

TOWN OF LUDLOW, VERMONT

Single Audit

June 30, 2015

(With Independent Auditors' Report Thereon)

TOWN OF LUDLOW, VERMONT

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Graham & Graham, P.C.

Certified Public Accountants

Business Advisors & Management Consultants

The Solution Group

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards*

To the Selectboard
Town of Ludlow, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Ludlow, Vermont (the "Town"), as of and for the year ended June 30, 2015, and related notes to the financial statements, and have issued our report thereon dated September 2, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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Independent Auditors' 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* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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.

Graham & Graham, P.C.

GRAHAM & GRAHAM, P.C.

Springfield, Vermont

September 2, 2015

VT Registration #92-0000282

NH Registration #659

ME Registration #FMF 10001129

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Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

To the Selectboard
Town of Ludlow, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Town's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Ludlow, 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, 2015.

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Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 (Continued)

Report on Internal Control over Compliance

Management of the Town 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'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 OMB Circular A-133, 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'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Graham & Graham, P.C.

Graham & Graham, P.C.

Springfield, Vermont

September 2, 2015

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Independent Auditors' Report on Supplementary Information

To the Selectboard
Town of Ludlow, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) established by the American Institute of Certified Public Accountants 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 Town of Ludlow, Vermont as of and for the year ended June 30, 2015, and have issued our report dated September 2, 2015, in which we expressed an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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TOWN OF LUDLOW, VERMONT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Agency Name	Pass-Through Entity	Federal Program Title	CFDA Number	Other Identification Number	Total Expended From Direct Awards	From Pass-Through Awards	Total Expended
Department of Housing and Urban Development Office of Community Planning and Development	State of Vermont Agency of Commerce and Community Development	Community Development Block Grants/State's Program	14.228	07110-IG-2011-Ludlow-00022		\$ 730,895	\$ 730,895 (1)
US Department of Homeland Security	State of Vermont Department of Public Safety	Homeland Security Grant Program	97.067	02140-74164V-313		6,480	6,480
US Department of Transportation National Highway Safety Administration	State of Vermont Agency of Commerce and Community Development	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	08100-GR0508		1,680	1,680
US Department of Transportation National Highway Safety Administration	State of Vermont Agency of Transportation	National Safety Programs	20.616	08100-GR0543		647	647
Subtotal US Department of Transportation						2,327	2,327
TOTAL FEDERAL AWARDS EXPENDED						\$ 739,702	739,702

(1) The Town of Ludlow, Vermont is the grantee, The Housing Trust of Rutland County, is the sub-grantee.

TOWN OF LUDLOW, VERMONT
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015

NOTE 1 – REPORTING ENTITY

The Town of Ludlow, Vermont (the “Town”), chartered in 1761, is a town of approximately 1,976 people located in Windsor County. The Town was awarded a community development block grant (“CDBG”) by the State of Vermont Agency of Commerce and Community Development (the “Agency”) on July 27, 2012 for the acquisition and rehabilitation of the Tuckerville Mobile Home Park located in Tuckerville Parkway, Ludlow, Vermont.

NOTE 2 – SCOPE OF THE AUDIT PURSUANT TO OMB CIRCULAR A-133

The Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all Federal award programs of the Town. The Federal award funds were received directly from the Agency.

NOTE 3 – BASIS OF PRESENTATION

The Schedule of the Town has been prepared in the format as set forth in U.S. Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Schedule is presented using the accrual basis of accounting. It includes all Federal awards to the Town which had expenditure activity during the year ended June 30, 2015. The Tuckerville Mobile Home Park acquisition and rehabilitation project is jointly funded by the U.S. Department Housing and Urban Development, local lenders and individual/municipal contributions. The Schedule reflects only that part of the grant activity funded by Federal Awards.

Deductions (expenditures) for direct costs are recognized as incurred using the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

NOTE 4 – SUBRECIPIENT

Of the federal expenditures presented in the Schedule, the Town provided Federal awards to sub-recipients as follows:

<u>CFDA #</u>	<u>Grant Program</u>	<u>Amounts Provided to Sub- Recipients</u>
14.228	Community Development Block Grants/State’s Program	<u>\$ 730,895</u>

TOWN OF LUDLOW, VERMONT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Section I – Summary of Auditors’ Report

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material Weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses.	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of Major Programs

Name of program or cluster	CFDA number
Vermont Community Development Block Grant-Disaster Recovery Program	14.228
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133:	No

Section II – Financial Statement Findings

No current year findings.

Section III – Federal Award Findings and Questioned Costs

No current year findings