

VILLAGE OF LUDLOW, VERMONT

FINANCIAL STATEMENTS

JUNE 30, 2015

**VILLAGE OF LUDLOW, VERMONT  
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## 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, 2015, 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, 2015, 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, 2015, 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, the aggregate discretely presented component units, 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, 2015, 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, 2015, 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, 2015

VT Registration #92-0000282

NH Registration #659

ME Registration #FMF 1000112

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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, 2015. 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, 2015 by \$7,802,695 (net position). Of this amount, \$534,080 (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 \$7,260,464 was invested in capital assets, net of related long-term debt. The remainder, \$8,151, is restricted for special purpose revenue funds and capital projects.

*Changes in Net Position* - The Village's total net position decreased by \$155,800. Of this amount, net position attributable to governmental activities decreased by \$40,202. Net position attributable to business-type activities decreased by \$115,598.

- **Fund Highlights**

*Government Funds* – Governmental funds include general, special revenue, and capital projects. As of June 30, 2015, the Village's governmental funds reported a combined ending fund balance of \$(19,030), a decrease of \$23,696.

*Water Fund* – The Village's Water Fund reported a total net position of \$2,356,734 as of June 30, 2015, a decrease of \$79,473. \$156,785 represents the *unrestricted balance* available for future expenses, and \$2,199,949 is the amount invested in capital assets, net of related debt.

*Sewer Fund* – The Village's Sewer Fund reported a total net position of \$4,908,521 as of June 30, 2015, a decrease of \$36,126. \$411,001 represents the *unrestricted balance* available for future expenses, and \$4,497,520 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*.

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MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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, municipal transit, public safety, highways and streets, sanitation and recycling, culture and recreation, special articles, intergovernmental, and cemetery. 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. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures,

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MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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.

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.

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

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 49,744	\$ 1,068,467	\$ 1,118,211
Non-current assets	572,995	9,503,427	10,076,422
Total assets	622,739	10,571,894	11,194,633
 Deferred outflows of resources	5,515	17,035	22,550
Current liabilities	66,078	462,053	528,131
Long-term liabilities	13,514	2,823,468	2,836,982
Total liabilities	79,592	3,285,521	3,365,113
 Deferred inflows of resources	11,222	38,153	49,375
 Net position			
Net investment in capital assets	562,995	6,697,469	7,260,464
Restricted	8,151	-	8,151
Unrestricted	(33,706)	567,786	534,080
Total net position	\$ 537,440	\$ 7,265,255	\$ 7,802,695

The largest portion of the Village's net position, \$7,260,464, 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 \$8,151. The net position has been principally earmarked for the following purposes:

Capital projects fund	\$ <u>8,151</u>
	\$ <u><u>8,151</u></u>

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MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

The following table provides a summary of government-wide revenues, expenses, and net position for the year ended June 30, 2015:

**Summary of Changes in Net Position**

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 40,496	\$ 959,467	\$ 999,963
Operating grants and contributions	39,717	17,225	56,942
Property taxes	366,102	-	366,102
Investment income	255	1,047	1,302
Other revenue	14,929	43,809	58,738
Total revenues	<u>461,499</u>	<u>1,021,548</u>	<u>1,483,047</u>
<b>Expenses</b>			
Governmental Activities:			
Highway department	339,410	-	339,410
General government	166,286	-	166,286
Sanitation and recycling	31,005	-	31,005
Business-Type Activities:			
Water utilities	-	346,865	346,865
Sewer utilities	-	755,281	755,281
Total expenses	<u>536,701</u>	<u>1,102,146</u>	<u>1,638,847</u>
Transfers	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Change in net position	(40,202)	(115,598)	(155,800)
Net position, beginning of year	<u>577,642</u>	<u>7,380,853</u>	<u>7,958,495</u>
Net position, end of year	<u>\$ 537,440</u>	<u>\$ 7,265,255</u>	<u>\$ 7,802,695</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.

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MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

Total program revenues from governmental activities were \$80,213 in fiscal year 2015 compared to \$79,701 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 *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 \$416,286 in fiscal year 2015 compared to \$415,834 in the prior year. Taxes and related revenue of \$366,102 comprised approximately 88% of the Village's general revenues for fiscal year 2015.

**Governmental Expenses.** Total government activity expenses were \$536,701 in fiscal year 2015 compared to \$457,589 in fiscal year 2014, an increase of approximately 17%. 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 \$7,265,255 as of June 30, 2015, a decrease of \$115,598 from the prior year. Total water and sewer revenues for the 2015 fiscal year were \$986,548, a decrease of less than one percent compared to the prior fiscal year. Total revenues for the fiscal year exceeded amounts budgeted for by 12%. The increase was primarily the result of additional service fee hook up revenue collected by the sewer department during the 2015 fiscal year. Total water and sewer operating expenses for the 2015 fiscal year were \$1,102,146, an increase of 15% compared to the prior year. Total expenses for the fiscal year exceeded amounts budgeted for by 23%. 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 \$(19,030).

The fund balance of the General Fund as of June 30, 2015 was \$(27,181), a decrease of \$23,703 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 2015 to the approved budget for the General Fund. Differences between budgeted amounts and actual amounts are briefly summarized below.

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MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

The most significant variances were as follows:

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue and Other Sources</b>			
Pilot program	\$ 1,500	\$ 56	\$ (1,444)
Licenses and permits	5,200	6,588	1,788
Miscellaneous	600	14,929	14,329
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenses and Other Uses</b>			
Legal	500	4,379	(3,879)
Highway salaries	36,946	42,997	(6,051)
Equipment maintenance	24,000	35,768	(11,768)
Street construction	32,000	44,500	(12,500)
Winter sand and salt	42,000	57,090	(15,090)

**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, 2015, was \$562,995, which represents a decrease of \$21,554 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 \$14,257. Depreciation expense for the 2015 fiscal year totaled \$546,177. The net decrease in capital assets was \$45,809.

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

- Road paving

The Village's investment in capital assets for the Water and Sewer Departments totaled \$6,697,469 as of June 30, 2015.

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

- Pleasant Street paving
- Stone culvert project

Depreciation expense on buildings, vehicles, and equipment in service for the year ended June 30, 2015 amounted to \$116,213 and \$167,423, respectively, for the Water and Sewer Departments.

VILLAGE OF LUDLOW, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

Long-Term Debt

At the end of the year, the Village had total debt outstanding of \$2,403,732. 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 2014/2015 ski season was strong, despite colder than normal temperatures, contributing to strong employment during the season. A major new housing and ski project started construction on the mountain this spring with optimistic objectives for the next ski season.

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, 2015**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 509,133	\$ 208,123	\$ 717,256
Receivables:			
Delinquent taxes/assessments receivable	10,983	353,853	364,836
Interest receivable	848	-	848
Penalties receivable	867	-	867
Prepaid expenses	9,996	5,575	15,571
Inventories	-	18,833	18,833
Internal balances	(482,083)	482,083	-
Capital assets:			
Not depreciable - land	18,000	152,920	170,920
Depreciable (net of accumulated depreciation):			
Buildings and improvements	-	9,308,402	9,308,402
Vehicles	-	10,844	10,844
Equipment	10,679	31,261	41,940
Infrastructure	544,316	-	544,316
<b>TOTAL ASSETS</b>	<b>622,739</b>	<b>10,571,894</b>	<b>11,194,633</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	5,515	17,035	22,550
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,515</b>	<b>17,035</b>	<b>22,550</b>
<b>LIABILITIES</b>			
Accounts payable	56,948	1,504	58,452
Unearned revenue	-	448,363	448,363
Due to other governments	2,281	3,900	6,181
Accrued salary and benefits	4,371	18,959	23,330
Bonds and notes payable due within one year	10,000	101,250	111,250
Accrued compensated absences due after one year	5,992	6,837	12,829
Bonds and notes payable due after one year	-	2,704,708	2,704,708
<b>TOTAL LIABILITIES</b>	<b>79,592</b>	<b>3,285,521</b>	<b>3,365,113</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	11,222	38,153	49,375
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,222</b>	<b>38,153</b>	<b>49,375</b>
<b>NET POSITION</b>			
Net investment in capital assets	562,995	6,697,469	7,260,464
Restricted	8,151	-	8,151
Unrestricted	(33,706)	567,786	534,080
<b>TOTAL NET POSITION</b>	<b>\$ 537,440</b>	<b>\$ 7,265,255</b>	<b>\$ 7,802,695</b>

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

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2015**

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Highways and streets	\$ 339,410	\$ -	\$ 39,717	\$ (299,693)	\$ -	\$ (299,693)
General government	165,477	40,496	-	(124,981)	-	(124,981)
Sanitation and recycling	31,005	-	-	(31,005)	-	(31,005)
Interest on long-term debt	809	-	-	(809)	-	(809)
Total Governmental Activities	536,701	40,496	39,717	(456,488)	-	(456,488)
Business-Type Activities:						
Water	346,865	248,593	10,521	-	(87,751)	(87,751)
Sewer	755,281	603,077	6,704	-	(145,500)	(145,500)
Total Business-Type Activities	1,102,146	851,670	17,225	-	(233,251)	(233,251)
Total	\$ 1,638,847	\$ 892,166	\$ 56,942	\$ (456,488)	\$ (233,251)	\$ (689,739)
General Revenues:						
Property taxes and related revenue				\$ 366,102	\$ -	\$ 366,102
Service hookup revenue				-	107,797	107,797
Earnings on investments				255	1,047	1,302
Miscellaneous				14,929	43,809	58,738
Transfers				35,000	(35,000)	-
Total general revenues and transfers				416,286	117,653	533,939
Change in net position				(40,202)	(115,598)	(155,800)
Net position - beginning of year, as restated				577,642	7,380,853	7,958,495
Net position - end of year				\$ 537,440	\$ 7,265,255	\$ 7,802,695

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

**VILLAGE OF LUDLOW, VERMONT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<b>General Fund</b>	<b>Non-Major Funds</b>	<b>Total Government Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 509,133	\$ -	\$ 509,133
Due from other funds	-	8,151	8,151
Accounts receivable:			
Delinquent taxes receivable	10,983	-	10,983
Interest receivable	848	-	848
Penalties receivable	867	-	867
Other receivables	-	-	-
Prepaid expenses	9,996	-	9,996
<b>TOTAL ASSETS</b>	<b>531,827</b>	<b>8,151</b>	<b>539,978</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>			
<b>LIABILITIES</b>			
Accounts payable	56,948	-	56,948
Due to other governments	2,281	-	2,281
Due to other funds	490,234	-	490,234
Accrued salary and benefits	857	-	857
<b>TOTAL LIABILITIES</b>	<b>550,320</b>	<b>-</b>	<b>550,320</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable resources	8,688	-	8,688
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,688</b>	<b>-</b>	<b>8,688</b>
<b>FUND BALANCE</b>			
Nonspendable prepaid expenses	9,996	-	9,996
Restricted for capital projects	-	333	333
Restricted for special revenue funds	-	7,818	7,818
Unassigned	(37,177)	-	(37,177)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(27,181)</b>	<b>8,151</b>	<b>(19,030)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 531,827</b>	<b>\$ 8,151</b>	<b>\$ 539,978</b>

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, 2015**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$	(19,030)
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 \$826,709, and the accumulated depreciation is \$253,714		572,995
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		8,688
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position		5,515
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:		
Bonds payable	10,000	
Accrued compensated absences	<u>5,992</u>	(15,992)
Pension related deferrals		(11,222)
Net pension liability		<u>(3,514)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u><u>537,440</u></u></b>

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

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Government Funds</u>
<b>REVENUES</b>			
Taxes, interest and penalties	\$ 366,102	\$ -	\$ 366,102
Licenses and permits	6,588	-	6,588
Intergovernmental	39,717	-	39,717
Investment income	248	7	255
Insurance reimbursement	33,908	-	33,908
Miscellaneous	14,929	-	14,929
<b>Total revenues</b>	<u>461,492</u>	<u>7</u>	<u>461,499</u>
<b>EXPENDITURES</b>			
Current			
General government	159,929	-	159,929
Highways and streets	304,195	-	304,195
Sanitation	31,005	-	31,005
Total current expenditures	<u>495,129</u>	<u>-</u>	<u>495,129</u>
Debt service			
Principal	10,000	-	10,000
Interest	809	-	809
Total debt service	<u>10,809</u>	<u>-</u>	<u>10,809</u>
Capital outlay	<u>14,257</u>	<u>-</u>	<u>14,257</u>
<b>Total expenditures</b>	<u>520,195</u>	<u>-</u>	<u>520,195</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	(58,703)	7	(58,696)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	<u>35,000</u>	<u>-</u>	<u>35,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(23,703)	7	(23,696)
<b>FUND BALANCES (DEFICIT) - JULY 1, 2014</b>	<u>(3,478)</u>	<u>8,144</u>	<u>4,666</u>
<b>FUND BALANCES (DEFICIT) - JUNE 30, 2015</b>	<u><u>\$ (27,181)</u></u>	<u><u>8,151</u></u>	<u><u>(19,030)</u></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, 2015**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (23,696)

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 \$45,810 exceeded capital outlays of \$14,257 (31,553)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 257

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

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 \$4,790 4,790

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (40,202)

**VILLAGE OF LUDLOW, VERMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes			
Property taxes - general	\$ 300,372	\$ 300,399	\$ 27
Pilot program	1,500	56	(1,444)
3/5 Highway	36,500	36,500	-
Electric department PILOT	26,000	26,105	105
Total taxes	<u>364,372</u>	<u>363,060</u>	<u>(1,312)</u>
Delinquent tax interest and penalties			
Delinquent interest	1,000	1,751	751
Delinquent penalties	1,000	1,291	291
Total delinquent tax interest and penalties	<u>2,000</u>	<u>3,042</u>	<u>1,042</u>
Interest and dividends	<u>500</u>	<u>248</u>	<u>(252)</u>
Licenses and permits			
Zoning fees and permits	1,500	2,668	1,168
Hearing fees and permits	3,500	3,850	350
Bianchi fees	200	70	(130)
	<u>5,200</u>	<u>6,588</u>	<u>1,388</u>
Intergovernmental			
State aid-highway	<u>40,000</u>	<u>39,717</u>	<u>(283)</u>
Miscellaneous			
Insurance refund	31,795	33,908	2,113
Miscellaneous	600	14,929	14,329
Total miscellaneous	<u>32,395</u>	<u>48,837</u>	<u>16,442</u>
<b>Total revenues</b>	<u>444,467</u>	<u>461,492</u>	<u>17,025</u>
<b>Expenditures</b>			
Current expenditures			
General government			
Administration			
Salaries			
Manager	28,530	29,081	(551)

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, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Clerks	9,716	12,889	(3,173)
Officers	9,600	9,643	(43)
BCA Salary	450	575	(125)
Benefits			
Payroll taxes	3,805	4,101	(296)
Insurance	9,600	11,575	(1,975)
Pension	2,032	1,741	291
Manager car allowance	1,412	1,427	(15)
Village Adjusted/meeting	1,800	1,314	486
Equipment/supplies	3,000	3,055	(55)
Computer supplies	350	-	350
Dog officer	900	900	-
Copier	900	1,276	(376)
Audit	6,500	7,050	(550)
Services	1,350	949	401
Beautification	900	212	688
Expense/mileage	200	-	200
Training/meetings	250	336	(86)
League of Cities and Towns (VLCT)	700	875	(175)
Total administration	<u>81,995</u>	<u>86,999</u>	<u>(5,004)</u>
Zoning and planning			
Salaries			
Director	7,886	7,866	20
Secretary	3,022	3,504	(482)
Benefits			
Payroll taxes	835	890	(55)
Insurance	6,107	6,476	(369)
Pension	560	598	(38)
Advertising	1,200	2,408	(1,208)
Legal	500	4,379	(3,879)
Equipment	200	586	(386)
Supplies	700	815	(115)
Computer maintenance	200	410	(210)
Telephone	400	355	45

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, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Miscellaneous	-	139	(139)
Total zoning and planning	<u>21,610</u>	<u>28,426</u>	<u>(6,816)</u>
Insurance and fidelity bond			
Unemployment	650	875	(225)
Workers' compensation	3,937	4,098	(161)
Ludlow Electric	31,795	34,535	(2,740)
Vehicle liability	3,148	3,239	(91)
Public officials	538	594	(56)
EPL	1,021	1,163	(142)
Total insurance and fidelity bond	<u>41,089</u>	<u>44,504</u>	<u>(3,415)</u>
Total general government	<u>144,694</u>	<u>159,929</u>	<u>(15,235)</u>
Highways and streets			
Streets			
Salaries			
Highway salaries	36,946	42,997	(6,051)
Overtime	5,100	5,554	(454)
Labor	2,000	1,650	350
Benefits			
FICA	3,370	3,637	(267)
Insurance	10,387	9,330	1,057
Pension	2,260	3,221	(961)
Street lights	29,000	29,823	(823)
Equipment maintenance	24,000	35,768	(11,768)
Training/conference	300	52	248
Diesel	17,500	14,072	3,428
Gas/Oil	1,350	1,139	211
Rentals	500	-	500
Retreatment	30,000	-	30,000
Street construction	32,000	44,500	(12,500)
Sidewalks	15,000	15,752	(752)
Asphalt	700	697	3
Cold patch	400	280	120
Supplies	1,800	2,852	(1,052)

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, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Uniforms	1,500	1,684	(184)
Culverts	750	1,193	(443)
Parking	4,800	4,800	-
Signs/lines/rails	2,000	2,545	(545)
Total streets	<u>221,663</u>	<u>221,546</u>	<u>117</u>
Garage			
Maintenance	1,500	1,035	465
Fuel	2,000	2,274	(274)
Utilities	2,500	2,590	(90)
Telephone/cell/pagers	550	495	55
Total garage	<u>6,550</u>	<u>6,394</u>	<u>156</u>
Summer roads			
Class 1-3 materials	11,000	7,769	3,231
Storm drains	2,500	3,001	(501)
Equipment	700	164	536
Total summer roads	<u>14,200</u>	<u>10,934</u>	<u>3,266</u>
Winter roads			
Winter sand	17,000	21,148	(4,148)
Winter salt	25,000	35,942	(10,942)
Supplies	3,000	3,384	(384)
Equipment	1,000	4,847	(3,847)
Total winter roads	<u>46,000</u>	<u>65,321</u>	<u>(19,321)</u>
Total highway and streets	<u>288,413</u>	<u>304,195</u>	<u>(15,782)</u>
Sanitation			
Solid waste contract	<u>34,750</u>	<u>31,005</u>	<u>3,745</u>
Debt service			
Principal	10,000	-	10,000
Interest	810	10,809	(9,999)
Total debt service	<u>10,810</u>	<u>10,809</u>	<u>1</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, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Capital outlay		14,257	(14,257)
Total expenditures	478,667	520,195	(41,528)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</b>	<b>(34,200)</b>	<b>(58,703)</b>	<b>(24,503)</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>800</b>	<b>(23,703)</b>	<b>(24,503)</b>
FUND BALANCE - JULY 1, 2014		(3,478)	
FUND BALANCE - JUNE 30, 2015		(27,181)	

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

**VILLAGE OF LUDLOW, VERMONT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Current Assets			
Cash	\$ -	\$ 208,123	\$ 208,123
Receivables, net	111,616	242,237	353,853
Prepaid expenses	825	4,750	5,575
Inventories	15,315	3,518	18,833
Due from other funds	185,437	296,646	482,083
Non-depreciable:			
Land	152,920	-	152,920
Depreciable:			
Buildings and improvements	5,241,091	7,761,511	13,002,602
Vehicles	-	70,708	70,708
Equipment	-	57,803	57,803
Accumulated depreciation	(1,063,637)	(2,716,969)	(3,780,606)
<b>TOTAL ASSETS</b>	<b>4,643,567</b>	<b>5,928,327</b>	<b>10,571,894</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	3,724	13,311	17,035
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,724</b>	<b>13,311</b>	<b>17,035</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	364	1,140	1,504
Unearned revenue	145,157	303,206	448,363
Due to other governments	1,527	2,373	3,900
Bonds payable due within one year	83,274	17,976	101,250
Accrued salary and benefits	3,130	15,829	18,959
Accrued compensated absences due after one year	3,221	3,616	6,837
Bonds payable due after one year	2,047,151	657,557	2,704,708
<b>TOTAL LIABILITIES</b>	<b>2,283,824</b>	<b>1,001,697</b>	<b>3,285,521</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	6,733	31,420	38,153
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,733</b>	<b>31,420</b>	<b>38,153</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,199,949	4,497,520	6,697,469
Unrestricted	156,785	411,001	567,786
<b>TOTAL NET POSITION</b>	<b>\$ 2,356,734</b>	<b>\$ 4,908,521</b>	<b>\$ 7,265,255</b>

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, 2015**

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 248,593	\$ 603,077	\$ 851,670
Delinquent interest and penalties	4,711	8,667	13,378
Miscellaneous	3,568	26,863	30,431
Total operating revenue	<u>256,872</u>	<u>638,607</u>	<u>895,479</u>
<b>OPERATING EXPENSES</b>			
Operations and maintenance	151,684	564,473	716,157
Administration	23,174	2,722	25,896
Depreciation expense	116,213	167,423	283,636
Total operating expenses	<u>291,071</u>	<u>734,618</u>	<u>1,025,689</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(34,199)</u>	<u>(96,011)</u>	<u>(130,210)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	-	1,047	1,047
Service hook up revenue	-	107,797	107,797
Build America Bond interest rebate	10,521	-	10,521
Andover Street interest reimbursement	-	6,704	6,704
Bond interest expense	(55,795)	(20,663)	(76,458)
Total non-operating revenues (expense)	<u>(45,274)</u>	<u>94,885</u>	<u>49,611</u>
<b>NET INCOME BEFORE TRANSFERS</b>	(79,473)	(1,126)	(80,599)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to general fund	-	(35,000)	(35,000)
<b>CHANGE IN NET POSITION</b>	(79,473)	(36,126)	(115,599)
<b>Net position, beginning of year</b>	<u>2,436,207</u>	<u>4,944,647</u>	<u>7,380,854</u>
<b>Net position, end of year</b>	<u>\$ 2,356,734</u>	<u>\$ 4,908,521</u>	<u>\$ 7,265,255</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, 2015**

	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 236,182	\$ 592,063	\$ 828,245
Cash payments to suppliers for goods and services	(73,597)	(362,370)	(435,967)
Cash payments to employees for services and benefits	(76,668)	(205,635)	(282,303)
<b>Net cash provided by (used in) operating activities</b>	<b>85,917</b>	<b>24,058</b>	<b>109,975</b>
<b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfer to general fund	-	(35,000)	(35,000)
Interfund proceeds (repayments)	82,933	(44,097)	38,836
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>82,933</b>	<b>(79,097)</b>	<b>3,836</b>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Service hook up revenue	-	107,797	107,797
Interest paid on notes and bonds, net of rebate	(45,274)	(13,959)	(59,233)
Acquisition of capital assets	(42,966)	(21,350)	(64,316)
Principal payments on notes and bonds	(80,610)	(17,449)	(98,059)
<b>Net cash used in capital and financing activities</b>	<b>(168,850)</b>	<b>55,039</b>	<b>(113,811)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	-	1,047	1,047
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>1,047</b>	<b>1,047</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>1,047</b>	<b>1,047</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>-</b>	<b>207,076</b>	<b>207,076</b>
<b>CASH BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 208,123</b>	<b>\$ 208,123</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>			
Operating Income (Loss)	<b>\$ (34,199)</b>	<b>\$ (96,011)</b>	<b>\$ (130,210)</b>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities			
Depreciation expense	116,213	167,423	283,636
(Increase) decrease in accounts receivable	(12,411)	(11,014)	(23,425)
(Increase) decrease in prepaid expenses	(75)	(2,200)	(2,275)
Increase (decrease) in accounts payable	(2,076)	(14,165)	(16,241)
Increase (decrease) in other liabilities	18,465	(19,975)	(1,510)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 85,917</b>	<b>\$ 24,058</b>	<b>\$ 109,975</b>

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

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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, 2015

**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, 2015

**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, 2015

**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, 2015

**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, 2015

**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, 2015, accrued compensated absences amounted to \$12,829.

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, 2015

**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		297,750
Total bank balances	\$	755,873

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 3. Inter-fund Transfers**

Inter-fund transfers for the year ended June 30, 2015 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, 2015 were as follows:

		Due to Other Funds		Due from Other Funds
Governmental Funds				
General Fund	\$	-	\$	490,234
Non-major Funds		8,151		-
Proprietary Funds				
Water Fund		185,437		-
Sewer Fund		296,646		-
Totals	\$	490,234	\$	490,234

**Note 5. Capital Assets Activity**

Governmental Activities capital asset activity for the year ended June 30, 2015 was as follows:

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

	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	-	-	21,655
Infrastructure	772,798	14,257	-	787,055
Total capital assets being depreciated	<u>794,453</u>	<u>14,257</u>	<u>-</u>	<u>808,710</u>
Accumulated depreciation		-	-	
Equipment	(8,456)	(2,520)	-	(10,976)
Infrastructure	(199,450)	(43,289)	-	(242,739)
Total accumulated depreciation	<u>(207,906)</u>	<u>(45,809)</u>	<u>-</u>	<u>(253,715)</u>
Governmental Activities Capital Assets, Net	<u>\$ 604,547</u>	<u>\$ (31,552)</u>	<u>\$ -</u>	<u>\$ 572,995</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,520
Highways and streets	43,289
	<u>\$ 45,809</u>

Proprietary funds capital asset activity for the year ended June 30, 2015 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	12,938,286	64,316	-	13,002,602
Equipment	57,803	-	-	57,803
Vehicles	70,708	-	-	70,708
Totals	<u>13,066,797</u>	<u>64,316</u>	<u>-</u>	<u>13,131,113</u>
Accumulated depreciation:				
Buildings and improvements	(3,418,247)	(275,956)	-	(3,694,203)
Equipment	(21,960)	(4,582)	-	(26,542)
Vehicles	(56,763)	(3,098)	-	(59,861)
Total accumulated depreciation	<u>(3,496,970)</u>	<u>(283,636)</u>	<u>-</u>	<u>(3,780,606)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,722,747</u>	<u>\$ (219,320)</u>	<u>\$ -</u>	<u>\$ 9,503,427</u>

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

Long-term notes and bonds payable consist of the following at June 30, 2015:

Governmental Activities

Bond payable, Vermont Municipal Bond Bank, annual payment of \$10,000, with semi-annual interest payments. Interest rate varies from 4.344% to 5.414%. Bond matures December 1, 2015.

\$ 10,000

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

Business-Type Activities:

*Water Fund*

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.	70,000
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.	624,789
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.	1,408,836
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.	<u>675,533</u>
<b>Total Business-Type Activities</b>	<b>\$ <u>2,805,958</u></b>

Scheduled maturities of notes and bonds payable are as follows as of June 30, 2015:

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Interest Refund
2016	\$ 101,250	\$ 72,782	\$ 18,055
2017	109,031	68,866	17,519
2018	111,515	66,881	16,969
2019	113,547	64,342	16,405
2020	116,156	59,932	15,904
Thereafter	2,254,459	587,582	169,578
	<u>\$ 2,805,958</u>	<u>\$ 920,385</u>	<u>254,430</u>

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

Deferred inflows of resources in the General Fund consists of \$11,222 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.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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's 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 fired 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.

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.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Service Retirement Allowance	Group D – average annual compensation during highest 2 consecutive years.
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	Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.
Eligibility	
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.
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.

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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.

**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 \$21,025 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014, the Village and Town’s combined proportion was 0.7797%, which was an increase of .02% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2014, the Village recognized pension expense of \$16,582 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	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(48,276)

VILLAGE OF LUDLOW, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Changes in proportion and differences between Village contributions and proportionate share of contributions	5,370	(\$1,099)
Village contributions subsequent to the measurement date	17,180	-
Total	\$ 22,550	\$ (\$49,375)

\$21,044 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, 2015. 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:	
2016	\$ 12,609
2017	12,609
2018	12,609
2019	-
Thereafter	-

**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: 8.50%
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.

VILLAGE OF LUDLOW, VERMONT  
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**Note 8. Pension Plan (continued)**

**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.

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%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

**Discount rate**

The discount rate used to measure the total pension liability was 8.23%. 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.

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

***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 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%):

	<b>1% Decrease (7.23%)</b>	<b>Current Discount Rate (8.23%)</b>	<b>1% Decrease (9.23%)</b>
Town and Village's combined proportionate share of the net pension liability	\$ 599,489	\$ 71,161	\$ (372,090)

***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, 2015, 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	7,818	7,818
	\$ 8,151	\$ 8,151

**Note 10. Deficit Fund Balances**

A fund deficit of \$27,181 exists in the General Fund as of June 30, 2015. The deficit is expected to be covered from revenues to be received in future years.

**Note 11. 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 2015 was 2.1803

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**Note 13. 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 14. Subsequent Events**

Management has evaluated subsequent events through October 15, 2015, the date that the financial statements were available to be issued.

**Note 15. Restatement of Net Position**

Net position as previously reported in the financial statements as of and for the year ended June 30, 2014 has been restated to recognize the opening balances of the net pension liability and deferred outflows of resources for pension contributions made during the measurement period (July 1, 2013 through June 30, 2014). A reconciliation of the prior period ending net position balance to the current year beginning net position balance for the Village is as follows:

Beginning net position – June 30, 2014, as originally reported	\$ 8,000,199
To recognize beginning net pension liability	(63,828)
To reclassify pension contributions during measurement period	<u>22,124</u>
Beginning net position – June 30, 2014, as restated	\$ <u>7,958,495</u>