

**VILLAGE OF LUDLOW, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2014**

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FOTHERGILL SEGALE & VALLEY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Ludlow, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ludlow, Vermont as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Ludlow, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Electric Light Department of the Village of Ludlow, Vermont as of June 30, 2014, or the changes in financial position or cash flows thereof for the year then ended.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Village of Ludlow as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Electric Light Department, and the aggregate remaining fund information of the Village of Ludlow, Vermont as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows and the budget comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

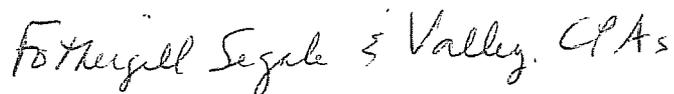
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully submitted,



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

February 11, 2015

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

As management of the Village of Ludlow (Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2014. This document has been prepared in accordance with Statement No. 34 of Governmental Accounting Standards Board (GASB 34).

Financial Highlights – Primary Government

. **Government-Wide Highlights:**

Net Position – The assets of the Village exceeded its liabilities at the close of the fiscal year by \$8,000,199. Of this amount, \$588,775 was reported as *unrestricted net position* and may be used to meet the government's ongoing obligations to citizens and creditors, and \$7,403,280 was invested in capital assets, net of related long-term debt. The remainder, \$8,144, is restricted for special revenue funds and capital projects.

Changes in Net Position – the Village's total net position decreased by \$4,109 in fiscal year 2014. Net position of governmental activities increased by \$37,946, while net position of the business-type activities decreased by \$42,055.

. **Fund Highlights:**

Government Funds – Governmental funds include general, special revenue, and capital projects. As of June 30, 2014, the Village's governmental funds reported a combined ending fund balance of \$4,666, an increase of \$47,056.

Water Fund – as of June 30, 2014, the Village's Water Fund reported total net position of \$2,441,894, a decrease of \$32,858. \$249,307 represents the *unrestricted balance* available for future expenses, and \$2,192,587 is the amount invested in capital assets, net of related debt.

Sewer Fund – as of June 30, 2014, the Village's Sewer Fund reported total net position of \$4,971,184, a decrease of \$9,197. The *unrestricted balance* is \$345,040, and \$4,626,144 is the amount invested in capital assets, net of related debt.

Overview of the Financial Statements

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

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

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(Continued)

The *statement of net position* presents information of the Village's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. This statement, unlike previous financial statements prior to implementing GASB 34, combines and consolidates the governmental funds' current financial resources with capital assets and long-term obligations.

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick or vacation leave).

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(Continued)

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

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

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

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

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

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

**Government-Wide Financial Analysis
Village of Ludlow, Vermont Net Position
June 30, 2014**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current assets net of internal balances	\$ 24,235	\$ (15,766)	\$ 1,080,556	\$ 1,205,592	\$ 1,104,791	\$ 1,189,826
Capital assets	604,549	624,232	9,722,747	9,826,364	10,327,296	10,450,596
Total assets	628,784	608,466	10,803,303	11,031,956	11,432,087	11,640,422
Current liabilities	10,881	18,979	449,727	544,951	460,608	563,930
Long-term liabilities	30,782	40,312	2,940,498	3,031,872	2,971,280	3,072,184
Total liabilities	41,663	59,291	3,390,225	3,576,823	3,431,888	3,636,114
Net position						
Invested in capital assets						
net of debt	584,549	594,232	6,818,731	6,756,212	7,403,280	7,350,444
Restricted	8,144	8,135	0	0	8,144	8,135
Unrestricted	(5,572)	(53,192)	594,347	698,921	588,775	645,729
Total net position	\$ 587,121	\$ 549,175	\$ 7,413,078	\$ 7,455,133	\$ 8,000,199	\$ 8,004,308

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(Continued)

**Village of Ludlow Changes in Net Position
Fiscal Year Ended June 30, 2014**

	Governmental Activities	Business-type Activities	Total Government	Governmental Activities	Business-type Activities	Total Government
	2014	2014	2014	2013	2013	2013
REVENUES						
General revenues:						
Property taxes	\$ 366,505	\$ 0	\$ 366,505	\$ 360,345	\$ 0	\$ 360,345
Other general revenues	14,319	15,609	29,928	6,524	16,824	23,348
Earnings on investments	10	533	543	9	582	591
Service hookups	0	61,909	61,909	0	72,089	72,089
Program revenues:						
Operating grants	39,727	17,597	57,324	39,696	20,281	59,977
Charges for services	39,974	847,921	887,895	35,421	849,384	884,805
Total revenues	<u>460,535</u>	<u>943,569</u>	<u>1,404,104</u>	<u>441,995</u>	<u>959,160</u>	<u>1,401,155</u>
PROGRAM EXPENSES						
Highways and streets	276,128	0	276,128	263,489	0	263,489
General government	146,832	0	146,832	144,794	0	144,794
Sanitation and recycling	33,291	0	33,291	32,717	0	32,717
Interest on long-term debt	1,338	0	1,338	1,858	0	1,858
Water	0	294,931	294,931	0	332,487	332,487
Sewer	0	655,693	655,693	0	643,953	643,953
Total program expenses	<u>457,589</u>	<u>950,624</u>	<u>1,408,213</u>	<u>442,858</u>	<u>976,440</u>	<u>1,419,298</u>
Transfers	<u>35,000</u>	<u>(35,000)</u>	<u>0</u>	<u>34,000</u>	<u>(34,000)</u>	<u>0</u>
Increase (decrease) in net position before special and extraordinary items	37,946	(42,055)	(4,109)	33,137	(51,280)	(18,143)
Special item - forgiveness of debt	0	0	0	0	154,000	154,000
Extraordinary item	0	0	0	(1,053)	0	(1,053)
Increase (decrease) in net position	<u>\$ 37,946</u>	<u>\$ (42,055)</u>	<u>\$ (4,109)</u>	<u>\$ 32,084</u>	<u>\$ 102,720</u>	<u>\$ 134,804</u>

Governmental Expenses. Total governmental activity expenses were \$457,589 in fiscal year 2014, compared to \$442,858 in the prior year, a 3.3% increase. The largest expenses were incurred for general government and highways and streets.

Governmental Revenues. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$79,701 in fiscal year 2014. Governmental program revenues come from *charges for services*, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues, and *operating and capital grants* which include operating-specific and discretionary (either operating or capital).

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(Continued)

General revenues are all other revenue not categorized as program revenues, and include all taxes, as well as unrestricted grants, contributions, and investment earnings. Total general revenues from governmental activities were \$380,834 in fiscal year 2014. Taxes and related revenue of \$366,505 comprised 96.2% of the Village's general revenues for fiscal year 2014 and increased by \$6,160 compared to the prior year.

Business-Type Activities. Net position for business-type (Water and Sewer) activities was \$7,413,078, a decrease of \$42,055 from the prior fiscal year. Total revenues for business-type (Water and Sewer) activities were \$943,569 compared to \$959,160 in the prior year. This decrease was mostly due to less service hookup revenue and less charges for services. Total expenses for the business-type activities were \$950,624 during fiscal year 2014 compared to \$976,440 in fiscal year 2013, a 2.6% decrease.

Financial Analysis of Individual Funds

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

Governmental Funds. The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balance of \$4,666. \$333 is restricted for capital projects, \$7,811 is restricted for special revenue funds and \$8,929 is nonspendable for prepaid expenses. The unassigned deficit is \$12,407.

Proprietary Funds. The Village's proprietary funds (Water and Sewer) provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the Village's net position decreased by \$42,055.

General Fund Budgetary Highlights

Exhibit G compares actual results for fiscal year 2014 to the approved budget for the General Fund. Revenues and other sources were more than expenditures and other uses by \$47,047 which was \$47,047 better than budget. The most significant favorable variance was the Highway and Streets which were \$31,529 less than budget. The cost of street maintenance was less than budget due to the delaying of a few projects.

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(Continued)

Capital Assets and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$10,327,296 net of accumulated depreciation of \$3,704,875. Investment in capital assets includes land, land improvements, buildings, infrastructure, machinery and equipment, lease improvements and software. Infrastructure assets are items that are normally immovable and of value only to the Village such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total added to the Village's investment in general capital assets for the current fiscal year was \$23,912, and the amount added to Water and Sewer assets was \$174,794.

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

General:

A. Village paving and sidewalks \$ 23,912

Water and Sewer:

A. Sewer equipment 9,984
B. Pleasant St. water line 164,810

Debt Administration

Long-Term Debt – At the end of the current fiscal year, the Village had \$2,924,016 in long-term debt outstanding compared to \$3,025,390 last year, a net decrease of \$101,374. During the year ended June 30, 2014, the following changes occurred in long-term debt.

	Total	Governmental Activities	Business-type Activities
Long-term debt at July 1, 2013	\$ 3,025,390	\$ 30,000	\$ 2,995,390
Bonds and note payments	(105,794)	(10,000)	(95,794)
Additions to bonds and notes	4,420	0	4,420
Long-term debt at June 30, 2014	2,924,016	20,000	2,904,016
Due within one year	(108,067)	(10,000)	(98,067)
Due after one year	\$ 2,815,949	\$ 10,000	\$ 2,805,949

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(Continued)

Economic Climate

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

The 2013/2014 ski season rebounded to more normal levels creating more winter business and seasonal employment opportunities in the area.

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

Requests for Information

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

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

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 512,081	\$ 207,076	\$ 719,157
Accounts receivable:			
Delinquent taxes/assessments receivable	10,283	330,428	340,711
Interest receivable	935	0	935
Penalties receivable	822	0	822
Other receivables	12,104	0	12,104
Prepaid expenses	8,929	3,300	12,229
Inventories	0	18,833	18,833
Internal balances	(520,919)	520,919	0
Capital assets:			
Not depreciable - Land	18,000	152,920	170,920
Depreciable (net of accumulated depreciation):			
Buildings and improvements	13,199	9,520,039	9,533,238
Vehicles	0	13,945	13,945
Equipment	0	35,843	35,843
Infrastructure	573,350	0	573,350
	628,784	10,803,303	11,432,087
LIABILITIES			
Accounts payable	8,914	17,746	26,660
Unearned revenue	0	427,383	427,383
Accrued salary and benefits	1,967	4,598	6,565
Bonds and notes payable due within one year	10,000	98,067	108,067
Accrued compensated absences due after one year	10,782	36,482	47,264
Bonds and notes payable due after one year	10,000	2,805,949	2,815,949
	41,663	3,390,225	3,431,888
NET POSITION			
Invested in capital assets, net of related debt	584,549	6,818,731	7,403,280
Restricted	8,144	0	8,144
Unrestricted	(5,572)	594,347	588,775
	\$ 587,121	\$ 7,413,078	\$ 8,000,199

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

EXHIBIT B

Functions/Programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Change in Net Position		
				Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Highways and streets	\$ 276,128	\$ 0	\$ 39,727	\$ (236,401)	\$ 0	\$ (236,401)
General government	146,832	39,974	0	(106,858)	0	(106,858)
Sanitation and recycling	33,291	0	0	(33,291)	0	(33,291)
Interest on long-term debt	1,338	0	0	(1,338)	0	(1,338)
Total governmental activities	<u>457,589</u>	<u>39,974</u>	<u>39,727</u>	<u>(377,888)</u>	<u>0</u>	<u>(377,888)</u>
Business-type activities						
Water	294,931	245,533	8,763	0	(40,635)	(40,635)
Sewer	655,693	602,388	8,834	0	(44,471)	(44,471)
Total business-type activities	<u>950,624</u>	<u>847,921</u>	<u>17,597</u>	<u>0</u>	<u>(85,106)</u>	<u>(85,106)</u>
Total government	<u>\$ 1,408,213</u>	<u>\$ 887,895</u>	<u>\$ 57,324</u>	<u>(377,888)</u>	<u>(85,106)</u>	<u>(462,994)</u>
General Revenues:						
Property taxes and related revenue				366,505	0	366,505
Service hookup revenue(refunds)				0	61,909	61,909
Earnings on investments				10	533	543
Miscellaneous				14,319	15,609	29,928
Transfers				35,000	(35,000)	0
Total general revenues and transfers				<u>415,834</u>	<u>43,051</u>	<u>458,885</u>
Change in net position				37,946	(42,055)	(4,109)
Net position - July 1, 2013				<u>549,175</u>	<u>7,455,133</u>	<u>8,004,308</u>
Net position - June 30, 2014				<u>\$ 587,121</u>	<u>\$ 7,413,078</u>	<u>\$ 8,000,199</u>

VILLAGE OF LUDLOW, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT C

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 512,081	\$ 0	\$ 512,081
Due from other funds	0	8,144	8,144
Accounts receivable:			
Delinquent taxes receivable	10,283	0	10,283
Interest receivable	935	0	935
Penalties receivable	822	0	822
Other receivables	12,104	0	12,104
Prepaid expenses	8,929	0	8,929
	<u>\$ 545,154</u>	<u>\$ 8,144</u>	<u>\$ 553,298</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 8,914	\$ 0	\$ 8,914
Due to other funds	529,063	0	529,063
Accrued salary and benefits	1,967	0	1,967
Total liabilities	<u>539,944</u>	<u>0</u>	<u>539,944</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	8,688	0	8,688
FUND BALANCES (DEFICIT)			
Nonspendable prepaid expenses	8,929	0	8,929
Restricted for capital projects	0	333	333
Restricted for special revenue funds	0	7,811	7,811
Unassigned	(12,407)	0	(12,407)
	<u>(3,478)</u>	<u>8,144</u>	<u>4,666</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 545,154</u>	<u>\$ 8,144</u>	<u>\$ 553,298</u>

VILLAGE OF LUDLOW, VERMONT
 RECONCILIATION OF THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

EXHIBIT D

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	4,666
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$812,454, and the accumulated depreciation is \$207,905.		604,549
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Unavailable revenue is recognized on the fund financial statements but is not recorded on the government wide financial statements. Unavailable revenue at year end consisted of delinquent property taxes of \$8,688 that were not collected within 60 days after year end.		8,688
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	20,000		
Accrued compensated absences	10,782		(30,782)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	587,121
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VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

EXHIBIT E

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes, interest and penalties	\$ 365,462	\$ 0	\$ 365,462
Licenses and permits	7,645	0	7,645
Intergovernmental	39,727	0	39,727
Investment income	1	9	10
Insurance reimbursement	32,329	0	32,329
Miscellaneous	14,319	0	14,319
Total revenues	459,483	9	459,492
EXPENDITURES			
Current			
General government	143,840	0	143,840
Highways and streets	235,055	0	235,055
Sanitation	33,291	0	33,291
Total current expenditures	412,186	0	412,186
Debt service			
Principal	10,000	0	10,000
Interest	1,338	0	1,338
Total debt service	11,338	0	11,338
Capital outlay	23,912	0	23,912
Total expenditures	447,436	0	447,436
EXCESS REVENUES (EXPENDITURES)	12,047	9	12,056
OTHER FINANCING SOURCES (USES)			
Transfers	35,000	0	35,000
NET CHANGE IN FUND BALANCES	47,047	9	47,056
FUND BALANCES (DEFICIT) - JULY 1, 2013	(50,525)	8,135	(42,390)
FUND BALANCES (DEFICIT) - JUNE 30, 2014	\$ (3,478)	\$ 8,144	\$ 4,666

RECONCILIATION OF THE STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

TOTAL NET CHANGE IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS	\$ 47,056
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$43,595 exceeds capital outlays of \$23,912.	(19,683)
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Repayment of bonds and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	10,000
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Property taxes are on an accrual basis in the statement of net position, not the modified accrual basis. Unavailable property taxes increased \$1,043.	1,043
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In the statement of activities, accrued compensated absences payable are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the compensated absences incurred exceeded the amount paid by \$470.	(470)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 37,946</u>
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VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes - general	\$ 300,409	\$ 300,569	\$ 160
Pilot program	1,500	53	(1,447)
3/5 Highway	36,500	36,500	0
Electric Department PILOT	26,000	26,105	105
Total taxes	<u>364,409</u>	<u>363,227</u>	<u>(1,182)</u>
Delinquent tax interest and penalties			
Delinquent interest	1,000	1,229	229
Delinquent penalties	1,000	1,006	6
Total delinquent tax interest and penalties	<u>2,000</u>	<u>2,235</u>	<u>235</u>
Interest and dividends			
	<u>500</u>	<u>1</u>	<u>(499)</u>
Licenses and permits			
Zoning fees and permits	1,500	2,900	1,400
Hearing fees and permits	3,600	4,500	900
Bianchi fees	250	245	(5)
Total licenses and permits	<u>5,350</u>	<u>7,645</u>	<u>2,295</u>
Intergovernmental			
State aid - highway	<u>40,000</u>	<u>39,727</u>	<u>(273)</u>
Miscellaneous			
Insurance refund	31,174	32,329	1,155
Miscellaneous	600	14,319	13,719
Total miscellaneous	<u>31,774</u>	<u>46,648</u>	<u>14,874</u>
Total revenues	<u>444,033</u>	<u>459,483</u>	<u>15,450</u>
EXPENDITURES			
Current Expenditures			
General government			
Administration			
Salaries			
Manager	27,970	28,005	(35)
Clerks	9,525	11,025	(1,500)
Officers	9,600	9,713	(113)
BCA salary	500	337	163
Benefits			
FICA	3,761	3,859	(98)
Insurance	8,988	7,414	1,574
Pension	2,077	2,152	(75)
Manager car allowance	1,384	1,374	10
Village Report/meeting	1,400	1,387	13
Equipment/supplies	3,000	3,458	(458)
Computer supplies	400	43	357
Dog officer	900	900	0
Copier	750	1,231	(481)
Audit	6,000	6,750	(750)

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Services	1,400	977	423
Beautification	3,000	166	2,834
Expense/mileage	200	0	200
Training/meetings	250	116	134
League of Cities and Towns (VLCT)	1,525	715	810
Ordinance enforcement	0	31	(31)
Total administration	<u>82,630</u>	<u>79,653</u>	<u>2,977</u>
Zoning and planning			
Salaries			
Director	7,731	7,652	79
Secretary	2,962	2,950	12
Benefits			
FICA	828	839	(11)
Insurance	5,710	5,144	566
Pension	549	554	(5)
Advertising	1,200	1,890	(690)
Legal	300	1,750	(1,450)
Equipment	200	508	(308)
Supplies	600	825	(225)
Computer maintenance	200	101	99
Telephone	400	264	136
Miscellaneous	0	112	(112)
Mileage	50	0	50
Total zoning and planning	<u>20,730</u>	<u>22,589</u>	<u>(1,859)</u>
Insurance and fidelity bond			
Unemployment	525	1,071	(546)
Workers' compensation	3,061	3,937	(876)
Ludlow electric	31,174	31,883	(709)
Vehicle liability	2,575	3,148	(573)
Public officials	487	1,559	(1,072)
EPL	898	0	898
Total insurance and fidelity bond	<u>38,720</u>	<u>41,598</u>	<u>(2,878)</u>
Total general government	<u>142,080</u>	<u>143,840</u>	<u>(1,760)</u>
Highways and street			
Streets			
Salaries			
Highway salaries	36,222	36,594	(372)
Overtime	5,000	8,410	(3,410)
Labor	2,000	2,212	(212)
Benefits			
FICA	3,306	3,394	(88)
Insurance	9,945	10,216	(271)
Pension	2,032	2,367	(335)
Street lights	28,000	29,666	(1,666)

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Equipment maintenance	22,000	22,010	(10)
Training/conference	300	89	211
Diesel	17,000	18,881	(1,881)
Gas/Oil	1,250	1,737	(487)
Rentals	700	481	219
Rental - trackless mower	5,200	5,200	0
Retreatment	0	0	0
Street construction	32,000	3,700	28,300
Sidewalks	15,000	65	14,935
Asphalt	700	841	(141)
Cold patch	450	306	144
Supplies	1,800	3,354	(1,554)
Uniforms	1,550	1,318	232
Culverts	850	169	681
Parking	4,800	4,800	0
Signs/lines/rails	1,500	4,266	(2,766)
Total streets	<u>191,605</u>	<u>160,076</u>	<u>31,529</u>
Garage			
Maintenance	1,500	2,027	(527)
Fuel	1,550	3,305	(1,755)
Utilities	2,500	2,972	(472)
Telephone/cell/pagers	600	372	228
Total garage	<u>6,150</u>	<u>8,676</u>	<u>(2,526)</u>
Summer roads			
Class 1-3 materials	13,000	0	13,000
Storm drains	2,500	1,731	769
Equipment	500	53	447
Total summer roads	<u>16,000</u>	<u>1,784</u>	<u>14,216</u>
Winter roads			
Winter sand	18,000	21,567	(3,567)
Winter salt	23,000	36,891	(13,891)
Supplies	2,800	4,655	(1,855)
Equipment	1,000	1,406	(406)
Total winter roads	<u>44,800</u>	<u>64,519</u>	<u>(19,719)</u>
Total highway and streets	<u>258,555</u>	<u>235,055</u>	<u>23,500</u>
Sanitation			
Solid waste contract	34,060	33,291	769
Debt service			
Principal	10,000	10,000	0
Interest	1,338	1,338	0
Total debt service	<u>11,338</u>	<u>11,338</u>	<u>0</u>
Capital outlay	33,000	23,912	9,088
Total expenditures	<u>479,033</u>	<u>447,436</u>	<u>31,597</u>

VILLAGE OF LUDLOW, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (DEFICIT) - BUDGET TO ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXCESS REVENUES (EXPENDITURES)	<u>(35,000)</u>	<u>12,047</u>	<u>47,047</u>
OTHER FINANCING SOURCES (USES)			
Transfers in from other funds	<u>35,000</u>	<u>35,000</u>	<u>0</u>
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>47,047</u>	<u>\$ 47,047</u>
FUND DEFICIT - JULY 1, 2013		<u>(50,525)</u>	
FUND DEFICIT - JUNE 30, 2014		<u>\$ (3,478)</u>	

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

EXHIBIT H

	Water	Sewer	Total
ASSETS			
Cash	\$ 0	\$ 207,076	\$ 207,076
Accounts receivable, net of allowance for doubtful accounts	99,205	231,223	330,428
Prepaid expenses	750	2,550	3,300
Inventories	15,315	3,518	18,833
Due from other funds	268,370	252,549	520,919
Capital assets:			
Not depreciable:			
Land	152,920	0	152,920
Depreciable:			
Buildings and improvements	5,198,125	7,740,161	12,938,286
Vehicles	0	70,708	70,708
Equipment	0	57,803	57,803
Accumulated depreciation	(947,424)	(2,549,546)	(3,496,970)
Total assets	4,787,261	6,016,042	10,803,303
 LIABILITIES			
Accounts payable	2,441	15,305	17,746
Unearned revenue	124,038	303,345	427,383
Bonds payable due within one year	80,615	17,452	98,067
Accrued salary and benefits	1,076	3,522	4,598
Accrued compensated absences due after one year	6,778	29,704	36,482
Bonds payable due after one year	2,130,419	675,530	2,805,949
Total liabilities	2,345,367	1,044,858	3,390,225
 NET POSITION			
Invested in capital assets, net of related debt	2,192,587	4,626,144	6,818,731
Unrestricted	249,307	345,040	594,347
Total net position	\$ 2,441,894	\$ 4,971,184	\$ 7,413,078

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

EXHIBIT I

	Water	Sewer	Totals
OPERATING REVENUES:			
Charges for services	\$ 245,533	\$ 602,388	\$ 847,921
Delinquent interest and penalties	4,885	7,514	12,399
Miscellaneous	2,612	598	3,210
Total operating revenues	253,030	610,500	863,530
OPERATING EXPENSES:			
Operations and maintenance	104,006	464,719	568,725
Administration	21,326	2,963	24,289
Depreciation expense	111,573	166,838	278,411
Total operating expenses	236,905	634,520	871,425
INCOME (LOSS) FROM OPERATIONS	16,125	(24,020)	(7,895)
NON-OPERATING REVENUES (EXPENSES)			
Investment income	280	253	533
Service hookup revenue	0	61,909	61,909
Build America Bond interest rebate	8,763	5,457	14,220
Andover Street interest reimbursement	0	3,377	3,377
Bond interest expense	(58,026)	(21,173)	(79,199)
Total non-operating revenues (expenses)	(48,983)	49,823	840
EXCESS REVENUES (EXPENDITURES)	(32,858)	25,803	(7,055)
OTHER FINANCING SOURCES (USES)			
Transfer (to) General Fund	0	(35,000)	(35,000)
CHANGE IN NET POSITION	(32,858)	(9,197)	(42,055)
NET POSITION - JULY 1, 2013	2,474,752	4,980,381	7,455,133
NET POSITION - JUNE 30, 2014	\$ 2,441,894	\$ 4,971,184	\$ 7,413,078

VILLAGE OF LUDLOW, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

EXHIBIT J

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM (TO) OPERATING ACTIVITIES			
Cash received from customers	\$ 245,142	\$ 584,006	\$ 829,148
Cash payments to suppliers for goods and services	(64,508)	(257,055)	(321,563)
Cash payments to employees and related costs	(72,754)	(232,604)	(305,358)
Receipt of flood grants	0	8,445	8,445
Net cash from operating activities	107,880	102,792	210,672
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES			
Transfer to General Fund	0	(35,000)	(35,000)
Interfund proceeds (repayments)	255,110	(90,818)	164,292
Net cash from (to) non-capital financing activities	255,110	(125,818)	129,292
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES			
Service hookup revenue	0	61,909	61,909
Interest paid on notes and bonds, net of rebate	(49,263)	(12,339)	(61,602)
Acquisition of capital assets	(164,810)	(9,984)	(174,794)
Payment of prior year construction payable	(74,762)	0	(74,762)
Loan proceeds	4,420	0	4,420
Payment of notes and bonds	(78,855)	(16,939)	(95,794)
Net cash from (to) capital and related financing activities	(363,270)	22,647	(340,623)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	280	253	533
Net cash from investing activities	280	253	533
NET DECREASE IN CASH AND CASH EQUIVALENTS	0	(126)	(126)
CASH AND CASH EQUIVALENTS - JULY 1, 2013	0	207,202	207,202
CASH AND CASH EQUIVALENTS - JUNE 30, 2014	\$ 0	\$ 207,076	\$ 207,076
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income (loss) from operations	\$ 16,125	\$ (24,020)	\$ (7,895)
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities:			
Depreciation	111,573	166,838	278,411
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(6,593)	(26,285)	(32,878)
Decrease in flood related receivables	0	8,445	8,445
Decrease (increase) in prepaid expenses	531	2,267	2,798
Increase (decrease) in deferred revenue	(1,295)	(209)	(1,504)
Increase (decrease) in accrued payroll	1,076	3,522	4,598
Increase (decrease) in accounts payable	(13,537)	(27,766)	(41,303)
Net cash from operating activities	\$ 107,880	\$ 102,792	\$ 210,672

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP), except for the omission by management of the Electric Light Department as part of the business-type activities. The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity

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

Electric Light Department

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

Basic Financial Statements – Government-Wide Statements

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Basic Financial Statements – Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following funds are used by the Village:

Governmental Funds

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

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

Proprietary Funds

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

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

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

Basis of Accounting

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

Accrual

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual

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

Cash and Cash Equivalents

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

Capital Assets

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

Buildings and improvements	50 - 100 years
Machinery and equipment	3 - 15 years
Infrastructure assets	10 -50 years

Unearned Revenue

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

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

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

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

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

Unavailable Revenue

Unavailable revenue consists of the following:

General Fund – Delinquent taxes and related receivables not collected within sixty (60) days after year end.

Deferred Inflows of Resources

In July of 2013, the Village implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reports a separate section for deferred inflows of resources in the Village's governmental funds. This separate financial statement element reflects an increase in net position that applies to a future period(s). The Village will recognize the related revenues when a future event occurs. The Village has one item which occurs because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Village's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable revenue (formerly deferred revenues) is reported on the governmental funds balance sheet. The Village did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Net Position*

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Fund Equity

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Interfund Activity

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

Use of Estimates

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

Budget Adoption

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 2 - DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. As of June 30, 2014, the government’s bank balance of \$731,435 was exposed to custodial credit risk as follows.

Uninsured but covered by the SIPC	\$ 207,076
Uninsured - Collateralized	<u>524,359</u>
Total bank balance	<u><u>\$ 731,435</u></u>

NOTE 3 - RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS

Receivables are shown net of any allowance for uncollectible accounts. The breakdown of the receivables and related allowances as of June 30, 2014 is as follows:

	<u>Total Receivables</u>	<u>Uncollectible Allowance</u>	<u>Net Receivables</u>
General Fund:			
Delinquent taxes, interest and penalties	\$ 12,040	\$ 0	\$ 12,040
Other receivables	<u>12,104</u>	<u>0</u>	<u>12,104</u>
Total General Fund	24,144	0	24,144
Sewer Fund - assessments	232,223	(1,000)	231,223
Water Fund - assessments	<u>100,205</u>	<u>(1,000)</u>	<u>99,205</u>
Total	<u><u>\$ 356,572</u></u>	<u><u>\$ (2,000)</u></u>	<u><u>\$ 354,572</u></u>

NOTE 4 - INTERFUND TRANSFERS AND DUE TO/FROM OTHER FUNDS

\$35,000 was transferred to the General Fund from the Sewer Fund to reimburse the General Fund for administrative costs.

The Village pools their cash resources. As of June 30, 2014, the interfund balances were:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 0	\$ 529,063
Nonmajor Funds	8,144	0
Water Fund	268,370	0
Sewer Fund	<u>252,549</u>	<u>0</u>
Total	<u><u>\$ 529,063</u></u>	<u><u>\$ 529,063</u></u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 5 – CAPITAL ASSETS

The summary of capital assets for governmental activities as of June 30, 2014 is as follows:

	June 30, 2013	Additions	Depreciation	June 30, 2014
Capital assets not depreciated				
Land	\$ 18,000	\$ 0	\$ 0	\$ 18,000
Total capital assets not being depreciated	<u>18,000</u>	<u>0</u>	<u>0</u>	<u>18,000</u>
Capital assets being depreciated				
Equipment	21,655	0	0	21,655
Infrastructure	748,887	23,912	0	772,799
Total capital assets being depreciated	<u>770,542</u>	<u>23,912</u>	<u>0</u>	<u>794,454</u>
Accumulated depreciation				
Equipment	(5,934)	0	(2,522)	(8,456)
Infrastructure	(158,376)	0	(41,073)	(199,449)
Total accumulated depreciation	<u>(164,310)</u>	<u>0</u>	<u>(43,595)</u>	<u>(207,905)</u>
Total capital assets, net	<u>\$ 624,232</u>	<u>\$ 23,912</u>	<u>\$ (43,595)</u>	<u>\$ 604,549</u>

Depreciation expense has been charged to highways and streets for \$41,073 and general government for \$2,522.

The summary of capital assets for business-type activities as of June 30, 2014 is as follows:

	June 30, 2013	Additions	Reclass- ification	Depreciation	June 30, 2014
Capital assets not depreciated					
Land	\$ 152,920	\$ 0	\$ 0	\$ 0	\$ 152,920
Construction in progress	78,737	0	(78,737)	0	0
Total capital assets not depreciated	<u>231,657</u>	<u>0</u>	<u>(78,737)</u>	<u>0</u>	<u>152,920</u>
Capital assets being depreciated					
Buildings and improvements	12,694,739	164,810	78,737	0	12,938,286
Equipment	47,819	9,984	0	0	57,803
Vehicles	70,708	0	0	0	70,708
Total capital assets being depreciated	<u>12,813,266</u>	<u>174,794</u>	<u>78,737</u>	<u>0</u>	<u>13,066,797</u>
Accumulated depreciation					
Buildings and improvements	(3,147,317)	0	0	(270,930)	(3,418,247)
Equipment	(17,577)	0	0	(4,383)	(21,960)
Vehicles	(53,665)	0	0	(3,098)	(56,763)
Total accumulated depreciation	<u>(3,218,559)</u>	<u>0</u>	<u>0</u>	<u>(278,411)</u>	<u>(3,496,970)</u>
Total capital assets, net	<u>\$ 9,826,364</u>	<u>\$ 174,794</u>	<u>\$ 0</u>	<u>\$ (278,411)</u>	<u>\$ 9,722,747</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2014 consisted of the following:

	<u>Total</u>	<u>Due within one year</u>
GOVERNMENTAL ACTIVITIES		
Bond payable, Vermont Municipal Bond Bank, annual principal payments \$10,000, with semi-annual interest payments. Interest varies from 4.344% and 5.414%. Note matures December 1, 2015.	\$ 20,000	<u>\$ 10,000</u>
Accrued compensated absences	<u>10,782</u>	
Total governmental activities long-term liabilities	<u>\$ 30,782</u>	
BUSINESS-TYPE ACTIVITIES		
Water Fund:		
Bond payable, Vermont Municipal Bond Bank water bond, interest rate varies from 2.80% to 5.18%, principal payable annually of \$10,000 due December 1 each year, bond matures December 1, 2021.	\$ 80,000	\$ 10,000
Bond payable, Vermont Municipal Bond Bank drinking water loan, interest rate of 1% and admin fee of 2%, \$47,454 payable annually starting May 1, 2013, and ending May 1, 2032.	652,663	27,874
Bond payable, USDA Rural Development water system, interest rate of 2.25%, with refund of 35% of interest each year, \$37,581 payable semi-annually starting June, 2011 and ending December, 2039.	1,451,572	42,741
Bond payable, Vermont Bond Bank, water supply improvements, interest free, principal payable annually of \$5,360 due December 1 each year starting December 2017 and ending December 2021	26,800	0
Sewer Fund:		
Bond payable, USDA Rural Development, Andover Street sewer project, interest rate of 3%, with refund of 35% of interest each year, \$19,056 payable semi-annually starting June, 2011 and ending December, 2040.	<u>692,981</u>	<u>17,452</u>
Subtotal	2,904,016	98,067
Accrued compensated absences	<u>36,482</u>	<u>0</u>
Total business-type activities long-term liabilities	<u>\$ 2,940,498</u>	<u>\$ 98,067</u>

Interest and administrative fees paid on long-term liabilities for the year ended June 30, 2014 was \$80,537. Refund of interest during fiscal year 2014 was \$17,597.

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Long-term liabilities will mature approximately as follows:

	Governmental Funds			Water and Sewer Fund			Interest
	Principal	Interest	Total	Principal	Interest/Admin	Total	Refund
2015	\$ 10,000	\$ 809	\$ 10,809	\$ 98,067	\$ 76,452	\$ 174,519	\$ 18,578
2016	10,000	271	10,271	100,399	73,633	174,032	18,055
2017	0	0	0	108,152	69,745	177,897	17,519
2018	0	0	0	110,611	67,785	178,396	16,969
2019	0	0	0	113,135	64,754	177,889	16,405
2020-2024	0	0	0	569,925	276,956	846,881	73,124
2025-2029	0	0	0	603,402	200,188	803,590	56,648
2030-2034	0	0	0	591,891	116,858	708,749	38,047
2035-2039	0	0	0	517,947	48,423	566,370	16,948
2040-2044	0	0	0	90,487	2,043	92,530	715
	<u>\$ 20,000</u>	<u>\$ 1,080</u>	<u>\$ 21,080</u>	<u>\$ 2,904,016</u>	<u>\$ 996,837</u>	<u>\$ 3,900,853</u>	<u>\$ 273,008</u>

During the year ended June 30, 2014, the following changes occurred in long-term liabilities.

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2013	\$ 3,072,184	\$ 40,312	\$ 3,031,872
Bond proceeds	4,420	0	4,420
Bonds and note payments	(105,794)	(10,000)	(95,794)
Change in accrued compensated absences	470	470	0
Long-term liabilities at June 30, 2014	2,971,280	30,782	2,940,498
Due within one year	(108,067)	(10,000)	(98,067)
Due after one year	<u>\$ 2,863,213</u>	<u>\$ 20,782</u>	<u>\$ 2,842,431</u>

NOTE 7 - PENSION PLAN

Defined Benefit Plan

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 7 - PENSION PLAN (Continued)

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

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

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. All employees of the Village are covered under either Group B or C. Employee contributions are 4.625% for Group B and 9.375% for Group C, and employer contributions are 5.125% for Group B and 6.625% for Group C members, respectively. Benefits are fully vested after five years of service. Vested employees may retire and receive reduced retirement benefits. The System also provides death and disability benefits.

Covered wages paid under Group B of the plan were \$243,201 out of total wages of \$322,500. Covered wages paid under Group C of the plan were \$64,194 out of total wages of \$322,500. Contributions by the Village were \$16,757 for fiscal year 2014, \$17,616 for fiscal year 2013 and \$16,087 for fiscal year 2012.

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

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

NOTE 8 – RESTRICTED FUND BALANCES AND NET POSITION

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

	Fund Balance <u>Restricted</u>	Net Position <u>Restricted</u>
Capital projects	\$ 333	\$ 333
Special revenue funds	7,811	7,811
Total	<u>\$ 8,144</u>	<u>\$ 8,144</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 9 - UNEARNED REVENUE – PROPRIETARY FUNDS

Unearned revenue of \$124,038 in the Water Fund and \$303,345 in the Sewer Fund represents assessments billed for fiscal year 2015.

NOTE 10 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of May 1. Village taxes levied in July are payable in installments on August 15, November 15, February 15, and May 15, and become delinquent on May 16. Property taxes are recognized as revenue in the period for which levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty days after year-end. The remaining receivables are reported as deferred revenues. The Village tax rate for fiscal year 2014 was \$ 0.2155.

NOTE 11 – RELATED PARTIES

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

NOTE 12 – NEGATIVE FUND BALANCE – GENERAL FUND

The negative fund balance of \$3,478 in the General Fund will be eliminated in future budgets in accordance with State statute.

NOTE 13 - RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 14 – COMMITMENT AND CONTINGENCIES

The Village participates in a number of federally-assisted and State grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2014, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2015. There are no subsequent events required to be disclosed.

VILLAGE OF LUDLOW, VERMONT
 BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

SCHEDULE 1

	Special Revenue Funds		Capital Project Fund	
	Act 200 Fund	Zoning Fee Fund	Equipment Fund	Totals
ASSETS				
Due from other funds	\$ 3,524	\$ 4,287	\$ 333	\$ 8,144
Total assets	\$ 3,524	\$ 4,287	\$ 333	\$ 8,144
 LIABILITIES AND FUND BALANCES				
Fund balances				
Restricted - capital project funds	\$ 0	\$ 0	\$ 333	\$ 333
Restricted - special revenue funds	3,524	4,287	0	7,811
Total liabilities and fund balances	\$ 3,524	\$ 4,287	\$ 333	\$ 8,144

VILLAGE OF LUDLOW, VERMONT
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

SCHEDULE 2

	Special Revenue Funds		Capital Project Fund	
	Act 200 Fund	Zoning Fee Fund	Equipment Fund	Totals
REVENUES				
Investment income	\$ 4	\$ 4	\$ 1	\$ 9
NET CHANGE IN FUND BALANCES	4	4	1	9
FUND BALANCES - July 1, 2013	3,520	4,283	332	8,135
FUND BALANCES - June 30, 2014	\$ 3,524	\$ 4,287	\$ 333	\$ 8,144

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Village of Ludlow, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ludlow, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

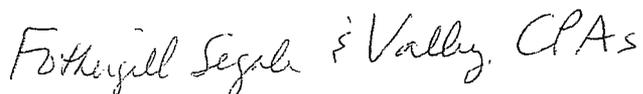
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



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

February 11, 2015