

VILLAGE OF LUDLOW, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2013

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FOTHERGILL SEGALE & VALLEY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Ludlow, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ludlow, Vermont as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village of Ludlow, Vermont'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 the 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities

Management has not included the Village's Electric Light Department financial statements. Accounting principles generally accepted in the United States of America require the Electric Light Department to be presented as a major enterprise fund and financial information about the Electric Light Department to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Electric Light Department, as of June 30, 2013, or the changes in financial position or cash flows thereof for the year then ended.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Village of Ludlow as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Electric Light Department, and the aggregate remaining fund information of the Village of Ludlow, Vermont as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows and the budget comparison for the General Fund 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 management's discussion and analysis on pages 4 through 10 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 Village's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014 on our consideration of the Village's internal control over financial reporting and 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 Village's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 17, 2014

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

As management of the Village of Ludlow (Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2013. This document has been prepared in accordance with Statement No. 34 of Governmental Accounting Standards Board (GASB 34).

Financial Highlights – Primary Government

. Government-Wide Highlights:

Net Position – The assets of the Village exceeded its liabilities at the close of the fiscal year by \$8,004,308. Of this amount, \$615,729 was reported as *unrestricted net position* and may be used to meet the government's ongoing obligations to citizens and creditors, and \$7,380,444 was invested in capital assets, net of related long-term debt. The remainder, \$8,135, is restricted for special revenue funds and capital projects.

Changes in Net Position – the Village's total net position increased by \$134,804 in fiscal year 2013. Net position of governmental activities increased by \$32,084, while net position of the business-type activities increased by \$102,720.

. Fund Highlights:

Government Funds – Governmental funds include general, special revenue, and capital projects. As of June 30, 2013, the Village's governmental funds reported a combined ending fund deficit of \$42,390, a decrease of \$130,278.

Water Fund – as of June 30, 2013, the Village's Water Fund reported total net position of \$2,474,752, an increase of \$91,296. \$484,600 represents the *unrestricted balance* available for future expenses, and \$1,990,152 is the amount invested in capital assets, net of related debt.

Sewer Fund – as of June 30, 2013, the Village's Sewer Fund reported total net position of \$4,980,381, an increase of \$11,424. The *unrestricted balance* is \$214,321, and \$4,766,060 is the amount invested in capital assets, net of related debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. They are comprised of the *statement of net position* and *statement of activities*.

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

The *statement of net position* presents information of the Village's assets and liabilities, with the difference between the two 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 Village is improving or deteriorating. This statement, unlike previous financial statements prior to implementing GASB 34, combines and consolidates the governmental funds' current financial resources with capital assets and long-term obligations.

The *statement of activities* presents information showing how the Village'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 sick or vacation leave).

Both of the above government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges (business-type activities). The governmental activities of the Village include general government, highways and streets, sanitation and recycling, and health and welfare. The business-type activities of the Village include the water and waste water departments.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detailed information about each of the Village's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining alike funds and presenting them in total. Instead, each *major fund* is presented individually, with all *non-major funds* summarized and presented in a single column.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on short-term inflows and outflows of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower 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. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village operates *enterprise funds*. An enterprise fund is a proprietary fund category used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for the water and sewer departments.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information to provide additional financial information not included in the basic financial statements*.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required financial statements and notes.

The following condensed and reformatted financial information is a condensed version of the government-wide financial statements presented as Exhibit A and Exhibit B compared to prior year.

Government-Wide Financial Analysis
Village of Ludlow, Vermont Net Position
June 30, 2013

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current assets net of internal balances	\$ (15,766)	\$ 153,516	\$ 1,205,592	\$ 1,194,650	\$ 1,189,826	\$ 1,348,166
Capital assets	624,232	471,193	9,826,364	9,873,040	10,450,596	10,344,233
Total assets	608,466	624,709	11,031,956	11,067,690	11,640,422	11,692,399
Current liabilities	18,979	58,872	544,951	430,832	563,930	770,165
Long-term liabilities	40,312	48,746	3,031,872	3,284,445	3,072,184	3,792,340
Total liabilities	59,291	107,618	3,576,823	3,715,277	3,636,114	4,562,505
Net position						
Invested in capital assets						
net of debt	624,232	431,193	6,756,212	6,652,443	7,380,444	7,083,636
Restricted	8,135	9,628	0	0	8,135	9,628
Unrestricted	(83,192)	76,270	698,921	699,970	615,729	776,240
Total net position	\$ 549,175	\$ 517,091	\$ 7,455,133	\$ 7,352,413	\$ 8,004,308	\$ 7,869,504

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

**Village of Ludlow Changes in Net Position
Fiscal Year Ended June 30, 2013**

	Governmental Activities	Business-type Activities	Total Government	Governmental Activities	Business-type Activities	Total Government
	2013	2013	2013	2012	2012	2012
REVENUES						
General revenues:						
Property taxes	\$ 360,345	\$ 0	\$ 360,345	\$ 355,196	\$ 0	\$ 355,196
Other general revenues	6,524	16,824	23,348	5,685	13,266	18,951
Earnings on investments	9	582	591	44	1,051	1,095
Service hookups	0	72,089	72,089	0	(3,524)	(3,524)
Program revenues:						
Operating grants	39,696	20,281	59,977	38,182	23,103	61,285
Charges for services	35,421	849,384	884,805	30,427	755,080	785,507
Total revenues	<u>441,995</u>	<u>959,160</u>	<u>1,401,155</u>	<u>429,534</u>	<u>788,976</u>	<u>1,218,510</u>
PROGRAM EXPENSES						
Highways and streets	263,489	0	263,489	279,634	0	279,634
General government	144,794	0	144,794	130,966	0	130,966
Sanitation and recycling	32,717	0	32,717	35,074	0	35,074
Interest on long-term debt	1,858	0	1,858	2,368	0	2,368
Water	0	332,487	332,487	0	298,456	298,456
Sewer	0	643,953	643,953	0	623,588	623,588
Total program expenses	<u>442,858</u>	<u>976,440</u>	<u>1,419,298</u>	<u>448,042</u>	<u>922,044</u>	<u>1,370,086</u>
Transfers	<u>34,000</u>	<u>(34,000)</u>	<u>0</u>	<u>34,000</u>	<u>(34,000)</u>	<u>0</u>
Increase (decrease) in net position before special and extraordinary items	33,137	(51,280)	(18,143)	15,492	(167,068)	(151,576)
Special item - forgiveness of debt	0	154,000	154,000	0	0	0
Extraordinary item	(1,053)	0	(1,053)	(16,075)	57,872	0
Increase (decrease) in net position	<u>\$ 32,084</u>	<u>\$ 102,720</u>	<u>\$ 134,804</u>	<u>\$ (583)</u>	<u>\$ (109,196)</u>	<u>\$ (151,576)</u>

Governmental Expenses. Total governmental activity expenses were \$442,858 in fiscal year 2013, compared to \$448,042 in the prior year, a 1.2% decrease. The largest expenses were incurred for general government and highways and streets.

Governmental Revenues. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$75,117 in fiscal year 2013. Governmental program revenues come from *charges for services*, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues, and *operating and capital grants* which include operating-specific and discretionary (either operating or capital).

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

General revenues are all other revenue not categorized as program revenues, and include all taxes, as well as unrestricted grants, contributions, and investment earnings. Total general revenues from governmental activities were \$366,878 in fiscal year 2013. Taxes of \$360,345 comprised 98.2% of the Village's general revenues for fiscal year 2013 and increased by \$5,149 compared to the prior year.

Business-Type Activities. Net position for business-type (Water and Sewer) activities was \$7,455,133, an increase of \$102,720 from the prior fiscal year. Total revenues for business-type (Water and Sewer) activities were \$959,160 compared to \$788,976 in the prior year. This increase was mostly due to additional service hookup revenue and additional charges for services. Total expenses for the business-type activities were \$976,440 during fiscal year 2013 compared to \$922,044 in fiscal year 2012, a 5.9% increase. The increase in expenses was mostly due to the water study expense and additional interest expense.

Financial Analysis of Individual Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village'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.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund deficit of \$42,390. \$332 is restricted for capital projects, \$7,803 is restricted for special revenue funds and \$5,081 is nonspendable for prepaid expenses. The unassigned deficit is \$55,606.

Proprietary Funds. The Village's proprietary funds (Water and Sewer) provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the Village's net position increased by \$102,720.

General Fund Budgetary Highlights

Exhibit G compares actual results for fiscal year 2013 to the approved budget for the General Fund. Revenues and other sources were less than expenditures and other uses by \$128,785 which was \$128,785 worse than budget. The most significant unfavorable variance was the cost of capital outlays which were \$108,713 more than budget. The increase in capital outlays was due to the cost of sidewalks over the amount budgeted. In addition, the cost of street maintenance was approximately \$29,000 more than budget due to various reasons.

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Capital Assets and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$13,833,465 net of accumulated depreciation of \$3,382,869. Investment in capital assets includes land, land improvements, buildings, infrastructure, machinery and equipment, lease improvements and software. Infrastructure assets are items that are normally immovable and of value only to the Village such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total added to the Village's investment in general capital assets for the current fiscal year was \$187,713, and the amount added to Water and Sewer assets was \$232,558.

Major capital asset additions during the current fiscal included the following:

General:

- A. Village paving and sidewalks \$179,628
- B. Village equipment 8,085

Water and Sewer:

- A. South Hill water line \$112,591
- B. Pleasant St. water line 78,737
- C. Sewer storm drains/ man hole 31,246
- D. Rotor blades 9,984

Debt Administration

Long-Term Liabilities – At the end of the current fiscal year, the Village had \$3,072,184 in long-term liabilities outstanding compared to \$3,333,191 last year, a net decrease of \$261,007. During the year ended June 30, 2013, the following changes occurred in long-term liabilities.

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2012	\$ 3,333,191	\$ 48,746	\$ 3,284,445
Bonds and note payments	(103,588)	(10,000)	(93,588)
Forgiveness of debt	(154,000)	0	(154,000)
Additions to bonds and notes	22,380	0	22,380
Change in accrued compensated absences	(25,799)	1,566	(27,365)
Long-term liabilities at June 30, 2013	3,072,184	40,312	3,031,872
Due within one year	(105,798)	(10,000)	(95,798)
Due after one year	\$ 2,966,386	\$ 30,312	\$ 2,936,074

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Economic Climate

Economic recovery has happened slowly in our community. Real estate sales in general are improving in numbers of transaction with prices still variable. Employment throughout the region seems flat at best as new construction continues to be limited.

The 2012/2013 ski season rebounded to more normal levels creating more winter business and seasonal employment opportunities in the area.

The inequities of the education funding system (taxation) imposed by the State on our Town continues to compound the task of providing educational opportunities to the children of our community. Almost 90% of our Grand List is taxed to support other communities in the State.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in the report or requests for additional information should be addressed to:

**Village of Ludlow
P.O. Box B
Ludlow, VT 05149**

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 634,458	\$ 207,202	\$ 841,660
Accounts receivable:			
Delinquent taxes/assessments receivable	10,740	297,550	308,290
Interest receivable	566	0	566
Penalties receivable	853	0	853
Due from State of Vermont - flood	0	8,445	8,445
Prepaid expenses	5,081	6,098	11,179
Inventories	0	18,833	18,833
Internal balances	(667,464)	667,464	0
Capital assets:			
Land	18,000	152,920	170,920
Buildings and improvements	21,655	12,694,739	12,716,394
Construction in progress	0	78,737	78,737
Vehicles	0	70,708	70,708
Equipment	0	47,819	47,819
Infrastructure	748,887	0	748,887
Accumulated depreciation	(164,310)	(3,218,559)	(3,382,869)
Total assets	608,466	11,031,956	11,640,422
LIABILITIES			
Accounts payable	18,979	41,302	60,281
Construction on progress	0	74,762	74,762
Deferred revenue	0	428,887	428,887
Bonds and notes payable due within one year	10,000	95,798	105,798
Accrued compensated absences due after one year	10,312	36,482	46,794
Bonds and notes payable due after one year	20,000	2,899,592	2,919,592
Total liabilities	59,291	3,576,823	3,636,114
NET POSITION			
Unrestricted	(83,192)	698,921	615,729
Restricted	8,135	0	8,135
Invested in capital assets, net of related debt	624,232	6,756,212	7,380,444
Total net position	\$ 549,175	\$ 7,455,133	\$ 8,004,308

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

EXHIBIT B

Functions/Programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Change in Net Position		
				Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Highways and streets	\$ 263,489	\$ 0	\$ 39,696	\$ (223,793)	\$ 0	\$ (223,793)
General government	144,794	35,421	0	(109,373)	0	(109,373)
Sanitation and recycling	32,717	0	0	(32,717)	0	(32,717)
Interest on long-term debt	1,858	0	0	(1,858)	0	(1,858)
Total governmental activities	<u>442,858</u>	<u>35,421</u>	<u>39,696</u>	<u>(367,741)</u>	<u>0</u>	<u>(367,741)</u>
Business-type activities						
Water	332,487	247,426	13,025	0	(72,036)	(72,036)
Sewer	643,953	601,958	7,256	0	(34,739)	(34,739)
Total business-type activities	<u>976,440</u>	<u>849,384</u>	<u>20,281</u>	<u>0</u>	<u>(106,775)</u>	<u>(106,775)</u>
Total government	<u>\$ 1,419,298</u>	<u>\$ 884,805</u>	<u>\$ 59,977</u>	<u>(367,741)</u>	<u>(106,775)</u>	<u>(474,516)</u>
General Revenues:						
Property taxes and related revenue				360,345	0	360,345
Service hookup revenue(refunds)				0	72,089	72,089
Earnings on investments				9	582	591
Miscellaneous				6,524	16,824	23,348
Transfers				34,000	(34,000)	0
Total general revenues and transfers				<u>400,878</u>	<u>55,495</u>	<u>456,373</u>
Change in net position before special and extraordinary items				<u>33,137</u>	<u>(51,280)</u>	<u>(18,143)</u>
Special item						
Forgiveness of debt				<u>0</u>	<u>154,000</u>	<u>154,000</u>
Extraordinary item						
Tropical storm Irene						
State recoveries				6,087	0	6,087
Flood expenditures				(7,140)	0	(7,140)
Net extraordinary item				<u>(1,053)</u>	<u>0</u>	<u>(1,053)</u>
Change in net position				32,084	102,720	134,804
Net position - July 1, 2012				<u>517,091</u>	<u>7,352,413</u>	<u>7,869,504</u>
Net position - June 30, 2013				<u>\$ 549,175</u>	<u>\$ 7,455,133</u>	<u>\$ 8,004,308</u>

VILLAGE OF LUDLOW, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT C

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 634,458	\$ 0	\$ 634,458
Due from other funds	0	8,135	8,135
Accounts receivable:			
Delinquent taxes receivable	10,740	0	10,740
Interest receivable	566	0	566
Penalties receivable	853	0	853
Prepaid expenses	5,081	0	5,081
Total assets	\$ 651,698	\$ 8,135	\$ 659,833
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 18,979	\$ 0	\$ 18,979
Deferred revenue	7,645	0	7,645
Due to other funds	675,599	0	675,599
Total liabilities	702,223	0	702,223
FUND BALANCES (DEFICIT)			
Nonspendable prepaid expenses	5,081	0	5,081
Restricted for capital projects	0	332	332
Restricted for special revenue funds	0	7,803	7,803
Unassigned	(55,606)	0	(55,606)
Total fund balances (deficit)	(50,525)	8,135	(42,390)
Total liabilities and fund balances (deficit)	\$ 651,698	\$ 8,135	\$ 659,833

VILLAGE OF LUDLOW, VERMONT
 RECONCILIATION OF THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

TOTAL FUND DEFICIT - GOVERNMENTAL FUNDS	\$	(42,390)
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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. The cost of the assets is \$788,542, and the accumulated depreciation is \$164,310.		624,232
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Deferred revenues are recognized on an accrual basis in the statement of net position, not the modified accrual basis. Deferred revenues at year end consist of:

Deferred tax revenue		7,645
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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. Long-term liabilities at year end consist of:

Bonds and notes payable	30,000		
Accrued compensated absences	10,312		(40,312)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	549,175
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VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT E

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes, interest and penalties	\$ 359,456	\$ 0	\$ 359,456
Licenses and permits	2,814	0	2,814
Intergovernmental	39,696	0	39,696
Investment income	2	7	9
Insurance reimbursement	32,607	0	32,607
Miscellaneous	6,524	0	6,524
Total revenues	441,099	7	441,106
EXPENDITURES			
Current			
General government	141,515	0	141,515
Highways and streets	230,528	0	230,528
Sanitation	32,717	0	32,717
Total current expenditures	404,760	0	404,760
Debt service			
Principal	10,000	0	10,000
Interest	1,858	0	1,858
Total debt service	11,858	0	11,858
Capital outlay	187,713	0	187,713
Total expenditures	604,331	0	604,331
EXCESS REVENUES (EXPENDITURES)	(163,232)	7	(163,225)
OTHER FINANCING SOURCES (USES)			
Transfers	35,500	(1,500)	34,000
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	(127,732)	(1,493)	(129,225)
EXTRAORDINARY ITEM			
Tropical Storm Irene			
State recoveries	6,087	0	6,087
Flood expense	(7,140)	0	(7,140)
Total extraordinary item	(1,053)	0	(1,053)
NET CHANGE IN FUND BALANCES (DEFICIT)	(128,785)	(1,493)	(130,278)
FUND BALANCES - JULY 1, 2012	78,260	9,628	87,888
FUND BALANCES (DEFICIT)- JUNE 30, 2013	\$ (50,525)	\$ 8,135	\$ (42,390)

RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS	\$	(130,278)
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$187,713 exceeds depreciation expense of \$34,674.		153,039
Repayment of bonds and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		10,000
Property taxes are on an accrual basis in the statement of net position, not the modified accrual basis. The deferred property taxes increased \$889.		889
In the statement of activities, accrued compensated absences payable are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the compensated absences incurred exceeded the amount paid by \$1,566.		<u>(1,566)</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u>32,084</u>

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes - general	\$ 295,740	\$ 293,720	\$ (2,020)
Pilot program	1,500	50	(1,450)
3/5 Highway	36,500	36,500	0
Electric Department PILOT	26,000	26,105	105
Total taxes	<u>359,740</u>	<u>356,375</u>	<u>(3,365)</u>
Delinquent tax interest and penalties			
Delinquent interest	1,000	1,871	871
Delinquent penalties	1,000	1,210	210
Total delinquent tax interest and penalties	<u>2,000</u>	<u>3,081</u>	<u>1,081</u>
Interest and dividends			
	<u>500</u>	<u>2</u>	<u>(498)</u>
Licenses and permits			
Zoning fees and permits	2,000	909	(1,091)
Hearing fees and permits	2,500	1,800	(700)
Bianchi fees	200	105	(95)
Total licenses and permits	<u>4,700</u>	<u>2,814</u>	<u>(1,886)</u>
Intergovernmental			
State aid - highway	<u>40,000</u>	<u>39,696</u>	<u>(304)</u>
Miscellaneous			
Insurance refund	22,961	32,607	9,646
Miscellaneous	600	6,524	5,924
Total miscellaneous	<u>23,561</u>	<u>39,131</u>	<u>15,570</u>
Total revenues	<u>430,501</u>	<u>441,099</u>	<u>10,598</u>
EXPENDITURES			
Current Expenditures			
General government			
Administration			
Salaries			
Manager	27,300	27,525	(225)
Clerks	9,305	9,706	(401)
Officers	10,000	9,688	312
BCA salary	500	397	103
Benefits			
FICA	3,600	3,897	(297)
Insurance	8,415	8,839	(424)
Pension	2,060	1,908	152
Manager car allowance	1,350	1,341	9
Village Report/meeting	1,600	1,792	(192)
Equipment/supplies	3,000	2,838	162
Computer supplies	400	368	32
Dog officer	900	900	0
Copier	700	971	(271)
Audit	6,000	7,029	(1,029)

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Services	1,300	1,229	71
Beautification	3,000	850	2,150
Expense/mileage	300	0	300
Training/meetings	300	342	(42)
Legal	500	0	500
League of Cities and Towns (VLCT)	656	700	(44)
Advertising	500	0	500
Total administration	<u>81,686</u>	<u>80,320</u>	<u>1,366</u>
Zoning and planning			
Salaries			
Director	7,505	7,505	0
Secretary	3,835	2,819	1,016
Recording secretary	500	0	500
Benefits			
FICA	944	670	274
Insurance	5,349	5,475	(126)
Pension	567	515	52
Advertising	750	821	(71)
Legal	500	360	140
Equipment	200	170	30
Supplies	600	763	(163)
Computer maintenance	200	0	200
Telephone	400	361	39
Training/meetings	0	84	(84)
Mileage	50	0	50
Total zoning and planning	<u>21,400</u>	<u>19,543</u>	<u>1,857</u>
Insurance and fidelity bond			
Unemployment	656	591	65
Workers' compensation	1,253	5,185	(3,932)
Ludlow electric	22,961	31,734	(8,773)
Vehicle liability	2,194	2,757	(563)
Deductibles	0	487	(487)
Public officials	535	898	(363)
EPL	524	0	524
Total insurance and fidelity bond	<u>28,123</u>	<u>41,652</u>	<u>(13,529)</u>
Total general government	<u>131,209</u>	<u>141,515</u>	<u>(10,306)</u>
Highways and street			
Streets			
Salaries			
Highway salaries	39,140	36,123	3,017
Overtime	4,000	4,644	(644)
Labor	2,500	2,724	(224)
Benefits			
FICA	3,600	3,216	384
Insurance	9,360	9,597	(237)
Pension	2,000	2,199	(199)

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Street lights	28,000	30,179	(2,179)
Equipment maintenance	21,500	33,250	(11,750)
Training/conference	300	342	(42)
Diesel	15,000	18,936	(3,936)
Gas/Oil	1,200	1,496	(296)
Rentals	1,000	175	825
Rental - trackless mower	0	5,200	(5,200)
Retreatment	0	1,515	(1,515)
Street construction	0	556	(556)
Sidewalks	0	2,184	(2,184)
Asphalt	800	601	199
Cold patch	450	287	163
Supplies	1,800	2,337	(537)
Uniforms	1,500	1,339	161
Culverts	1,000	0	1,000
Parking	4,800	4,800	0
Signs/lines/rails	1,500	7,195	(5,695)
Total streets	<u>139,450</u>	<u>168,895</u>	<u>(29,445)</u>
Garage			
Maintenance	1,500	500	1,000
Fuel	1,500	2,109	(609)
Utilities	2,500	2,422	78
Telephone/cell/pagers	600	437	163
Total garage	<u>6,100</u>	<u>5,468</u>	<u>632</u>
Summer roads			
Class 1-3 materials	13,500	8,707	4,793
Storm drains	2,500	903	1,597
Equipment	500	885	(385)
Total summer roads	<u>16,500</u>	<u>10,495</u>	<u>6,005</u>
Winter roads			
Winter sand	17,000	15,238	1,762
Winter salt	21,000	24,851	(3,851)
Supplies	2,500	5,581	(3,081)
Equipment	1,000	0	1,000
Total winter roads	<u>41,500</u>	<u>45,670</u>	<u>(4,170)</u>
Total highway and streets	<u>203,550</u>	<u>230,528</u>	<u>(26,978)</u>
Sanitation			
Solid waste contract	<u>33,684</u>	<u>32,717</u>	<u>967</u>
Debt service			
Principal	15,200	10,000	5,200
Interest	1,858	1,858	0
Total debt service	<u>17,058</u>	<u>11,858</u>	<u>5,200</u>
Capital outlay	<u>79,000</u>	<u>187,713</u>	<u>(108,713)</u>
Total expenditures	<u>464,501</u>	<u>604,331</u>	<u>(139,830)</u>
EXCESS REVENUES (EXPENDITURES)	<u>(34,000)</u>	<u>(163,232)</u>	<u>(129,232)</u>

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Transfers in from other funds	34,000	35,500	1,500
Total other financing sources (uses)	<u>34,000</u>	<u>35,500</u>	<u>1,500</u>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM			
	<u>0</u>	<u>(127,732)</u>	<u>(127,732)</u>
EXTRAORDINARY ITEM			
Tropical Storm Irene			
State recoveries	0	6,087	6,087
Flood expense	<u>0</u>	<u>(7,140)</u>	<u>(7,140)</u>
Total extraordinary item	<u>0</u>	<u>(1,053)</u>	<u>(1,053)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>(128,785)</u>	<u>\$ (128,785)</u>
FUND BALANCE - JULY 1, 2012		<u>78,260</u>	
FUND DEFICIT - JUNE 30, 2013		<u>\$ (50,525)</u>	

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

EXHIBIT H

	Water	Sewer	Total
ASSETS			
Cash	\$ 0	\$ 207,202	\$ 207,202
Accounts receivable, net of allowance for doubtful accounts	92,612	204,938	297,550
Due from State of Vermont - flood	0	8,445	8,445
Prepaid expenses	1,281	4,817	6,098
Inventories	15,315	3,518	18,833
Due from other funds	521,040	146,424	667,464
Capital assets:			
Not depreciated;			
Land	152,920	0	152,920
Construction on progress	78,737	0	78,737
Depreciated;			
Buildings and improvements	4,954,578	7,740,161	12,694,739
Vehicles	0	70,708	70,708
Equipment	0	47,819	47,819
Accumulated depreciation	(835,851)	(2,382,708)	(3,218,559)
Total assets	4,980,632	6,051,324	11,031,956
 LIABILITIES			
Accounts payable	13,537	27,765	41,302
Construction payable	74,762	0	74,762
Deferred revenue	125,333	303,554	428,887
Bonds payable due within one year	78,858	16,940	95,798
Accrued compensated absences due after one year	6,778	29,704	36,482
Bonds payable due after one year	2,206,612	692,980	2,899,592
Total liabilities	2,505,880	1,070,943	3,576,823
 NET POSITION			
Unrestricted	484,600	214,321	698,921
Invested in capital assets, net of related debt	1,990,152	4,766,060	6,756,212
Total net position	\$ 2,474,752	\$ 4,980,381	\$ 7,455,133

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT I

	Water	Sewer	Totals
OPERATING REVENUES:			
Charges for services	\$ 247,426	\$ 601,958	\$ 849,384
Delinquent interest and penalties	5,577	8,674	14,251
Miscellaneous	1,602	971	2,573
Total operating revenues	<u>254,605</u>	<u>611,603</u>	<u>866,208</u>
OPERATING EXPENSES:			
Operations and maintenance	136,286	359,573	495,859
Administration	22,752	96,724	119,476
Depreciation expense	113,247	165,987	279,234
Total operating expenses	<u>272,285</u>	<u>622,284</u>	<u>894,569</u>
INCOME (LOSS) FROM OPERATIONS	<u>(17,680)</u>	<u>(10,681)</u>	<u>(28,361)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	453	129	582
Service hookup revenue	1,700	70,389	72,089
Build America Bond interest rebate	13,025	7,256	20,281
Bond interest expense	<u>(60,202)</u>	<u>(21,669)</u>	<u>(81,871)</u>
Total non-operating revenues (expenses)	<u>(45,024)</u>	<u>56,105</u>	<u>11,081</u>
EXCESS REVENUES (EXPENDITURES)	<u>(62,704)</u>	<u>45,424</u>	<u>(17,280)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to General Fund	0	(34,000)	(34,000)
SPECIAL ITEM			
Forgiveness of debt	<u>154,000</u>	<u>0</u>	<u>154,000</u>
CHANGE IN NET POSITION	<u>91,296</u>	<u>11,424</u>	<u>102,720</u>
NET POSITION - JULY 1, 2012	<u>2,383,456</u>	<u>4,968,957</u>	<u>7,352,413</u>
NET POSITION - JUNE 30, 2013	<u>\$ 2,474,752</u>	<u>\$ 4,980,381</u>	<u>\$ 7,455,133</u>

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

EXHIBIT J

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM (TO) OPERATING ACTIVITIES			
Cash received from customers	\$ 264,785	\$ 648,311	\$ 913,096
Cash payments to suppliers for goods and services	(71,116)	(189,002)	(260,118)
Cash payments to employees and related costs	(76,787)	(263,134)	(339,921)
Transfer to General Fund	0	(34,000)	(34,000)
Net extraordinary item - flood	5,550	273,489	279,039
Net cash from operating activities	122,432	435,664	558,096
CASH FLOWS TO NON-CAPITAL FINANCING ACTIVITIES			
Decrease (increase) in Due to/from other funds	93,924	(434,222)	(340,298)
Net cash from (to) non-capital financing activities	93,924	(434,222)	(340,298)
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES			
Service hookup revenue (refund)	1,700	70,389	72,089
Interest paid on notes and bonds, net of rebate	(47,177)	(14,413)	(61,590)
Acquisition of capital assets, net of construction payable	(116,567)	(41,229)	(157,796)
Loan proceeds	22,380	0	22,380
Payment of notes and bonds	(77,145)	(16,443)	(93,588)
Net cash to capital and related financing activities	(216,809)	(1,696)	(218,505)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	453	129	582
Net cash from investing activities	453	129	582
NET DECREASE IN CASH AND CASH EQUIVALENTS	0	(125)	(125)
CASH AND CASH EQUIVALENTS - JULY 1, 2012	0	207,327	207,327
CASH AND CASH EQUIVALENTS - JUNE 30, 2013	\$ 0	\$ 207,202	\$ 207,202
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income (loss) from operations	\$ (17,680)	\$ (10,681)	\$ (28,361)
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities:			
Depreciation	113,247	165,987	279,234
Transfer to General Fund	0	(34,000)	(34,000)
Change in assets and liabilities:			
Decrease in accounts receivable	12,650	36,185	48,835
Decrease in flood related receivables	5,550	273,489	279,039
Decrease (increase) in prepaid expenses	(60)	1,415	1,355
Increase (decrease) in deferred revenue	(2,468)	523	(1,945)
Decrease in accrued payroll	(2,344)	(25,019)	(27,363)
Increase in accounts payable	13,537	27,765	41,302
Net cash from operating activities	\$ 122,432	\$ 435,664	\$ 558,096

Non cash activity:

During fiscal year 2013, Water Fund debt of \$154,000 was forgiven by the Vermont Municipal Bond Bank in accordance with State of Vermont instructions.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The Village of Ludlow, Vermont (the Village) was granted a charter under the provisions of the State of Vermont and operates under a Trustee-Treasurer form of government and provides services as authorized by its charter.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP), except for the omission by management of the Electric Light Department as part of the business-type activities. The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). Business-type activities and proprietary funds of governments are also required to follow the Statements and Interpretations of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Village has the option to apply FASB Statements and Interpretations issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity

The Village's basic financial statements include the accounts of all Village operations. Based on the criteria for including organizations as component units within the Village's reporting entity, as set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Village has no component units.

Electric Light Department

The Village of Ludlow's Electric Light Department's financial information is not included in these financial statements which is a departure from accounting principles generally accepted in the United States of America. The Electric Light Department operates separately and is audited separately using a calendar year. A copy of that audit is available upon request.

Basic Financial Statements – Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (focusing on the Village's major funds). The government-wide financial statements categorize activities as either governmental or business-type.

The Village's highway, general government, sanitation, and health services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Net Position presents all of the Village's activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts – invested in capital assets net of related debt; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's governmental functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants. Program revenue must be directly associated with the governmental function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by governmental function or business-type activity) are normally covered by general revenue (property tax, intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. Nonmajor funds by category are summarized into a single column. GASB No. 34 and No. 37 set forth minimum criteria for the determination of major funds. The General Fund is shown as a major governmental fund. All other governmental funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following funds are used by the Village:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental fund of the Village:

General Fund is the main operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major enterprise funds of the Village:

Sewer Fund is used to account for the operations of the Sewer Department.

Water Fund is used to account for the operations of the Water Department.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and six months for other revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, compensated absences, claims and adjustments, and certain prepaids which are recognized when earned.

Cash and Cash Equivalents

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the Village's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments

Investments are stated at fair value (quoted market price or the best available estimate).

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	50 - 100 years
Machinery and equipment	3 - 15 years
Infrastructure assets	20 -50 years

Deferred Revenue

The Village bills for water and sewer services in May/June for the subsequent period, July through December. This gives rise to deferred revenue in the proprietary funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Accrued Compensated Absences*

Employees may carry forward ten days of vacation from one calendar year to the next. Upon termination, employees will be paid for these carryforward days plus days earned up to the date of termination. Sick time cannot be carried forward and will not be paid upon termination. Certain employees with ten years of service, at the time that the policy was changed, were allowed to carry forward sick time credits. These employees will be compensated for these credits upon retirement.

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts.

Net Position

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In July of 2012, the District adopted GASB Statement No. 63. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the statement of net position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Fund Equity

GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type definitions” defines fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Board of Trustees. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Board of Trustees or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements, except for the net amounts due between governmental and business-type activities, which are reported as "internal balances".

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Budget Adoption

The Department Heads and Village Manager submit an annual budget to the Village's Trustees for review. A public hearing is held prior to the Village Meeting to review the budget. The Village approves the budget at the annual Village Meeting and the tax rate is determined by the Trustees based on the budget and Grand List. Formal budgetary accounting is employed as a management control device in the General Fund.

NOTE 2 - DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2013, none of the government's bank balance of \$856,686 was exposed to custodial credit risk.

Uninsured but covered by the SIPC	\$ 207,202
Uninsured - Collateralized	<u>649,484</u>
Total bank balance	<u><u>\$ 856,686</u></u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 3 - RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS

Receivables are shown net of any allowance for uncollectible accounts. The breakdown of the receivables and related allowances as of June 30, 2013 is as follows:

	<u>Total Receivables</u>	<u>Uncollectible Allowance</u>	<u>Net Receivables</u>
General Fund:			
Delinquent taxes receivable	\$ 10,740	\$ 0	\$ 10,740
Interest and penalties	1,419	0	1,419
Total General Fund	<u>12,159</u>	<u>0</u>	<u>12,159</u>
Sewer Fund			
Assessments receivable	205,938	(1,000)	204,938
State of Vermont - flood	8,445	0	8,445
Total Sewer Fund	<u>214,383</u>	<u>(1,000)</u>	<u>213,383</u>
Water Fund			
Assessments receivable	93,612	(1,000)	92,612
Total	<u>\$ 320,154</u>	<u>\$ (2,000)</u>	<u>\$ 318,154</u>

NOTE 4 – CAPITAL ASSETS

The summary of capital assets for governmental activities as of June 30, 2013 is as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Depreciation</u>	<u>June 30, 2013</u>
Capital assets not depreciated				
Land	\$ 18,000	\$ 0	\$ 0	\$ 18,000
Total capital assets not being depreciated	<u>18,000</u>	<u>0</u>	<u>0</u>	<u>18,000</u>
Capital assets being depreciated				
Equipment	13,570	8,085	0	21,655
Infrastructure	569,259	179,628	0	748,887
Total capital assets being depreciated	<u>582,829</u>	<u>187,713</u>	<u>0</u>	<u>770,542</u>
Accumulated depreciation				
Equipment	(4,221)	0	(1,713)	(5,934)
Infrastructure	(125,415)	0	(32,961)	(158,376)
Total accumulated depreciation	<u>(129,636)</u>	<u>0</u>	<u>(34,674)</u>	<u>(164,310)</u>
Total capital assets, net	<u>\$ 471,193</u>	<u>\$ 187,713</u>	<u>\$ (34,674)</u>	<u>\$ 624,232</u>

Depreciation expense has been charged to highways and streets for \$32,961 and general government for \$1,713.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

The summary of capital assets for business-type activities as of June 30, 2013 is as follows:

	June 30, 2012	Additions	Depreciation	June 30, 2012
Capital assets not depreciated				
Land	\$ 152,920	\$ 0	\$ 0	\$ 152,920
Construction in progress	0	78,737	0	78,737
Total capital assets not depreciated	<u>152,920</u>	<u>78,737</u>	<u>0</u>	<u>231,657</u>
Capital assets being depreciated				
Buildings and improvements	12,550,902	143,837	0	12,694,739
Equipment	37,835	9,984	0	47,819
Vehicles	70,708	0	0	70,708
Total capital assets being depreciated	<u>12,659,445</u>	<u>153,821</u>	<u>0</u>	<u>12,813,266</u>
Accumulated depreciation				
Buildings and improvements	(2,875,164)	0	(272,153)	(3,147,317)
Equipment	(13,594)	0	(3,983)	(17,577)
Vehicles	(50,567)	0	(3,098)	(53,665)
Total accumulated depreciation	<u>(2,939,325)</u>	<u>0</u>	<u>(279,234)</u>	<u>(3,218,559)</u>
Total capital assets, net	<u>\$ 9,873,040</u>	<u>\$ 232,558</u>	<u>\$ (279,234)</u>	<u>\$ 9,826,364</u>

NOTE 5 - INTERFUND TRANSFERS AND DUE TO/FROM OTHER FUNDS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. \$34,000 was transferred to the General Fund from the Sewer Fund to reimburse the General Fund for administrative costs. \$750 was transferred from the Act 200 Fund to the General Fund and \$750 was transferred from the Zoning Fee Fund to the General Fund.

The Village pools their cash resources. As of June 30, 2013, the interfund balances were:

	Due from	Due to
General Fund	\$ 0	\$ 675,599
Nonmajor Funds	8,135	0
Water Fund	521,040	0
Sewer Fund	146,424	0
Total	<u>\$ 675,599</u>	<u>\$ 675,599</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013
(Continued)

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2013 consisted of the following:

	<u>Total</u>	<u>Due within one year</u>
GOVERNMENTAL ACTIVITIES		
Note payable, Vermont Municipal Bond Bank, annual principal payments \$10,000, with semi-annual interest payments. Interest varies from 4.344% and 5.414%. Note matures December 1, 2015.	\$ 30,000	<u>\$ 10,000</u>
Accrued compensated absences	<u>10,312</u>	
Total governmental activities long-term liabilities	<u>\$ 40,312</u>	
BUSINESS-TYPE ACTIVITIES		
Bond payable, Vermont Municipal Bond Bank water bond, interest rate varies from 2.80% to 5.18%, principal payable annually of \$10,000 due December 1 each year, bond matures December 1, 2021.	\$ 90,000	\$ 10,000
Bond payable, Vermont Municipal Bond Bank drinking water loan, interest rate of 1% and admin fee of 2%, \$57,806 payable annually starting May 1, 2013, and ending May 1, 2032.	679,726	27,063
Bond payable, USDA Rural Development water system, interest rate of 2.25%, with refund of 35% of interest each year, \$37,581 payable semi-annually starting June, 2011 and ending December, 2039.	1,493,364	41,795
Bond payable, USDA Rural Development, Andover Street sewer project, interest rate of 3%, with refund of 35% of interest each year, \$19,056 payable semi-annually starting June, 2011 and ending December, 2040.	709,920	16,940
Bond payable, Vermont Bond Bank, water supply improvements, interest free, principal payable annually of \$5,360 due December 1 each year starting December 2017 and ending December 2021	<u>22,380</u>	<u>0</u>
Subtotal	2,995,390	95,798
Accrued compensated absences	<u>36,482</u>	<u>0</u>
Total business-type activities long-term liabilities	<u>\$ 3,031,872</u>	<u>\$ 95,798</u>

Interest paid on long-term liabilities for the year ended June 30, 2013 was \$83,729. Refund of interest during fiscal year 2013 was \$20,281. The debt forgiveness of \$154,000 in the Water Department was for "green credits" allowed by the State of Vermont due to water saving techniques constructed in the water system infrastructure. The \$154,000 is reflected as a special item in the attached financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013
(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Long-term liabilities will mature approximately as follows:

	Governmental Funds			Water and Sewer Fund			Interest
	Principal	Interest	Total	Principal	Interest/Admin	Total	Refund
2014	\$ 10,000	\$ 1,338	\$ 11,338	\$ 95,798	\$ 77,196	\$ 172,994	\$ 19,586
2015	10,000	809	10,809	98,067	76,450	174,517	19,089
2016	10,000	271	10,271	100,399	73,633	174,032	18,579
2017	0	0	0	108,152	70,745	178,897	18,056
2018	0	0	0	110,611	67,785	178,396	17,519
2019-2023	0	0	0	567,179	292,444	859,623	79,131
2024-2028	0	0	0	587,758	215,882	803,640	63,459
2029-2033	0	0	0	622,882	133,305	756,187	45,770
2034-2038	0	0	0	505,274	61,095	566,369	25,709
2039-2043	0	0	0	199,270	6,530	205,800	4,789
	<u>\$ 30,000</u>	<u>\$ 2,418</u>	<u>\$ 32,418</u>	<u>\$ 2,995,390</u>	<u>\$ 1,075,065</u>	<u>\$ 4,070,455</u>	<u>\$ 311,687</u>

During the year ended June 30, 2013, the following changes occurred in long-term liabilities.

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2012	\$ 3,333,191	\$ 48,746	\$ 3,284,445
Bond proceeds	22,380	0	22,380
Forgiveness of debt	(154,000)	0	(154,000)
Bonds and note payments	(103,588)	(10,000)	(93,588)
Change in accrued compensated absences	(25,799)	1,566	(27,365)
Long-term liabilities at June 30, 2013	3,072,184	40,312	3,031,872
Due within one year	(105,798)	(10,000)	(95,798)
Due after one year	<u>\$ 2,966,386</u>	<u>\$ 30,312</u>	<u>\$ 2,936,074</u>

NOTE 7 - PENSION PLAN

Defined Benefit Plan

All eligible, full-time, non-contracted employees of the Village of Ludlow, Vermont are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013
(Continued)

NOTE 7 - PENSION PLAN (Continued)

Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Village and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

All Village employees who work 24 hours per week or 1,040 hours per year are required to enroll in the System after completing one year of continuous service.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. Employee contributions are 2.5%, 4.5%, 9.25% and 11% of gross pay and employer contributions are 4%, 5%, 6.5% and 9.5% of gross pay for Group A, Group B, Group C and Group D plan members, respectively.

All employees of the Village are covered under Group B or C. Benefits are fully vested after five years of service. Vested employees may retire and receive reduced retirement benefits. The System also provides death and disability benefits.

Covered wages paid under Group B of the plan were \$270,600 out of total wages of \$348,529. Contributions by the Village were \$13,530 for fiscal year 2013. Covered wages paid under Group C of the plan were \$62,855 out of total wages of \$348,529. Contributions by the Village were \$4,086 for fiscal year 2013.

The law requires the retirement fund to remain in actuarial balance. This guarantees to the members the availability of funds to pay their benefits when they retire.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

NOTE 8 – RESTRICTED FUND BALANCES AND NET POSITION

Fund balances and net position are assigned and restricted as follows:

	Fund Balance <u>Restricted</u>	Net Position <u>Restricted</u>
Capital projects	\$ 332	\$ 332
Special revenue funds	7,803	7,803
Total	<u>\$ 8,135</u>	<u>\$ 8,135</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013
(Continued)

NOTE 9 - DEFERRED REVENUE

Deferred revenue of \$125,333 in the Water Fund and \$303,554 in the Sewer Fund represents assessments billed for fiscal year 2014.

NOTE 10 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of May 1. Village taxes levied in July are payable in installments on August 15, November 15, February 15, and May 15, and become delinquent on May 16. Property taxes are recognized as revenue in the period for which levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty days after year-end. The remaining receivables are reported as deferred revenues. The Village tax rate for fiscal year 2013 was \$ 0.21.

NOTE 11 – RELATED PARTIES

The Village of Ludlow, Vermont shares common personnel, office facilities and equipment with the Town of Ludlow, Vermont. Management represents that the costs shared with the Town are reasonable. Shared costs are billed and paid within normal payment cycles.

NOTE 12 – EXTRAORDINARY ITEM

On August 28, 2011, Tropical Storm Irene came through the Village of Ludlow, causing flooding of roads, bridges, sewer systems, and other infrastructure. Areas of the State of Vermont were declared disaster areas, and FEMA and the State reimbursed some of the expenditures relating to damages caused by the floods. Expenditures listed under the extraordinary item do not include the Village’s labor, equipment costs, and stockpiled materials, which are included in their regular budget line, although they were reimbursed by FEMA. Cost and reimbursements were as follows:

	FY2013 General Fund	FY2012 General Fund	Cumulative General Fund
Flood expenditures	\$ (7,140)	\$(76,876)	\$ (84,016)
Federal and State reimbursement	6,087	60,801	66,888
Net extraordinary item	<u>\$ (1,053)</u>	<u>\$(16,075)</u>	<u>\$ (17,128)</u>

There was also a financial impact on the Sewer Fund that was recorded entirely in fiscal year 2012.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 13 – NEGATIVE FUND BALANCE – GENERAL FUND

The negative fund balance of \$50,525 in the General Fund will be eliminated in future budgets in accordance with State statute.

NOTE 14 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, expenditures exceeded appropriations in the General Fund by \$139,830. The excess expenditures were funded by excess revenues, prior year fund balance, and short term loans from other funds.

NOTE 15 - RISK MANAGEMENT

The Village of Ludlow, Vermont 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 Village of Ludlow, Vermont maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village of Ludlow, Vermont. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Village must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

NOTE 16 – COMMITMENT AND CONTINGENCIES

The Village participates in a number of federally-assisted and State grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2013, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2014. There are no subsequent events required to be disclosed.

VILLAGE OF LUDLOW, VERMONT
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

SCHEDULE 1

	Special Revenue Funds		Capital Project Fund	
	Zoning			
	Act 200 Fund	Fee Fund	Equipment Fund	Totals
ASSETS				
Due from other funds	\$ 3,520	\$ 4,283	\$ 332	\$ 8,135
Total assets	\$ 3,520	\$ 4,283	\$ 332	\$ 8,135
 LIABILITIES AND FUND BALANCES				
Fund balances				
Restricted - capital project funds	\$ 0	\$ 0	\$ 332	\$ 332
Restricted - special revenue funds	3,520	4,283	0	7,803
Total liabilities and fund balances	\$ 3,520	\$ 4,283	\$ 332	\$ 8,135

VILLAGE OF LUDLOW, VERMONT
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

SCHEDULE 2

	Special Revenue Funds		Capital Project Fund	Totals
	Act 200 Fund	Zoning Fee Fund	Equipment Fund	
REVENUES				
Investment income	\$ 3	\$ 4	\$ 0	\$ 7
OTHER FINANCING SOURCES (USES)				
Transfer from (to) general fund	(750)	(750)	0	(1,500)
NET CHANGE IN FUND BALANCES	(747)	(746)	0	(1,493)
FUND BALANCES - July 1, 2012	4,267	5,029	332	9,628
FUND BALANCES - June 30, 2013	<u>\$ 3,520</u>	<u>\$ 4,283</u>	<u>\$ 332</u>	<u>\$ 8,135</u>

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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 Trustees
Village of Ludlow, Vermont

We have audited, in accordance with 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ludlow, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 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 Village'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.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 17, 2014