

VILLAGE OF LUDLOW, VERMONT

FINANCIAL STATEMENTS

JUNE 30, 2016

**VILLAGE OF LUDLOW, VERMONT  
TABLE OF CONTENTS**

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<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1-3</b>
Management Discussion and Analysis	4-11
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund Types	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	17
Budgetary Comparison Schedule – General Fund	18-22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Notes to Financial Statements	26 - 42

## **INDEPENDENT AUDITORS' 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 (the "Village"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village'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 "Government 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 basic 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 Village'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 Village'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 account 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 of Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities**

Management has not included the Electric Light Department in the Village's 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, deferred inflows of resources, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 of the Village of Ludlow, Vermont, as of June 30, 2016, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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, Vermont, as of June 30, 2016, and the changes in financial position 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 be presented to supplement the basic financial statements. Such information, although not 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Graham & Graham, P.C.



Springfield, Vermont

October 15, 2016

VT Registration #92-0000282

NH Registration #659

ME Registration #FMF 1000112

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

Within this section of the Village of Ludlow, Vermont's (the "Village") annual financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the year ended June 30, 2016. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the auditor's opinion letter, which precedes the management's discussion and analysis.

### ***Financial Highlights***

- **Government-Wide Highlights**

*Net Position* – The assets and deferred outflows of the Village exceeded its liabilities and deferred inflows on June 30, 2016 by \$7,857,553 (net position). Of this amount, \$710,053 (unrestricted net position) may be used by the various funds of the Village to meet the Village's ongoing obligations to citizens and creditors, and \$7,139,342 was invested in capital assets, net of related long-term debt. The remainder, \$8,158, is restricted for special purpose revenue funds and capital projects.

*Changes in Net Position* - The Village's total net position increased by \$80,730. Of this amount, net position attributable to governmental activities increased by \$40,391. Net position attributable to business-type activities increased by \$40,339.

- **Fund Highlights**

*Government Funds* – Governmental funds include general, special revenue, and capital projects. As of June 30, 2016, the Village's governmental funds reported a combined ending fund balance of \$12,928, an increase of \$32,200.

*Water Fund* – The Village's Water Fund reported a total net position of \$2,361,362 as of June 30, 2016, an increase of \$7,761. \$177,493 represents the *unrestricted balance* available for future expenses, and \$2,183,869 is the amount invested in capital assets, net of related debt.

*Sewer Fund* – The Village's Sewer Fund reported a total net position of \$4,932,609 as of June 30, 2016, an increase of \$32,578. \$546,435 represents the *unrestricted balance* available for future expenses, and \$4,386,174 is the amount invested in capital assets, net of related debt.

### ***Overview of the Village's Financial Statements***

Management's discussion and analysis introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

**Government-Wide Financial Statements.** The Village's annual report includes two government-wide financial statements which provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. They are comprised of the *statement of net position* and *statement of activities*.

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The first of these government-wide statements is the Statement of Net Position. This is a government-wide statement of position presenting information that includes all of the Village's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial position of the Village is improving or deteriorating. In addition to the financial information provided in this report, evaluation of the overall health of the Village would extend to other non-financial factors such as diversification of the taxpayer base, the continued financial support of the state and federal governments, and the condition of the Village's infrastructure.

The second government-wide statement is the Statement of Activities. This statement reports how the Village's net position changed during the current fiscal year. All current revenues and expenditures are included regardless of when cash is received or paid. An important purpose for the design of the Statement of Activities is to show the financial reliance of the Village's activities or functions on revenues provided by the Village's taxpayers.

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, special articles, and intergovernmental. The business-type activities of the Village include the water and sewer departments.

The government-wide financial statements are presented on pages 12 and 13 of this report.

**Fund Financial Statements.** A fund is an accountability unit used to maintain control over resources 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, propriety 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** are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the governmental fund statements focus on the near-term inflows and outflows of resources available for spending. These statements illustrate short-term fiscal accountability in the use of such resources and the balances of such resources at the end of the fiscal year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of such resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance have been reconciled in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position to assist in understanding the differences between these two perspectives.

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

A Budgetary Comparison Schedule is included in the financial statements for the General Fund. This schedule demonstrates regulatory compliance with the Village's adopted and final revised budget.

The basic governmental fund financial statements are presented on pages 12 through 16 of this report.

The Village has three major governmental funds. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Village.

**Proprietary Funds** are used by the Village to report functions of business-type activities in the government-wide statements. The Village maintains two propriety funds that are enterprise funds. *Enterprise funds* are 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 Village's water and sewer departments.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

In addition to the statements above, the report also contains the following fund financial statements.

The Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds shows the operating revenue and operating expenses for the fiscal year along with any non-operating revenue and expenses. The results of operations are the change in net position. This added to the prior year net position and is the new net position shown on both this statement and the Statement of Net Position.

The Statement of Cash Flows - Proprietary Funds outlines the cash flow resulting from operations, investments, and the financing activities of the enterprise funds of the Village.

**Notes to Financial Statements.** The notes provide additional information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

**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 following condensed and reformatted financial information is a condensed version of the government-wide financial statements presented in this report.

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

***Government-wide Financial Analysis***  
**Summary of Net Position**

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 712,624	\$ 1,237,237	\$ 1,949,861
Non-current assets	(105,948)	9,275,613	9,169,665
Total assets	606,676	10,512,850	11,119,526
 Deferred outflows of resources	12,206	41,501	53,707
 Current liabilities	25,832	454,621	480,453
Long-term liabilities	28,792	2,803,459	2,832,251
Total liabilities	54,624	3,258,080	3,312,704
 Deferred inflows of resources	676	2,300	2,976
 Net position			
Net investment in capital assets	569,299	6,570,043	7,139,342
Restricted	8,158	-	8,158
Unrestricted	(13,875)	723,928	710,053
Total net position	\$ 563,582	\$ 7,293,971	\$ 7,857,553

The largest portion of the Village's net position, \$7,139,342, reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to the Village; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the general fund is not restricted by state law and is available for spending at the Village's discretion.

In summary, (as indicated in the balance sheet on page 12) the net position committed in the general fund total \$8,158. The net position has been principally earmarked for the following purposes:

Capital projects fund	\$ 8,158
	\$ 8,158

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The following table provides a summary of government-wide revenues, expenses, and net position for the year ended June 30, 2016:

**Summary of Changes in Net Position**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Revenues</b>			
<b>Program revenues</b>			
Charges for services	\$ 48,504	\$ 896,642	\$ 945,146
Operating grants and contributions	39,692	16,830	56,522
Property taxes	345,511	-	345,511
Investment income	344	1,576	1,920
Other revenue	465	129,767	130,232
Total revenues	<u>434,516</u>	<u>1,044,815</u>	<u>1,479,331</u>
<b>Expenses</b>			
<b>Governmental Activities:</b>			
Highway department	245,921	-	245,921
General government	177,278	-	177,278
Sanitation and recycling	5,655	-	5,655
Interest on long-term debt	271	-	271
<b>Business-Type Activities:</b>			
Water utilities	-	296,230	296,230
Sewer utilities	-	673,246	673,246
Total expenses	<u>429,125</u>	<u>969,476</u>	<u>1,398,601</u>
Transfers	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Change in net position	40,391	40,339	80,730
Net position, beginning of year	523,191	7,253,632	7,776,823
Net position, end of year	<u>\$ 563,582</u>	<u>\$ 7,293,971</u>	<u>\$ 7,857,553</u>

**Financial Analysis of the Village's Funds**

As discussed, the Village's governmental funds are reported in the fund statements with a modified accrual basis that focuses on the short-term inflow and outflow of resources available for spending. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

Governmental Activities

**Program Revenues.** In accordance with 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 \$88,195 in fiscal year 2016 compared to \$80,213 in the prior year. Governmental program revenues come from *charges for services*, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues and

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

*operating grants and contributions*, which include operating-specific and discretionary (either operating or capital) grants.

**General Revenues.** All other revenues 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 \$346,321 in fiscal year 2016 compared to \$416,286 in the prior year. Taxes and related revenue of \$345,511 comprised approximately 80% of the Village’s general revenues for fiscal year 2016.

**Governmental Expenses.** Total government activity expenses were \$429,125 in fiscal year 2016 compared to \$536,701 in fiscal year 2015, a decrease of approximately 20%. The largest expenses were incurred for general government and highways and streets.

Business-Type Activities

Net position for business-type activities (Water and Sewer Departments) was \$7,293,971 as of June 30, 2016, an increase of \$40,339 from the prior year. Total water and sewer revenues for the 2016 fiscal year were \$1,009,815, an increase of 2% compared to the prior fiscal year. Total revenues for the fiscal year exceeded amounts budgeted for by 15%. The increase was primarily the result of additional service fee hook up revenue collected by the sewer department during the 2016 fiscal year. Total water and sewer operating expenses for the 2016 fiscal year were \$969,476, a decrease of 11% compared to the prior year. Total expenses for the fiscal year exceeded amounts budgeted for by 10%. The largest increases were for plant repairs, capital asset acquisition, construction in progress, and main replacements.

**Financial Analysis of Individual Funds**

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

As of the end of the current fiscal year, the Village’s governmental funds reported combined ending fund balances of \$12,928.

The fund balance of the General Fund as of June 30, 2016 was \$4,770, an increase of \$32,193 from the prior year.

General Fund Budgetary Highlights

The Budgetary Comparison Schedule – General Fund beginning on page 18 compares the actual results for fiscal year 2016 to the approved budget for the General Fund. Differences between budgeted amounts and actual amounts are briefly summarized below.

The most significant variances were as follows:

	<u>Original and Final Budget</u>		<u>Actual</u>		<u>Variance Favorable (Unfavorable)</u>
Revenue and Other Sources					
Pilot program	\$ 1,500	\$	59	\$	(1,441)
Licenses and permits	5,950		4,266		(1,684)
Miscellaneous	34,580		44,945		10,365

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenses and Other Uses			
Legal	\$ 1,000	\$ 2,580	\$ (1,580)
Highway overtime	5,200	1,111	4,089
Street lights	29,000	18,891	10,109
Equipment maintenance	24,000	36,130	(12,130)

**Capital Assets and Debt Administration**

Capital Assets

The Village's government activities investment in capital assets, net of accumulated depreciation and related short and long-term debt as of June 30, 2016, was \$569,299, which represents an increase of \$6,304 as compared to the prior year. Investment in capital assets includes land, land improvements, machinery and equipment, buildings, and infrastructure. Infrastructure assets are items that are normally immovable and of value to the Village such as roads, bridges, streets, drainage systems, lighting systems and similar items. The additions, net of any trade-in allowances and disposals, amounted to \$45,909. Depreciation expense for the 2016 fiscal year totaled \$49,604. The net decrease in capital assets was \$3,695.

Capital asset additions during the current fiscal year included the following:

- Road paving
- Snow plow
- Major engine work to 2006 plow truck
- Recycling receptacles
- Solar pedestrian crossing lights
- Waste oil furnace
- Traffic signs
- Fire and smoke alarm panel upgrade to highway garage
- Main and Pond Street sidewalks

The Village's investment in capital assets for the Water and Sewer Departments totaled \$6,570,043 as of June 30, 2016.

Capital asset additions to the Water and Sewer Departments during the current fiscal year included the following:

- 2015 Chevy 3500 pick up truck
- 47" John Deere tractor
- Wastewater treatment facility optimization study

Depreciation expense on buildings, vehicles, and equipment in service for the year ended June 30, 2016 amounted to \$119,175 and \$172,455, respectively, for the Water and Sewer Departments.

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2016

Long-Term Debt

At the end of the year, the Village had total debt outstanding of \$2,705,569. These amounts owed are backed by the full faith and credit of the Village with voter approved property taxes and user fees used to pay the obligations. These proceeds are being used to fund the addition and alterations of the capital assets.

**Economic Climate**

The general economic climate in the Village of Ludlow mirrors the rest of Southern Vermont. Affordable housing and full time employment opportunities continue to stress the region. The 2015/2016 ski season was weak, with far fewer skier visits than during the previous season, contributing to reductions in seasonal employment.

The inequities of the education funding system in Vermont continue to compound the task of providing educational opportunities to the children of our community. Almost 90% of our Town Grand List is taxed to support other school districts 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**  
**PO Box 359**  
**Ludlow, VT 05149**

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 696,495	\$ 209,699	\$ 906,194
Receivables:			
Delinquent taxes/assessments receivable	6,680	333,309	339,989
Interest receivable	434	-	434
Penalties receivable	534	-	534
Prepaid expenses	8,481	150	8,631
Inventories	-	18,833	18,833
Internal balances	(675,247)	675,247	-
Capital assets:			
Not depreciable - land	18,000	152,920	170,920
Depreciable:			
Buildings and improvements	-	13,042,183	13,042,183
Vehicles	-	71,217	71,217
Equipment	34,381	57,803	92,184
Infrastructure	820,237	-	820,237
Less accumulated depreciation	(303,319)	(4,048,511)	(4,351,830)
<b>TOTAL ASSETS</b>	<u>606,676</u>	<u>10,512,850</u>	<u>11,119,526</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	12,206	41,501	53,707
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>12,206</u>	<u>41,501</u>	<u>53,707</u>
<b>LIABILITIES</b>			
Accounts payable	17,772	2,151	19,923
Unearned revenue	-	449,448	449,448
Accrued salary and benefits	30,357	100,912	131,269
Bonds and notes payable due within one year	-	102,793	102,793
Accrued compensated absences due after one year	6,495	-	6,495
Bonds and notes payable due after one year	-	2,602,776	2,602,776
<b>TOTAL LIABILITIES</b>	<u>54,624</u>	<u>3,258,080</u>	<u>3,312,704</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	676	2,300	2,976
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>676</u>	<u>2,300</u>	<u>2,976</u>
<b>NET POSITION</b>			
Net investment in capital assets	569,299	6,570,043	7,139,342
Restricted	8,158	-	8,158
Unrestricted	(13,875)	723,928	710,053
<b>TOTAL NET POSITION</b>	<u>\$ 563,582</u>	<u>\$ 7,293,971</u>	<u>\$ 7,857,553</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2016**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>						
Governmental Activities:						
Highways and streets	\$ 245,921	\$ -	\$ 39,692	\$ (206,229)	\$ -	\$ (206,229)
General government	177,278	48,504	-	(128,774)	-	(128,774)
Sanitation and recycling	5,655	-	-	(5,655)	-	(5,655)
Interest on long-term debt	271	-	-	(271)	-	(271)
Total Governmental Activities	<u>429,125</u>	<u>48,504</u>	<u>39,692</u>	<u>(340,929)</u>	<u>-</u>	<u>(340,929)</u>
Business-Type Activities:						
Water	296,230	289,608	10,262	-	3,640	3,640
Sewer	673,247	607,034	6,568	-	(59,645)	(59,645)
Total Business-Type Activities	<u>969,477</u>	<u>896,642</u>	<u>16,830</u>	<u>-</u>	<u>(56,005)</u>	<u>(56,005)</u>
Total	<u>\$ 1,398,602</u>	<u>\$ 945,146</u>	<u>\$ 56,522</u>	<u>\$ (340,929)</u>	<u>\$ (56,005)</u>	<u>\$ (396,934)</u>
General Revenues:						
Property taxes and related revenue				\$ 345,511	\$ -	\$ 345,511
Service hookup revenue				-	118,569	118,569
Earnings on investments				344	1,576	1,920
Miscellaneous				465	11,199	11,664
Transfers				35,000	(35,000)	-
Total general revenues and transfers				381,320	96,344	477,664
Change in net position				40,391	40,339	80,730
Net position - beginning of year				523,191	7,253,632	7,776,823
Net position - end of year				<u>\$ 563,582</u>	<u>\$ 7,293,971</u>	<u>\$ 7,857,553</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<b>General Fund</b>	<b>Non-Major Funds</b>	<b>Total Government Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 696,495	\$ -	\$ 696,495
Due from other funds	-	8,158	8,158
Accounts receivable:			
Delinquent taxes receivable	6,680	-	6,680
Interest receivable	435	-	435
Penalties receivable	534	-	534
Other receivables	-	-	-
Prepaid expenses	8,481	-	8,481
<b>TOTAL ASSETS</b>	<u>712,625</u>	<u>8,158</u>	<u>720,783</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>			
<b>LIABILITIES</b>			
Accounts payable	17,771	-	17,771
Due to other funds	683,405	-	683,405
Accrued salary and benefits	1,565	-	1,565
<b>TOTAL LIABILITIES</b>	<u>702,741</u>	<u>-</u>	<u>702,741</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	5,114	-	5,114
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>5,114</u>	<u>-</u>	<u>5,114</u>
 <b>FUND BALANCE</b>			
Nonspendable prepaid expenses	8,481	-	8,481
Restricted for capital projects	-	333	333
Restricted for special revenue funds	-	7,818	7,818
Unassigned	(3,711)	7	(3,704)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>4,770</u>	<u>8,158</u>	<u>12,928</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>			
	\$ <u>712,625</u>	\$ <u>8,158</u>	\$ <u>720,783</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**June 30, 2016**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 12,928

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$872,618, and the accumulated depreciation is \$303,319 569,299

Delinquent property tax revenues are not available to pay for current period expenditures and therefore are not deferred inflows of resources on the statement of net position 5,114

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position 12,206

Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:  
 Accrued compensated absences 6,496 (6,496)

Pension related deferrals (676)

Net pension liability (28,793)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 563,582**

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Government Funds</u>
<b>REVENUES</b>			
Taxes, interest and penalties	\$ 340,397	\$ -	\$ 340,397
Licenses and permits	4,266	-	4,266
Intergovernmental	39,692	-	39,692
Investment income	337	7	344
Insurance reimbursement	44,238	-	44,238
Miscellaneous	707	-	707
<b>Total revenues</b>	<u>429,637</u>	<u>7</u>	<u>429,644</u>
<b>EXPENDITURES</b>			
Current			
General government	173,195	-	173,195
Highways and streets	197,414	-	197,414
Sanitation	5,655	-	5,655
Total current expenditures	<u>376,264</u>	<u>-</u>	<u>376,264</u>
Debt service			
Principal	10,000	-	10,000
Interest	271	-	271
Total debt service	<u>10,271</u>	<u>-</u>	<u>10,271</u>
Capital outlay	<u>45,909</u>	<u>-</u>	<u>45,909</u>
<b>Total expenditures</b>	<u>432,444</u>	<u>-</u>	<u>432,444</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	(2,807)	7	(2,800)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	<u>35,000</u>	<u>-</u>	<u>35,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	32,193	7	32,200
<b>FUND BALANCES (DEFICIT) - JULY 1, 2015</b>	<u>(27,423)</u>	<u>8,151</u>	<u>(19,272)</u>
<b>FUND BALANCES (DEFICIT) - JUNE 30, 2016</b>	<u>\$ 4,770</u>	<u>8,158</u>	<u>12,928</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2016**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 32,200

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$49,604 exceeded capital outlays of \$45,909 (3,695)

Contributions to the pension plan in the current fiscal year reflecting changes in the net pension liability and deferred inflows and outflows of resources are not included as expenditures in the governmental funds 5,009

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 10,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the change of unearned and unavailable revenue over last year (3,575)

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, compensated absences incurred were less than the amounts paid by \$452 452

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 40,391

**VILLAGE OF LUDLOW, VERMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes			
Property taxes - general	\$ 271,562	\$ 275,269	\$ 3,707
Pilot program	1,500	59	(1,441)
3/5 Highway	36,500	36,500	-
Electric department PILOT	26,000	26,105	105
Total taxes	<u>335,562</u>	<u>337,933</u>	<u>2,371</u>
Delinquent tax interest and penalties			
Delinquent interest	1,000	1,584	584
Delinquent penalties	1,000	881	(119)
Total delinquent tax interest and penalties	<u>2,000</u>	<u>2,465</u>	<u>465</u>
Interest and dividends	<u>500</u>	<u>337</u>	<u>(163)</u>
Licenses and permits			
Zoning fees and permits	2,000	1,956	(44)
Hearing fees and permits	3,700	2,100	(1,600)
Bianchi fees	250	210	(40)
	<u>5,950</u>	<u>4,266</u>	<u>(1,684)</u>
Intergovernmental			
State aid-highway	<u>40,000</u>	<u>39,692</u>	<u>(308)</u>
Miscellaneous			
Insurance refund	33,980	44,238	10,258
Miscellaneous	600	707	107
Total miscellaneous	<u>34,580</u>	<u>44,945</u>	<u>10,365</u>
<b>Total revenues</b>	<u>418,592</u>	<u>429,638</u>	<u>11,046</u>
<b>Expenditures</b>			
Current expenditures			
General government			
Administration			
Salaries			
Manager	29,385	29,947	(562)

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Clerks	10,035	13,557	(3,522)
Officers	9,800	9,939	(139)
BCA Salary	400	1,038	(638)
Benefits			
Payroll taxes	3,920	4,339	(419)
Insurance	10,335	10,477	(142)
Pension	2,106	2,311	(205)
Manager car allowance	1,455	1,470	(15)
Village report	1,500	1,628	(128)
Equipment/supplies	3,400	4,229	(829)
Computer supplies	500	989	(489)
Dog officer	900	900	-
Copier	1,100	1,564	(464)
Audit	6,500	8,524	(2,024)
Services	1,200	1,544	(344)
Beautification	300	297	3
Expense/mileage	100	137	(37)
Training/meetings	200	326	(126)
League of Cities and Towns (VLCT)	720	900	(180)
Total administration	<u>83,856</u>	<u>94,116</u>	<u>(10,260)</u>
Zoning and planning			
Salaries			
Director	8,120	8,023	97
Secretary	3,140	3,557	(417)
Benefits			
Payroll taxes	861	888	(27)
Insurance	6,730	6,682	48
Pension	600	651	(51)
Advertising	1,800	1,586	214
Legal	1,000	2,580	(1,580)
Equipment	595	436	159
Supplies	800	1,023	(223)
Computer maintenance	200	13	187
Telephone	500	301	199

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Miscellaneous	-	126	(126)
Total zoning and planning	<u>24,346</u>	<u>25,866</u>	<u>(1,520)</u>
Insurance and fidelity bond			
Unemployment	1,084	982	102
Workers' compensation	3,876	3,507	369
Ludlow Electric	33,481	42,843	(9,362)
Vehicle liability	3,239	3,360	(121)
Public officials	<u>1,757</u>	<u>2,521</u>	<u>(764)</u>
Total insurance and fidelity bond	<u>43,437</u>	<u>53,213</u>	<u>(9,776)</u>
Total general government	<u>151,639</u>	<u>173,195</u>	<u>(21,556)</u>
Highways and streets			
Streets			
Salaries			
Highway salaries	38,054	36,177	1,877
Overtime	5,200	1,111	4,089
Labor	2,000	1,344	656
Benefits			
FICA	3,465	2,917	548
Insurance	11,263	14,327	(3,064)
Pension	2,400	2,647	(247)
Street lights	29,000	18,891	10,109
Equipment maintenance	24,000	36,130	(12,130)
Training/conference	300	70	230
Diesel	19,000	7,151	11,849
Gas/Oil	1,700	745	955
Rentals	500	-	500
Retreatment	30,000	-	30,000
Street construction	-	457	(457)
Sidewalks		1,017	(1,017)
Asphalt	800	1,315	(515)
Cold patch	400	348	52
Supplies	2,000	2,112	(112)
Uniforms	1,500	1,442	58

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Culverts	650	1,132	(482)
Parking	4,800	4,800	-
Signs/lines/rails	2,500	9,474	(6,974)
Total streets	<u>179,532</u>	<u>143,607</u>	<u>35,925</u>
Garage			
Maintenance	1,500	2,515	(1,015)
Fuel	3,000	873	2,127
Utilities	2,500	2,635	(135)
Telephone/cell/pagers	550	501	49
Total garage	<u>7,550</u>	<u>6,524</u>	<u>1,026</u>
Summer roads			
Class 1-3 materials	11,000	1,300	9,700
Storm drains	2,500	139	2,361
Equipment	600	191	409
Total summer roads	<u>14,100</u>	<u>1,630</u>	<u>12,470</u>
Winter roads			
Winter sand	19,000	14,472	4,528
Winter salt	30,000	27,051	2,949
Supplies	3,500	2,800	700
Equipment	1,000	1,330	(330)
Total winter roads	<u>53,500</u>	<u>45,653</u>	<u>7,847</u>
Total highway and streets	<u>254,682</u>	<u>197,414</u>	<u>57,268</u>
Sanitation			
Solid waste contract	-	5,655	(5,655)
Debt service			
Principal	-	10,000	(10,000)
Interest	271	271	-
Total debt service	<u>271</u>	<u>10,271</u>	<u>(10,000)</u>
Capital outlay	<u>47,000</u>	<u>45,909</u>	<u>1,091</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Total expenditures	453,592	432,444	21,148
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</b>	<b>(35,000)</b>	<b>(2,806)</b>	<b>32,194</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in from other funds	35,000	35,000	-
Total other financing sources (uses)	35,000	35,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>32,194</b>	<b>32,194</b>
FUND BALANCE - JULY 1, 2015		(27,423)	
FUND BALANCE - JUNE 30, 2016		4,771	

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ -	\$ 209,699	\$ 209,699
Receivables, net	116,834	216,475	333,309
Prepaid expenses	150	-	150
Inventories	15,315	3,518	18,833
Due from other funds	201,653	473,594	675,247
Non-depreciable:			
Land	152,920	-	152,920
Depreciable:			
Buildings and improvements	5,261,773	7,780,410	13,042,183
Vehicles	-	71,217	71,217
Equipment	-	57,803	57,803
Accumulated depreciation	<u>(1,182,812)</u>	<u>(2,865,699)</u>	<u>(4,048,511)</u>
<b>TOTAL ASSETS</b>	<u>4,565,833</u>	<u>5,947,017</u>	<u>10,512,850</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	<u>7,324</u>	<u>34,177</u>	<u>41,501</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>7,324</u>	<u>34,177</u>	<u>41,501</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	662	1,489	2,151
Unearned revenue	144,640	304,808	449,448
Bonds payable due within one year	84,269	18,524	102,793
Accrued salary and benefits	18,075	82,837	100,912
Accrued compensated absences due after one year	-	-	-
Bonds payable due after one year	<u>1,963,743</u>	<u>639,033</u>	<u>2,602,776</u>
<b>TOTAL LIABILITIES</b>	<u>2,211,389</u>	<u>1,046,691</u>	<u>3,258,080</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	<u>406</u>	<u>1,894</u>	<u>2,300</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>406</u>	<u>1,894</u>	<u>2,300</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,183,869	4,386,174	6,570,043
Unrestricted	<u>177,493</u>	<u>546,435</u>	<u>723,928</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,361,362</u>	<u>\$ 4,932,609</u>	<u>\$ 7,293,971</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2016**

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 289,608	\$ 607,034	\$ 896,642
Delinquent interest and penalties	3,723	6,224	9,947
Miscellaneous	398	854	1,252
Total operating revenue	<u>293,729</u>	<u>614,112</u>	<u>907,841</u>
<b>OPERATING EXPENSES</b>			
Operations and maintenance	99,923	477,332	577,255
Administration	23,626	3,324	26,950
Depreciation expense	119,175	172,455	291,630
Total operating expenses	<u>242,724</u>	<u>653,111</u>	<u>895,835</u>
INCOME (LOSS) FROM OPERATIONS	<u>51,005</u>	<u>(38,999)</u>	<u>12,006</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	-	1,576	1,576
Service hook up revenue	-	118,569	118,569
Build America Bond interest rebate	10,262	-	10,262
Andover Street interest reimbursement	-	6,568	6,568
Bond interest expense	(53,506)	(20,136)	(73,642)
Total non-operating revenues (expense)	<u>(43,244)</u>	<u>106,577</u>	<u>63,333</u>
NET INCOME BEFORE TRANSFERS	7,761	67,578	75,339
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to general fund	-	(35,000)	(35,000)
<b>CHANGE IN NET POSITION</b>	7,761	32,578	40,339
Net position, beginning of year	<u>2,353,601</u>	<u>4,900,031</u>	<u>7,253,632</u>
Net position, end of year	<u>\$ 2,361,362</u>	<u>\$ 4,932,609</u>	<u>\$ 7,293,971</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2016**

	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 284,390	\$ 632,796	\$ 917,186
Cash payments to suppliers for goods and services	(88,554)	(290,177)	(378,731)
Cash payments to employees for services and benefits	(67,240)	(175,090)	(242,330)
<b>Net cash provided by (used in) operating activities</b>	<b>128,596</b>	<b>167,529</b>	<b>296,125</b>
<b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfer to general fund	-	(35,000)	(35,000)
Interfund proceeds (repayments)	17,743.00	(176,948)	(159,205)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>17,743.00</b>	<b>(211,948)</b>	<b>(194,205)</b>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Service hook up revenue	-	118,569	118,569
Interest paid on notes and bonds, net of rebate	(43,244.00)	(13,568)	(56,812)
Acquisition of capital assets	(20,682.00)	(43,133)	(63,815)
Principal payments on notes and bonds	(82,413.00)	(17,449)	(99,862)
<b>Net cash provided by (used in) capital and financing activities</b>	<b>(146,339)</b>	<b>44,419</b>	<b>(101,920)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	-	1,576	1,576
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>1,576</b>	<b>1,576</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>1,576</b>	<b>1,576</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>-</b>	<b>208,123</b>	<b>208,123</b>
<b>CASH BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 209,699</b>	<b>\$ 209,699</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>			
Operating Income (Loss)	<b>\$ 51,005</b>	<b>\$ (38,999)</b>	<b>\$ 12,006</b>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities			
Depreciation expense	119,175	172,455	291,630
(Increase) decrease in accounts receivable	(5,218)	25,762	20,544
(Increase) decrease in prepaid expenses	675	(4,750)	(4,075)
Increase (decrease) in accounts payable	298	349	647
Increase (decrease) in other liabilities	(37,339)	12,712	(24,627)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 128,596</b>	<b>\$ 167,529</b>	<b>\$ 296,125</b>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies**

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 to Village residents as authorized by the charter.

The Village has adopted the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board ("GASB"), the accepted standard setting body for establishing accounting and financial reporting principals for government units, except for the omission from its financial statements of the financial position and results of operations of the Electric Light Department.

The Board of Trustees of the Village adopted the following policies which are consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity

This report includes all of the funds of the Village. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, the Ludlow Electric Department should be combined with the financial statements of the Village but has been omitted from these financial statements. The Electric Light Department operates separately, reporting on a calendar year basis, and is audited separately. A copy of that audit is available upon request.

Basis of Presentation

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

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

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

Government-Wide and Fund Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the Village. These statements report financial information of the Village's non-fiduciary activities as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, state aid, grants, and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Net position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

- (1) Net investment in capital assets – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets, including related deferred outflows of resources and deferred inflows of resources;
- (2) Restricted – for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation.
- (3) Unrestricted – the total net position which do not fit the two preceding categories. When both restricted and unrestricted resources are available for use, generally it is the Village's policy to use restricted assets first with unrestricted resources utilized as needed.

Fund Financial Statements: The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Village reports on the following major governmental funds:

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

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

Non-major governmental funds column includes the balances and activities of the following:

*Act 200, Zoning Fee Fund, Equipment Fund* – These funds are non-major special revenue funds. The funds' revenue is committed by statute and can only be utilized for their specified purposes. Principal sources of revenue include license fees, grants, and donations.

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

*Sewer Fund* – This fund is used to account for the operations of the Sewer (Wastewater) Department.

*Water Fund* – This fund is used to account for the operations of the Water Department.

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., net position) is segregated into invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into non-spendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

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

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the Village’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Use of Estimates

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

Receivables

Receivables in the government-wide financial statements represent amounts due to the Village at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and related interest and penalties and are reported net of allowance for uncollectible accounts. Receivables reported in the governmental funds financial statements consist primarily of accrued taxes and related interest and penalties. Other receivables include primarily fees, fines, and expenditure reimbursements due to various Village programs and activities. Revenues accrued in the governmental funds’ financial statements consist primarily of accrued taxes and related interest and penalties that will be collected by the Village within 60 days after year-end. Amounts estimated to be collected after the 60- day revenue recognition period are recorded as unavailable revenues (deferred inflows of resources).

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

Internal Balances

Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “Advances to/from Other Funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Cash balances deposited and invested by the Treasurer in a combined cash account are reported as “Due to/from Other Funds”.

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (non-spendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

The Village's property, plant, equipment, vehicles, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. The Village has elected under the requirements of GASB Statement No. 34 not to capitalize infrastructure costs prior to January 1, 2004. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

The Village generally capitalizes assets with cost of \$1,000 or more for governmental funds, \$5,000 or more for proprietary funds, and \$50,000 or greater for infrastructure as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20 - 50
Equipment and Vehicles	5 - 12
Utility systems	8 - 50
Infrastructure	20 - 40

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Village has no items which arise under the accrual basis of accounting that qualifies for reporting in this category.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one type of transaction which arises under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, “unavailable revenue”, is reported in the statement of net position and governmental funds balance sheet. The governmental funds balance sheet reports unavailable revenues from one source; unavailable property taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 last modified to its current state, were allowed to carry forward sick time credits. These employees will be compensated for these credits upon retirement. Accrued compensated absences are not reported in the governmental fund financial statements. Compensated absences in these funds are recorded as expenditures in the year they are paid. As of June 30, 2016, accrued compensated absences amounted to \$13,332.

Long-Term Liabilities

Long-term liabilities include bonds, notes and capital leases payable and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

Budgetary Accounting: General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the Village's operations. The Village's 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.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form -prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

VILLAGE OF LUDLOW, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note 1. Summary of Significant Accounting Policies (continued)**

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column. GASB 34 and 37 set forth minimum criteria for the determination of major funds. The General Fund is shown as the major governmental fund. All other governmental funds are non-major and are combined in a single column in each of the respective fund financial statements.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board, which is the Village's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances on other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the Village's policy to use restricted funds first, then unrestricted funds. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**Note 2. Deposits**

*Custodial Credit Risk – Deposits.* The Treasurer works with the Board to limit custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it.

The table below reflects the custodial credit risk of the Village's Deposits.

Insured by FDIC	\$	250,000
Insured by SPIC		208,123
Uninsured - collateralized		475,082
Total bank balances	\$	933,205

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 3. Inter-fund Transfers**

Inter-fund transfers for the year ended June 30, 2016 were as follows:

		General Fund		Sewer Fund
From general fund	\$	35,000	\$	(35,000)
Total	\$	35,000	\$	(35,000)

Transfers are used to move revenues from the fund that statute or budget requires it to be collected in to the fund that statute or budget requires it to be expended from. Transfers are also used for unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The sewer fund made transfers of \$35,000 to the general fund according to budgetary authorization for reimbursement of administrative costs.

**Note 4. Due to/From Other Funds**

The Village has combined some of the cash resources of its governmental and proprietary funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an inter-fund balance. Inter-fund balances at June 30, 2016 were as follows:

		Due to Other Funds		Due from Other Funds
Governmental Funds				
General Fund	\$	-	\$	683,405
Non-major Funds		8,158		-
Proprietary Funds				
Water Fund		201,653		-
Sewer Fund		473,594		-
Totals	\$	683,405	\$	683,405

**Note 5. Capital Assets Activity**

Governmental Activities capital asset activity for the year ended June 30, 2016 was as follows:

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total capital assets not being depreciated	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Capital Assets being depreciated:				
Equipment	21,655	12,726	-	34,381
Infrastructure	787,054	33,183	-	820,237
Total capital assets being depreciated	<u>808,709</u>	<u>45,909</u>	<u>-</u>	<u>854,618</u>
Accumulated depreciation		-	-	
Equipment	(10,976)	(2,768)	-	(13,744)
Infrastructure	(242,739)	(46,836)	-	(289,575)
Total accumulated depreciation	<u>(253,715)</u>	<u>(49,604)</u>	<u>-</u>	<u>(303,319)</u>
Governmental Activities Capital Assets, Net	<u>\$ 572,994</u>	<u>\$ (3,695)</u>	<u>\$ -</u>	<u>\$ 569,299</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,767
Highways and streets	46,837
	<u>\$ 49,604</u>

Proprietary funds capital asset activity for the year ended June 30, 2016 was as follows

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	\$ 152,920	\$ -	\$ -	\$ 152,920
Capital assets being depreciated				
Buildings and improvements	13,002,602	39,581	-	13,042,183
Equipment	57,803	-	-	57,803
Vehicles	70,708	509	-	71,217
Totals	<u>13,131,113</u>	<u>40,090</u>	<u>-</u>	<u>13,171,203</u>
Accumulated depreciation:				
Buildings and improvements	(3,694,203)	(255,612)	-	(3,949,815)
Equipment	(26,542)	(3,717)	-	(30,259)
Vehicles	(59,861)	(8,576)	-	(68,437)
Total accumulated depreciation	<u>(3,780,606)</u>	<u>(267,905)</u>	<u>-</u>	<u>(4,048,511)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,503,427</u>	<u>\$ (227,815)</u>	<u>\$ -</u>	<u>\$ 9,275,612</u>

**Note 6. Long-Term Notes and Bonds Payable**

Long-term notes and bonds payable consist of the following at June 30, 2016:

Business-Type Activities:

*Water Fund*

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 6. Long-Term Notes and Bonds Payable (continued)**

Bond payable, Vermont Municipal Bond Bank, annual payments of \$10,000, plus Interest at rates varying from 2.80% to 5.18%. Bond matures December 1, 2021. 60,000

Bond payable, Vermont Municipal Bond Bank, drinking water loan, annual payments of \$47,454, with interest at 1% plus a 2% admin fee. Bond matures May 1, 2032. 596,078

Bond payable, USDA Rural Development water system, semi-annual payments of \$37,581, with interest at 2.25% partially refunded (35% of interest paid) each year. Bond matures December 2039. 1,365,134

Bond payable, Vermont Municipal Bond Bank, for water supply improvements, annual payments of \$5,360, interest free. Bond matures December 1, 2021. 26,800

*Sewer Fund*

Bond payable, USDA Rural Development, for Andover Street sewer project, annual payments of \$19,056, with interest at 3% partially refunded (35% of interest paid) each year. Bond matures 2040. 657,557

Total Business-Type Activities \$ 2,705,569

Scheduled maturities of notes and bonds payable are as follows as of June 30, 2016:

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Interest Refund
2017	\$ 102,793	\$ 68,866	\$ 17,519
2018	105,250	66,881	16,969
2019	137,775	64,342	16,405
2020	110,368	59,932	15,904
2021	139,577	58,484	15,238
Thereafter	2,109,806	529,098	154,340
	<u>\$ 2,705,569</u>	<u>\$ 847,603</u>	<u>236,375</u>

During the year ended June 30, 2016, the following changes occurred in the long-term liabilities:

	Total Liability July 1, 2015	Additions	Reductions	Total Liability June 30, 2016	Amounts due within one year
Governmental Activities					
Bonds payable	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -
Compensated absences	5,992	503	-	6,495	-
Net pension liability	3,514	25,278	-	28,792	-
Total governmental activities long-term liabilities	<u>\$ 19,506</u>	<u>\$ 25,781</u>	<u>\$ 10,000</u>	<u>\$ 35,287</u>	<u>\$ -</u>

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 6. Long-Term Notes and Bonds Payable (continued)**

	Total Liability July 1, 2015	Additions	Reductions	Total Liability June 30, 2016	Amounts due within one year
Business-Type Activities					
Bonds payable	\$ 2,805,958	\$ -	\$ 100,389	\$ 2,705,569	\$ 102,793
Compensated absences	6,837	-	6,837	-	-
Net pension liability	17,511	80,380	-	97,891	-
Total business-type activities					
long-term liabilities	<u>\$ 2,830,306</u>	<u>\$ 80,380</u>	<u>\$ 107,226</u>	<u>\$ 2,803,460</u>	<u>\$ 102,793</u>

**Note 7. Unearned Revenue and Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of pension related deferrals determined by the pension plan's actuary (see Note 8) of \$676 and \$5,114 of delinquent property taxes, penalties and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

**Note 8. Pension Plan**

Summary of Significant Accounting Policies

*Pensions*

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

General Information about the Pension Plan

*Plan Description*

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 8. Pension Plan (continued)**

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

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

**Summary of System Provisions**

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service
Average Final Compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years. Group B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Groups C and D – age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC. Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC. Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above includes the portion of the allowance provided by member contributions.
Early Retirement Allowance Eligibility	Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement proceeds Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 8. Pension Plan (continued)**

Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.
Disability Retirement Allowance	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.
Death Benefit	
Eligibility	Death after 5 years of service.
Amount	For Groups A, B, C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefits under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
Optional Benefit and Death after Retirement	For Groups A, B, C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
Member Contributions	Group A – 2.5% effective July 1, 2000 (reduced from 3.0%)  Group B – 4.75% effective July 1, 2014 (increased from 4.625%)  Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%)  Group D – 11.25% effective July 1, 2014 (increased from 11.25%)
Employer Contributions	Group A – 4.0%  Group B – 5.375% (changed from 5.125%) effective July 1, 2014  Group C – 6.875% from July 1, 2014 to December 31, 2014 (changed from 6.625% and then 7.0% effective January 1, 2015)  Group D – 9.75% effective July 1, 2014 (increased from 9.625%)
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 8. Pension Plan (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the Village reported a liability of \$126,683 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The Village's proportion of the Net Pension Liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Village and Town's combined proportion was 0.7469%, which was an increase of .03% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Village recognized pension expense of \$26,704 in the funds.

At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,004	\$ -
Change of assumptions	25,229	-
Net difference between projected and actual earnings on pension plan investments	24,474	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	-	(2,976)
Total	\$ 53,707	\$ (2,976)

\$9,724 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ 9,724
2018	9,724
2019	21,559
2020	-
Thereafter	-

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 8. Pension Plan (continued)**

**Significant Actuarial Assumptions and Methods**

**Interest Rate:** A select-and-ultimate interest rate set, specified below. The interest rate set is restarted every year:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and Later: 9.00%
Year 9: 8.50%	

**Salary Increases:** 5% per year.

**Deaths:**

Active Participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – the 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

**Spouse's Age:** Husbands are assumed to be three years older than their wives.

**Cost-of-living Adjustments to Benefits Terminated Vested and Retired Participants:** Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

**Actuarial Cost Method:** Entry Age Normal – Level Percentage of Pay.

**Asset Valuation Method:** Invested assets are reported at fair value.

Note – for funding purposes – a smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

**Inflation:** The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 8. Pension Plan (continued)**

The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	31.50%	8.61%
Fixed Income	33.00%	1.91%
Alternatives	15.50%	6.93%
Multi-strategy	20.00%	4.88%

**Discount rate**

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

***Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.95%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

	1% Decrease (6.95%)	Current Discount Rate (7.95%)	1% Increase (8.95%)
Village’s combined proportionate share of the net pension liability	\$ 253,041	\$ 126,683	\$ (20,759)

VILLAGE OF LUDLOW, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note 8. Pension Plan (continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan’s fiduciary net position is available as a part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State’s Department of Finance & Management website at:  
[http://finance.vermont.gov/reports\\_and\\_publications/CAFR](http://finance.vermont.gov/reports_and_publications/CAFR)

**Note 9. Restricted Fund Balances – Non Major Funds**

At June 30, 2016, the Village's individual non-major fund balances were restricted or assigned for the following purposes:

	Fund Balance	Net Position
Capital projects	\$ 333	\$ 333
Special revenue funds	7,825	7,825
	\$ 8,158	\$ 8,158

**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<sup>th</sup>, November 15<sup>th</sup>, February 15<sup>th</sup>, and May 15<sup>th</sup>, and become delinquent on May 16<sup>th</sup>. Property taxes are recognized as revenue in the period for which they are levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources. The Village tax rate for fiscal year 2016 was 2.2195 for residential property and 2.0181 for non-residential property.

**Note 11. Related Parties**

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

**Note 12. Subsequent Events**

Management has evaluated subsequent events through October 15, 2016, the date that the financial statements were available to be issued.