard Commercial/Industrial/Mixed Use Tax Stabilization Policy, entered into a ten year tax stabilization agreement. In exchange, the recipient agrees to keep and maintain its manufacturing operation on the property in the Town and create and maintain at least 170 jobs in the Town for the duration of the agreement. The Town has agreed to abate 100% of the municipal taxes for the first five years of the agreement. The percentage of abated taxes decreases to 80% in year 6, 70% in year 7, 60% in year 8, 40% in year 9, and 20% in year 10. The agreement includes provisions to recapture foregone property taxes if the agreement is terminated. If the years elapsed between the close of the tax year when the tax reduction was provided and the year the company became ineligible are two or less the recapture will be 100%; if years elapsed are two to four the recapture will be 50%; and if years elapsed are four to six the recapture will be 25%. This agreement applies to Town taxes only and has no impact on Educational property taxes.

In FY 2022, the Town under the authority of the Town of Essex Selectboard Commercial/Industrial/Mixed Use Tax Stabilization Policy, entered into a five-year tax stabilization agreement.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 21 TAX ABATEMENT (continued)

In exchange, the recipient commits to maintaining 13 employees, pay livable wages with at least 25% of those employees representing new Americans, formerly incarcerated individuals and women. The Town has agreed to abate 100% of the municipal taxes for the first two years of the agreement. The percentage of abated taxes decreases to 75% in year 3 and 25% in year 4. This agreement applies to Town taxes only and has no impact on Educational property taxes.

For FY2022 the combined amount of taxes abated totaled \$47,594 for these two agreements.

NOTE 22 DISCLOSURE OF SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Town has evaluated subsequent events through December 19, 2022, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2022, 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, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property tax	\$ 14,276,056	\$ 14,242,216	\$ (33,840)
Licenses and permits	76,605	69,430	(7,175)
Intergovernmental revenues	401,700	525,956	124,256
Charges for services	559,266	709,917	150,651
Fines and forfeits	150,000	194,835	44,835
Interest income	26,000	33,808	7,808
Grant income	1,000	30,140	29,140
Miscellaneous income	26,000	10,068	(15,932)
	<u>15,516,627</u>	<u>15,816,370</u>	<u>299,743</u>
EXPENDITURES			
General government	2,916,040	2,956,426	(40,386)
Public safety	5,254,783	4,767,173	487,610
Highways and Streets	4,155,336	4,244,845	(89,509)
Stormwater	344,548	321,233	23,315
Health and Welfare	258,646	257,954	692
Culture and Recreation	1,504,050	1,353,946	150,104
Debt service	522,281	522,280	1
Intergovernmental	502,243	501,051	1,192
	<u>15,457,927</u>	<u>14,924,908</u>	<u>533,019</u>
Excess of Revenues over Expenditures	<u>58,700</u>	<u>891,462</u>	<u>832,762</u>
OTHER FINANCING SOURCES/(USES)			
Operating Transfers Out	<u>(468,200)</u>	<u>(1,261,239)</u>	<u>(793,039)</u>
Total Other Financing Sources (Uses)	<u>(468,200)</u>	<u>(1,261,239)</u>	<u>(793,039)</u>
Net Change in Fund Balance	<u>\$ (409,500)</u>	<u>\$ (369,777)</u>	<u>\$ 39,723</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS			
Excess of Revenues over Expenditures- Budgetary Basis		\$ (369,777)	
Adjustments for non-budget:			
Grant revenues		372,035	
Other revenues		28,115	
Grant expenditures		(329,931)	
Other expenditures		<u>(20,046)</u>	
Excess of Revenues over Expenditures- GAAP Basis		<u>\$ (319,604)</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, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	2.0723%	2.0992%	2.3080%	2.3893%	2.1170%	1.9431%	1.8136%	1.8721%
Town's proportionate share of the net pension liability (asset)	<u>\$ 3,050,139</u>	<u>\$ 5,310,471</u>	<u>\$ 4,004,134</u>	<u>\$ 3,361,144</u>	<u>\$ 2,564,813</u>	<u>\$ 2,500,717</u>	<u>\$ 1,398,230</u>	<u>\$ 170,857</u>
Town's covered-employee payroll	<u>\$ 5,493,047</u>	<u>\$ 5,323,868</u>	<u>\$ 5,494,183</u>	<u>\$ 5,388,738</u>	<u>\$ 4,765,037</u>	<u>\$ 4,109,687</u>	<u>\$ 3,653,790</u>	<u>\$ 3,610,210</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.53%	99.75%	72.88%	62.37%	53.83%	60.85%	38.27%	4.73%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Significant Actuarial Assumptions and methods are described in Note 14 to the financial statements. Changes in Assumptions and Methods were effective June 30, 2021:

There were no changes in methods or assumption during the year ended June 30, 2021

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions (Actuarially Determined)	\$ 460,749	\$ 435,067	\$ 443,441	\$ 418,499	\$ 345,718	\$ 295,324	\$ 253,517	\$ 241,486
Contributions in Relation to the Actuarially Determined Contributions	<u>460,749</u>	<u>435,067</u>	<u>443,441</u>	<u>418,499</u>	<u>345,718</u>	<u>295,324</u>	<u>253,517</u>	<u>241,486</u>
Covered Employee Payroll	<u>\$ 5,493,047</u>	<u>\$ 5,323,868</u>	<u>\$ 5,494,183</u>	<u>\$ 5,388,738</u>	<u>\$ 4,765,037</u>	<u>\$ 4,109,687</u>	<u>\$ 3,653,790</u>	<u>\$ 3,610,210</u>
Contributions as a Percentage of Covered Employee Payroll	8.39%	8.17%	8.07%	7.77%	7.26%	6.20%	6.17%	6.69%

Significant Actuarial Assumptions and methods are described in Note 14 to the financial statements. Changes in Assumptions and Methods were effective June 30, 2021:

There were no changes in methods or assumption during the year ended June 30, 2021

See Accompanying Notes to Basic Financial Statements.