

Town of Essex, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2025

Town of Essex, Vermont
TABLE OF CONTENTS
June 30, 2025

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR’S REPORT | |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 5 |
| Statement of Net Position – Proprietary Funds | 7 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds | 8 |
| Statement of Cash Flows – Proprietary Funds | 9 |
| Statement of Net Position – Fiduciary Fund | 10 |
| Statement of Changes in Net Position – Fiduciary Fund | 11 |
| Notes to Basic Financial Statements | 12 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule – General Fund | 42 |
| Schedule of Proportionate Share of Net Pension Liability | 43 |
| Schedule of Contributions | 44 |

Town of Essex, Vermont
TABLE OF CONTENTS
June 30, 2025

| | <u>Report</u> |
|--|---------------|
| Schedule of Expenditures of Federal Awards | 1 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Audit Standards | 2 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance | 3 |
| Schedule of Findings and Questioned Costs | 4 |



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Essex, Vermont
Essex, Vermont

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont as of and for the year ended June 30, 2025, 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, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont, as of June 30, 2025, 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, the budgetary comparison schedule, Schedule of proportionate share of net pension liability and schedule of contributions 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 fund financial statements and the schedule of expenditures of federal awards 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2026, on our consideration of the Town of Essex, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Essex, Vermont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Essex, Vermont's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kittell Brumbaugh + Sargent".

St. Albans, Vermont
January 7, 2026

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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, 2025. 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 \$42,061,365 (net position). Of this amount, \$6,210,402 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$35,007,788 invested in capital assets net of related debt and \$843,175 restricted for specific purposes.
- The Town's total net position increased by \$499,469 (1.2%). Of this amount, the net position of the governmental activities increased by \$623,304 (1.90%), and net position attributable to business-type activities decreased by \$123,835 (-1.41%).
- The Town's total debt decreased during the fiscal year to \$3,836,033, a net decrease of principal payments totaling \$527,507 and the addition of a Line Services Inventory Loan for \$58,856 during the fiscal year. Of the principal payments noted, \$15,313 were in the Water & Sewer fund.

Fund Highlights

- At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,525,392 a decrease of \$47,414 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 \$4,737,613 or approximately 29.34% of total general fund expenditures (excluding capital transfers) of the fiscal year budget for June 30, 2026. 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 \$2,454,894 as of June 30, 2025, is 15% of the General Fund operating budget for the fiscal year ending June 30, 2026 (\$16,365,963).

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.

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.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Readers should know that the financial activities of the government unit are recorded in funds. A fund is a separate set of books for each major activity. For example, the Town has a Water & 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 most of these services and are 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 sizable 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 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 are on pages 1 and 2 of this report.

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.

TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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 are 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 42 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.
- 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 & Sewer Fund and the Recreation Programs Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Currently, the Town has no internal service funds.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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 & Sewer Fund and the Recreation Programs Fund separately. The proprietary fund financial statements of the Town are 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 Fund. The Town's fiduciary activities are reported in a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position on pages 10 and 11.

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 explain, clarify, and expand upon the financial data presented in the financial statements, and provide some additional information. The notes immediately follow the basic financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$42,061,365. The Town's total net position is split between governmental activities net position of \$33,406,452 and business-type activities net position of \$8,654,913.

| | Governmental Activities | | Business-type Activities | | Total Government | |
|---------------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Assets: | | | | | | |
| Cash | \$ 10,200,182 | \$ 10,536,988 | \$ 2,907,738 | \$ 4,286,585 | \$ 13,107,920 | \$ 14,823,573 |
| Other Assets | 1,984,516 | 803,239 | 1,265,493 | 1,313,040 | 3,250,009 | 2,116,279 |
| Capital Assets | 33,414,234 | 32,637,279 | 5,429,587 | 3,908,168 | 38,843,821 | 36,545,447 |
| Total Assets | 45,598,932 | 43,977,506 | 9,602,818 | 9,507,793 | 55,201,750 | 53,485,299 |
| Deferred Outflows of Resources | 1,468,518 | 1,843,391 | 119,253 | 162,004 | 1,587,771 | 2,005,395 |
| Liabilities: | | | | | | |
| Other Liabilities | 3,215,965 | 2,167,734 | 258,192 | 133,890 | 3,474,157 | 2,301,624 |
| Noncurrent Liabilities | 10,346,293 | 10,672,085 | 801,075 | 743,386 | 11,147,368 | 11,415,471 |
| Total Liabilities | 13,562,258 | 12,839,819 | 1,059,267 | 877,276 | 14,621,525 | 13,717,095 |
| Deferred Inflows of Resources | 98,740 | 197,930 | 7,891 | 13,773 | 106,631 | 211,703 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 29,735,589 | 28,446,441 | 5,272,199 | 3,794,323 | 35,007,788 | 32,240,764 |
| Restricted | 843,175 | 865,105 | 0 | 0 | 843,175 | 865,105 |
| Unrestricted | 2,827,688 | 3,471,602 | 3,382,714 | 4,984,425 | 6,210,402 | 8,456,027 |
| Total Net Position | 33,406,452 | 32,783,148 | 8,654,913 | 8,778,748 | 42,061,365 | 41,561,896 |

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The largest portion of the Town's total net position \$35,007,788 (83.23%) 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 \$843,175 (2.01%) of restricted net position. Restricted net position represents assets whose use is subject to external restrictions. The remaining balance of \$6,210,402 (14.80%) is an unrestricted net position, which may be used to meet the government's ongoing financial obligations. Included in the unrestricted net position are amounts that have been assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

Governmental Activities

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,770,423 | \$ 3,699,370 | \$ 3,520,991 | \$ 3,618,565 | \$ 7,291,414 | \$ 7,317,935 |
| Operating Grants & Revenues | 1,341,736 | 672,928 | 108,864 | 74,386 | 1,450,600 | 747,314 |
| Capital Grants & Revenues | 1,138,073 | 3,112,066 | - | - | 1,138,073 | 3,112,066 |
| General Revenues: | | | | | | |
| Property Taxes | 11,895,744 | 11,272,423 | - | - | 11,895,744 | 11,272,423 |
| Other | 726,522 | 760,471 | 180,553 | 188,656 | 907,075 | 949,127 |
| Total Revenues | 18,872,498 | 19,517,258 | 3,810,408 | 3,881,607 | 22,682,906 | 23,398,865 |
| Expenses: | | | | | | |
| General Government | 4,072,458 | 3,353,312 | - | - | 4,072,458 | 3,353,312 |
| Public Safety | 7,098,182 | 7,149,998 | - | - | 7,098,182 | 7,149,998 |
| Highways and Streets | 4,309,103 | 4,306,558 | - | - | 4,309,103 | 4,306,558 |
| Health and Welfare | 423,582 | 412,031 | - | - | 423,582 | 412,031 |
| Culture and Recreation | 1,979,665 | 1,920,905 | - | - | 1,979,665 | 1,920,905 |
| Intergovernmental | 220,187 | 237,937 | - | - | 220,187 | 237,937 |
| Interest on Long-Term Debt | 146,018 | 171,475 | - | - | 146,018 | 171,475 |
| Water and Sewer | - | - | 3,771,150 | 3,652,307 | 3,771,150 | 3,652,307 |
| Recreation Programs | - | - | 163,093 | 171,188 | 163,093 | 171,188 |
| Total Expenses | 18,249,194 | 17,552,216 | 3,934,243 | 3,823,495 | 22,183,437 | 21,375,711 |
| Increase (Decrease) in Net Position | | | | | | |
| Before Transfers | 623,304 | 1,965,042 | (123,835) | 58,112 | 499,469 | 2,023,154 |
| Transfers | - | - | - | - | - | - |
| Increase (Decrease) in Net Position | 623,304 | 1,965,042 | (123,835) | 58,112 | 499,469 | 2,023,154 |
| Beginning Net Position -as reported | 32,783,148 | 30,818,106 | 8,778,748 | 8,720,636 | 41,561,896 | 39,538,742 |
| Ending Net Position | \$ 33,406,452 | \$ 32,783,148 | \$ 8,654,913 | \$ 8,778,748 | \$ 42,061,365 | \$ 41,561,896 |

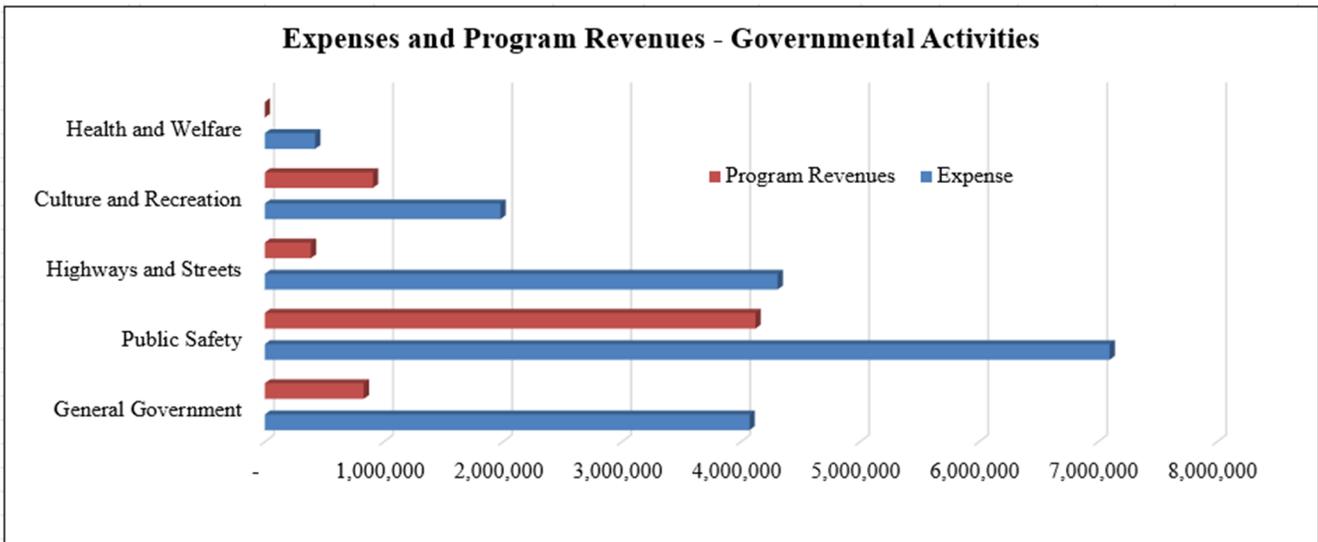
Governmental activities increased the Town's net position by \$623,304 for the year ended June 30, 2025. Key elements of the change are as follows.

- Total governmental activities' revenues decreased by 3.3% (\$644,761) from 2024 to 2025. Operating grants and revenues increased by \$668,808 while capital grants and revenues decreased by \$1,973,993.

**TOWN OF ESSEX, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

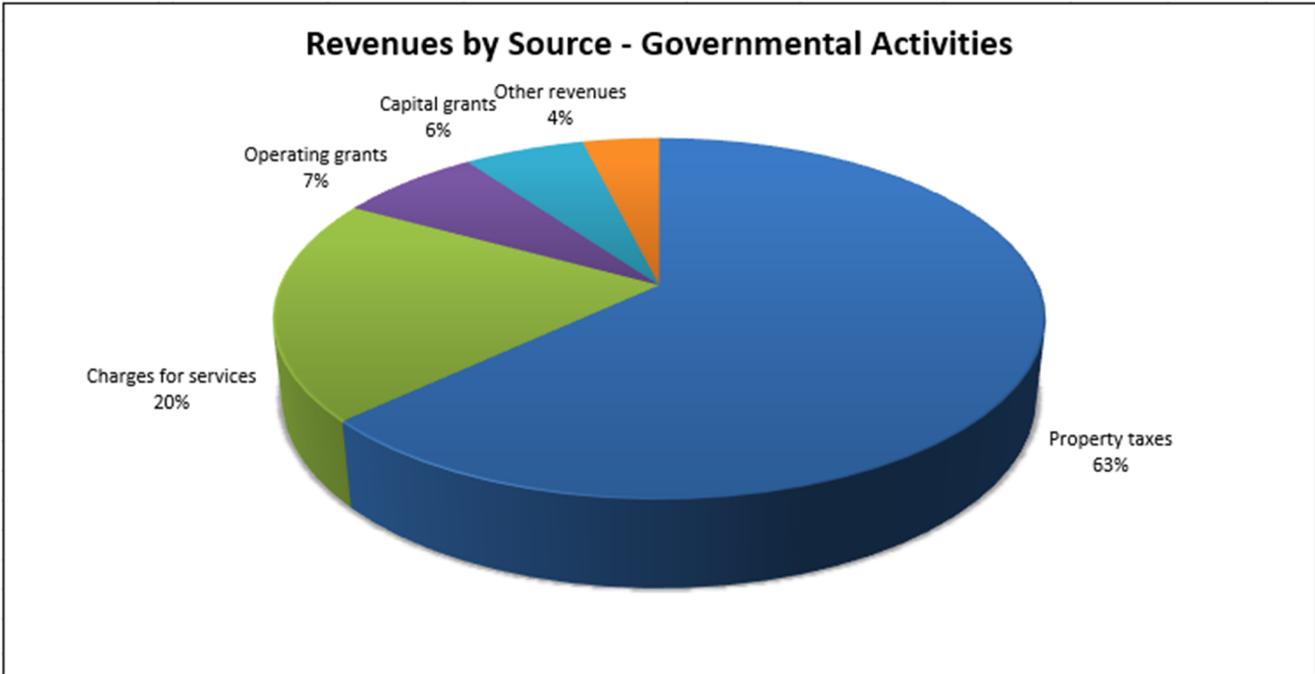
- Property tax revenue increased by \$623,321 (5.5%) primarily due to an adjustment in the local tax rate.
- Total governmental activities’ expenses increased by 4.0% (\$696,978) from 2024 to 2025. Public Safety expenses end the year at 38.9% (\$7,098,182) of total governmental activities’ expenses. Public Safety remains the largest category of expenses from year to year followed by Highways and Streets which ended the year at 23.6% (\$4,309,103) of total governmental activities’ expenses. General Government expenses make up \$4,072,458 or 22.3% 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 service contracts, 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 is in the Statement of Activities on page 2. 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; 63% of total revenue or \$11,895,744. The second largest category of revenue is charges for services coming in at \$3,770,423 (20% of revenue). The next largest category of revenue is operating grants, accounting for 7.1% or \$1,341,736, while capital grants represent 6% of revenues at \$1,138,073. The following graph shows the distribution of governmental activities revenues by source for the year ended June 30, 2025.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

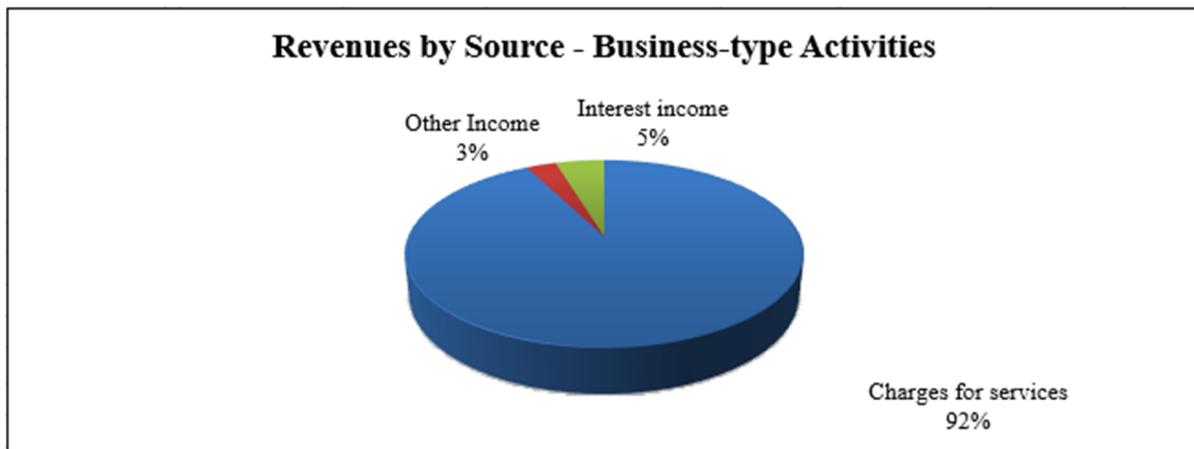


Business-type Activities

Business-type activities decreased the Town's net position by \$123,835 (2.73%) during the current fiscal year. Key elements of this decrease are as follows:

- Total revenues of \$3,810,408 were \$71,199 or 1.83% lower than the previous year. The decrease is attributable to a \$97,574 (2.7%) decrease in charges for services as well as decreases in other income of \$10,589 and interest income of \$8,103.
- Total expenses of \$3,934,243 reflect an increase of \$110,748 (2.9%) from the prior year. This increase is primarily driven by an increase of \$135,096 in repairs and maintenance and a \$29,834 increase in sewage treatment costs.

The Town's business-type activities are supported by user fees, also referred to as charges for services of \$3,520,991 or 92.4%, interest income of \$180,553 at 4.7% and other income of \$108,864 or 2.9%.



**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

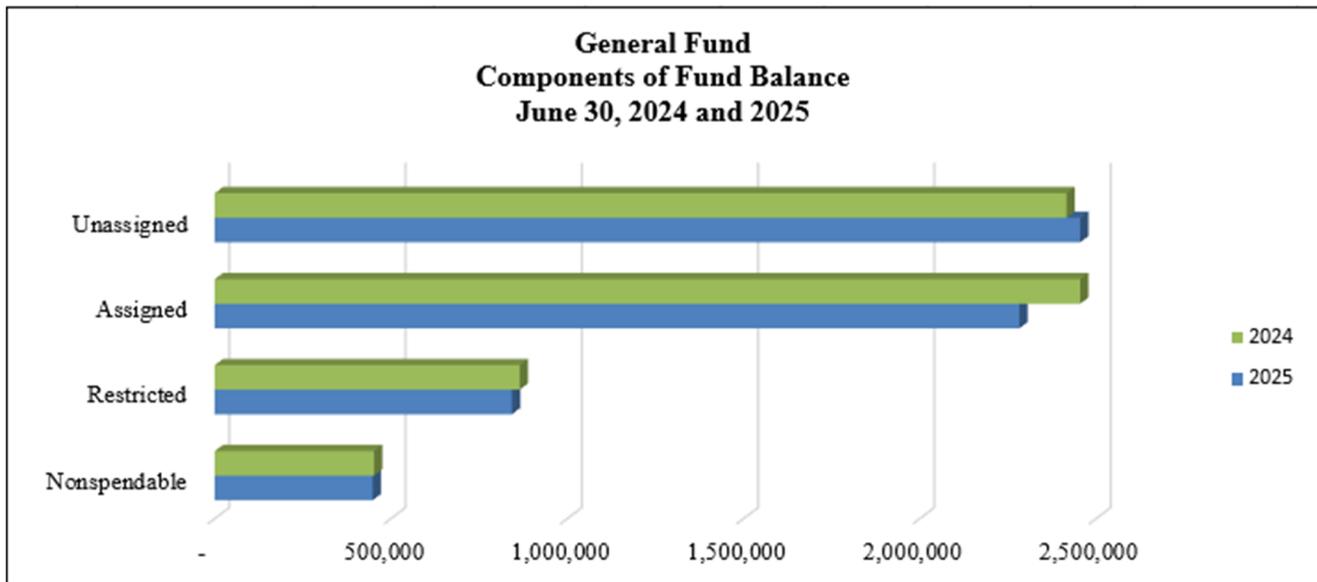
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 the current year's 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 \$9,525,392, a decrease of \$47,414 from the prior year. Of the total fund balance amount, \$448,333 is non-spendable (prepaid items and inventories) and \$843,175 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, \$5,778,990 has been assigned by the Town for various purposes (detailed in Note 14 Fund Balances and Net Position) and unassigned fund balance is \$2,454,894.



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 \$6,029,121, a decrease of \$158,896 from the previous year. Of this amount, \$448,333 is non-spendable and \$843,175 is restricted. Assignments totaling \$2,282,719 in the general fund are detailed in Note 14 and unassigned fund balance is \$2,454,894. 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 37.33% of total general fund expenditures (excluding capital transfers), however, this amount includes nonspendable and restricted balances which would not be available to finance general fund expenditures if necessary.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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 29.3% of total general fund expenditures, excluding capital 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, 2026, passed on the first vote at Town Meeting in March of 2025. There were no amendments made to the budget during the year.

On the revenue side, the Town recorded property tax revenue greater than the amount budgeted by \$48,549 and licenses and permits were under budget by \$41,370. Charges for services was greater than the amount budgeted by \$228,080 while fines and forfeits exceeded budget by \$85,321 and interest income exceeded budget by \$84,453.

General government expenditures were more than budgeted by \$295,177. Public Safety expenditures were \$92,138 under budget, while stormwater was underspent by \$62,990 versus budget.

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 LDS Church Stormwater project at \$893,094 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 & Sewer Fund is \$8,536,395, a decrease of 1.45% or \$125,554 from the previous year. Over half of the Water & Sewer Fund's net position is invested in capital assets net of related debt; 61.8% or \$5,272,199. This is an increase from the previous year when the net investment in capital assets was \$3,794,323. 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 \$3,264,196 balance in unrestricted net position at the end of the year, \$865,000 is designated for future capital projects and \$10,522 is designated for prepaid expenses.

The Town's second proprietary fund is the Recreation Programs Fund which the Selectboard authorized 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.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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, 2025, this fund realized a net gain from operations in the amount of \$1,719. This fund has a fund balance of \$118,518.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for governmental and business-type activities as of June 30, 2025, were \$77,791,006 offset by \$38,947,185 in accumulated depreciation resulting in capital assets net of accumulated depreciation of \$38,843,821. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Capital Assets: | | | | | | |
| Land | \$ 7,649,962 | \$ 7,649,962 | \$ - | \$ - | \$ 7,649,962 | \$ 7,649,962 |
| Construction in Progress | 1,404,673 | 384,157 | 1,044,482 | 303,044 | 2,449,155 | 687,201 |
| Buildings and Improvements | 12,226,902 | 12,119,553 | - | - | 12,226,902 | 12,119,553 |
| Vehicles and Equipment | 9,650,736 | 9,249,449 | 621,730 | 621,730 | 10,272,466 | 9,871,179 |
| Book Collection | 459,726 | 459,726 | - | - | 459,726 | 459,726 |
| Infrastructure | 30,413,750 | 29,553,458 | 14,319,045 | 13,259,127 | 44,732,795 | 42,812,585 |
| | 61,805,749 | 59,416,305 | 15,985,257 | 14,183,901 | 77,791,006 | 73,600,206 |
| Less: Accumulated Depreciation | (28,391,515) | (26,779,026) | (10,555,670) | (10,275,733) | (38,947,185) | (37,054,759) |
| Total Assets, Net | \$ 33,414,234 | \$ 32,637,279 | \$ 5,429,587 | \$ 3,908,168 | \$ 38,843,821 | \$ 36,545,447 |

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 \$4,304,684 in long-term debt outstanding. As of June 30, 2025, this amount had decreased by a net of \$468,651 or 10.89% to end the current year with \$3,836,033 in long-term debt outstanding.

| | June 30, 2024 | Additions | Deletions | June 30, 2025 |
|---------------------------------|---------------------|------------------|-------------------|---------------------|
| Governmental Activities | | | | |
| General Obligation Bonds | \$ 3,450,000 | \$ - | \$ 345,000 | \$ 3,105,000 |
| Notes Payable | 740,839 | | \$ 167,194 | \$ 573,645 |
| Business-type Activities | | | | |
| Water and Sewer Bond | 113,845 | 58,856 | 15,313 | 157,388 |
| Total Government | \$ 4,304,684 | \$ 58,856 | \$ 527,507 | \$ 3,836,033 |

The Town started the Line Services Inventory Loan during the year and made all required payments on long-term debt outstanding. Additional information about long-term debt is in Note 10 Notes and Bonds Payable.

**TOWN OF ESSEX, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

FY26 Budgets

The above-listed factors were considered in preparing the Town of Essex's budget for the 2026 fiscal year. The approved budget resulted in a tax rate for FY26 of \$0.7897 (Town General and Capital Tax).

Rates for water and sewer operations were increased in fiscal year 2026 in response to increased costs for water purchases, sewage treatment 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., 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, 2025

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Cash | \$ 10,200,182 | \$ 2,907,738 | \$ 13,107,920 |
| Taxes receivable, net of allowance | 426,102 | - | 426,102 |
| Other accounts receivable | 1,110,081 | 1,254,971 | 2,365,052 |
| Inventory | 272,089 | - | 272,089 |
| Prepaid expenses | 176,244 | 10,522 | 186,766 |
| Capital assets not being depreciated: | | | |
| Land | 7,649,962 | - | 7,649,962 |
| Construction in progress | 1,404,673 | 1,044,482 | 2,449,155 |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings | 7,974,308 | - | 7,974,308 |
| Infrastructure | 12,299,534 | - | 12,299,534 |
| Machinery, equipment, and vehicles | 4,085,757 | 95,042 | 4,180,799 |
| Water and sewer infrastructure | - | 4,290,063 | 4,290,063 |
| Total Assets | 45,598,932 | 9,602,818 | 55,201,750 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to the Town's participation in VMERS | 1,468,518 | 119,253 | 1,587,771 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 1,932,263 | 132,618 | 2,064,881 |
| Accrued pay | 395,048 | 29,939 | 424,987 |
| Unearned revenue | 189,526 | 55,948 | 245,474 |
| Accrued interest payable | 22,005 | 493 | 22,498 |
| Current portion of compensated absences | 158,941 | 23,574 | 182,515 |
| Current portion notes and bonds payable | 518,182 | 15,620 | 533,802 |
| Total Current Liabilities | 3,215,965 | 258,192 | 3,474,157 |
| NONCURRENT LIABILITIES | | | |
| Accrued compensated absences | 1,122,189 | 93,426 | 1,215,615 |
| Net pension liability | 6,063,641 | 565,881 | 6,629,522 |
| Notes and bonds payable | 3,160,463 | 141,768 | 3,302,231 |
| Total Noncurrent Liabilities | 10,346,293 | 801,075 | 11,147,368 |
| Total Liabilities | 13,562,258 | 1,059,267 | 14,621,525 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid property taxes | 1,569 | - | 1,569 |
| Deferred inflows of resources related to the Town's participation in VMERS | 97,171 | 7,891 | 105,062 |
| Total Deferred Inflows of Resources | 98,740 | 7,891 | 106,631 |
| NET POSITION | | | |
| Net investment in capital assets | 29,735,589 | 5,272,199 | 35,007,788 |
| Restricted | 843,175 | - | 843,175 |
| Unrestricted- designated | - | 875,522 | 875,522 |
| Unrestricted | 2,827,688 | 2,507,192 | 5,334,880 |
| Total Net Position | \$ 33,406,452 | \$ 8,654,913 | \$ 42,061,365 |

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

| | 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 | \$ 4,072,458 | \$ 406,193 | \$ 171,868 | \$ 253,433 | \$ (3,240,963) | \$ - | \$ (3,240,963) |
| Public safety | 7,098,182 | 3,131,140 | 991,968 | - | (2,975,074) | - | (2,975,074) |
| Highways and Street | 4,309,103 | 63,088 | 165,400 | 158,750 | (3,921,864) | - | (3,921,864) |
| Health and Welfare | 423,582 | - | - | - | (423,582) | - | (423,582) |
| Culture and Recreation | 1,979,665 | 170,001 | 12,501 | 725,890 | (1,071,273) | - | (1,071,273) |
| Intergovernmental | 220,187 | - | - | - | (220,187) | - | (220,187) |
| Interest on long-term debt | 146,018 | - | - | - | (146,018) | - | (146,018) |
| Total governmental activities | <u>18,249,194</u> | <u>3,770,423</u> | <u>1,341,736</u> | <u>1,138,073</u> | <u>(11,998,962)</u> | <u>-</u> | <u>(11,998,962)</u> |
| Business-type activities: | | | | | | | |
| Water and Sewer | 3,771,150 | 3,365,570 | 108,864 | - | - | (296,716) | (296,716) |
| Recreation | 163,093 | 155,421 | - | - | - | (7,672) | (7,672) |
| Total business-type activities | <u>\$ 3,934,243</u> | <u>\$ 3,520,991</u> | <u>\$ 108,864</u> | <u>\$ -</u> | <u>-</u> | <u>(304,388)</u> | <u>(304,388)</u> |
| General Revenues: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 11,895,744 | - | 11,895,744 |
| Penalties and interest on delinquent taxes | | | | | 158,863 | - | 158,863 |
| Unrestricted investment earnings | | | | | 548,306 | 180,553 | 728,859 |
| Gain on sale of capital assets | | | | | 13,648 | - | 13,648 |
| Other revenues | | | | | 5,705 | - | 5,705 |
| Total general revenues and transfers | | | | | <u>12,622,266</u> | <u>180,553</u> | <u>12,802,819</u> |
| Change in Net Position | | | | | 623,304 | (123,835) | 499,469 |
| Net position, beginning | | | | | <u>32,783,148</u> | <u>8,778,748</u> | <u>41,561,896</u> |
| Net position, ending | | | | | <u>\$ 33,406,452</u> | <u>\$ 8,654,913</u> | <u>\$ 42,061,365</u> |

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| ASSETS | | | |
| Cash | \$ 7,359,159 | \$ 2,841,023 | \$ 10,200,182 |
| Taxes receivable, net of allowance | 426,102 | - | 426,102 |
| Other receivables | 454,833 | 655,248 | 1,110,081 |
| Inventory | 272,089 | - | 272,089 |
| Prepaid expenses | <u>176,244</u> | <u>-</u> | <u>176,244</u> |
| Total Assets | <u>\$ 8,688,427</u> | <u>\$ 3,496,271</u> | <u>\$ 12,184,698</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,932,263 | \$ - | \$ 1,932,263 |
| Accrued payroll and benefits payable | 395,048 | - | 395,048 |
| Unearned revenue | <u>189,526</u> | <u>-</u> | <u>189,526</u> |
| Total Liabilities | <u>2,516,837</u> | <u>-</u> | <u>2,516,837</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid property taxes | 1,569 | - | 1,569 |
| Unavailable revenue - property taxes | <u>140,900</u> | <u>-</u> | <u>140,900</u> |
| Total Deferred Inflows of Resources | <u>142,469</u> | <u>-</u> | <u>142,469</u> |
| FUND BALANCE | | | |
| Nonspendable | 448,333 | - | 448,333 |
| Restricted | 843,175 | - | 843,175 |
| Assigned | 2,282,719 | 3,496,271 | 5,778,990 |
| Unassigned | <u>2,454,894</u> | <u>-</u> | <u>2,454,894</u> |
| Total Fund Balances | <u>6,029,121</u> | <u>3,496,271</u> | <u>9,525,392</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 8,688,427</u> | <u>\$ 3,496,271</u> | <u>\$ 12,184,698</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, 2025**

| | |
|---|-----------------------------|
| Total fund balances - governmental funds | \$ 9,525,392 |
| 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. | 33,414,234 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds | |
| Unavailable property tax revenue | 140,900 |
| 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 | (1,281,130) |
| Net pension liabilities | (6,063,641) |
| Accrued interest on long-term debt | (22,005) |
| Notes payable | (3,678,645) |
| 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. | 1,468,518 |
| 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>(97,171)</u> |
| Total net position - governmental activities | <u>\$ 33,406,452</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, 2025

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Property tax | \$ 11,431,022 | \$ 483,664 | \$ 11,914,686 |
| Licenses and permits | 81,760 | - | 81,760 |
| Intergovernmental revenues | 327,378 | 158,750 | 486,128 |
| Charges for services | 3,509,377 | 20,238 | 3,529,615 |
| Fines and forfeits | 190,021 | - | 190,021 |
| Interest income | 404,453 | 143,853 | 548,306 |
| Grant income | 1,334,960 | 750,417 | 2,085,377 |
| Miscellaneous income | 73,065 | - | 73,065 |
| Total Revenues | <u>17,352,036</u> | <u>1,556,922</u> | <u>18,908,958</u> |
| EXPENDITURES | | | |
| Current expenditures: | | | |
| General government | 3,107,797 | 117,460 | 3,225,257 |
| Public safety | 7,159,009 | - | 7,159,009 |
| Highways and Streets | 2,810,518 | 58,214 | 2,868,732 |
| Stormwater | 210,942 | 5,276 | 216,218 |
| Health and Welfare | 380,722 | - | 380,722 |
| Culture and Recreation | 1,563,245 | 26,224 | 1,589,469 |
| Intergovernmental | 220,187 | - | 220,187 |
| Capital Outlays: | | | |
| General government | 222,727 | - | 222,727 |
| Public safety | 270,878 | 56,388 | 327,266 |
| Highways and Streets | 258,726 | 537,589 | 796,315 |
| Stormwater | - | 920,520 | 920,520 |
| Culture and Recreation | 82,577 | 366,048 | 448,625 |
| Debt Service: | | | |
| Principal | 359,341 | 152,853 | 512,194 |
| Interest | 129,863 | 22,164 | 152,027 |
| Total Expenditures | <u>16,776,532</u> | <u>2,262,736</u> | <u>19,039,268</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>575,504</u> | <u>(705,814)</u> | <u>(130,310)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of fixed assets | 61,896 | 21,000 | 82,896 |
| Operating transfers in/(out) | <u>(796,296)</u> | <u>796,296</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(734,400)</u> | <u>817,296</u> | <u>82,896</u> |
| Net Change in Fund Balance | (158,896) | 111,482 | (47,414) |
| Fund Balance - July 1, 2024 | <u>6,188,017</u> | <u>3,384,789</u> | <u>9,572,806</u> |
| Fund Balance - June 30, 2025 | <u>\$ 6,029,121</u> | <u>\$ 3,496,271</u> | <u>\$ 9,525,392</u> |

See Accompanying Notes to Basic Financial Statements.

**TOWN OF ESSEX, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balances - governmental funds \$ (47,414)

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 | (1,869,251) |
| Capital Outlay | 2,715,453 |
| Proceeds from Sale of Asset | (82,896) |
| Gain on Sale of Asset | 13,648 |

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

| | |
|--|----------|
| Increase in the unavailable property taxes | (50,100) |
|--|----------|

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

| | |
|-----------------------------|---------|
| Repayment of long-term debt | 512,194 |
|-----------------------------|---------|

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 | (494,602) |
| Accrued interest on long-term debt | 4,599 |
| Accrued compensated absences | <u>(78,327)</u> |

Change in net position of governmental activities \$ 623,304

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2025

| | Water & Sewer Fund | Recreation Programs Fund | Total |
|---|--------------------------|--------------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 2,699,345 | \$ 208,393 | \$ 2,907,738 |
| Accounts receivable - net | 1,254,971 | - | 1,254,971 |
| Prepaid expenses | <u>10,522</u> | <u>-</u> | <u>10,522</u> |
| Total Current Assets | <u>3,964,838</u> | <u>208,393</u> | <u>4,173,231</u> |
| Noncurrent Assets: | | | |
| Capital assets not being depreciated: | | | |
| Construction in progress | 1,044,482 | - | 1,044,482 |
| Capital assets, net of accumulated depreciation: | | | |
| Machinery, equipment, and vehicles | 95,042 | - | 95,042 |
| Water and sewer infrastructure | <u>4,290,063</u> | <u>-</u> | <u>4,290,063</u> |
| Total Noncurrent Assets | <u>5,429,587</u> | <u>-</u> | <u>5,429,587</u> |
| Total Assets | <u>9,394,425</u> | <u>208,393</u> | <u>9,602,818</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to the Town's participation in VMERS | <u>114,647</u> | <u>4,606</u> | <u>119,253</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 9,509,072</u> | <u>\$ 212,999</u> | <u>\$ 9,722,071</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 132,618 | \$ - | \$ 132,618 |
| Current portion compensated absences | 23,574 | - | 23,574 |
| Current portion long-term debt | 15,620 | - | 15,620 |
| Accrued payroll | 27,870 | 2,069 | 29,939 |
| Unearned revenue | - | 55,948 | 55,948 |
| Other accrued expenses | <u>493</u> | <u>-</u> | <u>493</u> |
| Total Current Liabilities | <u>200,175</u> | <u>58,017</u> | <u>258,192</u> |
| Noncurrent Liabilities: | | | |
| Accrued compensated absences | 93,426 | - | 93,426 |
| Net pension liabilities | 529,722 | 36,159 | 565,881 |
| Notes and bonds payable | <u>141,768</u> | <u>-</u> | <u>141,768</u> |
| Total Noncurrent Liabilities | <u>764,916</u> | <u>36,159</u> | <u>801,075</u> |
| Total Liabilities | <u>965,091</u> | <u>94,176</u> | <u>1,059,267</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to the Town's participation in VMERS | <u>7,586</u> | <u>305</u> | <u>7,891</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,272,199 | - | 5,272,199 |
| Unrestricted - designated | 875,522 | - | 875,522 |
| Unrestricted | <u>2,388,674</u> | <u>118,518</u> | <u>2,507,192</u> |
| Total Net Position | <u>8,536,395</u> | <u>118,518</u> | <u>8,654,913</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 9,509,072</u> | <u>\$ 212,999</u> | <u>\$ 9,722,071</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, 2025

| | Water & Sewer Fund | Recreation Programs Fund | Total |
|---|--------------------------|--------------------------------|---------------------|
| | <u>Fund</u> | <u>Fund</u> | <u>Total</u> |
| OPERATING REVENUES | | | |
| Charges for services | \$ 3,365,570 | \$ 155,421 | \$ 3,520,991 |
| Connection fees | 75,374 | - | 75,374 |
| Interest and penalties | 31,112 | - | 31,112 |
| Other income | 2,378 | - | 2,378 |
| Total Operating Revenues | <u>3,474,434</u> | <u>155,421</u> | <u>3,629,855</u> |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 839,099 | 46,469 | 885,568 |
| Professional services | 16,669 | 1,010 | 17,679 |
| Repair and maintenance | 502,198 | - | 502,198 |
| Rentals | 4,667 | - | 4,667 |
| Printing and postage | - | 2,863 | 2,863 |
| Travel | 1,078 | 167 | 1,245 |
| Utilities | 102,329 | 243 | 102,572 |
| Dues and fees | 11,125 | - | 11,125 |
| CWD water purchases | 778,257 | - | 778,257 |
| Insurance | 24,639 | - | 24,639 |
| Machinery | 76,559 | - | 76,559 |
| Bond expense | 293,095 | - | 293,095 |
| Other operating | 22,133 | 5,841 | 27,974 |
| Depreciation expense | 279,938 | - | 279,938 |
| Recreation programming | - | 106,500 | 106,500 |
| Sewage treatment | 817,164 | - | 817,164 |
| Total Operating Expenses | <u>3,768,950</u> | <u>163,093</u> | <u>3,932,043</u> |
| Operating (Loss) | <u>(294,516)</u> | <u>(7,672)</u> | <u>(302,188)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 171,162 | 9,391 | 180,553 |
| Interest expense | (2,200) | - | (2,200) |
| Total Nonoperating Revenues (Expenses) | <u>168,962</u> | <u>9,391</u> | <u>178,353</u> |
| Change in Net Position | (125,554) | 1,719 | (123,835) |
| Net Position - July 1, 2024 | <u>8,661,949</u> | <u>116,799</u> | <u>8,778,748</u> |
| Net Position - June 30, 2025 | <u>\$ 8,536,395</u> | <u>\$ 118,518</u> | <u>\$ 8,654,913</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, 2025

| | Water & Sewer Fund | Recreation Programs Fund | Total |
|--|--------------------------|--------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 3,515,056 | \$ 155,421 | \$ 3,670,477 |
| Payments to suppliers | (2,527,332) | (116,599) | (2,643,931) |
| Payments for salaries and benefits | (782,817) | (43,115) | (825,932) |
| | <u>204,907</u> | <u>(4,293)</u> | <u>200,614</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of property, plant and equipment | (1,801,357) | - | (1,801,357) |
| Interest payments on debt | (2,200) | - | (2,200) |
| Proceeds from debt issuance | 58,856 | - | 58,856 |
| Principal payments on debt | (15,313) | - | (15,313) |
| | <u>(1,760,014)</u> | <u>-</u> | <u>(1,760,014)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | 171,162 | 9,391 | 180,553 |
| Net Increase (Decrease) in Cash | (1,383,945) | 5,098 | (1,378,847) |
| Cash - July 1, 2024 | 4,083,290 | 203,295 | 4,286,585 |
| Cash - June 30, 2025 | <u>\$ 2,699,345</u> | <u>\$ 208,393</u> | <u>\$ 2,907,738</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating loss | \$ (294,516) | \$ (7,672) | \$ (302,188) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 279,938 | - | 279,938 |
| Change in net assets and liabilities: | | | |
| Receivables, net | 40,622 | - | 40,622 |
| Prepaid expenses | 6,925 | - | 6,925 |
| Deferred outflows of resources | 47,357 | (4,606) | 42,751 |
| Accounts payable | 115,732 | - | 115,732 |
| Accrued payroll and compensated absences | 17,669 | 1,803 | 19,472 |
| Unearned revenue | - | 25 | 25 |
| Other accrued expenses | (76) | - | (76) |
| Net pension liability | (2,557) | 5,852 | 3,295 |
| Deferred inflows of resources | (6,187) | 305 | (5,882) |
| | <u>\$ 204,907</u> | <u>\$ (4,293)</u> | <u>\$ 200,614</u> |

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2025

| | | <u>Private Purpose Trust Fund</u> |
|------------------------------------|----|---------------------------------------|
| | | <u>Cemetary Fund</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ | <u>55,994</u> |
| Total Assets | \$ | <u><u>55,994</u></u> |
| LIABILITIES | | |
| Accounts payable | \$ | <u>614</u> |
| Total Liabilities | | <u>614</u> |
| NET POSITION | | |
| Restricted | | <u>55,380</u> |
| Total Net Position and Liabilities | \$ | <u><u>55,994</u></u> |

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2025

| | <u>Private Purpose Trust Fund</u> | <u>Cemetary Fund</u> |
|------------------------------------|---------------------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 55,994 | |
| Total Assets | <u>\$ 55,994</u> | |
| LIABILITIES | | |
| Accounts payable | \$ 614 | |
| Total Liabilities | <u>614</u> | |
| NET POSITION | | |
| Restricted | | <u>55,380</u> |
| Total Net Position and Liabilities | <u>\$ 55,994</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, 2025**

| | <u>Private Purpose Trust Fund</u> | <u>Cemetery Fund</u> |
|------------------------------|---------------------------------------|--------------------------|
| ADDITIONS | | |
| Sales of plots | \$ 5,002 | |
| Cemetery grant revenue | 75 | |
| Interest on deposits | <u>1,243</u> | |
| Total Additions | | <u>6,320</u> |
| DEDUCTIONS | | |
| Grounds maintenance | | <u>(2,235)</u> |
| Total Deductions | | <u>(2,235)</u> |
| Decrease in Net Position | | 4,085 |
| Net Position - July 1, 2024 | | <u>51,295</u> |
| Net Position - June 30, 2025 | | <u><u>\$ 55,380</u></u> |

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Essex, Vermont, (herein the “Town”) operates under a Selectboard/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.

1. 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.

2. 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, 2025

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

Recreation Programs 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, 2025

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.

3. 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, 2025

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.

4. 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, 2025

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, 2025

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, 2025

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.

11. 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, 2025

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, 2025

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2025 consisted of the following:

| | Book Balance | Bank Balance |
|--------------------------------|-----------------|-----------------|
| Insured by the FDIC | \$ 3,716,661 | \$ 3,716,660 |
| Insured by Deposit Surety Bond | 9,446,801 | 9,941,023 |
| Petty Cash | 452 | - |
| Total Deposits | \$ 13,163,914 | \$ 13,657,683 |

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. 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, 2025

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, 2025, the Town is not exposed to concentration of credit risk.

NOTE 5 RECEIVABLES

Receivables at June 30, 2025, 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 | \$ 401,394 | \$ - | \$ 401,394 |
| Penalties and Interest | 64,308 | - | 64,308 |
| Billed Services | 80,957 | 49,871 | 130,828 |
| Unbilled Services | - | 1,209,000 | 1,209,000 |
| Grants | 1,028,545 | - | 1,028,545 |
| Other | 579 | - | 579 |
| Allowance for Doubtful Accounts | <u>(39,600)</u> | <u>(3,900)</u> | <u>(43,500)</u> |
| | <u>\$ 1,536,183</u> | <u>\$ 1,254,971</u> | <u>\$ 2,791,154</u> |

Property taxes attach as an enforceable lien on property as of September 16th and March 16th. Taxes are levied in August and payable on September 15th and March 15th. The Town bills and collects its own taxes. Town property tax revenues are recognized when levied to the extent they result in current receivables. Current receivables are defined as receivables which are due or past due, and receivable within the current period and collected no later than sixty days after the close of the current period. Taxes receivable that remain uncollected as of August 31, 2025 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 \$140,900 at June 30, 2025.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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 | \$ 7,649,962 | \$ - | \$ - | \$ 7,649,962 |
| Construction in progress | <u>384,157</u> | <u>1,279,228</u> | <u>(258,712)</u> | <u>1,404,673</u> |
| Total capital assets not being depreciated | <u>8,034,119</u> | <u>1,279,228</u> | <u>(258,712)</u> | <u>9,054,635</u> |
| Other capital assets: | | | | |
| Book collection | 459,726 | - | - | 459,726 |
| Building and improvements | 12,119,553 | 116,645 | (9,296) | 12,226,902 |
| Infrastructure | 29,553,458 | 860,292 | - | 30,413,750 |
| Vehicles and Equipment | <u>9,249,449</u> | <u>718,001</u> | <u>(316,714)</u> | <u>9,650,736</u> |
| Total other capital assets | <u>51,382,186</u> | <u>1,694,938</u> | <u>(326,010)</u> | <u>52,751,114</u> |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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 | (3,958,455) | (301,886) | 7,747 | (4,252,594) |
| Infrastructure | (17,308,805) | (805,411) | - | (18,114,216) |
| Vehicles and Equipment | (5,052,040) | (761,954) | 249,015 | (5,564,979) |
| | <u>(26,779,026)</u> | <u>(1,869,251)</u> | <u>256,762</u> | <u>(28,391,515)</u> |
| Total accumulated depreciation | | | | |
| Total capital assets being depreciated, net | <u>24,603,160</u> | <u>(174,313)</u> | <u>(69,248)</u> | <u>24,359,599</u> |
| Governmental Activities - Capital Assets, Net | <u>\$ 32,637,279</u> | <u>\$ 1,104,915</u> | <u>\$ (327,960)</u> | <u>\$ 33,414,234</u> |

Depreciation expense was charged to functions, as follows:

| | |
|------------------------|---------------------|
| General Government | \$ 89,675 |
| Public Safety | 595,213 |
| Highways and Streets | 1,034,061 |
| Stormwater | 41,139 |
| Culture and Recreation | <u>109,163</u> |
| TOTAL | <u>\$ 1,869,251</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>\$ 303,044</u> | <u>\$ 1,599,531</u> | <u>\$ (858,093)</u> | <u>\$ 1,044,482</u> |
| Capital assets being depreciated: | | | | |
| Water and sewer infrastructure | 13,259,127 | 1,059,918 | - | 14,319,045 |
| Machinery and equipment | 434,591 | - | - | 434,591 |
| Vehicles | 187,139 | - | - | 187,139 |
| | <u>13,880,857</u> | <u>1,059,918</u> | <u>-</u> | <u>14,940,775</u> |
| Total Capital assets being depreciated | | | | |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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 | (9,762,396) | (266,586) | - | (10,028,982) |
| Machinery and equipment | (331,198) | (13,352) | - | (344,550) |
| Vehicles | (182,138) | - | - | (182,138) |
| | <u>(10,275,732)</u> | <u>(279,938)</u> | <u>-</u> | <u>(10,555,670)</u> |
| Total accumulated depreciation | <u>(10,275,732)</u> | <u>(279,938)</u> | <u>-</u> | <u>(10,555,670)</u> |
| Total capital assets being depreciated, net | <u>3,605,125</u> | <u>779,980</u> | <u>-</u> | <u>4,385,105</u> |
| Business-Type Activities - Capital Assets, Net | <u>\$ 3,908,169</u> | <u>\$ 2,379,511</u> | <u>\$ (858,093)</u> | <u>\$ 5,429,587</u> |

Depreciation expense for the Business-type Activities was \$279,938 for the fiscal year ended June 30, 2025.

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, 2025.

| <u>Amount</u> | <u>Transfer From</u> | <u>Transfer To</u> | <u>Purpose</u> |
|-----------------------|----------------------|--------------------|------------------------------|
| \$ 220,000 | General Fund | Capital Projects | Fire Department |
| 3,000 | General Fund | Capital Projects | Administration Vehicles |
| 15,000 | General Fund | Capital Projects | Police Department |
| 28,000 | General Fund | Capital Projects | Parks Equipment |
| 200,000 | General Fund | Capital Projects | Public Works Vehicles |
| 87,816 | General Fund | Capital Projects | Records Preservation |
| 4,000 | General Fund | Capital Projects | Information Technology |
| 150,894 | General Fund | Capital Projects | FY23 Assignments for Capital |
| <u>87,586</u> | General Fund | Capital Projects | ARPA Allocation |
| <u>\$ 796,296</u> | | | |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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, 2025, the Town had the following vested benefits earned by their employees:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balances</u> | <u>Amounts Due within One Year</u> |
|---------------------------------------|-------------------------------|------------------|-------------------|----------------------------|--|
| <u>General Fund</u> | | | | | |
| Vacation | \$ 699,210 | \$ 58,518 | \$ - | \$ 757,728 | \$ 80,098 |
| Comp time | 59,804 | 6,834 | - | 66,638 | - |
| Sick | 443,789 | 12,975 | - | 456,764 | 78,843 |
| | <u>1,202,803</u> | <u>78,327</u> | <u>-</u> | <u>1,281,130</u> | <u>158,941</u> |
| <u>Water/Sewer Fund</u> | | | | | |
| Vacation | 61,034 | 11,037 | - | 72,071 | 9,232 |
| Comp time | 7,524 | - | (3,541) | 3,983 | - |
| Sick | 35,937 | 5,009 | - | 40,946 | 14,342 |
| | <u>104,495</u> | <u>16,046</u> | <u>(3,541)</u> | <u>117,000</u> | <u>23,574</u> |
| TOTAL COMPENSATED ABSENCES | <u>\$ 1,307,298</u> | <u>\$ 94,373</u> | <u>\$ (3,541)</u> | <u>\$ 1,398,130</u> | <u>\$ 182,515</u> |

NOTE 10 NOTES AND BONDS PAYABLE

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Principal Reduction</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|---|------------------------------|------------------|--------------------------------|---------------------------|----------------------------|
| 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 | \$ 3,450,000 | \$ - | \$ (345,000) | \$ 3,105,000 | \$ 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 | 380,380 | - | (91,071) | 289,309 | 93,703 |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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> |
|---|------------------------------|------------------|--------------------------------|---------------------------|----------------------------|
| 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 | 330,509 | - | (61,782) | 268,727 | 63,870 |
| Ford Motor Credit Company Purchase agreement for a Ford Explorer, Principal and 8.84% interest payments of 16,988 due annually, Matures July 2025 | <u>29,950</u> | <u>-</u> | <u>(14,341)</u> | <u>15,609</u> | <u>15,609</u> |
| | <u>\$ 4,190,839</u> | <u>\$ -</u> | <u>\$ (512,194)</u> | <u>\$ 3,678,645</u> | <u>\$ 518,182</u> |

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Government Activities as of June 30, 2025, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2026 | \$ 518,182 | \$ 134,161 | \$ 652,343 |
| 2027 | 507,439 | 114,280 | 621,719 |
| 2028 | 512,457 | 95,177 | 607,634 |
| 2029 | 415,567 | 75,458 | 491,025 |
| 2030 | 345,000 | 55,981 | 400,981 |
| 2031-2034 | <u>1,380,000</u> | <u>83,003</u> | <u>1,463,003</u> |
| TOTAL | <u>\$ 3,678,645</u> | <u>\$ 558,060</u> | <u>\$ 4,236,705</u> |

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Principal Reduction</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--|------------------------------|------------------|--------------------------------|---------------------------|----------------------------|
| Business-Type Funds | | | | | |
| Line Services Inventory Loan 0% interest, five-year term, with repayment beginning October 1, 2028; original principal of \$196,185 and and payments due annually of \$39,237. | \$ - | \$ 58,856 | \$ - | \$ 58,856 | \$ - |
| Note payable to State of Vermont, note, 2% administrative fee, due January 1, 2031. | <u>113,845</u> | <u>-</u> | <u>(15,313)</u> | <u>98,532</u> | <u>15,620</u> |
| | <u>\$ 113,845</u> | <u>\$ 58,856</u> | <u>\$ (15,313)</u> | <u>\$ 157,388</u> | <u>\$ 15,620</u> |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 10 NOTES AND BONDS PAYABLE (continued)

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Government Activities as of June 30, 2025, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------|----------|------------|
| 2026 | \$ 15,620 | \$ 1,971 | \$ 17,591 |
| 2027 | 15,932 | 1,658 | 17,590 |
| 2028 | 16,251 | 1,340 | 17,591 |
| 2029 | 16,576 | 1,015 | 17,591 |
| 2030 | 56,144 | 683 | 56,827 |
| 2031-2033 | 36,865 | 345 | 37,210 |
| | \$ 157,388 | \$ 7,012 | \$ 164,400 |

Total interest expense paid for the year ended June 30, 2025 was \$152,027 in the governmental activities funds and \$2,200 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 \$1,468,518 attributable to Governmental Activities and \$119,253 attributable to Business-Type Activities.

NOTE 12 UNEARNED REVENUE

Unearned revenue in the General Fund consists of \$166,568 in police department equitable sharing funds, \$1,246 in remaining ARPA funds, \$2,674 in various other funds received in advance and an additional \$19,039 of pool fees recorded in the general fund. The revenue will be recognized as related expenses are incurred. Total Unearned Revenue in the General Fund is \$189,526.

Unearned revenue in the Recreation Programs Fund of \$55,948 consists of funds collected for providing scholarships \$12,224 and fees collected for FY 2026 summer programs \$43,614. This revenue will be earned as related expenses are incurred.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the General Fund consists of \$140,900 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 include \$1,569 of prepaid property taxes. Total deferred inflows of resources in the General Fund are \$142,469.

Deferred inflows of resources in the Governmental Activities consist \$1,569 of prepaid property taxes and \$97,171 related to the Town's participation in VMERS. Deferred inflows of resources in the Business-Type Activities consist of \$7,891 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, 2025 are as follows:

Governmental Activities

Restricted for:

| | |
|-------------------|-------------------|
| Reappraisal | \$ 714,433 |
| Police Donations | 50,603 |
| Opioid Settlement | <u>78,139</u> |
| | <u>\$ 843,175</u> |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 14 FUND BALANCES AND NET POSITION (continued)

General Fund

Nonspendable for:

| | |
|---------------------------------|--------------------------|
| Inventory | \$ 272,089 |
| Prepaid expenses | <u>176,244</u> |
| Total Nonspendable Fund Balance | <u><u>\$ 448,333</u></u> |

Restricted for:

| | |
|-------------------------------|--------------------------|
| Reappraisal | \$ 714,433 |
| Police Donations | 50,603 |
| Opioid Settlement | <u>78,139</u> |
| Total Restricted Fund Balance | <u><u>\$ 843,175</u></u> |

Assigned for:

| | |
|--------------------------------------|----------|
| Economic Development - EBPA | \$ 9,713 |
| Economic Development Report | 6,918 |
| Planning | 102,131 |
| Accrued Retirement Benefits | 297,218 |
| Records preservation | 144,819 |
| Community Justice Center | 176,125 |
| Conservation Reserve Fund | 90,881 |
| Health and Wellness | 6,000 |
| Indian Brook Automated Entry Gate | 185,000 |
| Indian Brook Dam | 100,000 |
| Permitting Software | 75,000 |
| Housing Trust Fund | 37,500 |
| Economic Development Grant Program | 37,500 |
| Susie Wilson Signal Improvements | 25,000 |
| Dispatch Console | 25,000 |
| Beautification Projects | 20,398 |
| Fort Water Tower | 20,000 |
| Technical Support for Upper Main St. | 20,000 |
| Stormwater Utility Feasibility Study | 20,000 |
| Body Cameras - Law Enforcement | 10,071 |
| Technical Equipement - Meetings | 7,500 |
| ARPA Interest to Municipal Complex | 6,150 |
| Improvements at Memorial Hall | 5,000 |
| Improvements at Powell Museum | 5,000 |
| FY27 Operating Budget Items | 78,498 |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 14 FUND BALANCES AND NET POSITION (continued)

| | |
|---|---------------------|
| MERP Item | 4,000 |
| Landfill Fund Replenishment | 12,000 |
| Transfer to Capital - PW Major Equipment | 305,000 |
| Transfer to Capital - Fire Vehicles | 305,000 |
| Transfer to Capital - Road Reconstruction | <u>145,297</u> |
| Total Assigned Fund Balance | <u>\$ 2,282,719</u> |

Capital Projects Fund

| | |
|---|---------------------|
| Assigned for: | |
| Future building projects | \$ 220,023 |
| Future municipal complex projects | 126,497 |
| Future highway projects | 283,731 |
| Future capital equipment | 345,029 |
| Future parks projects | 471,553 |
| Future sidewalks, paths & trails projects | 299,197 |
| Future stormwater projects | 605,905 |
| Future information technology | 90,501 |
| Future natural resource management | 25,312 |
| Undesignated | <u>1,028,523</u> |
| Total Assigned Fund Balance | <u>\$ 3,496,271</u> |

Water and Sewer Fund

| | |
|-----------------------------|-------------------|
| Designated for: | |
| Future capital expenses | \$ 865,000 |
| Prepaid expenses | <u>10,522</u> |
| Total Designated Net Assets | <u>\$ 875,522</u> |

Fiduciary Fund

| | |
|--|------------------|
| Restricted for Cemetery - These funds are accumulated for the maintenance of the cemetery. | <u>\$ 55,380</u> |
|--|------------------|

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.

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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 employer contributes 3% of employee’s salaries. Town contributions to the plan were \$19,451 and the employee contributions were \$7,281 for the year ended June 30, 2025.

NOTE 16 PENSION PLAN

Information Required Under GASB Statement No. 68

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

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Town of Essex, Vermont’s reporting date June 30, 2025 and for the Town of Essex, Vermont’s reporting period (the year ended June 30, 2025). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer’s prior fiscal year. For the reporting date of Town of Essex, Vermont, the State has chosen to use the end of the prior fiscal year (June 30, 2024) as the measurement date, and the year ended June 30, 2024, 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 June 30, 2024, to the measurement date of June 30, 2024.

Schedule A – Employer Allocations as of June 30, 2023

| Fiscal Year Ended June 30, 2023 | | | | | | |
|---------------------------------|---------------------|-----------------------|-------------------------|------------------------|---|---|
| Employer Contributions | Employer Proportion | Net Pension Liability | Total Deferred Outflows | Total Deferred Inflows | Net Pension Liability 1% Decrease (6.00% Disc Rate) | Net Pension Liability 1% Decrease (8.00% Disc Rate) |
| \$ 573,727 | 2.0128% | \$ 6,446,956 | \$ 1,347,928 | \$ 170,492 | \$ 9,703,666 | \$ 3,770,067 |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

Schedule B – Employers’ Allocation as of June 30, 2024

| Fiscal Year Ended June 30, 2024 | | | | | | |
|---------------------------------|---------------------|-----------------------|-------------------------|------------------------|---|---|
| Employer Contributions | Employer Proportion | Net Pension Liability | Total Deferred Outflows | Total Deferred Inflows | Net Pension Liability 1% Decrease (6.00% Disc Rate) | Net Pension Liability 1% Decrease (8.00% Disc Rate) |
| \$ 657,466 | 1.9960% | \$ 6,629,528 | \$ 917,253 | \$ 105,062 | \$ 10,135,575 | \$ 3,751,854 |

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2024

| Deferred Outflows of Resources | | | | | | | |
|--------------------------------|-----------------------|---|------------------------|---------------------|---|---|-------------------------|
| Employer Proportion | Net Pension Liability | Difference Between Expected and Actual Experience | Changes in Assumptions | Changes in Benefits | Difference Between Projected and Actual Investment Earnings | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows |
| 1.9960% | \$ 6,629,528 | \$ 717,993 | \$ 35,728 | \$ - | \$ 163,532 | \$ - | \$ 917,253 |

| Deferred Inflows of Resources | | | | | |
|---|------------------------|---------------------|---|---|------------------------|
| Difference Between Expected and Actual Experience | Changes in Assumptions | Changes in Benefits | Difference Between Projected and Actual Investment Earnings | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows |
| \$ - | \$ - | \$ - | \$ - | \$ 105,062 | \$ 105,062 |

| Pension Expense Recognized | | |
|---|---|--------------|
| Proportionate Share of Pension Plan Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total |
| \$ 1,313,445 | \$ (108,162) | \$ 1,205,283 |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

| Fiscal Year Ending | | | | | |
|--------------------|---------------|---------------|---------------|---------------|------------|
| June 30, 2025 | June 30, 2026 | June 30, 2027 | June 30, 2028 | June 30, 2029 | Thereafter |
| \$ 205,332 | \$ 682,519 | \$ 31,602 | \$ (107,261) | \$ - | \$ - |

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2024

For entities with a reporting date in 2024, the amounts shown will be recognized in the expense for plan years ending in 2026, 2027 and 2028.

Schedule E – Contributions History for Fiscal Years 2022-2024

| FY 2024 | FY 2023 | FY 2022 | FY 2021 |
|------------|------------|------------|------------|
| \$ 390,737 | \$ 573,727 | \$ 518,141 | \$ 460,749 |

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

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

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

<http://finance.vermont.gov/reports-and-publications/annual-compenhensive-financial-report>

Plan Description

The Vermont Municipal Employees’ Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2024, the retirement system consisted of 362 participating employers.

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

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

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

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

Summary of System Provisions

| | |
|----------------------------------|--|
| Membership | Full time employees of participating municipalities. Municipality elect's coverage under Groups A, B, C or D provisions. |
| Creditable service | Service as a member plus purchased service. |
| Average Final Compensation (AFC) | Group A – average annual compensation during highest 5 consecutive years. Groups B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years. |
| Service Retirement Allowance | |
| Eligibility | Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service. Groups C and D – Age 55 with 5 years of service. |
| Amount | Group A – 1.4% of AFC x service |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC
Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC

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

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

Early Retirement Allowance

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

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

Vested Retirement Allowance

Eligibility 5 years of service.

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

Disability Retirement Allowance

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

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

| | |
|---|---|
| Amount | Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member. |
| Death Benefit | |
| Eligibility | Death after 5 years of service. |
| Amount | For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit. |
| Optional Benefit and Death after Retirement | For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction. |
| Refund of Contribution | Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded |
| Post-Retirement Adjustments | Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D. |
| Retirement Stipend | \$25 per month payable at the option of the Board of retirees. |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

| Member Contributions | For Fiscal Year Ended June 30, 2024 | Effective July 1, 2024 |
|------------------------|--|------------------------|
| | Group A – 3.75% | 4.00% |
| | Group B – 6.125% | 6.75% |
| | Group C – 11.25% | 11.50% |
| | Group D – 12.60% | 12.85% |
| Employer Contributions | Group A – 5.25% | 5.50% |
| | Group B – 6.75% | 7.00% |
| | Group C – 8.50% | 8.75% |
| | Group D – 11.15% | 11.35% |

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7%, net of pension plan investment expenses, including inflation.

Salary Increases: Varying service-based rates ranging from 4.07% to 6.21%. Salary increases include an assumed inflation rate of 2.30%

Mortality:

Pre-Retirement:

Groups A, B: 60% PubG-2010 General Employee amount-weighted below-median and 40% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2021.

Group C: PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2021

Group D: PubS-2010 Public Safety Employee Amount-Weighted Below-Median, with generational projection using scale MP-2021.

Healthy Post-Retirement - Retirees:

Groups A, B: PubG-2010 General Healthy Retiree Amount-Weighted Below Median Table with credibility adjustments of 90% and 87% for the Male and Female Tables, respectively, with generational projection using scale MP-2021

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

Group C: PubG-2010 General Healthy Retiree Amount-Weighted Table, with generational projection using scale MP-2021

Group D: PubG-2010 Public Safety Retiree Amount-Weighted Below-Median Table, with generational projection using scale MP-2021

Healthy Post-Retirement – Beneficiaries:

Groups A, B, C – Pub-2010 Contingent Survivor Amount-Weighted Below-Median Table, with generational projection using scale MP-2021.

Disabled Post-Retirement:

Groups A, B, C - PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Table with generational projection using scale MP-2021

Group D – PubS-2010 Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021

Spouse's Age: Females three years younger than males

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2025, COLAs is assumed to be 1.90% for Group A and 1.90% for Groups B, C and D. The January 1, 2024, COLAs were 1.10% for Group A and 1.10% for Groups B, 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 of benefits applicable to each participant.

Assets: The valuation is based on the market value of assets as of 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 real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2024, is summarized in the following table:

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 PENSION PLAN (continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|--------------------------|---|
| US Agg Fixed Income | 19.00% | 1.70% |
| TIPS | 2.00% | 1.70% |
| Large/Mid Cap US Equity | 4.00% | 4.20% |
| Small Cap US Equity | 3.00% | 4.70% |
| Developed Large/Mid Cap International E | 5.00% | 5.95% |
| Global Equity | 32.00% | 5.25% |
| Core Real Estate | 3.00% | 3.45% |
| Non-Core Real Estate | 4.00% | 5.70% |
| Private Credit | 11.00% | 5.70% |
| Private Equity | 11.00% | 7.45% |
| Private Core Infrastructure | 4.00% | 4.95% |
| Agriculture/Farmland | 2.00% | 3.95% |

Discount Rate: The long-term expected rate of return on pension plan assets is 7%. The high quality tax-exempt general obligation municipal bond rate (20-Bond GO Index) as of the closes date prior to the valuation date of June 30, 2024, is 3.93%, as published by The Bond Buyer.

The discount rate used to measure the total pension liability was 7% as of June 30, 2024. 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). At the May 2024 board meeting, the Board voted unanimously to authorize employer contribution rate increases of .25% each year for a period of 4 years, beginning July 1, 2026. Also in May 2024, the Legislature passed H.883, which included an increase in the member rate of .25% for each group for four years, beginning July 1, 2026. 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 plan 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, 2024. 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 net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability 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:

| 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|----------------------------|------------------------------|----------------------------|
| \$ 10,135,575 | \$ 6,629,528 | \$ 3,751,854 |

Town of Essex, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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 \$13,888 for the year ended June 30, 2025.

NOTE 19 TAX ABATEMENT

The Town has two tax stabilization agreements that qualify as a tax abatements per GASB Statement no. 77 Tax Abatement Disclosures. 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 beginning in FY 2018. 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, 2025

NOTE 19 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 FY 2025 the combined amount of taxes abated totaled \$40,675 for these two agreements.

NOTE 20 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the general fund by \$50,129. This was due primarily to overspending in general government and the amounts were offset by unbudgeted grant revenues.

NOTE 21 DISCLOSURE OF SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Town has evaluated subsequent events through January 7, 2026, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2025, have been incorporated into the financial statements herein.

The Town signed a loan agreement with the Vermont Bond Bank for \$34,300 at an interest rate of 0%. Principal payments of \$3,430 are due annually and beginning on December 1, 2028, through December 1, 2032. In the first year of repayment, \$17,150 of the principal balance is to be forgiven. The first draw of \$33,160 was received on December 12, 2025.

The Town signed a loan agreement with the Vermont Bond Bank for \$189,100 at an interest rate of 0%. Principal payments of \$28,365 are due annually and beginning on July 1, 2030, through July 1, 2034. In the first year of repayment, \$47,275 of the principal balance is to be forgiven. The first draw of \$154,625 was received on November 7, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ESSEX, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|-------------------------|----------------------|
| REVENUES | | | |
| Property tax | \$ 11,382,473 | \$ 11,431,022 | \$ 48,549 |
| Licenses and permits | 123,130 | 81,760 | (41,370) |
| Intergovernmental revenues | 264,032 | 327,378 | 63,346 |
| Charges for services | 315,280 | 543,360 | 228,080 |
| Fines and forfeits | 104,700 | 190,021 | 85,321 |
| Interest income | 320,000 | 404,453 | 84,453 |
| Miscellaneous income | <u>19,254</u> | <u>45,303</u> | <u>26,049</u> |
| Total Revenues | <u>12,528,869</u> | <u>13,023,297</u> | <u>494,428</u> |
| EXPENDITURES | | | |
| General government | 3,035,347 | 3,330,524 | (295,177) |
| Public safety | 6,389,842 | 6,297,704 | 92,138 |
| Highways and Streets | 3,103,608 | 3,069,244 | 34,364 |
| Stormwater | 273,932 | 210,942 | 62,990 |
| Health and Welfare | 386,742 | 380,722 | 6,020 |
| Culture and Recreation | 1,698,271 | 1,645,822 | 52,449 |
| Debt service | 506,704 | 489,204 | 17,500 |
| Intergovernmental | <u>199,774</u> | <u>220,187</u> | <u>(20,413)</u> |
| Total Expenditures | <u>15,594,220</u> | <u>15,644,349</u> | <u>(50,129)</u> |
| Deficiency of Revenues over Expenditures | <u>(3,065,351)</u> | <u>(2,621,052)</u> | <u>444,299</u> |
| OTHER FINANCING SOURCES/(USES) | | | |
| Operating Transfers Out | (512,200) | (796,296) | (284,096) |
| Transfers between City and Town | <u>3,179,451</u> | <u>2,966,017</u> | <u>(213,434)</u> |
| Total Other Financing Sources (Uses) | <u>2,667,251</u> | <u>2,231,617</u> | <u>(435,634)</u> |
| Net Change in Fund Balance | <u>\$ (398,100)</u> | <u>\$ (389,435)</u> | <u>\$ 8,665</u> |
| RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS | | | |
| Excess of Revenues over Expenditures- Budgetary Basis | | \$ (389,435) | |
| Adjustments for non-budget: | | | |
| Grant revenues | | 1,334,960 | |
| Other revenues | | 27,762 | |
| Grant expenditures | | (1,106,144) | |
| Other expenditures | | <u>(26,039)</u> | |
| Excess of Revenues over Expenditures- GAAP Basis | | <u>\$ (158,896)</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, 2025

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Town's proportion of the net pension liability (asset) | 1.9960% | 2.0128% | 2.0709% | 2.0723% | 2.0992% | 2.3080% | 2.3893% | 2.1170% | 1.9431% | 1.8136% |
| Town's proportionate share of the net pension liability (asset) | <u>\$ 6,629,528</u> | <u>\$ 6,446,956</u> | <u>\$ 6,282,598</u> | <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> |
| Town's covered-employee payroll | <u>\$ 7,031,632</u> | <u>\$ 6,336,581</u> | <u>\$ 5,916,806</u> | <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> |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 94.28% | 101.74% | 106.18% | 55.53% | 99.75% | 72.88% | 62.37% | 53.83% | 60.85% | 38.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.22% | 74.01% | 73.60% | 86.29% | 74.52% | 80.35% | 82.60% | 83.64% | 80.95% | 87.42% |

Significant Actuarial Assumptions and methods are described in Note 16 to the financial statements.

Changes in Assumptions:

There were no changes in methods or assumptions since the last measurement date.

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually Required Contributions (Actuarially Determined) | \$ 657,466 | \$ 573,727 | \$ 518,141 | \$ 460,749 | \$ 435,067 | \$ 443,441 | \$ 418,499 | \$ 345,718 | \$ 295,324 | \$ 253,517 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>657,466</u> | <u>573,727</u> | <u>518,141</u> | <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> |
| Covered Employee Payroll | <u>\$ 7,031,632</u> | <u>\$ 6,336,581</u> | <u>\$ 5,916,806</u> | <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> |
| Contributions as a Percentage of Covered Employee Payroll | 9.35% | 9.05% | 8.76% | 8.39% | 8.17% | 8.07% | 7.77% | 7.26% | 6.20% | 6.17% |

Significant Actuarial Assumptions and methods are described in Note 16 to the financial statements.

Changes in Assumptions:

There were no changes in methods or assumptions since the last measurement date.

See Accompanying Notes to Basic Financial Statements.

Town of Essex, Vermont

**OTHER REPORTING REQUIRED
BY THE SINGLE AUDIT ACT**

June 30, 2025

Town of Essex, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2025

| Award Information | AL/other # | Pass-Through Entity Name | Pass-Through Entity # | Passed-through to Subrecipients | Federal Expenditures (\$) |
|---|---------------|---|----------------------------------|---------------------------------------|---------------------------------|
| Highway Safety Cluster-Cluster | | | | | |
| Department of Transportation | | | | | |
| State and Community Highway Safety | | | | | |
| | | Chittenden County Sheriff's Office | | | |
| State and Community Highway Safety | 20.600 | | | | \$ 4,480 |
| Total State and Community Highway Safety | | | | - | 4,480 |
| National Priority Safety Programs | | | | | |
| | | Chittenden County Sheriff's Office | GR1794 | | |
| National Priority Safety Programs | 20.616 | | | | 10,456 |
| Total National Priority Safety Programs | | | | - | 10,456 |
| <i>Total Department of Transportation</i> | | | | | |
| | | | | | 14,936 |
| Total Highway Safety Cluster-Cluster | | | | | |
| Other Programs (Treated individually for major program determination) | | | | | |
| Department of Housing and Urban Development | | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | | | |
| | | Agency of Commerce & Community Development (DHCD) | 07110-IG-2021- Essex-04 | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | | | | 660,540 |
| Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | | 660,540 | 660,540 |
| <i>Total Department of Housing and Urban Development</i> | | | | | |
| | | | | | 660,540 |
| United States Department of Justice | | | | | |
| Bulletproof Vest Partnership Program | | | | | |
| | | Department of Public Safety | | | |
| Bulletproof Vest Partnership Program | 16.607 | | | | 2,156 |
| Total Bulletproof Vest Partnership Program | | | | - | 2,156 |
| Edward Byrne Memorial Justice Assistance Grant Program | | | | | |
| | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | | | 21,175 |
| Total Edward Byrne Memorial Justice Assistance Grant Program | | | | - | 21,175 |
| <i>Total United States Department of Justice</i> | | | | | |
| | | | | | 23,331 |
| Department of Transportation | | | | | |
| Highway Planning and Construction | | | | | |
| | | VT Agency of Transportation | Essex Town STP MM18(9) CA0514 | | |
| Highway Planning and Construction | 20.205 | | | | 317,316 |
| Total Highway Planning and Construction | | | | - | 317,316 |
| <i>Total Department of Transportation</i> | | | | | |
| | | | | | 317,316 |

Town of Essex, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2025

| Award Information | AL/other # | Pass-Through Entity Name | Pass-Through Entity # | Passed-through to Subrecipients | Federal Expenditures (\$) |
|--|---------------|--|----------------------------|---------------------------------------|---------------------------------|
| Highway Safety Cluster-Cluster | | | | | |
| Department of the Treasury | | | | | |
| CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | | | | | |
| CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | | | | 228,906 |
| Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | | | | - | 228,906 |
| <i>Total Department of the Treasury</i> | | | | | |
| | | | | | 228,906 |
| National Endowment for the Humanities | | | | | |
| LSTA State Grants | | | | | |
| LSTA State Grants | 45.310 | State of VT, Dept of Libraries | 01130-2024- Courier-034 | | 684 |
| Total LSTA State Grants | | | | - | 684 |
| <i>Total National Endowment for the Humanities</i> | | | | | |
| | | | | | 684 |
| United States Environmental Protection Agency | | | | | |
| Drinking Water State Revolving Fund | | | | | |
| Drinking Water State Revolving Fund | 66.468 | State of VT, Dept of Environmental Conservation | RF3-530-1.0 | - | 58,856 |
| Total Drinking Water State Revolving Fund | | | | | 58,856 |
| <i>Total United States Environmental Protection Agency</i> | | | | | |
| | | | | | 58,856 |
| Total Other Programs (Treated individually for major program determination) | | | | | |
| | | | | - | 1,289,633 |
| Total Expenditures of Federal Awards | | | | | |
| | | | | \$ 660,540 | \$ 1,304,569 |

The accompanying notes are an integral part of this schedule

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Town of Essex, Vermont under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Essex, Vermont.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Town of Essex, Vermont has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance because no indirect costs were allowed under the federal awards.

NOTE C DRINKING WATER STATE REVOLVING LOAN FUND (AL #66.468)

The Town of Essex, Vermont received financial assistance in the form of loans under the Drinking Water State Revolving Loan Fund (DWSRF) program (AL# 66.468). The amount reported as federal expenditures in the Schedule represents the value of new loans made or received during the year. There are no continuing federal compliance requirements associated with these loans other than repayment, therefore, outstanding loan balances from prior years are not included in the Schedule or disclosed in these notes.



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Selectboard
Town of Essex, Vermont
Essex, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Essex, Vermont, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Essex, Vermont's basic financial statements, and have issued our report thereon dated January 7, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Essex, Vermont's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Essex, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Essex, Vermont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kittle Brunson + Sargent". The signature is written in a cursive style.

St. Albans, Vermont
January 7, 2026



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Selectboard
Town of Essex, Vermont
Essex, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Essex, Vermont's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of Essex, Vermont's major federal programs for the year ended June 30, 2025. Town of Essex, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Essex, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Essex, Vermont and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Essex, Vermont's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Essex, Vermont's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Essex, Vermont's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Essex, Vermont's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Essex, Vermont's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Essex, Vermont's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Essex, Vermont's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



St. Albans, Vermont
January 7, 2026

Town of Essex, Vermont
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2025

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Town of Essex, Vermont.
2. There were no significant deficiencies disclosed during the audit of the financial statements of Town of Essex, Vermont.
3. No instances of noncompliance material to the financial statements of Town of Essex, Vermont were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Town of Essex, Vermont expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Town of Essex, Vermont.
7. The programs tested as major programs were:

| | |
|------------------------------------|--------|
| Community Development Block Grants | CFDA # |
| | 14.228 |
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Town of Essex, Vermont was determined to be not a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no findings related to the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to the major federal award programs.