

TOWN OF LUDLOW, VERMONT

FINANCIAL STATEMENTS

JUNE 30, 2016

**TOWN OF LUDLOW, VERMONT
TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT	1-2
Management Discussion and Analysis	3-9
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund Types	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	15
Budgetary Comparison Schedule – General Fund	16-26
Statement of Net Position - Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds	29
Notes to Financial Statements	30 - 49

INDEPENDENT AUDITORS' REPORT

To the Selectboard
Town of Ludlow
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 Town of Ludlow, Vermont (the "Town"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Town'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 Town'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position, and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 9 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

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

Graham & Graham, P.C.

Graham & Graham, PC

Springfield, Vermont

October 15, 2016

VT Registration #92-0000282

NH Registration #659

ME Registration #FMF 1000112

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

Within this section of the Town of Ludlow, Vermont's (the "Town") annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the year ended June 30, 2016. The Town'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

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2016 by \$7,860,335 (net position). Of this amount, \$1,494,590 (unrestricted net position) may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total net position increased by \$371,014. Of this amount, net position attributable to governmental activities increased by \$374,591. Net position attributable to business-type activities decreased by \$3,577.
- Fund balances of governmental funds increased by \$15,907 during the year ended June 30, 2016. The General Fund had \$111,683 of unassigned fund balance at June 30, 2016 which is approximately 3% of the approved FY 2016 General Fund Budget.

Overview of the Town's Financial Statements

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

Government-Wide Financial Statements. The Town's annual report includes two government-wide financial statements which provide both long- term and short-term information about the Town'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.

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 Town'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 Town is improving or deteriorating. In addition to the financial information provided in this report, evaluation of the overall health of the Town 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 Town's infrastructure.

The second government-wide statement is the Statement of Activities. This statement reports how the Town'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 Town's activities or functions on revenues provided by the Town's taxpayers.

Both of the above government-wide financial statements distinguish functions of the Town 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 Town include general government, municipal transit, public safety, highways and streets, sanitation and recycling, culture and recreation, special articles, intergovernmental, and cemetery.

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

The business-type activity of the Town is the Ludlow Ambulance Service.

The government-wide financial statements are presented on pages 10 through 11 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 Town, 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 Town can be divided into three categories: governmental funds, propriety funds, and fiduciary funds.

The fund financial statements provide detailed information about each of the Town'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 of the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance have been reconciled in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position to assist in understanding the differences between these two perspectives.

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

The basic governmental fund financial statements are presented on pages 12 through 14 of this report.

The Town 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 Town.

Proprietary Funds are used by the Town to report functions of business-type activities in the government-wide statements. The Town maintains one propriety fund that is an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for the Town's ambulance service.

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

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

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 Town.

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 30 of this report.

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

Government-wide Financial Analysis

The Government's net position at fiscal year end is \$7,860,335. This represents a \$81,604 increase from last year's net position of \$6,808,173. The following table provides a summary of the Town's net position:

Summary of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 1,674,622	\$ 794,363	\$ 2,468,985
Non-current assets	7,902,936	195,901	8,098,837
Total assets	<u>9,577,558</u>	<u>990,264</u>	<u>10,567,822</u>
Deferred outflows of resources	<u>183,095</u>	<u>7,324</u>	<u>190,419</u>
Current liabilities	241,724	26,624	268,348
Long-term liabilities	<u>2,619,005</u>	-	<u>2,619,005</u>
Total liabilities	<u>2,860,729</u>	<u>26,624</u>	<u>2,887,353</u>
Deferred inflows of resources	<u>10,147</u>	<u>406</u>	<u>10,553</u>
Net position			
Net investment in capital assets	5,244,296	188,578	5,432,874
Restricted	932,849	-	932,849
Unrestricted	712,632	781,980	1,494,612
Total net position	<u>\$ 6,889,777</u>	<u>\$ 970,558</u>	<u>\$ 7,860,335</u>

The largest portion of the Town's net position, \$5,432,874, 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 Town uses these capital assets to provide services to the Town; consequently, these assets are not available for future spending.

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

Although the Town'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 Town's discretion.

In summary, (as indicated in the balance sheet on page 12) the net position committed in the general fund for prepaid expenses total \$123,069. The net position restricted for capital projects amounted to \$191,468.

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

Summary of Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ 507,363	\$ 360,550	\$ 867,913
Operating grants and contributions	94,112	-	94,112
Capital grants	471,580	-	471,580
Property taxes	4,342,335	-	4,342,335
Investment income	14,901	1,255	16,156
Other revenue	184,654	441	185,095
Total revenues	<u>5,614,945</u>	<u>362,246</u>	<u>5,977,191</u>
Expenses			
Governmental Activities:			
General government	1,552,856	-	1,552,856
Municipal transit	256,586	-	256,586
Public safety	1,165,510	-	1,165,510
Highway and streets	991,024	-	991,024
Sanitation and recycling	344,279	-	344,279
Culture and recreation	387,050	-	387,050
Special articles	220,623	-	220,623
Intergovernmental	141,127	-	141,127
Cemetery	104,977	-	104,977
Interest on long-term debt	76,322	-	76,322
Business-Type Activities:			
Ambulance	-	365,823	365,823
Total expenses	<u>5,240,354</u>	<u>365,823</u>	<u>5,606,177</u>
Change in net position	374,591	(3,577)	371,014
Net position, beginning of year	6,515,186	974,135	7,489,321
Net position, end of year	<u>\$ 6,889,777</u>	<u>\$ 970,558</u>	<u>\$ 7,860,335</u>

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

Financial Analysis of the Town's Funds

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

Governmental Activities

Program Revenues. In accordance with GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.

Total program revenues from governmental activities were \$1,073,056 in fiscal year 2016 compared to \$1,255,953 in the prior year. The increase is primarily the result of the Town of Ludlow, Vermont (Grantee) receiving Federal and State of Vermont grant funds (\$442,159) to provide a pass-through grant to the Black River Housing LP (borrower) for the purpose of redeveloping the Black River Outlook located in Ludlow, Vermont. 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 \$4,541,890 in fiscal year 2016 compared to \$3,964,598 in the prior year. Taxes and related revenue of \$4,342,335 comprised approximately 96% of the Town's general revenues for fiscal year 2016.

Governmental Expenses. Total government activity expenses were \$5,240,354 in fiscal year 2016 compared to \$5,382,743 in fiscal year 2015, a decrease of approximately 2.6%. The decrease is primarily the result of the Town of Ludlow, Vermont (Grantee) expending less Federal and State of Vermont grant funds to repair and redevelop Town property and for community development projects. The largest expenses were incurred for general government, public safety and highways and streets.

Business-Type Activities

Net position for business-type activities (Ambulance) was \$970,558 as of June 30, 2016, a decrease of \$3,577 from the prior year. Total Ambulance revenues for the 2016 fiscal year were \$362,246, a decrease of 15% compared to the prior fiscal year. Total revenues for the fiscal year exceeded amounts budgeted for by 4.5%. Total Ambulance operating expenses for the 2016 fiscal year were \$365,823, an increase of less than 1% compared to the prior year. Total expenses for the fiscal year exceeded amounts budgeted for by 3%. The largest increases were for part time EMTS wages, ambulance drivers, and medical supplies.

Financial Analysis of Individual Funds

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

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

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$1,957,622.

The fund balance of the General Fund as of June 30, 2016 was \$415,931, an increase of \$15,907 from the prior year.

General Fund Budgetary Highlights

The Budgetary Comparison Schedule – General Fund beginning on page 16 compares the actual results for fiscal year 2016 to the approved budget for the General Fund. Differences between budgeted amounts and actual amounts are briefly summarized below.

The most significant variances were as follows:

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue and Other Sources			
Property taxes	\$ 3,868,201	\$ 3,965,013	\$ 96,812
Black River Outlook Grant	-	442,159	442,159
Expenses and Other Uses			
Black River Outlook Grant	-	442,159	(442,159)
General government	983,694	1,451,624	(467,930)
Municipal Transit	255,442	217,140	38,302
Highway and streets	817,914	695,215	122,699
Capital outlays, net	131,500	358,928	(227,428)

The revenues and other sources were under budget due to delinquent tax payments, and over budget due to the receipt of \$442,159 in Black River Outlook project grant funds received during the current fiscal year and passed through as a loan to the Black River Housing LP to redevelop a housing development in Ludlow, Vermont.

General government expenses also increased by the same amount due to the disbursement of the Black River Outlook grant funds to the borrower during fiscal year 2016. General fund expenses were over budget due to increased costs of employee salaries and wages, workers compensation, unemployment and other employment-related benefits, and police department dispatch salaries. Other expenses were under budget, including municipal transit driver wages and the cost of diesel fuel. Acquisition and construction costs of capital assets exceeded amounts budgeted for, net of budget savings for bridge work included in the highway department’s budget to actual comparison.

Capital Assets and Debt Administration

Capital Assets

The Town's government activities investment in capital assets, net of accumulated depreciation and related short and long-term debt as of June 30, 2016, was \$5,244,296, which represents an increase of \$16,403 as compared to the prior year. Investment in capital assets includes land, land improvements, machinery and equipment, buildings, and infrastructure.

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

Infrastructure assets are items that are normally immovable and of value to the Town such as roads, bridges, streets, drainage systems, lighting systems and similar items. The additions, net of any trade-in allowances and disposals, amounted to \$358,928. Depreciation expense for the 2016 fiscal year totaled \$559,125. The net decrease in capital assets was \$200,197.

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

- Ghia Farm and West Hill Culvert Projects
- Paving
- Transfer Station Culvert Replacement Project
- Highway garage waste oil furnace
- Police cruiser, radios, and body cameras
- Office computers
- Highway garage surveillance camera system
- 2015 John Deere Loader/Backhoe
- Snow plow

The Town's investment in capital assets for its Ambulance service totaled \$188,578 as of June 30, 2016. The Ambulance did not purchase any capital assets during the current fiscal year. Depreciation expense on equipment in service amounted to \$43,555 for the 2016 fiscal year.

Long-Term Debt

At the end of the year, the Town had total debt outstanding of \$2,187,132. These amounts owed are backed by the full faith and credit of the Town 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 Town of Ludlow mirrors the rest of Southern Vermont. Affordable housing and full time employment opportunities continue to stress the region. The 2015/2016 ski season was weak, with far fewer skier visits than during the previous season, contributing to reductions in seasonal employment.

The inequities of the education funding system in Vermont continue to compound the task of providing educational opportunities to the children of our community. Almost 90% of our Town Grand List is taxed to support other school districts in the State.

Requests for Information

This financial report is designed to provide a general overview of the Town'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:

**Town of Ludlow
PO Box 359
Ludlow, VT 05149**

TOWN OF LUDLOW, VERMONT
STATEMENT OF NET POSITION
June 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 1,557,561	\$ -	\$ 1,557,561
Cash - restricted	207,302	-	207,302
Internal balances	(636,501)	636,501	-
Investments - restricted	647,632	-	647,632
Accounts Receivable:			
Delinquent taxes, interest and penalties	377,969	-	377,969
Ambulance	-	163,185	163,185
Other	50,227	-	50,227
Prepaid expenses	123,069	2,000	125,069
Capital assets:			
Not depreciable	25,600	-	25,600
Depreciable	12,259,728	553,897	12,813,625
Accumulated depreciation	(5,035,029)	(365,319)	(5,400,348)
TOTAL ASSETS	9,577,558	990,264	10,567,822
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	183,095	7,324	190,419
TOTAL DEFERRED OUTFLOWS OF RESOURCES	183,095	7,324	190,419
LIABILITIES			
Accounts payable	71,538	-	71,538
Prepaid property taxes	39,133	-	39,133
Accrued salary and benefits	460,025	26,624	486,649
Unearned revenue - bike path	4,319	-	4,319
Bonds and notes payable due within one year	236,600	-	236,600
Accrued compensated absences	83,398	-	83,398
Accrued expenses	15,184	-	15,184
Bonds and notes payable due after one year	1,950,532	-	1,950,532
TOTAL LIABILITIES	2,860,729	26,624	2,887,353
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	10,147	406	10,553
TOTAL DEFERRED INFLOWS OF RESOURCES	10,147	406	10,553
NET POSITION			
Invested in capital assets, net of related debt	5,244,296	188,578	5,432,874
Restricted:			
Capital project funds	10,289	-	10,289
Special revenue funds	210,003	-	210,003
Debt service fund	38,802	-	38,802
Endowment - expendable	434,381	-	434,381
Endowment - nonexpendable	239,374	-	239,374
Unrestricted	712,632	781,980	1,494,612
TOTAL NET POSITION	\$ 6,889,777	\$ 970,558	\$ 7,860,335

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

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

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Functions/Programs:							
Governmental Activities:							
General government	\$ 1,552,856	\$ 158,879	\$ 93,987	\$ 438,094	\$ (861,896)	\$ -	\$ (861,896)
Municipal transit	256,586	9,304	-	-	(247,282)	-	(247,282)
Public safety	1,165,510	80,406	-	29,421	(1,055,683)	-	(1,055,683)
Highways and streets	991,024	68,562	-	-	(922,462)	-	(922,462)
Sanitation and recycling	344,279	133,483	-	-	(210,796)	-	(210,796)
Culture and recreation	387,050	45,582	125	4,065	(337,278)	-	(337,278)
Special articles	220,623	-	-	-	(220,623)	-	(220,623)
Intergovernmental	141,127	-	-	-	(141,127)	-	(141,127)
Cemetery	104,977	11,147	-	-	(93,830)	-	(93,830)
Interest on long-term debt	76,322	-	-	-	(76,322)	-	(76,322)
Total governmental activities	<u>5,240,354</u>	<u>507,363</u>	<u>94,112</u>	<u>471,580</u>	<u>(4,167,299)</u>	<u>-</u>	<u>(4,167,299)</u>
Business-Type Activities:							
Ambulance	365,823	360,550	-	-	-	(5,273)	(5,273)
Total business-type activities	<u>365,823</u>	<u>360,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,273)</u>	<u>(5,273)</u>
Total government	<u>\$ 5,606,177</u>	<u>\$ 867,913</u>	<u>\$ 94,112</u>	<u>\$ 471,580</u>	<u>\$ (4,167,299)</u>	<u>\$ (5,273)</u>	<u>\$ (4,172,572)</u>
General Revenues:							
Property taxes					\$ 4,342,335	\$ -	\$ 4,342,335
Earnings on investments					14,901	1,255	16,156
Donations					93,469	-	93,469
Miscellaneous					91,185	441	91,626
Total general revenues					<u>4,541,890</u>	<u>1,696</u>	<u>4,543,586</u>
Change in net position					374,591	(3,577)	371,014
Net position - beginning of year, as restated					<u>6,515,186</u>	<u>974,135</u>	<u>7,489,321</u>
Net position - end of year					<u>\$ 6,889,777</u>	<u>\$ 970,558</u>	<u>\$ 7,860,335</u>

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

TOWN OF LUDLOW, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	Permanent Trust				Total Government Funds
	Funds				
	General Fund	Trustees of Public Funds	Agan Fund	Nonmajor Funds	
ASSETS					
Cash and cash equivalents	\$ 1,538,780	\$ -	\$ -	\$ 18,781	\$ 1,557,561
Cash - restricted	181,179	26,123	-	-	207,302
Investments - restricted	-	371,469	276,163	-	647,632
Accounts Receivable:					
Delinquent taxes, interest and penalties	377,969	-	-	-	377,969
Other	50,227	-	-	-	50,227
Prepaid expenses	123,069	-	-	-	123,069
Due from other funds	-	-	-	849,155	849,155
TOTAL ASSETS	<u>2,271,224</u>	<u>397,592</u>	<u>276,163</u>	<u>867,936</u>	<u>3,812,915</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	71,538	-	-	-	71,538
Prepaid property taxes	39,133	-	-	-	39,133
Accrued salary and benefits	28,152	-	-	-	28,152
Accrued expenses	15,184	-	-	-	15,184
Unearned revenue - bike path	4,319	-	-	-	4,319
Due to Ambulance Fund	636,501	-	-	-	636,501
Due to other funds	849,155	-	-	-	849,155
TOTAL LIABILITIES	<u>1,643,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,643,982</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	211,311	-	-	-	211,311
Total deferred inflows of resources	<u>211,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,311</u>
FUND BALANCES					
Committed:					
Prepaid expenses	123,069	-	-	-	123,069
Endowment	-	359,381	75,000	-	434,381
Restricted for:					
Capital projects	181,179	-	-	10,289	191,468
Special revenue funds	-	-	-	210,003	210,003
Debt service	-	-	-	38,802	38,802
Endowment	-	38,211	201,163	-	239,374
Assigned for:					
Capital projects	-	-	-	574,996	574,996
Unassigned	111,683	-	-	33,846	145,529
TOTAL FUND BALANCES	<u>415,931</u>	<u>397,592</u>	<u>276,163</u>	<u>867,936</u>	<u>1,957,622</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,271,224</u>	<u>\$ 397,592</u>	<u>\$ 276,163</u>	<u>\$ 867,936</u>	<u>\$ 3,812,915</u>

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

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,957,622
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 \$12,285,328 and the accumulated depreciation is \$5,035,029	7,250,299
Delinquent property tax revenues are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds	211,311
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position (refer to Note 8)	183,095
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:	
Bonds and notes payable	2,187,132
Accrued compensated absences	83,398
	(2,270,530)
Pension related deferrals (Refer to Note 8)	(10,147)
Net pension liability (refer to Note 8)	(431,873)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 6,889,777

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

TOWN OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016

	Permanent Trust Funds				Total Government Funds
	General Fund	Trustees of Public Funds	Agan Fund	Nonmajor Funds	
REVENUES					
Taxes, interest and penalties	\$ 4,097,075	\$ -	\$ -	\$ -	\$ 4,097,075
Investment income (loss)	3,204	10,400	(256)	1,553	14,901
Town clerk fees	73,942	-	-	500	74,442
Federal and state grant revenue	604,709	-	-	-	604,709
Departmental income	302,200	-	-	-	302,200
Donations	47,500	1,125	-	125	48,750
Miscellaneous	223,815	-	-	37,743	261,558
Total revenues	<u>5,352,445</u>	<u>11,525</u>	<u>(256)</u>	<u>39,921</u>	<u>5,403,635</u>
EXPENDITURES					
General government	1,451,625	1,000	12,859	-	1,465,484
Municipal transit	217,140	-	-	-	217,140
Public safety	1,069,574	-	-	-	1,069,574
Highways and streets	695,214	-	-	-	695,214
Sanitation and recycling	331,160	-	-	-	331,160
Cemetery	93,025	-	-	-	93,025
Culture and recreation	356,089	-	-	11,251	367,340
Intergovernmental	141,127	-	-	-	141,127
Special articles	220,623	-	-	-	220,623
Capital outlay, net	358,928	-	-	-	358,928
Debt service:					
Bond and note principal	256,600	-	-	-	256,600
Interest and other charges	76,322	-	-	-	76,322
Total expenditures	<u>5,267,427</u>	<u>1,000</u>	<u>12,859</u>	<u>11,251</u>	<u>5,292,537</u>
Excess/(deficiency) of revenue over/(under) expenditures	<u>85,018</u>	<u>10,525</u>	<u>(13,115)</u>	<u>28,670</u>	<u>111,098</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	40,000	-	-	-	40,000
Transfers, net	(109,111)	(10,000)	-	119,111	-
Total other financing sources (uses)	<u>(69,111)</u>	<u>(10,000)</u>	<u>-</u>	<u>119,111</u>	<u>40,000</u>
NET CHANGE IN FUND BALANCES	15,907	525	(13,115)	147,781	151,098
FUND BALANCES - JULY 1, 2015	<u>400,024</u>	<u>397,067</u>	<u>289,278</u>	<u>720,155</u>	<u>1,806,524</u>
FUND BALANCES - JUNE 30, 2016	<u>\$ 415,931</u>	<u>397,592</u>	<u>276,163</u>	<u>867,936</u>	<u>1,957,622</u>

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

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

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 151,098

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 \$559,125 exceeded capital outlays of \$358,928. (200,197)

Contributions to the pension plan in the current fiscal year reflecting changes in the net pension liability and deferred inflows and outflows of resources are not included as expenditures in the governmental funds 37,233

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 256,600

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the change of unearned and unavailable revenue from the prior year. 71,449

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 \$58,408. 58,408

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 374,591

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes			
Property taxes - general	\$ 3,867,201	\$ 3,904,980	\$ 37,779
PILOT program	-	44,295	44,295
Railroad tax	1,000	721	(279)
State of Vermont Hold Harmless	-	15,017	15,017
Total property taxes	<u>3,868,201</u>	<u>3,965,013</u>	<u>96,812</u>
Property tax interest and penalties			
Current interest	43,000	39,987	(3,013)
Delinquent interest	46,000	37,431	(8,569)
Delinquent penalties	65,000	54,645	(10,355)
Total property tax interest and penalties	<u>154,000</u>	<u>132,063</u>	<u>(21,937)</u>
Interest and dividends	<u>-</u>	<u>3,204</u>	<u>3,204</u>
Town Clerk			
Licenses and permits	7,875	8,325	450
Clerk copier fees	6,500	6,455	(45)
Certified copy fees	3,000	2,485	(515)
Recording fees	53,000	49,181	(3,819)
Vault preservation	15,500	6,101	(9,399)
Zoning Recording fees	1,200	1,395	195
Total charges for services - Town Clerk	<u>87,075</u>	<u>73,942</u>	<u>(13,133)</u>
Highway			
State aid	92,000	93,377	1,377
Permits	1,500	8,425	6,925
Other	110,000	60,748	(49,252)
Total highway	<u>203,500</u>	<u>162,550</u>	<u>(40,950)</u>
Departmental income			
Planning and zoning	25,000	21,046	(3,954)
Listers	4,015	3,613	(402)
Cemetery fees	16,000	11,147	(4,853)
Sanitation and recycling	121,500	133,483	11,983
Municipal transit	15,700	9,300	(6,400)
Police department	68,360	84,259	15,899
Fire department	2,000	3,900	1,900
Recreation department	43,000	45,582	2,582
Total departmental income	<u>295,575</u>	<u>312,330</u>	<u>16,755</u>

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous			
State education collection fees	43,000	44,819	1,819
Stearns pit	65,940	67,127	1,187
Senior center bond reimbursement/rent	11,364	13,200	1,836
Armory bond reimbursement	-	2,547	2,547
Insurance refunds and reimbursements	23,268	32,569	9,301
Tenant payments	4,400	4,400	-
Black River Outlook grant	-	442,159	442,159
Donations	49,000	47,500	(1,500)
Miscellaneous	65,627	49,022	(16,605)
	<u>262,599</u>	<u>703,343</u>	<u>440,744</u>
 Total revenues	 <u>4,870,950</u>	 <u>5,352,445</u>	 <u>481,495</u>
 EXPENDITURES			
Current Expenditures			
General government			
Administration			
Salaries			
Manager	58,800	59,892	(1,092)
Clerks	73,000	73,034	(34)
Selectmen and officers	7,900	7,676	224
Recording secretary	1,200	1,000	200
Benefits			
FICA	11,000	11,067	(67)
Insurance	42,110	44,383	(2,273)
Pension	7,084	7,417	(333)
Town reports	5,000	4,397	603
Equipment/supplies	7,000	6,777	223
Computer	1,500	1,516	(16)
Copier	2,200	2,729	(529)
Audit	12,700	11,172	1,528
Expense/mileage	3,086	3,163	(77)
Training/conferences	600	704	(104)
Legal	2,500	1,197	1,303
League of Cities and Towns (VLCT)	3,075	3,075	-
Membership	100	166	(66)
Advertising	600	1,180	(580)
Web page maintenance	800	799	1
Dog warrants	1,200	-	1,200
Safety program	1,000	372	628
Telephone	1,525	1,622	(97)
Tax, interest and penalty abatements	-	5,443	(5,443)
Black River Outlook grant	-	442,159	(442,159)
Miscellaneous	-	4,712	(4,712)
Total administration	<u>243,980</u>	<u>695,652</u>	<u>(451,672)</u>

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

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Building and grounds			
Salaries			
Janitor	47,370	48,150	(780)
Maintenance	4,000	2,002	1,998
Benefits			
FICA	3,885	3,837	48
Insurance	27,435	23,843	3,592
Pension	2,730	4,558	(1,828)
Fuel oil	20,000	13,494	6,506
Equipment	800	265	535
Parks/bandstands	300	40	260
Utilities	19,500	21,977	(2,477)
Supplies	5,500	4,701	799
Uniforms	900	951	(51)
Telephone	150	31	119
Gas	4,500	2,331	2,169
Repairs and maintenance - equipment	2,000	2,726	(726)
Repairs and maintenance - grounds	3,000	10,939	(7,939)
Total building and grounds	<u>142,070</u>	<u>139,845</u>	<u>2,225</u>
Zoning and planning			
Salaries			
Administrative officer	46,025	45,466	559
Planning Board	1,500	1,425	75
Development Review Board	6,000	6,000	-
Secretary	2,400	2,080	320
Clerk	17,807	20,692	(2,885)
Benefits			
FICA	5,638	5,788	(150)
Insurance	38,267	37,555	712
Pension	3,430	3,728	(298)
Computer	1,000	25	975
SWCRPC	2,454	2,454	-
Equipment/supplies	2,320	2,344	(24)
Legal	7,500	195	7,305
Advertising	3,600	4,081	(481)
Training/conferences	200	120	80
Telephone	900	914	(14)
GIS	600	234	366
E-911	300	608	(308)
Grants	-	928	(928)
Total zoning and planning	<u>139,941</u>	<u>134,637</u>	<u>5,304</u>

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

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Town Clerk/Treasurer			
Salaries			
Town clerk/treasurer	69,872	71,303	(1,431)
Assistant clerk	41,454	41,165	289
BCA/Town meetings	2,500	2,175	325
Trustees of public funds	900	900	-
Benefits			
FICA	8,776	8,839	(63)
Insurance	45,497	46,074	(577)
Pension	5,983	6,636	(653)
Computer	500	120	380
Vault preservation	500	4,907	(4,407)
Licenses	1,900	2,488	(588)
Equipment/supplies	12,500	15,406	(2,906)
Training/conferences	200	82	118
Telephone	1,100	1,090	10
Total Town Clerk/Treasurer	<u>191,682</u>	<u>201,185</u>	<u>(9,503)</u>
Listers			
Salaries	59,400	63,539	(4,139)
FICA	4,544	4,861	(317)
Computer	1,000	-	1,000
Licenses	4,500	3,500	1,000
Postage	800	589	211
Equipment/supplies	3,500	2,146	1,354
Training/conferences	400	175	225
Telephone	1,200	1,465	(265)
Property map update	3,450	2,950	500
Mileage	150	39	111
Professional services	12,000	9,330	2,670
Total listers	<u>90,944</u>	<u>88,594</u>	<u>2,350</u>
Insurance and fidelity bond			
Unemployment	23,958	23,844	114
Workers' compensation	44,871	66,665	(21,794)
Municipal officers	3,014	2,367	647
Vehicle/fire/liability	95,892	90,199	5,693
Deductibles	500	-	500
Employment practices	6,842	8,636	(1,794)
Total insurance and fidelity bond	<u>175,077</u>	<u>191,711</u>	<u>(16,634)</u>
Total general government	<u>983,694</u>	<u>1,451,624</u>	<u>(467,930)</u>

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Municipal Transit System			
Transportation supervisors	10,400	10,675	(275)
Driver salaries	82,908	66,831	16,077
Overtime	20,000	19,381	619
Part time drivers	22,000	30,598	(8,598)
Pension	6,090	5,639	451
Insurance	39,918	40,964	(1,046)
FICA	10,351	10,009	342
Dues and fees	50	-	50
Equipment/supplies	2,000	2,060	(60)
Training/conferences	75	-	75
Telephone/postage	2,600	2,436	164
Repairs and maintenance	23,000	15,451	7,549
Diesel fuel	36,000	13,096	22,904
Advertising	50	-	50
Total municipal transit system	<u>255,442</u>	<u>217,140</u>	<u>38,302</u>
Public Safety			
Police Department			
Salaries			
Police duty	286,000	298,788	(12,788)
Special officers	6,000	9,364	(3,364)
Traffic control	12,000	9,496	2,504
Overtime	32,000	22,023	9,977
Dispatchers	206,381	196,194	10,187
Part time dispatchers	15,000	37,521	(22,521)
Dispatch overtime	20,000	10,284	9,716
Vehicle maintenance labor	500	720	(220)
Benefits			
FICA	44,207	44,702	(495)
Insurance	150,050	168,310	(18,260)
Pension	36,400	38,469	(2,069)
Cleaning allowance	3,200	2,850	350
Building utilities	6,500	3,888	2,612
Services/advertising	-	606	(606)
Computer services	13,500	6,596	6,904
Equipment/supplies	34,100	44,798	(10,698)
Uniforms	4,000	4,192	(192)
Training	3,000	4,504	(1,504)
Telephone	10,000	15,422	(5,422)
Repairs and maintenance	10,000	9,339	661
Gas/oil	16,000	9,191	6,809
Total police department	<u>908,838</u>	<u>937,257</u>	<u>(28,419)</u>

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Fire Department			
Salaries			
Chief	13,140	13,140	-
Payroll	48,000	45,640	2,360
FICA	4,700	4,497	203
Insurance	10,249	16,297	(6,048)
Hepatitis shots	250	-	250
Fuel oil	9,000	5,108	3,892
Utilities	5,800	6,602	(802)
Equipment/supplies	25,500	29,668	(4,168)
Training	1,500	740	760
Telephone	800	774	26
Repairs and maintenance	7,000	4,333	2,667
Diesel fuel/gas	3,500	1,607	1,893
Protective gear	12,000	1,739	10,261
Air pack maintenance	2,800	2,172	628
Total fire department	<u>144,239</u>	<u>132,317</u>	<u>11,922</u>
Total public safety	<u>1,053,077</u>	<u>1,069,574</u>	<u>(16,497)</u>
Highways and streets			
Highway			
Salaries			
Highway salaries	221,780	202,947	18,833
Overtime	19,000	6,841	12,159
Benefits			
FICA	18,419	17,884	535
Insurance	63,824	84,196	(20,372)
Pension	12,941	12,614	327
Street lights	60,000	60,312	(312)
Supplies	5,000	4,427	573
Winter sand	35,000	30,468	4,532
Winter salt	65,000	50,250	14,750
Winter supplies	7,200	7,616	(416)
Crushing gravel	6,000	2,520	3,480
Rentals	1,300	-	1,300
Surpac	15,000	14,750	250
Plant mix	3,500	-	3,500
Uniforms	2,500	2,734	(234)
Asphalt	1,500	1,406	94
Cold patch	500	646	(146)
Culverts	7,000	-	7,000
Bridges	120,000	58,808	61,192
Training	700	130	570
Telephone, cell phones, pagers	1,650	1,550	100

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Computer	200	-	200
Repairs and maintenance	36,000	49,037	(13,037)
Road signs	7,200	2,293	4,907
Road cut bond returns	1,500	6,000	(4,500)
Chloride	9,500	5,576	3,924
Tree/brush	4,000	2,044	1,956
Summer construction	37,500	42,735	(5,235)
Fuel-diesel	41,000	14,650	26,350
Miscellaneous	-	44	(44)
Total highway	<u>804,714</u>	<u>682,478</u>	<u>122,236</u>
Garage			
Maintenance	4,000	7,178	(3,178)
Fuel	5,000	1,661	3,339
Utilities	4,200	3,898	302
Total garage	<u>13,200</u>	<u>12,737</u>	<u>463</u>
Total highway and streets	<u>817,914</u>	<u>695,215</u>	<u>122,699</u>
Sanitation and Recycling			
Solid Waste			
Salaries			
Attendant	36,000	40,618	(4,618)
Part time attendant	28,600	29,318	(718)
Labor	6,000	20,862	(14,862)
Benefits			
FICA	5,400	6,946	(1,546)
Insurance	29,005	33,073	(4,068)
Pension	3,470	4,130	(660)
Uniforms	200	1,035	(835)
Work offender program	200	545	(345)
Heating fuel	1,000	445	555
Equipment/supplies	6,000	1,887	4,113
Utilities	6,200	6,564	(364)
Repairs and maintenance	6,800	6,301	499
Telephone	900	814	86
Total solid waste	<u>129,775</u>	<u>152,538</u>	<u>(22,763)</u>
Disposal			
Tires	3,500	5,022	(1,522)
Trucking fees	42,500	46,538	(4,038)
Construction and disposal	110,000	127,062	(17,062)
Total disposal	<u>156,000</u>	<u>178,622</u>	<u>(22,622)</u>
Total sanitation and recycling	<u>285,775</u>	<u>331,160</u>	<u>(45,385)</u>

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Cemetery			
Labor	44,000	53,341	(9,341)
Commission	4,000	4,000	-
Insurances	6,242	10,780	(4,538)
FICA	3,680	4,386	(706)
Pension	-	1,325	(1,325)
Gas/oil	4,000	1,276	2,724
Equipment/supplies	11,450	11,377	73
Uniforms	300	598	(298)
Tree work/stump/brush	3,500	-	3,500
Utilities	2,400	2,430	(30)
Flowers	400	(124)	524
Training	200	-	200
Corner stones	700	450	250
Sand/top soil	1,500	1,394	106
Legal	4,000	270	3,730
South Hill cemetery	400	-	400
Truck maintenance	500	1,018	(518)
Monument Restoration	1,000	504	496
Total cemetery	<u>88,272</u>	<u>93,025</u>	<u>(4,753)</u>
Culture and Recreation			
Recreation department			
Salaries			
Director	48,651	49,277	(626)
Assistant	18,410	18,718	(308)
Camp staff	14,000	15,927	(1,927)
Summer labor	7,500	2,347	5,153
Winter labor	3,000	775	2,225
Referees/coaches	8,020	7,642	378
Benefits			
FICA	7,970	7,243	727
Insurance	19,560	20,802	(1,242)
Pension	2,615	2,881	(266)
Fuel oil	3,500	1,879	1,621
Utilities	17,500	16,530	970
Equipment/supplies	3,800	1,281	2,519
Advertising	1,000	65	935
Training	1,000	-	1,000
Telephone	2,200	2,108	92
Fields	14,500	17,518	(3,018)
Repairs and maintenance	1,500	218	1,282
Skate park maintenance	2,000	1,230	770
Concerts	4,000	3,586	414
Improvements	10,000	6,581	3,419

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Youth activities	12,000	11,827	173
Adult activities	2,000	746	1,254
Senior citizens activities	1,000	250	750
Little league	13,500	13,839	(339)
Babe Ruth	500	1,421	(921)
Recreation to school	18,000	18,000	-
Youth athletic equipment	8,500	6,805	1,695
Team sports	15,000	14,760	240
Miscellaneous	500	-	500
Transportation	4,000	4,000	-
Total recreation department	<u>265,726</u>	<u>248,256</u>	<u>17,470</u>
Community Center			
Salaries			
Staff	40,470	46,500	(6,030)
Benefits			
FICA	3,090	3,557	(467)
Insurance	10,360	10,081	279
Pension	2,090	2,579	(489)
Telephone	400	449	(49)
Uniforms	800	976	(176)
Utilities	32,000	33,667	(1,667)
Supplies	14,500	10,024	4,476
Total community center	<u>103,710</u>	<u>107,833</u>	<u>(4,123)</u>
Total culture and recreation	<u>369,436</u>	<u>356,089</u>	<u>13,347</u>
Intergovernmental			
County tax	67,602	67,602	-
County capital cost	37,025	37,025	-
3/5 Highway tax	36,500	36,500	-
Total intergovernmental	<u>141,127</u>	<u>141,127</u>	<u>-</u>
Special articles			
Nurse service	15,260	15,260	-
Library electric and fuel	16,000	12,394	3,606
Library operations	25,000	25,000	-
Library/school books	9,500	5,997	3,503
Welfare	250	-	250
Vermont green up day	100	192	(92)
Black River Academy Museum fuel	19,000	12,661	6,339
BR Academy Musuem	25,000	25,000	-
SEVCA	2,440	2,440	-
Mental health services	2,537	2,537	-
Advocacy, resources and community	800	800	-
BRV Senior Center meals	9,000	9,000	-
BRV Senior Center operations	20,000	15,060	4,940

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

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
RSVP Program	600	-	600
Youth Services	600	600	-
LES Mentoring Program	4,500	4,500	-
Windsor County Partners	500	500	-
Black River good neighbor services	3,000	3,000	-
American Red Cross	500	-	500
Vermont Center for Independent Living	360	360	-
Education operations	22,500	21,072	1,428
LPCTV	1,500	1,500	-
Friends of Ludlow	-	1,500	(1,500)
Ludlow Quest	-	20,000	(20,000)
CT River Transit	-	7,250	(7,250)
Adult learning	400	-	400
BRACC	15,000	15,000	-
After School Program	19,000	19,000	-
Total special articles	<u>213,347</u>	<u>220,623</u>	<u>(7,276)</u>
Capital outlays	<u>131,500</u>	<u>358,928</u>	<u>(227,428)</u>
Debt service			
Principal	232,605	256,600	(23,995)
Interest	<u>82,011</u>	<u>76,322</u>	<u>5,689</u>
Total debt service	<u>314,616</u>	<u>332,922</u>	<u>(18,306)</u>
Voted exemptions	<u>78,000</u>	<u>-</u>	<u>78,000</u>
Total expenditures	<u>4,732,200</u>	<u>5,267,427</u>	<u>(535,227)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>138,750</u>	<u>85,018</u>	<u>1,016,722</u>
OTHER FINANCING SOURCES (USES)			
Transfer from Trustees of Public Funds	-	10,000	10,000
Transfer from Reappraisal fund	-	20,789	20,789
Transfer to Police Equipment fund	(5,000)	(5,000)	-
Transfer from Public Safety fund	-	27,470	27,470
Transfer from Black River Senior Center Capital fund	-	6,172	6,172
Transfer from Community Center Capital fund	(5,000)	4,065	9,065
Transfer from Vault Preservation fund	-	10,000	10,000
Transfer to Municipal Transit fund	(30,000)	(30,000)	-
Transfer to Recreation Facilities fund	(15,000)	(15,000)	-
Transfer to Town Hall Renovations fund	(5,000)	(412)	4,588
Transfer to Highway Equipment fund	(30,000)	(30,000)	-
Transfer to Special Fire Equipment fund	(20,000)	(20,000)	-
Transfer to Ludlow Community Center fund	-	(5,000)	(5,000)
Transfers to Bike/Walk Path fund	-	(25,000)	(25,000)
Transfers from Cemetery Building and Capital Reserve funds	(7,250)	7,290	14,540

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

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Transfers to Deferred Compensation fund	-	(5,000)	(5,000)
Transfers to other miscellaneous funds	(21,500)	(59,485)	(37,985)
Grader loan proceeds	-	40,000	40,000
Total other financing sources (uses)	<u>(138,750)</u>	<u>(69,111)</u>	<u>83,084</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	15,907	<u>15,907</u>
FUND BALANCE - JULY 1, 2015		<u>400,024</u>	
FUND BALANCE - JUNE 30, 2016		\$ <u>415,931</u>	

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

**TOWN OF LUDLOW, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016**

	<u>Ambulance Fund</u>
ASSETS	
Due from general fund	\$ 636,501
Accounts receivable, net of allowance for doubtful accounts of \$44,000	163,185
Prepaid expenses	2,000
Capital assets:	
Vehicles	463,379
Equipment	90,518
Accumulated depreciation	<u>(365,319)</u>
TOTAL ASSETS	\$ <u><u>990,264</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	\$ <u>7,324</u>
LIABILITIES	
Accrued expenses	<u>26,624</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>406</u>
NET POSITION	
Invested in capital assets, net of related debt	188,578
Unrestricted	<u>781,980</u>
TOTAL NET POSITION	\$ <u><u>970,558</u></u>

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

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

	<u>Ambulance Fund</u>
OPERATING REVENUE	
Charges for services	\$ 360,550
Miscellaneous	441
Total operating revenue	<u>360,991</u>
 OPERATING EXPENSES	
Operating and maintenance	322,268
Depreciation expense	43,555
Total operating expenses	<u>365,823</u>
 INCOME (LOSS) FROM OPERATIONS	 <u>(4,832)</u>
 NON-OPERATING REVENUE	
Investment income	<u>1,255</u>
 CHANGE IN NET POSITION	 (3,577)
 NET POSITION - July 1, 2015	 <u>974,135</u>
 NET POSITION - June 30, 2016	 \$ <u><u>970,558</u></u>

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

TOWN OF LUDLOW, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended June 30, 2016

	<u>Ambulance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 357,108
Cash payments to suppliers for goods and services	(235,633)
Cash payments to employees for services and benefits	<u>(83,171)</u>
Net cash provided by (used in) operating activities	<u>38,304</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase in interfund loans receivable	<u>(39,559)</u>
Net cash provided by (used in) non-capital financing activities	<u>(39,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>1,255</u>
Net cash provided by (used in) investing activities	<u>1,255</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - July 1, 2015	<u>-</u>
CASH AND CASH EQUIVALENTS - June 30, 2016	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (4,832)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities	
Depreciation expense	43,555
(Increase) decrease in accounts receivable	(3,883)
(Increase) decrease in prepaid expenses	(875)
(Increase) decrease in deferred outflows - pension related	(7,220)
Increase (decrease) in accrued expenses	17,886
Increase (decrease) in deferred inflows - pension related	<u>(6,327)</u>
Net cash provided by (used in) operating activities	<u>\$ 38,304</u>

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

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

Note 1. Summary of Significant Accounting Policies

Town of Ludlow, Vermont, (the "Town") 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.

The Select Board of the Town 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 Town. 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, there are no entities that should be combined with the financial statements of the Town.

Basis of Presentation

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

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

Government-Wide and Fund Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the Town. These statements report financial information of the Town'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 Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

Note 1. Summary of Significant Accounting Policies (continued)

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 Town'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 Town's policy to use restricted assets first with unrestricted resources utilized as needed.

Fund Financial Statements: The fund financial statements provide information about the Town'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 Town reports on the following major governmental funds:

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

Trustees of Public Funds Fund – This fund is used to account for resources held in trust by the Town for the benefit of the citizenry.

Agan Fund – This fund is used to account for resources held in trust by the Town for the benefit of the citizenry.

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Bike/Walk Path Fund, Camp Quest, Zoning Fees Fund, Reappraisal Fund, Vault Preservation Fund, Ludlow Enterprise Fund, Drug Enforcement Fund, Anthony C. Marro Memorial for Ambulances 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.

Capital Projects Funds – These funds, consisting of the Stearns Pit Fund, Recreation Facilities Fund, and highway equipment fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds—This fund, is a non-major governmental fund, and used to account for and report financial resources that are restricted, committed, or assigned for payment of bond principal and interest.

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 Town reports on the following major enterprise funds:

Ambulance Fund – This fund is used to account for the operations of the Ambulance 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value. Fair values of investments are based on quoted market prices. For additional information regarding types of investments and basis of valuation, see Note 2 - Investments.

Receivables

Receivables in the government-wide financial statements represent amounts due to the Town 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 Town 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 Town within 60 days after year-end. Amounts estimated to be collected after the 60- day revenue recognition period are recorded as unavailable revenues.

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 Town'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 Town maintains infrastructure asset records consistent with all other capital assets. The Town 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

The Town 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 Town has no items which arise under the accrual basis of accounting that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has 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 statement of net position reports unavailable revenues from one source: prepaid property taxes. 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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 Town's operations. The budgets of the Town of Ludlow are formally acted upon at the annual Town meeting. All budget appropriations lapse at year end.

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.

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, Trustees of Public Funds, and the Agan Fund are shown as major governmental funds. All other governmental fund 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 Town'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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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 Town'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 and Investments

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 Town's deposits may not be returned to it. The table below reflects the custodial credit risk of the Town's Deposits.

Insured by FDIC	250,000
Insured by SPIC	14,571
Uninsured - collateralized	1,475,263
Total bank balances	\$ <u>1,739,834</u>

Investment Securities

The fair value of investments at June 30, 2016 are as follows:

Investment Security Type	Carrying and Fair Value
Fixed income	\$ 195,202
Equities – corporate stock	200,812
Mutual funds	220,906
Exchange-traded products	30,712
	\$ <u>647,632</u>

The Town categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town does not have any investments that are measured using Level 3 inputs.

Fair value measurements of the Town's investments are as follows at June 30, 2016:

1. Corporate stock securities: valued at \$200,812, based on quoted market prices (Level 1 inputs).
2. Mutual funds: valued at \$220,906, based on quoted market prices (Level 1 inputs).
3. Exchange-traded products: valued at \$30,712, based on quoted market prices (Level 1 inputs).
4. Corporate bonds: valued at \$195,202, based on a matrix pricing model (Level 2 inputs).

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

Note 2. Deposits and Investments (continued)

Interest Rate Risk – The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law with regard to cemeteries limits investments in domestic common or preferred stocks to no more than 35% of the portfolio. The rest may be invested in bonds of the United States or the State of Vermont, in bonds or notes issued in anticipation of taxes, loaned upon the first mortgage of real estate (limited to 60% of the value of the underlying real estate), or in the stock of a bank. The Town has no other investment policy that would limit its investments beyond any donor-imposed restrictions on certain endowment donations.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Presented below are the ratings of the corporate bonds held by the Town as of June 30, 2016, as provided by Standard & Poor’s and Moody’s Investor Services.

Issuer	Fair Value	Credit Rating
Barclays Bank PLC	\$ 51,344	A-
Berkshire Hathaway Inc.	26,402	AA
The Toronto-Dominion Bank	9,822	AA-
	\$ 87,568	

Investment income – the components of governmental funds investment income for fiscal year 2016 were as follows:

	General Fund	Trustees of Public Funds	Agan Fund	Non-major Funds	Total
Interest and dividends	\$ 3,204	\$ 10,542	\$ 7,158	\$ 1,553	\$ 22,457
Unrealized gains	-	(142)	(14,942)	-	(15,084)
Realized gains	-	-	7,528	-	7,528
	\$ 3,204	\$ 10,400	\$ (256)	\$ 1,553	\$ 14,901

Note 3. Inter-fund Transfers

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

	General Fund	Trustees of Public Funds	Agan Fund	Non- major Funds
From general fund	\$ (44,627)	\$ -	\$ -	\$ 44,627
From other Governmental funds	(64,484)	(10,000)	-	74,484
Totals	\$ (109,111)	\$ (10,000)	\$ -	\$ 119,111

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.

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

Note 3. Inter-fund Transfers (continued)

The general fund made transfers of \$44,627 to other governmental funds according to budgetary authorizations. Other governmental funds made transfers of \$64,484 to the general fund according to budgetary authorizations including a \$30,000 transfer from the Highway Fund for the purchase of a Backhoe/loader. The Agan fund made no transfers to the general fund during fiscal year ended June 30, 2016. The trustee of public funds transferred \$10,000 to the General Fund per the trust agreements.

Note 4. Due to/From Other Funds

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

		Due from Other Funds		Due to Other Funds
Governmental Funds	\$		\$	
General Fund		-		1,485,656
Non-major Funds		849,155		-
Proprietary Funds				
Ambulance Fund		636,501		-
Totals	\$	1,485,656	\$	1,485,656

Note 5. Capital Assets Activity

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 25,600	\$ -	\$ -	\$ 25,600
Total capital assets not being depreciated	25,600	-	-	25,600
Capital Assets being depreciated:				
Land improvements	136,431	-	-	136,431
Buildings and improvements	4,998,179	-	-	4,998,179
Roads and bridges	2,926,080	204,876	-	3,130,956
Vehicles and equipment	3,936,297	154,052	(96,187)	3,994,162
Total capital assets being depreciated	11,996,987	358,928	(96,187)	12,259,728
Accumulated depreciation				
Land improvements	(26,804)	(9,207)	-	(36,011)
Buildings and improvements	(1,630,257)	(105,569)	-	(1,735,826)
Roads and bridges	(1,007,217)	(146,914)	-	(1,154,131)
Vehicles and equipment	(1,907,813)	(297,435)	96,187	(2,109,061)
Total accumulated depreciation	(4,572,091)	(559,125)	96,187	(5,035,029)
Governmental Activities Capital Assets, Net	\$ 7,450,496	\$ (200,197)	\$ -	\$ 7,250,299

:

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

Note 5. Capital Assets Activity (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 81,146
Highways and streets	272,815
Public safety	115,791
Sanitation and recycling	11,257
Culture and recreation	29,696
Cemetery	11,207
Municipal transit	37,213
	<u>\$ 559,125</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets being depreciated				
Vehicles	463,379	-	-	463,379
Equipment	90,518	-	-	90,518
Totals	<u>553,897</u>	<u>-</u>	<u>-</u>	<u>553,897</u>
Accumulated depreciation:				
Vehicles	(269,116)	(33,283)	-	(302,399)
Equipment	(52,648)	(10,272)	-	(62,920)
Total accumulated depreciation	<u>(321,764)</u>	<u>(43,555)</u>	<u>-</u>	<u>(365,319)</u>
Business-Type Activities Capital Assets, Net	\$ <u>232,133</u>	\$ <u>(43,555)</u>	\$ <u> </u>	\$ <u>188,578</u>

Note 6. Long-Term Notes and Bonds Payable

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

Governmental Activities:

Bond payable, Vermont Municipal Bond Bank, for public safety building, annual payments of \$20,000, with semi-annual interest payments. Interest rate varies from 3.83% to 4.69%. Bond matures December 1, 2023.	\$ 160,000
Bond payable, Vermont Municipal Bond Bank, for the purchase of a fire truck, annual payments of \$15,000 plus interest. Interest rate varies from 1.0% to 2.6%. Bond matures December 1, 2020.	75,000
Bond payable, Vermont Municipal Bond Bank, for town hall renovations, annual payments of \$40,000 beginning 2007 through 2016, then annual payments of \$35,000 through 2026, with semi-annual interest payments. Interest rate varies from 3.835% to 4.665%. Bond matures December 1, 2026.	390,000
Bond payable, Vermont Municipal Bond Bank, for grader, annual payments of \$14,667, with semi-annual interest payments. Interest rate varies from 1.098% to 3.308%. Bond matures December 1, 2024.	131,998

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

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

Capital equipment note, People’s United Bank. Annual principal payments of \$18,000 plus interest at 1.75%. Note matures June 7, 2017.	18,000
Capital equipment note, People’s United Bank. Annual principal payments of \$10,800 plus interest at 1.75%. Note matures July 3, 2018.	32,400
Capital equipment note, People’s United Bank. Annual principal payments of \$10,000 plus interest at 1.75%. Note matures June 5, 2019.	30,000
Bond payable, Vermont Municipal Bond Bank, for fire truck and various infrastructure renovations, annual payments of \$32,133 beginning November 2014 through November 2028, plus semi-annual interest payments. Interest rate varies from .8% to 4.3%. Bond matures November 1, 2028.	417,734
Capital equipment note, People’s United Bank. Annual principal payments of \$19,000 plus interest at 2.5%. Note matures June 5, 2019.	57,000
Bond payable, Vermont Municipal Bond Bank, for community center renovations, annual payments of \$55,000 beginning December 2012 through December 2030, then one payment of \$10,000 in 2031, plus semi-annual interest payments. Interest rate varies from 1.3% to 4.6%. Bond matures 2031.	835,000
Note payable, Peoples United Bank, for Backhoe/loader, annual principal payments of \$8,000 beginning June 2017 through June 2021, plus annual interest payments made in conjunction with annual principal payments at a rate of 2.5% per annum.. Bond matures June 9, 2021.	<u>40,000</u>
Total Governmental Activities	<u>\$ 2,187,132</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 236,600	\$ 75,376
2018	225,600	62,851
2019	219,600	46,824
2020-2024	840,000	201,713
2025-2029	555,332	79,101
2030-2034	110,000	6,110
	<u>\$ 2,187,132</u>	<u>\$ 471,975</u>

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

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

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

	Total Liability July 1, 2015	Additions	Reductions	Total Liability June 30, 2016	Amounts due within one year
Governmental Activities					
Bonds payable	\$ 2,186,532	\$ -	\$ 176,800	\$ 2,009,732	\$ 156,800
Notes payable	217,200	40,000	79,800	177,400	59,800
Compensated absences	116,511	-	33,113	83,398	-
Net pension liability	53,370	378,503	-	431,873	-
Total governmental activities long-term liabilities	<u>\$ 2,573,613</u>	<u>\$ 418,503</u>	<u>\$ 289,713</u>	<u>\$ 2,702,403</u>	<u>\$ 236,600</u>

Note 7. Unearned Revenue and Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$10,147 of delinquent property taxes, penalties and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Note 8. Pension Plan

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS), and additions to/deductions from

VMERSs' fiduciary net position has been determined on the same basis as they are reported by VMERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

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

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

Note 8. Pension Plan (continued)

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

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

Summary of System Provisions

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

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

Note 8. Pension Plan (continued)

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

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

Note 8. Pension Plan (continued)

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

At June 30, 2016, the Town reported a government-wide liability of \$389,454 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.7469%, which was an increase of .0328% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$135,525.

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	\$ 14,198	\$ -
Change of assumptions	89,448	-
Net difference between projected and actual earnings on pension plan investments	86,773	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	(10,553)
Total	\$ 190,419	\$ (10,553)

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	\$ 34,475
2017	34,475
2018	34,475
2019	76,441
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:

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

Note 8. Pension Plan (continued)

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

Salary Increases: 5% per year.

Deaths:

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

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

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

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

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

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

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

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

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

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.

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

Note 8. Pension Plan (continued)

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, 2015 are summarized in the following table:

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

Discount rate

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

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

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

	1% Decrease (6.95%)	Current Discount Rate (7.95%)	1% Decrease (8.95%)
Town's proportionate share of the net pension liability	\$ 897,144	\$ 449,148	\$ 73,600

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

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

Note 9. Restricted and Assigned Fund Balances – Non Major Funds

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

	<u>Restricted</u>	<u>Assigned</u>
Bike/Walk Path Fund	\$ 25,457	\$
Zoning Fees Fund	3,302	
Reappraisal Fund	155,653	
Vault Preservation Fund	7,568	
Ludlow Enterprise Fund	3,553	
Drug Enforcement Fund	2,916	
Anthony C. Marro Memorial Fund for Ambulances	11,554	
Debt Service Fund	38,802	
Black River Senior Center Capital Fund	10,289	
Stearns Pit Fund	-	21,818
Recreation Facilities Fund	-	66,981
Highway Equipment Fund	-	127,673
Landfill Fund	-	23,710
Police Equipment Fund	-	2,048
Town Hall Renovations	-	45,124
Cemetery Capital Reserve	-	9,920
Cemetery Equipment Fund	-	25,705
Cemetery Building Fund	-	23,797
Community Center Capital Fund	-	12,533
Special Fire Equipment Fund	-	90,464
Municipal Transit Fund	-	125,223
	<u>\$ 259,094</u>	<u>\$ 574,996</u>

Note 10. Deficit Fund Balances

A fund deficit of \$26,813 exists in the Armory Building Fund as of June 30, 2016 resulting from the purchase and renovation of the Armory building. In addition, the Camp Quest fund had an \$11,666 deficit balance as of June 30, 2016 due to the timing of running this program. Both deficits are expected to be covered from revenues to be received in future years.

Note 11. Designated Net Position – Ambulance Fund

The unrestricted net position balance in the Ambulance fund as of June 30, 2016 includes \$78 that has been designated by the Select Board for ambulance equipment.

Note 12. Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Town taxes levied in July are payable in installments on August 15th, November 15th, February 15th, and May 15th, and become delinquent on May 16th. 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.

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

Note 12. Property Taxes (continued)

The tax rates for fiscal year 2016 were:

		Residential		Non-Residential
State Education Tax	\$	1.7347	\$	1.5333
Municipal Tax		.2917		.2917
Total	\$	2.0264	\$	1.8250

Note 13. Related Parties

The Town 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, 2016, the date that the financial statements were available to be issued.