

Town of Essex, Vermont  
BASIC FINANCIAL STATEMENTS  
June 30, 2021

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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Essex, Vermont, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Essex, Vermont, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 40, the schedule of proportionate share of the net pension liability on page 41 and the schedule of contributions on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Essex, Vermont's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2022, 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 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 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 the Town of Essex, Vermont's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kithell Brangan & Saynt". The signature is written in a cursive, flowing style.

St. Albans, Vermont  
January 14, 2022

**TOWN OF ESSEX, VERMONT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

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, 2021. 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 \$39,437,408 (net position). Of this amount, \$9,148,090 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$29,406,261 invested in capital assets net of related debt and \$883,057 restricted for specific purposes.
- The Town's total net position increased by \$1,634,322 (4.32%). Of this amount, net position of the governmental activities increased by \$1,329,885 (4.52%), and net position attributable to business-type activities increased by \$304,437 (3.63%).
- The Town's total debt decreased during the fiscal year to \$5,906,748, a net decrease of principal payments total \$530,463 as the Town did not incur any new debt during the fiscal year. Of the principal payments totaling \$530,463; of these, \$14,147 were in the water and sewer fund.

### **Fund Highlights**

- At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,420,440 an increase of \$1,016,947 from the prior year's combined ending fund balance.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$5,761,196; or approximately 39.94% of total general fund expenditures (excluding transfers) in the fiscal year ended June 30, 2021. 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 \$2,381,690 as of June 30, 2021 is 14.95% of the General Fund operating budget for the fiscal year ending June 30, 2022 (\$15,926,128).

## **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. Readers should know that the

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example, the Town has a Water and Sewer Fund and a Recreation Programs Fund. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities which are accounted for primarily in the general fund and supported in large part by property tax revenues.

**Government-Wide Financial Statements**

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

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

The Statement of Activities reports how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave time).

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

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

**Fund Financial Statements**

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements however, governmental fund financial statements focus on near-term inflows and outflows

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

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

***Reconciliation of Government-wide Financial Statements to Fund Financial Statements*** The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis or measurement focus. Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statement, but are recorded as long-term liabilities in the government-wide financial statements.

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

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

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

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

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

**TOWN OF ESSEX, VERMONT  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Summary Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets:</b>						
Cash	\$ 17,491,165	\$ 15,197,656	\$ 3,836,958	\$ 3,739,097	\$ 21,328,123	\$ 18,936,753
Other Assets	664,653	861,634	1,144,132	689,472	1,808,785	1,551,106
Capital Assets	30,848,702	29,965,433	4,463,308	4,716,925	35,312,010	34,682,358
<b>Total Assets</b>	<b>49,004,520</b>	<b>46,024,723</b>	<b>9,444,398</b>	<b>9,145,494</b>	<b>58,448,918</b>	<b>55,170,217</b>
<b>Deferred Outflows of Resources</b>	<b>2,044,782</b>	<b>1,388,296</b>	<b>219,926</b>	<b>141,788</b>	<b>2,264,708</b>	<b>1,530,084</b>
<b>Liabilities:</b>						
Other Liabilities	9,223,702	8,000,956	157,617	242,287	9,381,319	8,243,243
Noncurrent Liabilities	10,742,874	9,832,659	797,413	659,065	11,540,287	10,491,724
<b>Total Liabilities</b>	<b>19,966,576</b>	<b>17,833,615</b>	<b>955,030</b>	<b>901,352</b>	<b>20,921,606</b>	<b>18,734,967</b>
<b>Deferred Inflows of Resources</b>	<b>326,521</b>	<b>153,084</b>	<b>28,091</b>	<b>9,164</b>	<b>354,612</b>	<b>162,248</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	25,100,960	23,701,376	4,305,301	4,544,771	29,406,261	28,246,147
Restricted	883,057	815,159	0	0	883,057	815,159
Unrestricted	4,772,188	4,909,785	4,375,902	3,831,995	9,148,090	8,741,780
<b>Total Net Position</b>	<b>30,756,205</b>	<b>29,426,320</b>	<b>8,681,203</b>	<b>8,376,766</b>	<b>39,437,408</b>	<b>37,803,086</b>

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 \$39,437,408. The Town's total net position is split between governmental activities net position of \$30,756,205 and business-type activities net position of \$8,681,203.

The largest portion of the Town's total net position \$25,100,960 (74.56%) 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 \$883,057 (2.24%) of restricted net position. Restricted net position represents assets whose use is subject to external restrictions. The remaining balance of \$4,772,188 (23.20%) is unrestricted net position, which may be used to meet the government's ongoing financial obligations. Included in unrestricted net position are amounts that have been assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

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**Summary of the Statement of Activities**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 961,344	\$ 990,148	\$ 3,453,555	\$ 3,185,024	\$ 4,414,899	\$ 4,175,172
Operating Grants & Revenues	1,605,439	996,666	123,128	287,949	1,728,567	1,284,615
Capital Grants & Revenues	430,025	77,489	-	-	430,025	77,489
<b>General Revenues:</b>						
Property Taxes	14,319,831	14,089,536	-	-	14,319,831	14,089,536
Other	220,365	330,502	13,503	19,594	233,868	350,096
<b>Total Revenues</b>	<b>17,537,004</b>	<b>16,484,341</b>	<b>3,590,186</b>	<b>3,492,567</b>	<b>21,127,190</b>	<b>19,976,908</b>
<b>Expenses:</b>						
General Government	3,241,955	3,366,490	-	-	3,241,955	3,366,490
Public Safety	5,583,553	5,433,921	-	-	5,583,553	5,433,921
Highways and Streets	4,922,438	4,576,172	-	-	4,922,438	4,576,172
Health and Welfare	256,369	272,247	-	-	256,369	272,247
Culture and Recreation	1,494,190	1,568,480	-	-	1,494,190	1,568,480
Intergovernmental	483,057	472,134	-	-	483,057	472,134
Interest on Long-Term Debt	224,632	194,779	-	-	224,632	194,779
Water and Sewer	-	-	3,025,587	2,854,558	3,025,587	2,854,558
Recreation Programs	-	-	261,087	334,243	261,087	334,243
<b>Total Expenses</b>	<b>16,206,194</b>	<b>15,884,223</b>	<b>3,286,674</b>	<b>3,188,801</b>	<b>19,492,868</b>	<b>19,073,024</b>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers	1,330,810	600,118	303,512	303,766	1,634,322	903,884
Transfers	(925)	(583)	925	583	-	-
<b>Increase (Decrease) in Net Position</b>	<b>1,329,885</b>	<b>599,535</b>	<b>304,437</b>	<b>304,349</b>	<b>1,634,322</b>	<b>903,884</b>
Beginning Net Position - as reported	29,426,320	28,826,786	8,376,766	8,072,416	37,803,086	36,899,202
<b>Ending Net Position</b>	<b>\$ 30,756,205</b>	<b>\$ 29,426,320</b>	<b>\$ 8,681,203</b>	<b>\$ 8,376,766</b>	<b>\$ 39,437,408</b>	<b>\$ 37,803,086</b>

**Governmental Activities**

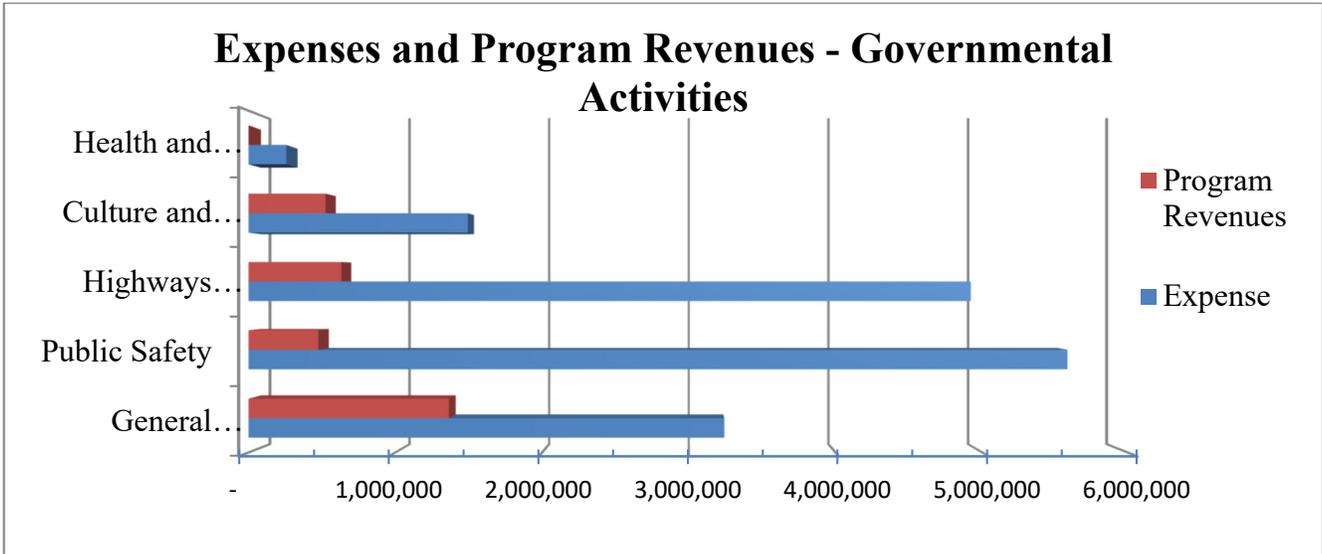
Governmental activities increased the Town's net position by \$1,329,885 for the year ended June 30, 2021. Key elements of the change are as follows.

- Total governmental activities' revenues increased by 6.4% (\$1,052,663) from 2020 to 2021. Capital grants and revenues increased by \$608,773 (61.1%) while operating grants and revenues increased by \$352,536, both of which are largely due to grants specifically related to the impacts of COVID-19.
- Property tax revenues increased 1.6% or \$230,295 from the previous year as a result of growth in the grand list combined with a 0.0218 cent (4.3%) increase in the Town general fund tax rate.
- Total governmental activities' expenses increased by 2.0% (\$321,971) from 2020 to 2021. Public Safety expenses end the year at 34.5% (\$5,583,553) 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 30.4% (\$4,922,438) of total governmental activities' expenses and includes funding for the operating budgets of the Highways and Stormwater departments of the Village of Essex Junction.

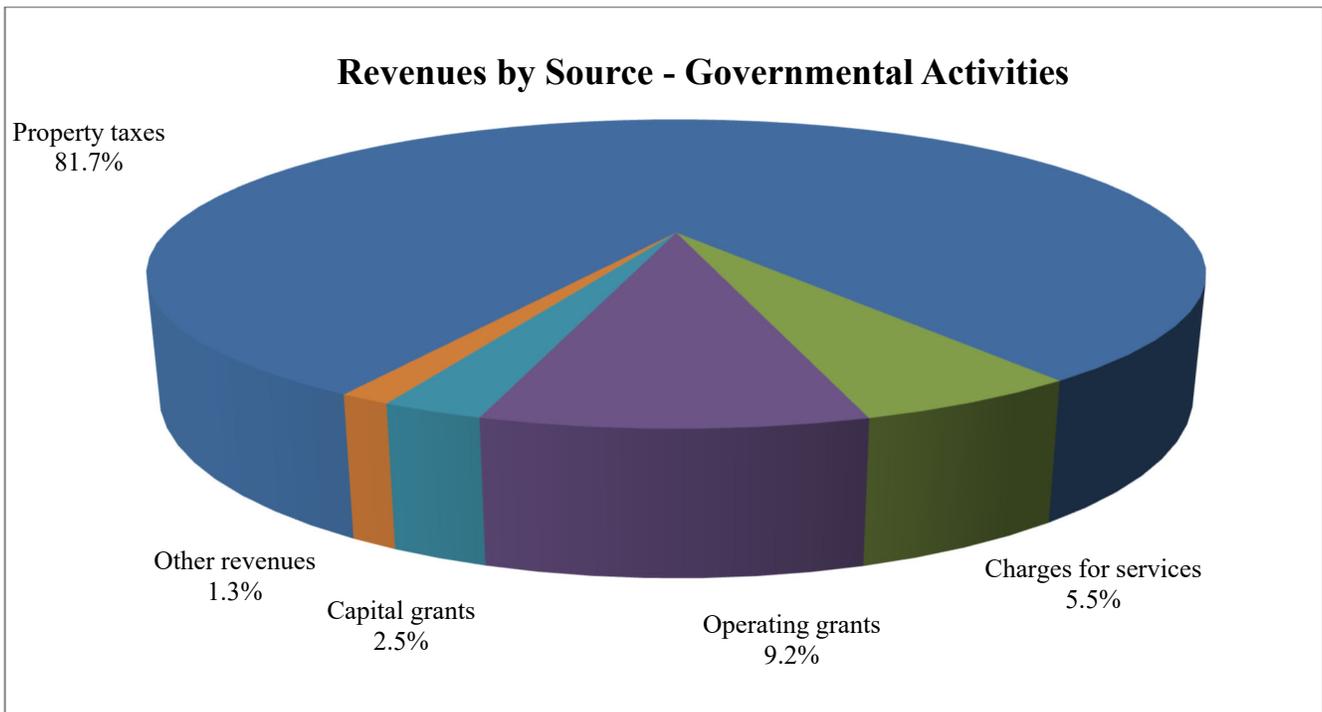
The following graph entitled Expense and Program Revenues – Governmental Activities, gives the reader an idea of how each major program is funded. The revenues included in this graph are program specific revenues including user fees, operating grants, and capital grants. General revenues such as

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property taxes and interest earnings are excluded from the graph but are used to support the cost of each major program that is not covered by program specific revenues. The supporting data may be found in the Statement of Activities on page 2. As noted previously, Public Safety is the largest category of expenses in the current year and historically, followed by Highways and Streets.



The majority of governmental activities revenue comes from property taxes; 81.7% of total revenue or \$14,319,831. The second largest category of revenue is operating grants coming in at \$1,605,439; 9.2% of total revenue. Charges for services are the third largest category of revenue accounting for 5.5% or \$961,344. An increase in operating and capital grants totaling account for the shift in percentage of revenues over fiscal year 2020. Prior year property tax revenue accounted for 85.5% of total revenues, operating grants and revenues at 6.0% and charges for services at 6.0%. The following graph shows the distribution of governmental activities revenues by source for the year ended June 30, 2021.



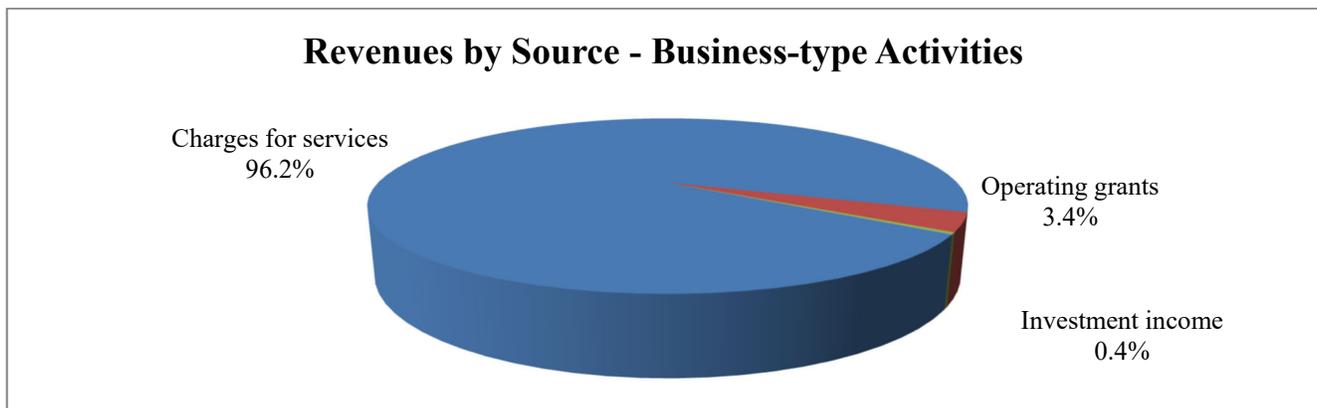
**TOWN OF ESSEX, VERMONT  
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**Business-type Activities**

Business-type activities increased the Town's net position by \$304,437 (3.63%) during the current fiscal year. Key elements of this increase are as follows:

- Total revenues of \$3,590,186 were \$97,619 or 2.8% higher than the previous year. The increase is attributable to a \$268,531 (8.43%) increase in charges for services as well as a reduction in operating grants and revenues and other revenues by \$164,821 and \$6,091 respectively.
- Total expenses of \$3,286,674 reflect an increase of \$97,873 (3.1%) over the prior year. This increase is primarily on the water and sewer side with \$171,029 of the change offset by a \$73,156 decrease in recreation costs.

The Town's business-type activities are supported by user fees, also referred to as charges for services of \$3,453,555 or 96.2%, with assistance from operating grants of \$123,128 or 3.4% and investment income \$13,503 at 0.4%.



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

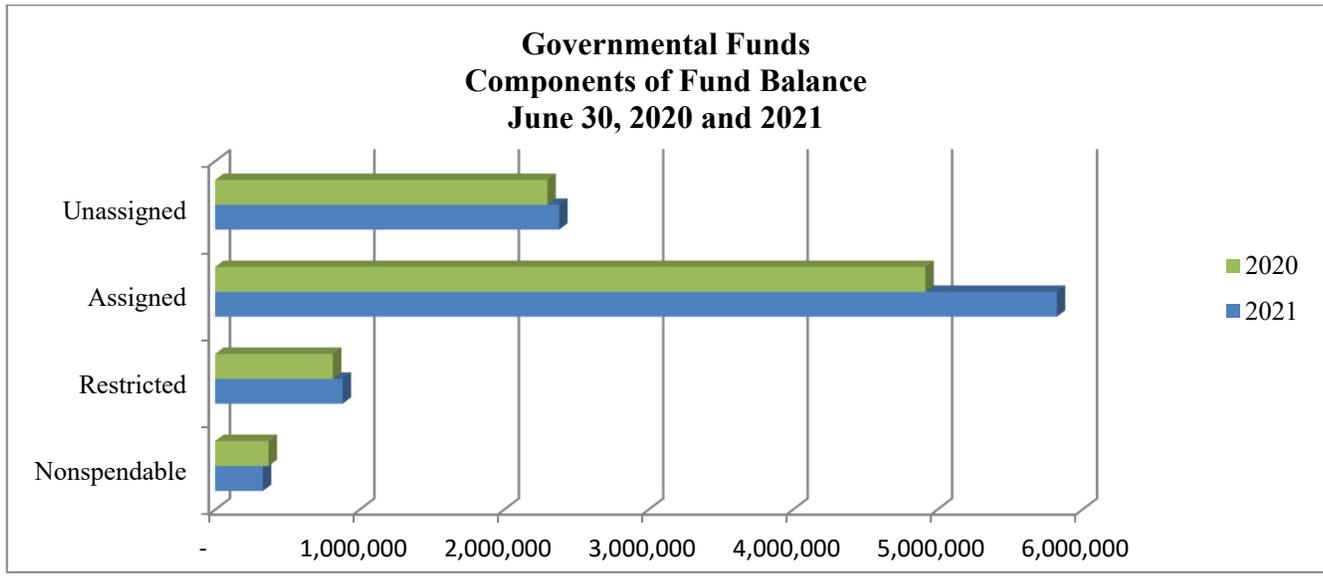
**Governmental Funds**

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

At the end of the current fiscal year, the Town's governmental funds (general fund and capital projects fund) reported combined ending fund balances of \$9,420,440, an increase of \$1,016,947 over the prior year. Of the total fund balance amount, \$330,330 is non-spendable (prepaid items and inventories) and

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JUNE 30, 2021**

\$883,057 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, \$5,825,363 has been assigned by the Town for various purposes (detailed in Note 15 Fund Balances and Net Position) and unassigned fund balance is \$2,381,690.



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 \$6,974,584, an increase of \$1,395,894 from the previous year. Of this amount, \$330,330 is non-spendable and \$883,057 is restricted. Assignments totaling \$3,379,506 in the general fund are detailed in Note 15 and unassigned fund balance is \$2,381,690. 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 43.79% of total general fund expenditures (excluding transfer), however, this amount includes nonspendable and restricted balances which would not be available to finance general fund expenditures if necessary. The remaining categories of fund balance (committed, assigned, and unassigned) are referred to as unrestricted fund balance and are resources that could be liquidated to support general fund expenditures if necessary. Unrestricted fund balance represents 39.94% of total general fund expenditures, excluding transfers.

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

**General Fund Budgetary Highlights**

The Town’s budget for the year ended June 30, 2021 passed on the first vote at Town Meeting in March of 2020. There were no amendments made to the budget during the year.

On the revenue side, the Town recorded property tax revenue less than the amount budgeted by \$129,782 and fines and forfeits revenue less than the amount budgeted by \$53,742. Recording fees exceeding budget by \$108,102 as a result in the state increased recording fee as well as the housing boom.

**TOWN OF ESSEX, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

Intergovernmental revenues exceeded budget by \$163,455; of this \$67,898 is the amount received for future reappraisals which has been reserved for such in the general fund fund balance.

Public safety expenditures were \$613,874 under budget driven by unanticipated vacancies. Culture and recreation expenditures were \$164,118 under budget, the majority of which was a result of actual personnel costs that were less than budgeted. General government expenditures were under budget overall by \$47,632.

During the year, the Town collected unbudgeted grants and other revenues totaling \$954,936 which went to offset unbudgeted grant and other expenditures totaling \$574,212. The second largest grant was the grant funding the Community Justice Center at \$287,614 for the year. Other items in this category are federal forfeiture funds used for public safety purposes, unrestricted revenue raised by the Community Justice Center, and a small number of miscellaneous grants.

### **Proprietary Funds**

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

Total net position in the Water and Sewer Fund is \$8,699,791 an increase of 2.49% or \$211,162 from the previous year. Nearly half of the Water and Sewer Fund's net position is invested in capital assets net of related debt; 49.49% or \$4,305,301. This is a decrease from the previous year when the net investment in capital assets was \$4,544,770. Over time, the net book value (historical cost less accumulated depreciation) of assets decreases with the systematic allocation of the cost of said assets over their useful life by way of annual depreciation expense. Of the \$4,394,390 balance in unrestricted net position at the end of the year, \$993,412 is designated for future capital projects and \$11,924 is designated for prepaid expenses. This balance designated for future capital projects grows annually by the amount of connection fees received in excess of the amount budgeted to offset operating expenses.

The Town's second proprietary fund is the Recreation Programs Fund which was authorized by the Selectboard during the fiscal year ended June 30, 2011. This fund accounts for the majority of recreation programs which are expected to be supported by user fees. Program revenues, unlike property tax revenues, are derived from exchange transactions where the user receives a service of perceived equal value to the amount the user is willing to pay for the service. For the year ended June 30, 2021, this fund realized a net gain from operations in the amount of \$93,276. The fund has a deficit fund balance of \$18,586.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Town's capital assets for governmental and business-type activities as of June 30, 2020 were \$65,391,271 offset by \$30,708,913 in accumulated depreciation resulting in capital assets net of accumulated depreciation of \$34,682,358. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

**TOWN OF ESSEX, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Summary of Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2021	2020	2021	2020	2021	2020
<b>Capital Assets:</b>						
Land	\$ 4,636,481	\$ 4,636,481	\$ -	\$ -	\$ 4,636,481	\$ 4,636,481
Construction in Progress	287,059	1,092,454	37,565	26,650	324,624	1,119,104
Buildings and Improvements	11,780,569	11,503,100	-	-	11,780,569	11,503,100
Machinery and Equipment	8,643,218	7,737,568	574,753	530,956	9,217,971	8,268,524
Book Collection	459,726	459,726	-	-	459,726	459,726
Infrastructure	27,772,080	26,202,586	13,207,025	13,201,750	40,979,105	39,404,336
	<u>53,579,133</u>	<u>51,631,915</u>	<u>13,819,343</u>	<u>13,759,356</u>	<u>67,398,476</u>	<u>65,391,271</u>
Less: Accumulated Depreciation	(22,730,431)	(21,666,482)	(9,356,035)	(9,042,431)	(32,086,466)	(30,708,913)
<b>Total Assets, Net</b>	<u>\$ 30,848,702</u>	<u>\$ 29,965,433</u>	<u>\$ 4,463,308</u>	<u>\$ 4,716,925</u>	<u>\$ 35,312,010</u>	<u>\$ 34,682,358</u>

Major capital asset activity for the year ended June 30, 2021 included the following.

**Governmental Activities**

- Highway projects including reconstruction, paving, ditching, and culvert work totaled \$455,318 with work done on multiple roads in town.
- Six vehicles were purchased including two highway vehicles, a fire pumper and three police vehicles for a total of \$1,140,977. This was offset by the retirement, disposal or trade of six vehicles with original cost totaling \$431,082, four of which were fully depreciated.

**Business-Type Activities**

- Asset additions include in the Pinecrest Drive insertion valve, various hydrants and pump station control panel upgrades at the Gauthier pump station.
- The Town has two projects in process: waterline improvements at the Sandhill and VT15 intersection and waterline improvements in the Town Center.

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 \$6,437,211 in long-term debt outstanding. As of June 30, 2021, this amount had decreased by \$530,463 or 8.24% to end the current year with \$5,906,748 in long-term debt outstanding.

**TOWN OF ESSEX, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Summary of Long Term Debt**

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
<b>Governmental Activities</b>				
General Obligation Bonds	\$ 4,830,000	\$ -	\$ 345,000	\$ 4,485,000
Capital Lease	1,435,057	-	171,316	1,263,741
<b>Business-type Activities</b>				
Water and Sewer Bond	172,154	-	14,147	158,007
<b>Total Government</b>	<u>\$ 6,437,211</u>	<u>\$ -</u>	<u>\$ 530,463</u>	<u>\$ 5,906,748</u>

The Town entered into no new debt during the year and made all required payments on the two items of long-term debt outstanding. Additional information about long-term debt can be found in Note 10 Notes and Bonds Payable and Note 11 Capital Lease.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**Consolidation of Service Delivery Systems**

- Starting in FY2015 the Town entered into an agreement with the Village of Essex Junction and the Essex Junction School District to bill and collect their property taxes. This action was an effort to reduce the duplication of services that existed. As part of the agreement the Town assumed the delinquent taxes of the Village and Village School District. The Town of Essex will continue to do the school tax billing for those residents that reside in the Town of Essex.
- In FY14 the Town and Village entered into an agreement to share the services of the Town Manager as the Municipal Manager for both entities. This arrangement led to the Village sharing the salary costs of the Manager with the Town, thereby reducing the cost to all taxpayers. In FY2015 it was determined that this cost sharing was beneficial and efforts should continue to find more areas to cooperate in the delivery of services to be more efficient. This arrangement has resulted in substantial savings for both the Village and Town. In FY18 the current Unified Municipal Manager, Pat Scheidel, who has been Town Manager for 27 years retired. A new Unified Municipal Manager, Evan Teich, began employment on February 26, 2018. The decision to hire Mr. Teich was unanimous by both the Village of Essex Junction Trustees and the Town Selectboard.
- FY16 was the first of a three-year commitment to combine Highway and Street budgets with the Village of Essex Junction. The Village Trustees adopted the Village Street budget and the Town of Essex voters approved the funding for this budget as part of the Town budget. A Committee was formed in the spring of 2017 to evaluate how successful this arrangement has been so far and whether it should be continued. The Public Works Consolidation Committee came to the following conclusions:
  - Maintain the MOU until June 2018 and do the studies outlined in the report.
  - Extend the MOU from July 1, 2018 until the studies are complete or well underway. The goal is full consolidation eventually.

**TOWN OF ESSEX, VERMONT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

- Benchmarks will be established as a result of the studies
  - Cross-train staff in the Village and Town and identify common best practices
  - Consolidate rolling stock and equipment budgets as well as capital planning.
  - Practice resources management with assets, administration, processes, services.
  - Both the Selectboard and the Trustees approved the report.
- In FY16 the Town and the Village combined accounts payable, accounts receivable, cash receipts and general ledger. Two Village employees were relocated to the Town offices to share this work.
  - In FY17 the Village Clerk/Treasurer became the combined Town and Village Clerk/Treasurer when the Town Clerk/Treasurer position became vacant through retirement.
  - In FY18 a Human Resources Director was hired as the combined Town and Village Human Resources Director.
  - In FY19 the pay rates and practices of both Fire Departments were aligned. A combined Assistant to the Manager position was established which is funded by both entities.
  - In FY20, EJRP and the Essex Parks and Recreation Department co-located at 75 Maple Street and began streamlining services at the front desk by co-supervising the Customer Service Specialist, the Program Director – Senior Services, and by contracting for joint Communications Services. The two departments have hosted joint events and have moved to producing one brochure.
  - In FY21, The Village Highway and Streets Rolling Stock capital was added to the Highway operating budget, funding for this budget as part of the Town budget.
  - In FY 20, the Village Trustees and Town Selectboard met jointly and worked to put together a merger plan for the two entities. The Village voted during the November 2020 election on the plan of merger and it passed 3,453 to 1,205.
  - The Town of Essex (including Village residents) voted via Australian ballot in March 2021 on Article II for the plan of merger for the Town of Essex and Village of Essex Junction. The article did not pass, 3,737 Yes to 3,756 No. A Special Town Meeting was held in April for a vote to reconsider the plan for merger; that vote also did not pass, 4,199 Yes to 4,225 No. The Village of Essex Junction also held an advisory vote in April, asking voters if the Village should pursue separation from the Town in the event the merger did not pass.
  - Village residents voted in a special election held November 2, 2021 on whether to adopt a proposed charter for the City of Essex Junction, VT which would effectively separate the Village from the Town of Essex. The vote passed 3,070 to 411. The charter for the City of Essex Junction, VT is currently being reviewed by the state legislature for approval.

### **FY22 Budgets**

The above listed factors were considered in preparing the Town of Essex's budget for the 2022 fiscal year. The approved budget resulted in a tax rate for FY22 of \$0.5485 (Town General and Capital Tax),

**TOWN OF ESSEX, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

Rates for water and sewer operations were increased in fiscal year 2022 in response to increased costs for water purchases and an increase in repairs and maintenance. The use of initiation fees applied to the rate dropped from \$20,000 in FY20 to zero in FY21.

**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](http://www.essexvt.org).

**TOWN OF ESSEX, VERMONT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 17,491,165	\$ 3,836,958	\$ 21,328,123
Taxes receivable, net of allowance	272,560	-	272,560
Other accounts receivable	61,763	1,130,347	1,192,110
Inventory	162,810	-	162,810
Prepaid expenses	167,520	13,785	181,305
Capital assets not being depreciated:			
Land	4,636,481	-	4,636,481
Construction in progress	287,059	37,565	324,624
Capital assets, net of accumulated depreciation:			
Buildings	8,717,664	-	8,717,664
Infrastructure	12,751,444	-	12,751,444
Machinery, equipment, and vehicles	4,456,054	128,512	4,584,566
Water and sewer infrastructure	-	4,297,231	4,297,231
Total Assets	<u>49,004,520</u>	<u>9,444,398</u>	<u>58,448,918</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to the Town's participation in VMERS	<u>2,044,782</u>	<u>219,926</u>	<u>2,264,708</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	603,495	110,329	713,824
Due to Village of Essex Junction	7,497,024	-	7,497,024
Accrued payroll and benefits payable	248,887	17,372	266,259
Unearned revenue	114,663	11,125	125,788
Accrued interest payable	39,418	790	40,208
Current portion of compensated absences	164,398	3,571	167,969
Current portion notes and bonds payable	345,000	14,430	359,430
Current portion capital lease payable	210,817	-	210,817
Total Current Liabilities	<u>9,223,702</u>	<u>157,617</u>	<u>9,381,319</u>
<b>NONCURRENT LIABILITIES</b>			
Accrued compensated absences	744,661	149,707	894,368
Net pension liability	4,806,288	504,129	5,310,417
Notes and bonds payable	4,140,000	143,577	4,283,577
Capital lease payable	1,051,925	-	1,051,925
Total Noncurrent Liabilities	<u>10,742,874</u>	<u>797,413</u>	<u>11,540,287</u>
Total Liabilities	<u>19,966,576</u>	<u>955,030</u>	<u>20,921,606</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid property taxes	65,344	-	65,344
Deferred inflows of resources related to the Town's participation in VMERS	261,177	28,091	289,268
Total Deferred Inflows of Resources	<u>326,521</u>	<u>28,091</u>	<u>354,612</u>
<b>NET POSITION</b>			
Net investment in capital assets	25,100,960	4,305,301	29,406,261
Restricted	883,057	-	883,057
Unrestricted- designated	-	1,005,336	1,005,336
Unrestricted	4,772,188	3,370,566	8,142,754
Total Net Position	<u>\$ 30,756,205</u>	<u>\$ 8,681,203</u>	<u>\$ 39,437,408</u>

See Accompanying Notes to Basic Financial Statements.

**TOWN OF ESSEX, VERMONT**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	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	
<b>Governmental activities:</b>							
General government	\$ 3,241,955	\$ 678,299	\$ 686,591	\$ -	\$ (1,877,065)	\$ -	\$ (1,877,065)
Public safety	5,583,553	162,436	312,475	-	(5,108,642)	-	(5,108,642)
Highways and Streets	4,922,438	12,129	547,487	72,584	(4,290,238)	-	(4,290,238)
Health and Welfare	256,369	-	-	-	(256,369)	-	(256,369)
Culture and Recreation	1,494,190	108,480	58,886	357,441	(969,383)	-	(969,383)
Intergovernmental	483,057	-	-	-	(483,057)	-	(483,057)
Interest on long-term debt	224,632	-	-	-	(224,632)	-	(224,632)
Total governmental activities	<u>16,206,194</u>	<u>961,344</u>	<u>1,605,439</u>	<u>430,025</u>	<u>(13,209,386)</u>	<u>-</u>	<u>(13,209,386)</u>
<b>Business-type activities:</b>							
Water and Sewer	3,025,587	3,099,213	123,128	-	-	196,754	196,754
Recreation	261,087	354,342	-	-	-	93,255	93,255
Total business-type activities	<u>\$ 3,286,674</u>	<u>\$ 3,453,555</u>	<u>\$ 123,128</u>	<u>\$ -</u>	<u>-</u>	<u>290,009</u>	<u>290,009</u>
<b>General Revenues:</b>							
Property taxes, levied for general purposes					14,319,831	-	14,319,831
Penalties and interest on delinquent taxes					85,709	-	85,709
Unrestricted investment earnings					56,096	13,503	69,599
Transfers					(925)	925	-
Gain on sale of capital assets					68,311	-	68,311
Other revenues					10,249	-	10,249
Total general revenues and transfers					<u>14,539,271</u>	<u>14,428</u>	<u>14,553,699</u>
Change in Net Position					1,329,885	304,437	1,634,322
Net position, beginning					<u>29,426,320</u>	<u>8,376,766</u>	<u>37,803,086</u>
Net position, ending					<u>\$ 30,756,205</u>	<u>\$ 8,681,203</u>	<u>\$ 39,437,408</u>

See Accompanying Notes to Basic Financial Statements.

**TOWN OF ESSEX, VERMONT**  
**FUND FINANCIAL STATEMENTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 14,932,727	\$ 2,558,438	\$ 17,491,165
Taxes receivable, net of allowance	272,560	-	272,560
Other receivables	42,234	19,529	61,763
Inventory	162,810	-	162,810
Prepaid expenses	<u>167,520</u>	<u>-</u>	<u>167,520</u>
 Total Assets	 <u>\$ 15,577,851</u>	 <u>\$ 2,577,967</u>	 <u>\$ 18,155,818</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 484,814	\$ 118,681	\$ 603,495
Due to Village of Essex Junction	7,497,024	-	7,497,024
Accrued payroll and benefits payable	248,887	-	248,887
Unearned revenue	<u>114,663</u>	<u>-</u>	<u>114,663</u>
 Total Liabilities	 <u>8,345,388</u>	 <u>118,681</u>	 <u>8,464,069</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid property taxes	65,344	-	65,344
Unavailable revenue - property taxes	180,300	-	180,300
Unavailable revenue - other	<u>12,236</u>	<u>13,429</u>	<u>25,665</u>
 Total Deferred Inflows of Resources	 <u>257,880</u>	 <u>13,429</u>	 <u>271,309</u>
<b>FUND BALANCE</b>			
Nonspendable	330,330	-	330,330
Restricted	883,057	-	883,057
Assigned	3,379,506	2,445,857	5,825,363
Unassigned	<u>2,381,690</u>	<u>-</u>	<u>2,381,690</u>
 Total Fund Balances	 <u>6,974,583</u>	 <u>2,445,857</u>	 <u>9,420,440</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 15,577,851</u>	 <u>\$ 2,577,967</u>	 <u>\$ 18,155,818</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, 2021**

<b>Total fund balances - governmental funds</b>	<b>\$ 9,420,440</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	30,848,702
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Unavailable property tax revenue	180,300
Unavailable grant revenue	25,665
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	(909,059)
Net pension liabilities	(4,806,288)
Accrued interest on long-term debt	(39,418)
Notes payable	(4,485,000)
Capital Lease	(1,262,742)
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.	2,044,782
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>(261,177)</u>
<b>Total net position - governmental activities</b>	<b><u>\$ 30,756,205</u></b>

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, 2021**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Property tax	\$ 13,892,074	\$ 535,310	\$ 14,427,384
Licenses and permits	67,436	-	67,436
Intergovernmental revenues	558,655	26,532	585,187
Charges for services	757,647	72,041	829,688
Fines and forfeits	116,258	-	116,258
Interest income	46,743	9,353	56,096
Grant income	725,599	703,623	1,429,222
Miscellaneous income	69,018	9,248	78,266
Total Revenues	16,233,430	1,356,107	17,589,537
<b>EXPENDITURES</b>			
Current expenditures:			
General government	2,650,343	25,372	2,675,715
Public safety	4,732,151	2,500	4,734,651
Highways and Streets	3,380,382	57,654	3,438,036
Stormwater	293,361	165,874	459,235
Health and Welfare	253,764	-	253,764
Culture and Recreation	1,269,117	46,990	1,316,107
Intergovernmental	483,057	-	483,057
Capital Outlays:			
Public safety	269,274	256,197	525,471
Highways and Streets	547,855	868,605	1,416,460
Stormwater	-	496,033	496,033
Culture and Recreation	9,762	47,566	57,328
Debt Service:			
Principal	350,343	165,973	516,316
Interest	185,292	43,950	229,242
Total Expenditures	14,424,701	2,176,714	16,601,415
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,808,729	(820,607)	988,122
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of fixed assets	-	29,750	29,750
Operating transfers in/(out)	(412,925)	412,000	(925)
Total Other Financing Sources (Uses)	(412,925)	441,750	28,825
Net Change in Fund Balance	1,395,804	(378,857)	1,016,947
Fund Balance - July 1, 2020	5,578,779	2,824,714	8,403,493
Fund Balance - June 30, 2021	\$ 6,974,583	\$ 2,445,857	\$ 9,420,440

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, 2021**

**Net change in fund balances - governmental funds** \$ 1,016,947

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	(1,650,584)
Capital Outlay	2,495,292
Proceeds from Sale of Asset	(29,750)
Gain on Sale of Asset	68,311

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

Decrease in the unavailable property taxes	(138,100)
Decrease in the unearned and other unavailable revenue	(64,657)

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	345,000
Repayment of capital lease	171,316

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	(688,031)
Accrued interest on long-term debt	4,610
Accrued compensated absences	<u>(200,469)</u>

**Change in net position of governmental activities** **\$ 1,329,885**

See Accompanying Notes to Basic Financial Statements.

**TOWN OF ESSEX, VERMONT**  
**FUND FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Water & Sewer Fund	Recreation Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 3,806,946	\$ 30,012	\$ 3,836,958
Accounts receivable - net	1,130,347	-	1,130,347
Prepaid expenses	<u>11,924</u>	<u>1,861</u>	<u>13,785</u>
Total Current Assets	<u>4,949,217</u>	<u>31,873</u>	<u>4,981,090</u>
Noncurrent Assets:			
Capital assets not being depreciated:			
Construction in progress	37,565	-	37,565
Capital assets, net of accumulated depreciation:			
Machinery, equipment, and vehicles	128,512	-	128,512
Water and sewer infrastructure	<u>4,297,231</u>	<u>-</u>	<u>4,297,231</u>
Total Noncurrent Assets	<u>4,463,308</u>	<u>-</u>	<u>4,463,308</u>
Total Assets	<u>9,412,525</u>	<u>31,873</u>	<u>9,444,398</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to the Town's participation in VMERS	<u>208,635</u>	<u>11,291</u>	<u>219,926</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 9,621,160</u>	<u>\$ 43,164</u>	<u>\$ 9,664,324</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 105,041	\$ 5,288	\$ 110,329
Current portion compensated absences	3,571	-	3,571
Current portion long-term debt	14,430	-	14,430
Accrued payroll	16,417	955	17,372
Unearned revenue	-	11,125	11,125
Other accrued expenses	<u>790</u>	<u>-</u>	<u>790</u>
Total Current Liabilities	<u>140,249</u>	<u>17,368</u>	<u>157,617</u>
Noncurrent Liabilities:			
Accrued compensated absences	146,544	3,163	149,707
Net pension liabilities	464,352	39,777	504,129
Notes and bonds payable	<u>143,577</u>	<u>-</u>	<u>143,577</u>
Total Noncurrent Liabilities	<u>754,473</u>	<u>42,940</u>	<u>797,413</u>
Total Liabilities	<u>894,722</u>	<u>60,308</u>	<u>955,030</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to the Town's participation in VMERS	<u>26,649</u>	<u>1,442</u>	<u>28,091</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,305,301	-	4,305,301
Unrestricted - designated	1,005,336	-	1,005,336
Unrestricted	<u>3,389,152</u>	<u>(18,586)</u>	<u>3,370,566</u>
Total Net Position	<u>8,699,789</u>	<u>(18,586)</u>	<u>8,681,203</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 9,621,160</u>	<u>\$ 43,164</u>	<u>\$ 9,664,324</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, 2021**

	Water & Sewer Fund	Recreation Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,099,213	\$ 349,791	\$ 3,449,004
Connection fees	66,220	-	66,220
Interest and penalties	36,256	-	36,256
Other income	20,652	4,551	25,203
Total Operating Revenues	<u>3,222,341</u>	<u>354,342</u>	<u>3,576,683</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	804,709	96,312	901,021
Professional services	54,902	2,521	57,423
Repair and maintenance	171,241	-	171,241
Rentals	655	14,352	15,007
Printing and postage	-	3,157	3,157
Travel	14	4,366	4,380
Utilities	62,368	1,066	63,434
CWD water purchases	688,587	-	688,587
Insurance	20,494	-	20,494
Machinery	21,057	-	21,057
Bond expense	225,623	-	225,623
Other operating	15,309	41,010	56,319
Depreciation expense	313,604	-	313,604
Recreation programming	-	98,303	98,303
Sewage treatment	647,095	-	647,095
Total Operating Expenses	<u>3,025,658</u>	<u>261,087</u>	<u>3,286,745</u>
Operating Income (Loss)	<u>196,683</u>	<u>93,255</u>	<u>289,938</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	13,483	20	13,503
Interest expense	71	-	71
Transfers	925	-	925
Total Nonoperating Revenues (Expenses)	<u>14,479</u>	<u>20</u>	<u>14,499</u>
Change in Net Position	211,162	93,275	304,437
Net Position - July 1, 2020	<u>8,488,627</u>	<u>(111,861)</u>	<u>8,376,766</u>
Net Position - June 30, 2021	<u>\$ 8,699,789</u>	<u>\$ (18,586)</u>	<u>\$ 8,681,203</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, 2021**

	Water & Sewer Fund	Recreation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,773,838	\$ 354,342	\$ 3,128,180
Payments to suppliers	(1,882,214)	(263,115)	(2,145,329)
Payments for salaries and benefits	<u>(729,762)</u>	<u>(95,593)</u>	<u>(825,355)</u>
Net Cash Provided (Used) by Operating Activities	<u>161,862</u>	<u>(4,366)</u>	<u>157,496</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of property, plant and equipment	(59,987)	-	(59,987)
Interest payments on debt	71	-	71
Principal payments on debt	<u>(14,147)</u>	<u>-</u>	<u>(14,147)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(74,063)</u>	<u>-</u>	<u>(74,063)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Transfers	925	-	925
Interest income	<u>13,483</u>	<u>20</u>	<u>13,503</u>
Net Cash Provided by Investing Activities	<u>14,408</u>	<u>20</u>	<u>14,428</u>
Net Increase (Decrease) in Cash	102,207	(4,346)	97,861
Cash - July 1, 2020	<u>3,704,739</u>	<u>34,358</u>	<u>3,739,097</u>
Cash - June 30, 2021	<u>\$ 3,806,946</u>	<u>\$ 30,012</u>	<u>\$ 3,836,958</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 196,683	\$ 93,255	\$ 289,938
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	313,604	-	313,604
Change in net assets and liabilities:			
Receivables, net	(448,503)	-	(448,503)
Prepaid expenses	(4,296)	(1,861)	(6,157)
Deferred outflows of resources	(76,937)	(1,201)	(78,138)
Accounts payable	29,498	(8,936)	20,562
Accrued payroll and compensated absences	4,745	(3,080)	1,665
Unearned revenue	-	(87,543)	(87,543)
Other accrued expenses	(71)	-	(71)
Net pension liability	129,002	4,210	133,212
Deferred inflows of resources	<u>18,137</u>	<u>790</u>	<u>18,927</u>
Net cash provided (used) by operating activities	<u>\$ 161,862</u>	<u>\$ (4,366)</u>	<u>\$ 157,496</u>

See Accompanying Notes to Basic Financial Statements.

**TOWN OF ESSEX, VERMONT**  
**FUND FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION - FIDUCIARY FUND**  
**June 30, 2021**

	<u>Private Purpose Trust Fund</u>	<u>Cemetary Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 62,967	
Total Assets	<u>\$ 62,967</u>	
 <b>LIABILITIES</b>		
Accounts payable	\$ 739	
Total Liabilities	<u>739</u>	
 <b>NET POSITION</b>		
Restricted	<u>62,228</u>	
Total Net Position and Liabilities	<u>\$ 62,967</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, 2021**

	<u>Private Purpose Trust Fund</u>	<u>Cemetary Fund</u>
<b>ADDITIONS</b>		
Sales of plots	\$ 4,500	
Interest on deposits		435
Total Additions		<u>4,935</u>
<b>DEDUCTIONS</b>		
Restoration		<u>(835)</u>
Total Deductions		<u>(835)</u>
Increase in Net Position		4,100
Net Position - July 1, 2020		<u>58,128</u>
Net Position - June 30, 2021	\$	<u><u>62,228</u></u>

See Accompanying Notes to Basic Financial Statements.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Essex, Vermont, (herein the “Town”) operates under a Select Board Manager form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning and general administrative services.

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

**A. Financial Reporting Entity**

The financial statements of the Town consist only of the funds and account groups of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

**B. Basis of Presentation**

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

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

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

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Town reports on the following major governmental funds:

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

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

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

The Town reports on the following major enterprise funds:

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

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

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of that fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, the Town reports the following fiduciary fund:

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

Fiduciary Funds are used to account for assets held by the Town as an agent for individuals, private organizations, other governments and/or other funds.

**C. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, intergovernmental revenues, sewer usage fees and water usage fees are considered susceptible to accrual. Miscellaneous revenues and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined, and available means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term debt, the net pension liability, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

**1. Cash and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Town maintains one primary cash account in the general fund to collect money and pay bills for all funds. When money is collected and expended, the Town records a corresponding payable or receivable to the appropriate fund. This helps manage cash and eases administrative burdens.

**2. Receivables**

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

**3. Internal Balances**

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

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**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, 2021**

**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, 2021**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Unrestricted – all other net position is reported in this category

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

**10. Fund Balance**

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

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

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

**E. Estimates**

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

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**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, 2021**

**NOTE 4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2021 consisted of the following:

	Book Balance	Bank Balance
Insured by the FDIC	\$ 420,318	\$ 420,318
Insured by Deposit Surety Bond	20,969,177	21,530,769
Petty Cash	1,595	-
Total Deposits	\$ 21,391,090	\$ 21,951,087

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

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

The Town's general fund checking account and cash management account are insured under sweep accounts and the Town CD's are insured under two Irrevocable Standby Letters of Credit. The coverage with Community Bank, NA is in the full amount of the bank balance at the close of business on any given day if the bank were to fail. The funds swept from the account are secured by a perfected security interest in purchased securities and therefore would not be considered deposits with the bank.

**Custodial Credit Risk**

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

**Interest Rate Risk**

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

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**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, 2021, the Town is not exposed to concentration of credit risk.

**NOTE 5 RECEIVABLES**

Receivables at June 30, 2021, 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	\$ 289,530	\$ -	\$ 289,530
Penalties and Interest	43,030	-	43,030
Billed Services	42,234	76,184	118,418
Unbilled Services	-	1,056,000	1,056,000
Grants	19,529	-	19,529
Other	-	663	663
Allowance for Doubtful Accounts	<u>(60,000)</u>	<u>(2,500)</u>	<u>(62,500)</u>
	<u>\$ 334,323</u>	<u>\$ 1,130,347</u>	<u>\$ 1,464,670</u>

Property taxes attach as an enforceable lien on property as of September 16<sup>th</sup> and March 16<sup>th</sup>. Taxes are levied in August and payable on September 17<sup>th</sup> and March 16<sup>th</sup>. 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, 2021 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 \$180,300 at June 30, 2021.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**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**

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,636,481	\$ -	\$ -	\$ 4,636,481
Construction in progress	<u>1,092,454</u>	<u>68,095</u>	<u>(873,490)</u>	<u>287,059</u>
Total capital assets not being depreciated	<u>5,728,935</u>	<u>68,095</u>	<u>(873,490)</u>	<u>4,923,540</u>
Other capital assets:				
Book collection	459,726	-	-	459,726
Building and improvements	11,503,100	277,469	-	11,780,569
Infrastructure	26,202,586	1,569,494	-	27,772,080
Vehicles and Equipment	<u>7,737,568</u>	<u>1,505,867</u>	<u>(600,217)</u>	<u>8,643,218</u>
Total other capital assets	<u>45,902,980</u>	<u>3,352,830</u>	<u>(600,217)</u>	<u>48,655,593</u>

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 7 CAPITAL ASSETS (continued)**

<b>Governmental Activities ( continued)</b>	<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	(2,770,943)	(291,962)		(3,062,905)
Infrastructure	(14,290,146)	(730,490)		(15,020,636)
Vehicles and Equipment	<u>(4,145,667)</u>	<u>(628,132)</u>	<u>586,635</u>	<u>(4,187,164)</u>
Total accumulated depreciation	<u>(21,666,482)</u>	<u>(1,650,584)</u>	<u>586,635</u>	<u>(22,730,431)</u>
Total capital assets being depreciated, net	<u>24,236,498</u>	<u>1,702,246</u>	<u>(13,582)</u>	<u>25,925,162</u>
Governmental Activities - Capital Assets, Net	<u>\$29,965,433</u>	<u>\$ 1,770,341</u>	<u>\$ (887,072)</u>	<u>\$30,848,702</u>

Depreciation expense was charged to functions, as follows:

General Government	\$ 88,500
Public Safety	507,768
Highways and Streets	935,609
Stormwater	18,799
Culture and Recreation	<u>99,908</u>
TOTAL	<u>\$ 1,650,584</u>

<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 26,650</u>	<u>\$ 10,915</u>	<u>\$ -</u>	<u>\$ 37,565</u>
Capital assets being depreciated:				
Water and sewer infrastructure	13,201,750	5,275	-	13,207,025
Machinery and equipment	343,817	43,797	-	387,614
Vehicles	<u>187,139</u>	<u>-</u>	<u>-</u>	<u>187,139</u>
Total Capital assets being depreciated	<u>13,732,706</u>	<u>49,072</u>	<u>-</u>	<u>13,781,778</u>

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 7 CAPITAL ASSETS (continued)**

<b>Business-Type Activities (continued)</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Water and sewer infrastructure	(8,623,206)	(286,588)	-	(8,909,794)
Machinery and equipment	(267,425)	(27,016)	-	(294,441)
Vehicles	(151,800)	-	-	(151,800)
Total accumulated depreciation	<u>(9,042,431)</u>	<u>(313,604)</u>	<u>-</u>	<u>(9,356,035)</u>
Total capital assets being depreciated, net	<u>4,690,275</u>	<u>(264,532)</u>	<u>-</u>	<u>4,425,743</u>
Business-Type Activities - Capital Assets, Net	<u>\$4,716,925</u>	<u>\$ (253,617)</u>	<u>\$ -</u>	<u>\$4,463,308</u>

Depreciation expense for the Business-type Activities was \$313,604 for the fiscal year ended June 30, 2021.

**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, 2021.

<u>Amount</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>
\$ 180,000	General Fund	Capital Projects	Fire Department
6,000	General Fund	Capital Projects	Administration Vehicles
28,000	General Fund	Capital Projects	Parks Equipment
190,000	General Fund	Capital Projects	Public Works Vehicles
4,000	General Fund	Capital Projects	Senior Vans
4,000	General Fund	Capital Projects	Information Technology
925	General Fund	Water/Sewer Fund	Farmers Credit
<u>\$ 412,925</u>			

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**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, 2021, the Town had the following vested benefits earned by their employees:

	General Fund	Water/Sewer Fund	Recreation Fund
Vested Compensation	\$ 909,059	\$ 150,115	\$ 3,163
Less: Current Portion	(164,398)	(3,571)	-
TOTAL LONG-TERM PORTION	\$ 744,661	\$ 146,544	\$ 3,163

**NOTE 10 NOTES AND BONDS PAYABLE**

	Beginning Balance	Additions	Principal Reduction	Ending Balance	Current Portion
<b>Governmental Activities</b>					
Vermont Municipal Bond Bank, 2013 Series I Bonds, interest varies from .444% to 4.644%. Annual principal payments of \$345,000 plus interest, due November 15, 2033	\$ 4,830,000	\$ -	\$ (345,000)	\$4,485,000	\$ 345,000

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Governmental Activities as of June 30, 2021, are as follows:

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 10 NOTES AND BONDS PAYABLE (continued)**

Year Ending June 30,	Principal	Interest	Total
2022	\$ 345,000	\$ 174,408	\$ 519,408
2023	345,000	162,844	507,844
2024	345,000	150,617	495,617
2025	345,000	127,216	472,216
2026	345,000	115,337	460,337
2027-2031	1,725,000	360,915	2,085,915
2032-2034	1,035,000	40,462	1,075,462
TOTAL	<u>\$4,485,000</u>	<u>\$1,131,799</u>	<u>\$5,616,799</u>

	Beginning Balance	Additions	Principal Reduction	Ending Balance	Current Portion
<b>Business-Type Funds</b>					
Note payable to State of Vermont, note, 2% administrative fee, due January 1, 2031.	<u>\$ 172,154</u>	<u>\$ -</u>	<u>\$ (14,147)</u>	<u>\$ 158,007</u>	<u>\$ 14,430</u>

The annual debt service requirements to maturity, including principle and interest, for long-term debt of Business-Type Funds as of June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 14,430	\$ 3,160	\$ 17,590
2023	14,719	2,872	17,591
2024	15,013	2,577	17,590
2025	15,313	2,277	17,590
2026	15,620	1,971	17,591
2027-2031	82,912	5,040	87,952
	<u>\$ 158,007</u>	<u>\$ 17,897</u>	<u>\$ 175,904</u>

Total interest expense paid for the year ended June 30, 2021 was \$224,632 in the governmental activities funds and \$71 in the business-type funds.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 11 CAPITAL LEASE**

The Town has six lease agreements as lessee for financing the acquisition of seven pieces of capital equipment. Asset value, estimated useful life, and current year depreciation are listed in the following table. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

<b>Equipment</b>	<b>Value</b>	<b>Useful Life</b>	<b>FY21 Depreciation</b>
Fire Engine	\$ 737,104	15 years	\$ 41,140
Fire Tanker	\$ 497,281	15 years	\$ 29,152
2018 Explorer Police Vehicle	\$ 28,019	5 year	\$ 5,604
Administrative Vehicle	\$ 30,017	5 year	\$ 5,003
Sidewalk Plow	\$ 145,420	5 year	\$ 29,084
FY20 Fire Truck	\$ 731,039	15 years	\$ 25,758
Kubota Loader	\$ 59,300	10 years	\$ 5,130

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30,	Future Minimum Payments	Net Present Value	Interest
2022	\$ 253,213	\$ 210,817	\$ 42,396
2023	225,859	192,660	33,199
2024	175,117	148,375	26,742
2025	175,017	152,853	22,164
2026	175,017	157,573	17,444
2027-2029	422,985	400,464	22,521
Total minimum lease payments	<u>\$1,427,208</u>	<u>\$1,262,742</u>	<u>\$ 164,466</u>

**NOTE 12 DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources on the Government-wide financial statements related solely to the Town's participation in VMERS with \$2,044,782 attributable to Governmental Activities and \$219,926 attributable to Business-Type Activities.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 13      UNEARNED REVENUE**

Unearned revenue in the General Fund consists of \$108,154 in police department equitable sharing funds; \$4,593 and \$1,916 in other funds received in advance. The revenue will be recognized as related expenses are incurred. Total Unearned Revenue in the General Fund is \$114,663.

Unearned revenue in the Recreation Programs Fund of \$11,125 consists funds collected for the purpose of providing scholarships (\$9,944), funds raised in support of specific programs (\$1,182). This revenue will be earned as related expenses are incurred.

**NOTE 14      DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the General Fund consists of \$180,300 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. There are also \$12,236 of grant receivables not collected within sixty (60) days after year-end. Deferred inflows of resources also includes \$65,344 of prepaid property taxes. Total deferred inflows of resources in the General Fund are \$257,880.

Deferred inflows of resources in the Capital Projects Fund consists of \$13,429 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Governmental Activities consist \$65,344 of prepaid property taxes and \$261,177 related to the Town's participation in VMERS. Deferred inflows of resources in the Business-Type Activities consist of \$28,091 related to the Town's participation in VMERS.

**NOTE 15      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.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 15 FUND BALANCES AND NET POSITION (continued)**

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, 2021 are as follows:

**Governmental Activities**

Restricted for:	
Reappraisal	<u>\$ 883,057</u>

**General Fund**

Nonspendable for:	
Inventory	\$ 162,810
Prepaid expenses	<u>167,520</u>
 Total Nonspendable Fund Balance	 <u>\$ 330,330</u>

Restricted for:	
Reappraisal	<u>\$ 883,057</u>

Assigned for:	
Economic development	\$ 9,713
Planning	42,613
Retirement	419,679
Governance Separation	90,661
Records preservation	254,811
Community Justice Center	65,150
Conservation	42,862
Personnel costs	200,000
Future Expenses	1,360,233
Transfer to capital	823,784
Future police vehicle	<u>70,000</u>
 Total Assigned Fund Balance	 <u>\$3,379,506</u>

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 15 FUND BALANCES AND NET POSITION (continued)**

**Capital Projects Fund**

Assigned for:

Future vehicle purchases	\$ 247,347
Future parks and recreation projects	678,105
Future highway projects	574,070
Future stormwater projects	383,130
Future building projects	137,572
Future paths projects	107,913
Future conservation initiatives	61,944
Future capital projects	<u>255,776</u>

Total Assigned Fund Balance \$2,445,857

**Water and Sewer Fund**

Designated for:

Future capital expenses	\$ 993,412
Prepaid expenses	<u>11,924</u>

Total Designated Net Assets \$1,005,336

**Fiduciary Fund**

Restricted for Cemetery - These funds are accumulated for the maintenance of the cemetery.	<u>\$ 62,228</u>
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When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use the fund balances in the following order: (1) Committed (2) Assigned (3) Unassigned.

**NOTE 16 DEFINED CONTRIBUTION PLAN**

Prior to January 1, 2004 all full-time employees were covered under the ICMA 401(A) Defined Contribution Plan. Under this plan the town contributes 8% and the employee contributes 3% of employee's salaries. Town contributions to the plan were \$29,238 and the employee contributions were \$10,964 for the year ended June 30, 2021.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2020, the retirement system consisted of 353 participating employers.

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

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

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

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

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Town's reporting date June 30, 2021 and for the Town's reporting period (the year ended June 30, 2021). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of the Town, the State has chosen to use the end of the prior fiscal year (**June 30, 2020**) as the measurement date, and the year ended **June 30, 2020** as the measurement period.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN (continued)**

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of July 1, 2015, to the measurement date of **June 30, 2020**.

As of **June 30, 2020**, the Town's proportionate share of the total VMERS net pension liability was 2.09919%, a decrease from 2.30797% as of **June 30, 2019**. For the year ended June 30, 2021, the Town recognized pension expense of \$1,222,781.

As of June 30, 2021, the Town reported deferred outflows or resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportional share of contributions	\$ 105,843	\$ 273,528
Difference between projected and actual earnings on pension plan investments	507,897	-
Difference between expected and actual experience	478,262	15,740
Town's required employer contributions made subsequent to the measurement date	460,748	-
Changes in assumptions	<u>711,958</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,264,708</u></b>	<b><u>\$ 289,268</u></b>

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

<u>Year Ended June 30</u>	
2021	\$ 463,087
2022	460,866
2023	348,033
2024	<u>242,671</u>
Total	<b><u>\$ 1,514,657</u></b>

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN (continued)**

**Summary of System Provisions**

Membership: Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions. The Town has elected coverage under Group C and D provisions for the year ended June 30, 2021

Credible Service: Service as a member plus purchased service.

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

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

Service Retirement Allowance:

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

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

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

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN (continued)**

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

Optional Benefit and Death after Retirement: For Group C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in the Consumer Price Index but not more than 3% for Group C and D.

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

Member Contributions: Group C – 10.50%  
Group D – 11.85%

Employer Contributions: Group C – 7.75%  
Group D – 10.35%

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN (continued)**

**Significant Actuarial Assumptions and Methods**

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

Salary Increases: 4.50% per year.

Deaths:

*Death in Service:*

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

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

*Healthy Post-Retirement:*

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

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

*Healthy Post-retirement – Beneficiaries:*

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

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

*Disabled Post-Retirement:*

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

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

Cost-of-Living Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for members from Groups C and D (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit) The January 1, 2020 COLA is assumed to be .8% and the January 1, 2021 COLA is assumed to be .40%, for all groups.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN (continued)**

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

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

Inflation: 2.30%

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of **June 30, 2020** are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	7.07%
US Equity- Large Cap	4%	6.19%
US Equity- Small/Mid Cap	3%	6.93%
Non-US Equity - Large Cap	5%	7.01%
Non-US Equity - Small Cap	2%	7.66%
Emerging Markets Debt	4%	3.66%
Core Bond	20%	0.39%
Private Credit	10%	6.03%
US TIPS	3%	-0.20%
Core Real Estate	5%	4.06%
Non-Core Real Estate	3%	6.43%
Private Equity	10%	11.27%
Infrastructure/Farmland	2%	5.44%

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 17 PENSION PLAN (continued)**

Discount Rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038, Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	6.00%	\$ 8,113,240
Current Rate	7.00%	\$ 5,310,471
1% Increase	8.00%	\$ 3,004,285

**Additional Information**

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

**NOTE 18 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.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 19      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 \$16,252 for the year ended June 30, 2021.

**NOTE 20      RELATED PARTY**

In July 2014 the Town entered agreements with the Village of Essex Junction and the Essex Junction School District to bill and collect property taxes for each entity. Under the terms of the agreements, the Town purchased the outstanding delinquent taxes, penalty and interest receivables as of July 1, 2014, and assumes liability for the collection of those balances due. The Town will turn over to each entity, one half of the total amounts billed within 20 days of each due date. All penalty and interest that accrues on delinquent balances shall belong to the Town. Included in the Unavailable Property Tax Revenue, is a provision for the delinquent balances associated with the taxes billed for the Village of Essex Junction and The Essex Westford School District. Effective July 2015, the accounting departments of the Village of Essex (the Village) and the Town merged and operate under one accounting system and one operating cash account. At June 30, 2021 \$7,497,024 was owed to the Village from the Town.

**NOTE 21      CONCENTRATION OF REVENUES**

The Town receives a major portion of its revenue from Global Foundries. For the year ended June 30, 2021, the Town received 3.0% of its total property tax income from Global Foundries.

**Town of Essex, Vermont**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 22 TAX ABATEMENT**

The Town has one tax stabilization agreement that qualifies as a tax abatement 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, has entered into a ten year tax stabilization agreement beginning in FY2018. 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. For FY2021 the amount of taxes abated totaled \$36,073. 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.

**NOTE 23 RISK AND UNCERTAINTIES**

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur through such potential impact and the duration cannot be reasonably estimated at this time. Possible effects may include, but are not limited to, disruption to the Town's customers and revenue, absenteeism in the Town's labor workforce, unavailability of products and supplies used in operations, and decline in value of assets held by the Town, including receivables and property and equipment.

**NOTE 24 DISCLOSURE OF SUBSEQUENT EVENTS**

In accordance with professional accounting standards, the Town has evaluated subsequent events through January 14, 2022, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2021, have been incorporated into the financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ESSEX, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property tax	\$ 14,021,856	\$ 13,892,074	\$ (129,782)
Licenses and permits	74,150	67,436	(6,714)
Intergovernmental revenues	395,200	558,655	163,455
Charges for services	522,928	757,647	234,719
Fines and forfeits	170,000	116,258	(53,742)
Interest income	26,000	46,743	20,743
Grant income	1,000	25,381	24,381
Miscellaneous income	21,001	42,301	21,300
	<u>15,232,135</u>	<u>15,506,495</u>	<u>274,360</u>
<b>EXPENDITURES</b>			
General government	2,732,747	2,650,343	82,404
Public safety	5,194,251	4,580,377	613,874
Highways and Streets	3,884,122	3,928,237	(44,115)
Stormwater	347,143	293,361	53,782
Health and Welfare	252,329	253,764	(1,435)
Culture and Recreation	1,442,997	1,278,879	164,118
Debt service	535,635	535,635	-
Intergovernmental	499,711	483,057	16,654
	<u>14,888,935</u>	<u>14,003,653</u>	<u>885,282</u>
Excess of Revenues over Expenditures	<u>343,200</u>	<u>1,502,842</u>	<u>1,159,642</u>
<b>OTHER FINANCING SOURCES/(USES)</b>			
Operating Transfers Out	<u>(443,200)</u>	<u>(412,925)</u>	<u>30,275</u>
Total Other Financing Sources (Uses)	<u>(443,200)</u>	<u>(412,925)</u>	<u>30,275</u>
Net Change in Fund Balance	<u>\$ (100,000)</u>	<u>\$ 1,089,917</u>	<u>\$ 1,189,917</u>
<b>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</b>			
Excess of Revenues over Expenditures- Budgetary Basis		\$ 1,089,917	
Adjustments for non-budget:			
Grant revenues		700,218	
Other revenues		26,717	
Grant expenditures		(403,313)	
Other expenditures		<u>(17,735)</u>	
Excess of Revenues over Expenditures- GAAP Basis		<u>\$ 1,395,804</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, 2021

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

*Significant Actuarial Assumptions and methods are described in Note 14 to the financial statements. Changes in Assumptions and Methods were effective June 30, 2020:*

*There were no changes in methods or assumption during the year ended June 30, 2020*

See Accompanying Notes to Basic Financial Statements.

TOWN OF ESSEX, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 FOR THE YEAR ENDED JUNE 30, 2021

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

*Significant Actuarial Assumptions and methods are described in Note 14 to the financial statements. Changes in Assumptions and Methods were effective June 30, 2020:*

*There were no changes in methods or assumption during the year ended June 30, 2020*

See Accompanying Notes to Basic Financial Statements.

## SINGLE AUDIT REPORTS

Town of Essex, Vermont  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor Number	Federal CFDA Number	Federal Expenditures
U. S. Department of Transportation			
Passed through State of Vermont, Agency of Transportation			
Highway Planning and Construction	CA0459	20.205	\$ 210,225
Highway Planning and Construction	CA0436	20.205	240,851
Highway Planning and Construction	CA0436	20.205	86,117
Highway Planning and Construction	CA0514	20.205	19,591
Highway Planning and Construction	CA0536	20.205	2,264
Total Highway Planning and Construction			<u>559,048</u>
U.S Department of Homeland Security			
Passed through State of Vermont Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	02140-84474-019	97.036	76,451
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	02140-84523-033	97.036	31,137
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>107,588</u>
2020 Homeland Security Grant Program	02140-7H20252-109	97.067	<u>22,280</u>
U.S Department of Justice			
Passed through State of Vermont Department of Public Safety			
Coronavirus Emergency Supplemental Funding (CESF)	02140-11993-104	16.034	<u>2,307</u>
Bullet Proof Vest Grant		16.607	<u>2,272</u>
National Priority Safety Programs: DEA Overtime		20.616	<u>17,569</u>
U.S. Department of Agriculture			
Passed through State of Vermont Department of Forest, Parks and Recreation			
Cooperative Forestry Assistance: UCF 19 - Emerald Ash Borer Management Grant	06130-UCF-CFC-20-13	10.664	14,992
Cooperative Forestry Assistance: UCF 20 - Arbor Day Planning Grant	06130-UCF-ADP-21-05	10.664	235
			<u>15,227</u>
Institute of Museum and Library Services			
Passed through State of Vermont Department of Libraries			
Interlibrary Loan Courier Service Grant	01130 Courier LSTA2020.1	45.310	<u>520</u>
U.S. Department of Treasury			
Passed through State of Vermont, Department of Public Safety			
Coronavirus Local Government Expense Reimbursement - COVID	02140-84523-033	21.019	<u>10,379</u>
Passed through State of Vermont, Department of Corrections			
Coronavirus Aid Relief, and Economic Security Act; Coronavirus Relief Fund CJC	03520-1514 AM1	21.019	<u>13,614</u>
Passed through State of Vermont, Department of Corrections			
Coronavirus Local Government Expense Reimbursement - COVID	07130-21-60 CRF	21.019	<u>59,927</u>
Passed through State of Vermont, Department of Taxes			
Coronavirus Local Government Expense reimbursement (LGER)	01140CRF20LGE0026	21.019	364,089
Coronavirus Municipal Records Digitization Grant	01140CRF20DLR028	21.019	20,000
Total State of Vermont, Department of Taxes			<u>384,089</u>
Passed through State of Vermont, Department of Tourism and Marketing			
Coronavirus Local Government Expense Reimbursement - COVID	07130-21-60-CRF	21.019	<u>10,000</u>
Total Expenditure of Federal Awards			<u>\$ 1,204,820</u>

Town of Essex, Vermont  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2021

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, 2021. 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 assets, 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.



**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 Board of Selectmen  
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 the Town of Essex, Vermont, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Essex, Vermont's basic financial statements, and have issued our report thereon dated January 14, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Essex, Vermont's internal control over financial reporting (internal control) to determine the 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 the Town of Essex, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 "Kittell Blangin" followed by a flourish.

St. Albans, Vermont  
January 14, 2022



**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 Board of Selectmen  
Town of Essex, Vermont  
Essex, Vermont

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Essex, Vermont's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Town of Essex, Vermont's major federal programs for the year ended June 30, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Essex, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Essex, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Essex, Vermont's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2021.

**Report on Internal Control over Compliance**

Management of the Town of Essex, Vermont, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Essex, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Essex, Vermont's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Kithell Branch & Seunt*

Town of Essex, Vermont  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021

Report 4

**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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Town of Essex, Vermont, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs Town of Essex, Vermont expresses an unmodified opinion on all major federal programs.
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:

20.205 Highway Planning and Construction

The threshold for distinguishing between Type A and B programs was \$750,000.

8. Town of Essex, Vermont was determined to be a high-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.