

VILLAGE OF LUDLOW, VERMONT

Financial Statements

June 30, 2018

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Independent Auditor's Report

To the Board of Trustees
Village 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 Village of Ludlow, Vermont as of and for the year ended June 30, 2018, 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 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 financial statements are free from 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.

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 Village of Ludlow, Vermont, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the Village of Ludlow, Vermont, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Village’s legal entity. These primary government financial statements do not include financial data for the Village’s legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Village’s primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Village of Ludlow, Vermont, as of June 30, 2018, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kittle, Branagan, Sargent have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the Village of Ludlow, Vermont, as of and for the year ended December 31, 2017, and their report thereon, dated May 30, 2018, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information, schedule of local government’s proportionate share of net pension liability, and schedule of the local government contributions on pages 3-10 and 40-45 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2018, on our consideration of the Village of Ludlow, Vermont’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 solely 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 the effectiveness of the Village of Ludlow, Vermont’s 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 of Ludlow, Vermont’s internal control over financial reporting and compliance.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
Middlebury, Vermont
December 2, 2018
License #092.0131564

VILLAGE OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2018

Within this section of the Village of Ludlow, Vermont's (the "Village") annual financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the year ended June 30, 2018. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the auditor's opinion letter, which precedes the management discussion and analysis.

Financial Highlights

Government-wide highlights

- *Net position* – The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources by \$8,218,736 (net position). Of this amount, \$1,055,212 (unrestricted net position) may be used by the various funds of the Village to meet the Village's ongoing obligations to citizens and creditors, and \$7,155,347 was invested in capital assets, net of related long-term debt. The remainder, \$8,177, is restricted for special purpose revenue funds and capital projects.
- *Change in net position* – The Village's total net position increased by \$158,177. Of this amount, net position attributable to governmental activities decreased by \$5,011. Net position attributable to business-type activities increased by \$163,188.

Fund highlights

- *Governmental funds* – Governmental funds include general, special revenue, and capital projects. As of June 30, 2018, the Village's governmental funds reported a combined ending fund balance of \$85,407, and increase of \$9,393.
- *Water Fund* – The Village's Water Fund reported a total net position of \$2,410,834 as of June 30, 2018, an increase of 23,549. \$252,914 represents the *unrestricted balance* available for future expenses, and \$2,157,920 is the amount invested in capital assets, net of related debt.
- *Sewer Fund* – The Village's Sewer Fund reported a total net position of \$5,202,851 as of June 30, 2018, an increase of \$139,639. \$755,560 represents the *unrestricted balance* available for future expenses, and \$4,447,291 is the amount invested in capital assets, net of related debt.

Overview of the Village's Financial Statements

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

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

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

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

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

The government-wide financial statements are presented on pages 11 through 12 of this report.

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

Government Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the governmental fund statements focus on the near-term inflows and outflows of resources available for spending. These statements illustrate short-term fiscal accountability in the use of such resources and the balances of such resources at the end of the fiscal year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of such resources for the near-term.

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

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

The basic governmental fund financial statements are presented on pages 13 and 15 of this report.

The Village has one major governmental fund. 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 balance for the Village.

Proprietary Funds are used by the Village to report functions of business-type activities in the government-wide statements. The Village maintains two proprietary funds that are enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for the Village's water and sewer departments.

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

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

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

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

Notes to Financial Statements. The notes provide additional information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

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

VILLAGE OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2018

Government-wide Financial Analysis

The Government's net position at fiscal year end is \$8,218,736. This represents a \$158,177 increase from last year's net position (as restated) of \$8,060,559. The following table provides a summary of the Village's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,122,770	\$ 1,111,753	\$ 1,545,762	\$ 1,495,385	\$ 2,668,532	\$ 2,607,138
Capital assets	550,136	560,641	9,097,754	9,019,950	9,647,890	9,580,591
Total assets	1,672,906	1,672,394	10,643,516	10,515,335	12,316,422	12,187,729
Deferred outflows of resources	22,468	23,309	40,443	41,956	62,911	65,265
Total assets and deferred outflows of resources	\$ 1,695,374	\$ 1,695,703	\$ 10,683,959	\$ 10,557,291	\$ 12,379,333	\$ 12,252,994
Current liabilities	\$ 1,033,521	\$ 1,060,501	\$ 603,858	\$ 464,016	\$ 1,637,379	\$ 1,524,517
Long-term liabilities	54,462	53,179	2,462,204	2,686,175	2,516,666	2,739,354
Total liabilities	1,087,983	1,136,680	3,066,062	3,150,191	4,154,045	4,263,871
Deferred inflows of resources	2,340	994	4,212	1,789	6,552	2,783
Net position						
Net investment in capital assets	550,136	560,641	6,605,211	6,416,932	7,155,347	6,977,573
Restricted	8,177	8,166	-	-	8,177	8,166
Unrestricted	46,738	12,222	1,008,474	988,379	1,055,212	1,000,601
Total net position	605,051	581,029	7,613,685	7,405,311	8,218,736	7,986,340
Total liabilities, deferred inflows & net position	\$ 1,695,374	\$ 1,695,703	\$ 10,683,959	\$ 10,557,291	\$ 12,379,333	\$ 12,252,994

The largest portion of the Village's net position, \$7,155,347, reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to the Village; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

In summary, (as indicated in the statement of net position on page 11) the restricted net position in the governmental activities totaled \$8,177. The net position has been principally earmarked for the capital project fund.

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The following table provides a summary of government-wide revenues, expenses, and net position for the year ended June 30, 2018:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 52,174	\$ 60,871	\$ 929,118	\$ 916,569	\$ 981,292	\$ 977,440
Operating grants	43,655	39,671	101,552	19,453	145,207	59,124
General revenues:						
Property taxes	361,268	349,892	-	-	361,268	349,892
Investment income	84	41	3,756	2,130	3,840	2,171
Miscellaneous	2,661	9,555	172,055	196,652	174,716	206,207
Total revenues	459,842	460,030	1,206,481	1,134,804	1,666,323	1,594,834
Program expenses:						
Governmental activities:						
General government	202,640	292,420	-	-	202,640	292,420
Highway and streets	299,213	185,590	-	-	299,213	185,590
Business-type activities						
Water utilities	-	-	326,465	306,321	326,465	306,321
Sewer utilities	-	-	679,828	681,715	679,828	681,715
Total expenses	501,853	478,010	1,006,296	988,036	1,508,146	1,466,046
Transfers	37,000	36,000	(37,000)	(36,000)	-	-
Change in net position	\$ (5,011)	\$ 18,020	\$ 163,188	\$ 110,768	\$ 158,177	\$ 128,788

Financial Analysis of the Village's Funds

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

Governmental Activities

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

The total program revenues from governmental activities were \$95,829 in fiscal year 2018 compared to \$100,542 in the prior year. The decrease is primarily the result of a decrease in charges for services. Governmental program revenues come from *charges for services*, which includes 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.

VILLAGE OF LUDLOW, VERMONT
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General Revenues. All other revenues not categorized as program revenues, include all taxes, as well as unrestricted grants, contributions and investment earnings. Total general revenues from governmental activities were \$364,013 in fiscal year 2018 compared to \$359,488 in the prior year. Taxes and related revenue of \$361,268 comprised approximately 99% of the Village's general revenues for fiscal year 2018.

Governmental Expenses. Total government activity expenses were \$501,853 in fiscal year 2018 compared to \$478,010 in fiscal year 2017, an increase of approximately 5%. The decrease is primary the result of a decrease in general government and highway and streets expenses. The largest expenses were incurred for general government and highway and streets.

Business-Type Activities

Net position for business-type activities (water and sewer department) was \$7,613,685 as of June 30, 2018, an increase of \$163,188 from the prior year. Total water and sewer revenues for the 2018 fiscal year were \$1,206,481, an increase of 6% compared to the prior fiscal year. Total water and sewer expenses for the 2018 fiscal year were \$1,006,293, an increase of approximately 2% compared to the prior year. The largest increases were for plant repairs and main replacements.

Financial Analysis of Individual Funds

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$85,407.

The fund balance of the General Fund as of June 30, 2018 was \$77,230, an increase of \$9,382 from the prior year.

General Fund Budgetary Highlights

The Budgetary Comparison Schedule – General Fund beginning on page 40 compares the actual results for fiscal year 2018 to the approved budget for the General Fund. Difference between budgeted amounts and actual amounts are briefly summarized below.

The most significant variances were as follows:

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue and Other Sources			
PILOT program	\$ 1,500	\$ 57	\$ (1,443)
Licenses and permits	6,250	7,728	1,478
Intergovernmental	40,000	43,655	3,655
Expenses and Other Uses			
Zoning and planning - legal	500	4,595	(4,095)
Highway and streets – equipment maintenance	26,000	45,077	(19,077)
Highway and streets – street construction	32,000	-	32,000

VILLAGE OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2018

Capital Assets and Debt Administration

Capital Assets

The Village's government activities investment in capital assets, net of accumulated depreciation and related short and long-term debt as of June 30, 2018, was \$550,136 which represents a decrease of \$10,505 as compared to the prior year. Investment in capital assets includes land, land improvements, machinery and equipment, buildings, and infrastructure. Infrastructure assets are items that are normally immovable and of value to the Village such as roads, bridges, streets, drainage systems, lighting systems and similar items. The additions, net of any trade-in allowances and disposals, amounted to \$42,310. Depreciation expense for the 2018 fiscal year totaled \$52,816. The net increase in capital assets was \$10,505.

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

- Paving
- The Mill and Legion sidewalk
- Main Street sidewalk

The Village's investment in capital assets for the water and sewer departments totaled \$6,605,211 as of June 30, 2018. Depreciation expense on buildings, vehicles, and equipment in service amounted to \$124,042 and \$180,673, respectively, for the water and sewer department for the 2018 fiscal year.

Capital assets addition to the water and sewer departments during the current fiscal year included the following:

- Site 1 Road (dam) emergency pump and controls
- Pleasant Street storm drain
- 2018 Chevy 2500 truck

Long-Term Debt

At the end of the year, the Village's water and sewer departments had total debt outstanding of \$2,492,543. These amounts owed are backed by the full faith and credit of the Village with voter approved property taxes and user fees used to pay the obligations. These proceeds are being used to fund the addition and alterations of the capital assets.

Economic Climate

The general economic climate in the Village of Ludlow mirrors the rest of Southern Vermont. Affordable housing and full time employment opportunities continue to stress the region.

The 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 Village Grand List is taxed to support other school districts in the State.

VILLAGE OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2018

Requests for Information

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

Village of Ludlow
PO Box 359
Ludlow, VT 05149

VILLAGE OF LUDLOW, VERMONT
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,082,571	\$ 214,422	\$ 1,296,993
Accounts receivable, net	-	286,328	286,328
Delinquent taxes receivable	5,876	-	5,876
Interest and penalties receivable	850	-	850
Inventories	-	70,000	70,000
Prepaid expenses	33,473	10,358	43,831
Due from other funds	-	964,654	964,654
Total current assets	<u>1,122,770</u>	<u>1,545,762</u>	<u>2,668,532</u>
Noncurrent assets:			
Land, building, and equipment (net)	550,136	9,097,754	9,647,890
	<u>550,136</u>	<u>9,097,754</u>	<u>9,647,890</u>
Total assets	<u>1,672,906</u>	<u>10,643,516</u>	<u>12,316,422</u>
Deferred outflows of resources			
Pensions	<u>22,468</u>	<u>40,443</u>	<u>62,911</u>
Total assets and deferred outflows of resources	<u>\$ 1,695,374</u>	<u>\$ 10,683,959</u>	<u>\$ 12,379,333</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 40,015	\$ 2,976	\$ 42,991
Unearned revenue	26,105	483,323	509,428
Due to Town	2,747	4,435	7,182
Due to other funds	964,654	-	964,654
Bonds and notes payable, current	-	113,124	113,124
Total current liabilities	<u>1,033,521</u>	<u>603,858</u>	<u>1,637,379</u>
Long term liabilities:			
Bonds payable, less current portion	-	2,379,419	2,379,419
Compensated absences	12,619	7,467	20,086
Net pension liability	41,843	75,318	117,161
Total long term liabilities	<u>54,462</u>	<u>2,462,204</u>	<u>2,516,666</u>
Total liabilities	<u>1,087,983</u>	<u>3,066,062</u>	<u>4,154,045</u>
Deferred inflows of resources			
Pensions	<u>2,340</u>	<u>4,212</u>	<u>6,552</u>
Net Position			
Net investment in capital assets	550,136	6,605,211	7,155,347
Restricted	8,177	-	8,177
Unrestricted	46,738	1,008,474	1,055,212
Total net position	<u>605,051</u>	<u>7,613,685</u>	<u>8,218,736</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,695,374</u>	<u>\$ 10,683,959</u>	<u>\$ 12,379,333</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Statement of Activities
Year Ended June 30, 2018

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government						
Governmental activities						
General government	\$ 202,640	\$ 7,728	\$ -	\$ (194,912)	\$ -	\$ (194,912)
Highways and streets	299,213	44,446	43,655	(211,112)	-	(211,112)
Total governmental activities	<u>501,853</u>	<u>52,174</u>	<u>43,655</u>	<u>(406,024)</u>	<u>-</u>	<u>(406,024)</u>
Business-type activities						
Water	326,465	302,969	39,630	-	16,134	16,134
Sewer	679,828	626,149	61,922	-	8,243	8,243
Total business-type activities	<u>1,006,293</u>	<u>929,118</u>	<u>101,552</u>	<u>-</u>	<u>24,377</u>	<u>24,377</u>
Total primary-government	<u>\$ 1,508,146</u>	<u>\$ 981,292</u>	<u>\$ 145,207</u>	<u>(406,024)</u>	<u>24,377</u>	<u>(381,647)</u>
General revenues						
Real property taxes				361,268	-	361,268
Service hookup revenue				-	161,601	161,601
Investment earnings				84	3,756	3,840
Miscellaneous				2,661	10,454	13,115
Transfers				37,000	(37,000)	-
Total general revenues and transfers				<u>401,013</u>	<u>138,811</u>	<u>539,824</u>
Change in net position				<u>(5,011)</u>	<u>163,188</u>	<u>158,177</u>
Net position - beginning of year, as previously reported						
Prior period adjustment				581,029	7,405,311	7,986,340
				29,033	45,186	74,219
Net position - beginning of year, restated				<u>610,062</u>	<u>7,450,497</u>	<u>8,060,559</u>
Net position - end of year				<u>\$ 605,051</u>	<u>\$ 7,613,685</u>	<u>\$ 8,218,736</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Balance Sheet - Governmental Funds
June 30, 2018

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,082,571	\$ -	\$ 1,082,571
Delinquent taxes receivable	5,876	-	5,876
Interest and penalties receivable	850	-	850
Prepaid expenses	33,473	-	33,473
Due from other funds	-	8,177	8,177
	<u>-</u>	<u>8,177</u>	<u>8,177</u>
Total assets	\$ 1,122,770	\$ 8,177	\$ 1,130,947
	<u><u>1,122,770</u></u>	<u><u>8,177</u></u>	<u><u>1,130,947</u></u>
Liabilities			
Accounts payable	\$ 40,015	\$ -	\$ 40,015
Due to Town	2,747	-	2,747
Due to other funds	972,831	-	972,831
Unearned revenue	26,105	-	26,105
Total liabilities	<u>1,041,698</u>	<u>-</u>	<u>1,041,698</u>
	<u>1,041,698</u>	<u>-</u>	<u>1,041,698</u>
Deferred inflows of resources			
Unavailable revenues	<u>3,842</u>	<u>-</u>	<u>3,842</u>
	<u>3,842</u>	<u>-</u>	<u>3,842</u>
Fund balance			
Nonspendable	33,473	-	33,473
Restricted	-	8,150	8,150
Unassigned	<u>43,757</u>	<u>27</u>	<u>43,784</u>
	<u>43,757</u>	<u>27</u>	<u>43,784</u>
Total fund balance	<u>77,230</u>	<u>8,177</u>	<u>85,407</u>
	<u>77,230</u>	<u>8,177</u>	<u>85,407</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,122,770	\$ 8,177	\$ 1,130,947
	<u><u>1,122,770</u></u>	<u><u>8,177</u></u>	<u><u>1,130,947</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2018

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 1,082,571	\$ -	\$ -	\$ 1,082,571
Delinquent taxes receivable	5,876	-	-	5,876
Interest and penalties receivable	850	-	-	850
Prepaid expenses	33,473	-	-	33,473
Due from other funds	8,177	-	(8,177)	-
Capital assets, net of accumulated depreciation	-	550,136	-	550,136
Total assets	1,130,947	550,136	(8,177)	1,672,906
Deferred outflows of resources				
Pensions	-	22,468	-	22,468
Total assets and deferred outflows of resources	\$ 1,130,947	\$ 572,604	\$ (8,177)	\$ 1,695,374
Liabilities				
Accounts payable	\$ 40,015	\$ -	\$ -	\$ 40,015
Due to Town	2,747	-	-	2,747
Due to other funds	972,831	-	(8,177)	964,654
Unearned revenue	26,105	-	-	26,105
Compensated absences	-	12,619	-	12,619
Net pension liability	-	41,843	-	41,843
Total liabilities	1,041,698	54,462	(8,177)	1,087,983
Deferred inflows of resources				
Unavailable revenues	3,842	(3,842)	-	-
Pensions	-	2,340	-	2,340
Total deferred inflows or resources	3,842	(1,502)	-	2,340
Fund balance/net position				
Total fund balance/net position	85,407	519,644	-	605,051
Total liabilities, deferred inflows of resources, and fund balance/net position	\$ 1,130,947	\$ 572,604	\$ (8,177)	\$ 1,695,374

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2018

	General	Non-major Funds	Total Governmental Funds
Revenues			
Taxes, interest, and penalties	\$ 361,642	\$ -	\$ 361,642
Licenses, permits, and fees	7,728	-	7,728
Intergovernmental	43,655	-	43,655
Investment income	73	11	84
Insurance reimbursement	44,446	-	44,446
Miscellaneous	2,661	-	2,661
Total revenues	460,205	11	460,216
Expenditures			
General government	196,475	-	196,475
Highways and streets	263,974	-	263,974
Capital outlay	27,374	-	27,374
Total expenditures	487,823	-	487,823
Excess of revenues over expenditures	(27,618)	11	(27,607)
Other financing source (uses)			
Transfers in (out)	37,000	-	37,000
Total other financing sources (uses)	37,000	-	37,000
Change in fund balance	9,382	11	9,393
Fund balance - beginning of year, as previously stated	38,815	8,166	46,981
Prior period adjustment	29,033	-	29,033
Fund balance - beginning of year, restated	67,848	8,166	76,014
Fund balance - end of year	\$ 77,230	\$ 8,177	\$ 85,407

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Year Ended June 30, 2018

	<u>Total Governmental Funds</u>	<u>Long-term Revenues, Expenses</u>	<u>Capital Related Funds</u>	<u>Long-term Debt Transactions</u>	<u>Statement of Activities Totals</u>
Revenues					
Taxes, interest, and penalties	\$ 361,642	\$ (374)	\$ -	\$ -	\$ 361,268
Licenses, permits, and fees	7,728	-	-	-	7,728
Intergovernmental	43,655	-	-	-	43,655
Investment income	84	-	-	-	84
Insurance reimbursement	44,446	-	-	-	44,446
Miscellaneous	2,661	-	-	-	2,661
<i>Total revenues</i>	<u>460,216</u>	<u>(374)</u>	<u>-</u>	<u>-</u>	<u>459,842</u>
Expenditures/Expenses					
General government	196,475	6,165	-	-	202,640
Highways and streets	263,974	50,175	(14,936)	-	299,213
Capital outlay	27,374	-	(27,374)	-	-
<i>Total expenditures/expenses</i>	<u>487,823</u>	<u>56,340</u>	<u>(42,310)</u>	<u>-</u>	<u>501,853</u>
Excess (deficiency) of revenues over expenditures	<u>(27,607)</u>	<u>(56,714)</u>	<u>42,310</u>	<u>-</u>	<u>(42,011)</u>
Other sources and (uses)					
Transfers in (out)	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,000</u>
Total other sources (uses)	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,000</u>
Net change for the year	<u>\$ 9,393</u>	<u>\$ (56,714)</u>	<u>\$ 42,310</u>	<u>\$ -</u>	<u>\$ (5,011)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Statements of Net Position
Proprietary Funds
June 30, 2018

Assets	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ -	\$ 214,422	\$ 214,422
Accounts receivable, net	105,938	180,390	286,328
Prepaid expenses	2,109	8,249	10,358
Inventories	50,000	20,000	70,000
Due from other funds	<u>270,777</u>	<u>693,877</u>	<u>964,654</u>
Total current assets	428,824	1,116,938	1,545,762
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>4,030,380</u>	<u>5,067,374</u>	<u>9,097,754</u>
Total assets	4,459,204	6,184,312	10,643,516
Deferred outflows of resources			
Pensions	<u>13,481</u>	<u>26,962</u>	<u>40,443</u>
Total assets and deferred outflows of resources	\$ <u>4,472,685</u>	\$ <u>6,211,274</u>	\$ <u>10,683,959</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 556	\$ 2,420	\$ 2,976
Due to Town	1,601	2,834	4,435
Unearned revenue	158,461	324,862	483,323
Bonds payable, current portion	<u>93,468</u>	<u>19,656</u>	<u>113,124</u>
Total current liabilities	254,086	349,772	603,858
Noncurrent liabilities			
Bond payable, less current portion	1,778,992	600,427	2,379,419
Compensated absences	2,263	5,204	7,467
Net pension liability	<u>25,106</u>	<u>50,212</u>	<u>75,318</u>
Total noncurrent liabilities	1,806,361	655,843	2,462,204
Total liabilities	<u>2,060,447</u>	<u>1,005,615</u>	<u>3,066,062</u>
Deferred inflows of resources			
Pensions	<u>1,404</u>	<u>2,808</u>	<u>4,212</u>
Net position			
Invested in capital assets	2,157,920	4,447,291	6,605,211
Unrestricted	<u>252,914</u>	<u>755,560</u>	<u>1,008,474</u>
Total net position	<u>2,410,834</u>	<u>5,202,851</u>	<u>7,613,685</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>4,472,685</u>	\$ <u>6,211,274</u>	\$ <u>10,683,959</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2018

	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 302,969	\$ 626,149	\$ 929,118
Delinquent interest and penalties	3,149	6,579	9,728
Intergovernmental	30,000	55,700	85,700
Miscellaneous	720	6	726
Total operating revenue	336,838	688,434	1,025,272
Operating expenses			
Operations and maintenance	127,129	476,509	603,638
Administration	29,616	3,488	33,104
Depreciation expense	124,042	180,673	304,715
Total operating expenses	280,787	660,670	941,457
Income from operations	56,051	27,764	83,815
Nonoperating revenues (expenses)			
Investment income	46	3,710	3,756
Service hook up revenue	3,500	158,101	161,601
Build America Bond interest rebate	9,630	-	9,630
Andover interest reimbursement	-	6,222	6,222
Bond interest expense	(45,678)	(19,158)	(64,836)
Total nonoperating revenues (expenses)	(32,502)	148,875	116,373
Net income before transfers	23,549	176,639	200,188
Other financing sources (uses)			
Transfer to general fund	-	(37,000)	(37,000)
Change in net position	23,549	139,639	163,188
Net position - beginning of year, as previously stated	2,362,106	5,043,205	7,405,311
Prior period adjustment	25,179	20,007	45,186
Net position - beginning of year, restated	2,387,285	5,063,212	7,450,497
Net position - end of year	\$ 2,410,834	\$ 5,202,851	\$ 7,613,685

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT
Statements of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Water	Sewer	Total
Cash flows from (to) operating activities:			
Cash received from customers	\$ 332,892	\$ 673,872	\$ 1,006,764
Cash payments to suppliers for goods and services	(116,193)	(311,350)	(427,543)
Cash payments to employees for services and benefits	(49,626)	(168,221)	(217,847)
Net cash provided by operating activities	167,073	194,301	361,374
Cash flows from (to) noncapital financing activities:			
Transfer to general fund	-	(37,000)	(37,000)
Interfund proceeds (repayments)	(29,769)	85,111	55,342
Net cash provided by (used in) noncapital financing activities	(29,769)	48,111	18,342
Cash flows from (to) capital and related financing activities			
Service hook up revenue	3,500	158,101	161,601
Interest paid on notes and bonds, net of rebate	(36,048)	(12,936)	(48,984)
Acquisition of capital assets	(13,281)	(373,887)	(387,168)
Loss on disposal of capital assets	-	4,648	4,648
Principal payments on notes and bonds	(91,521)	(18,954)	(110,475)
Net cash provided by (used in) capital and financing activities	(137,350)	(243,028)	(380,378)
Cash flows from investing activities:			
Investment income	46	3,710	3,756
Net cash provided by investing activities	46	3,710	3,756
Net increase in cash and cash equivalents	-	3,094	3,094
Cash and cash equivalents - beginning of year	-	211,328	211,328
Cash and cash equivalents - end of year	\$ -	\$ 214,422	\$ 214,422
Reconciliation of operating income to net cash provided by:			
(Used for) operating activities:			
Operating income (loss)	\$ 56,051	\$ 27,764	\$ 83,815
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:			
Depreciation	124,042	180,673	304,715
(Increase) decrease in accounts receivable	(12,001)	(31,786)	(43,787)
(Increase) decrease in prepaid expenses	982	2,423	3,405
(Increase) decrease in inventories	(11,562)	(5,494)	(17,056)
Increase (decrease) in accounts payable	517	922	1,439
Increase (decrease) in unearned revenue	8,055	17,224	25,279
Increase (decrease) in other liabilities	989	2,575	3,564
Net cash provided by operating activities	\$ 167,073	\$ 194,301	\$ 361,374

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

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 to Village residents as authorized by the charter.

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

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

a) Reporting Entity

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

b) Basis of Presentation

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

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

Government-Wide and Fund Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the Village. These statements report financial information of the Village's non-fiduciary activities as a whole.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

Individual funds are not displayed but the statements distinguish government activities, generally supported by taxes, state aid, grants, and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

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

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

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

The Village reports on the following major governmental funds:

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

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

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

Sewer Fund – This fund is used to account for the operations of the sewer (wastewater) department.

Water Fund – This fund is used to account for the operations of the water department.

c) 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 net investment in capital assets; 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, current deferred outflows of resources, current liabilities, and current deferred inflows of resources 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 present a summary of sources and uses of available spendable resources during a period.

d) Basis of Accounting

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

d) Basis of Accounting (continued)

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

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

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

e) 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 report amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Receivables

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

g) 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 Fund." 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.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

h) Capital Assets

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

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

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

i) Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources," represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Village has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide and proprietary statements of net position. This represents the effect of the net change in the Village's proportion of the collective net pension liability and the difference during the measurement period between the Village's contributions and its proportionate share of the total contributions to the pension system not included in pension expense. The second item is the Village's contribution to the pension system (VMERS) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows resources," represents and acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one type of transaction which arises under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

i) **Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

The Village reports unavailable revenues on its governmental funds balance sheets. Unavailable revenues consist of property taxes which are deferred and recognized as an inflow of resources in the period that the amounts become available.

The statement of net position report has one item that qualifies for reporting under this category. It is related to pensions. This represents the effect of the net change in the Village's proportion of the collective net pension liability (VMERS) and differences during the measurement periods between the Village's contributions and its proportion share of total contributions to the pension system not included in the pension expense.

j) **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 in these funds are recorded as expenditures in the year they are paid.

k) **Long-Term Liabilities**

Long-term liabilities include bonds and notes payable and other obligations such as compensated absences and net pension liability. 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.

l) **Budgetary Accounting**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the Village's operations. The Village's department heads and Village manager submit an annual budget to the Village's Trustees to 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.

m) **Fund Balances**

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

m) Fund Balances (continued)

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

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

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

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

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

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

Note 2. Explanation of Certain Differences between Fund Statements and Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

a) Total fund balance of governmental funds vs. net position of governmental activities:

Total fund balance of the Village's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting on capital assets and long-term liabilities, including pensions.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 2. Explanation of Certain Differences between Fund Statements and Government-wide Statements (continued)

Explanation of difference between Governmental Fund Balance and Government-wide Net Position

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	85,407
Assets		
Long-term:		
Capital assets net of related depreciation		550,136
Deferred outflows of resources:		
Pensions		22,468
Long-term:		
Compensated absences		(12,619)
Net pension liability – proportionate share		(41,843)
Deferred inflows of resources:		
Unavailable revenue - taxes		3,842
Pensions		<u>(2,340)</u>
Ending net position reported in Statement of Position for governmental activities	\$	<u>605,051</u>

b) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 2. Explanation of Certain Differences between Fund Statements and Government-wide Statements (continued)

iii) Pension differences:

Pension differences occur as a result of changes in the Village's proportion of the collective net pension asset/liability and difference between the Village's contributions and its proportionate share of the total contributions to the pension system.

Explanation of Differences Between Governmental Funds Operating Statements and the Government Wide Statement of Activities

Total revenues and other funding sources of governmental funds	\$	460,216
<p>Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents a decrease in unearned property taxes.</p>		
		<u>(374)</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>459,842</u>
Total expenditures reported in governmental funds		487,823
<p>In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amount earned 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). Compensated absences earned were more than the amount used during the year.</p>		
		5,616
<p>When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for capital outlay		(42,310)
Current year depreciation		52,816
<p>Governmental funds report Village pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
		<u>(2,092)</u>
Total expenses of governmental activities in the Statement of Activities	\$	<u>501,853</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 3. 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 Village’s deposits may not be returned to it. The table below reflects the custodial credit risk of the Village’s Deposits.

Insured by FDIC	\$	250,000
Insured by SIPC		214,422
Uninsured – collateralized		858,746
Total bank balances	\$	<u>1,323,168</u>

Note 4. Inter-fund Transfers

Interfund-transfers for the year ended June 30, 2018 were as follows:

Funds	Interfund	
	Revenues	Expenses
General Fund	\$ 37,000	\$ -
Non-major Funds	-	-
Water Fund	-	-
Sewer Fund	-	(37,000)
Totals	<u>\$ 37,000</u>	<u>\$ (37,000)</u>

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 authorization. The sewer fund made transfer of \$37,000 to the general fund according to budgetary authorization for reimbursement of administrative costs.

Note 5. Due to/from

The Village has combined some of the cash resources of its governmental and proprietary funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as inter-fund balance. Interfund balances at June 30, 2018 were as follows:

Fund	Interfund	
	Receivable	Payable
Governmental Funds		
General Fund	\$ -	\$ 972,831
Non-major Funds	8,177	-
Proprietary Funds		
Water Fund	270,777	-
Sewer Fund	693,877	-
Total	<u>\$ 972,831</u>	<u>\$ 972,831</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 6. Capital Assets

Governmental activities capital assets for the year ended June 30, 2018 was as follows:

	6/30/17 Balance	Additions	Retirements Reclassify	6/30/18 Balance
Capital assets that are not depreciated:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Capital assets that are depreciated:				
Equipment	32,157	4,336	-	36,493
Infrastructure	866,085	37,974	-	904,059
Total	<u>898,242</u>	<u>42,310</u>	<u>-</u>	<u>940,552</u>
Less accumulated depreciation:				
Equipment	(18,723)	(3,895)	-	(22,618)
Infrastructure	(336,877)	(48,921)	-	(385,798)
Total	<u>(355,600)</u>	<u>(52,816)</u>	<u>-</u>	<u>(408,416)</u>
Governmental activities capital assets, net	<u>\$ 560,642</u>	<u>\$ (10,506)</u>	<u>\$ -</u>	<u>\$ 550,136</u>

Depreciation expense was charged as follows:

General government	\$ 2,641
Highway and streets	50,175
	<u>\$ 52,816</u>

Proprietary funds capital assets activities for the year ended June 30, 2018 was as follows:

	6/30/17 Balance	Additions	Retirements Reclassify	6/30/18 Balance
Capital assets that are not depreciated:				
Land	\$ 152,920	\$ -	\$ -	\$ 152,920
Total	<u>152,920</u>	<u>-</u>	<u>-</u>	<u>152,920</u>
Capital assets that are depreciated:				
Buildings and improvements	13,050,404	313,290	-	13,363,694
Vehicles	77,867	32,682	(30,983)	79,566
Equipment	82,676	41,195	-	123,871
Total	<u>13,210,947</u>	<u>387,167</u>	<u>(30,983)</u>	<u>13,567,131</u>
Less accumulated depreciation:				
Buildings and improvements	(4,242,512)	(289,949)	-	(4,532,461)
Vehicles	(53,991)	(8,762)	26,336	(36,417)
Equipment	(47,415)	(6,004)	-	(53,419)
Total	<u>(4,343,918)</u>	<u>(304,715)</u>	<u>26,336</u>	<u>(4,622,297)</u>
Business-type activities capital assets, net	<u>\$ 9,019,949</u>	<u>\$ 82,452</u>	<u>\$ (4,647)</u>	<u>\$ 9,097,754</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 7. Long-term Bonds and Notes Payable

Long-term bonds and notes payable consist of the following at June 30, 2018:

Business-type activities:

Water Fund

Bond payable, Vermont Municipal Bond Bank, annual payments of \$10,000, plus interest at rates varying from 2.20% to 5.18%. Bond matures December 1, 2021.	\$ 40,000
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Bond payable, Vermont Municipal Bond Bank, drinking water loan, annual payments of \$47,454, with interest at 1% plus 2% admin fee. Bond matures May 1, 2032.	536,047
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Bond payable, USDA Rural Development water system, semi-annual payments of \$37,581, with interest at 2.25% partially refunded (35% of interest paid) each year. Bond matures December 1, 2039.	1,274,973
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Bond payable, Vermont Municipal Bond Bank, for water supply improvements, annual payments of \$5,360, interest free. Bond matures December 1, 2021.	21,440
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Sewer Fund

Bond payable, USDA Rural Development, for Andover Street sewer project, annual payments of \$19,056, with interest at 3% partially refunded (35% of interest paid) each year. Bond matures in 2040.	<u>620,083</u>
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Total governmental activities	\$ 2,492,543
Less current portion:	<u>(113,124)</u>
	<u><u>2,379,419</u></u>

Scheduled maturities of notes and bonds payable are as follows as June 30, 2018:

Years ended June 30	Principal	Interest
2019	\$ 113,124	\$ 54,296
2020	115,718	51,824
2021	118,380	49,295
2022	121,115	46,709
2023	108,564	44,067
2024-2028	587,695	185,690
2029-2033	622,818	124,421
2034-2038	505,195	61,175
2039-2040	199,934	4,968
	<u>\$ 2,492,543</u>	<u>\$ 622,445</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 7. Long-term Bonds and Notes Payable (continued)

During the year ended June 30, 2018, the following changes occurred in the long-term liabilities:

	<u>6/30/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/18 Balance</u>
Governmental Activities				
Compensated absences	\$ 7,003	\$ 5,616	\$ -	\$ 12,619
Net pension liability	<u>46,121</u>	<u>-</u>	<u>4,278</u>	<u>41,843</u>
Total governmental activities long-term liabilities	<u>\$ 53,124</u>	<u>\$ 5,616</u>	<u>\$ 4,278</u>	<u>\$ 54,462</u>

	<u>6/30/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/18 Balance</u>
Business-type Activities				
Serial bonds	\$ 2,603,018	\$ -	\$ 110,475	\$ 2,492,543
Compensated absences	-	7,467	-	7,467
Net pension liability	<u>83,017</u>	<u>-</u>	<u>7,699</u>	<u>75,318</u>
Total business-type activities long-term liabilities	<u>\$ 2,686,035</u>	<u>\$ 7,467</u>	<u>\$ 118,174</u>	<u>\$ 2,575,328</u>

Note 8. Unearned Revenue and Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$3,842 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 9. Pensions

Summary of significant accounting policies

Pensions

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

General information about the pension plan

Plan Description

VMERS is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee fired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2017, the retirement consisted of 411 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives—one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Villages and the Vermont School Board 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 Group 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. Group C and D – age 55 with 5 years of service.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Summary of system provisions (continued)

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 a 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 service. 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 Group 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 Group 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 precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.
Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement aged 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.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Summary of system provisions (continued)

Death benefits

Eligibility Death after 5 years of service.

Amount For Groups A, B, and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit 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 Group A, B, and 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 B, C, and D.

Member contributions Group A – 2.5%
Group B – 4.875%
Group C – 10.00%
Group D – 11.35%

Employer contributions Group A – 4.0%
Group B – 5.5%
Group C – 7.25%
Group D – 9.85%

Retirement stipend \$25 per month payable at the option of the Board of Retirees

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Pension liabilities, pension expense, and deferred outflows of resources, and deferred inflows of resources related to pensions

At June 30, 2018 the Village reported a government-wide liability of \$117,161 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projections of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Village's proportion was 0.69073%, which was a decrease of 0.02601% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the Village recognized pension expense of \$9,679 for the total governmental activities and \$17,423 for the business-type activities.

At June 30, 2018 the Village reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows or Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experiences	\$ 1,704	\$ 2,900
Changes of assumptions	24,527	-
Net difference between projected and actual earnings on pension plan investments	19,515	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	-	3,652
Village's contributions subsequent to the measurement date	<u>17,165</u>	<u>-</u>
Total	\$ <u>62,911</u>	\$ <u>6,552</u>

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2018	\$ 14,009
2019	20,987
2020	5,580
2021	<u>(1,382)</u>
Total	\$ <u>39,194</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Employer contribution history for the Village as of June 30, 2017 is as follows:

FY 17	\$	112,802
FY 16		108,933
FY 15		104,406

Significant actuarial assumptions and methods

Investment rate of return: 7.50%, net of pension plan investment expense, including inflation.

Salary increase: 5.00% per year.

Mortality:

Death in active service:

Group A, B, and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Health Employee with generation projection using Scale SSA-2017.

Group D – RP-2014 Blue Collar Annuitant Table with generation projection using Scale SSA-2017.

Healthy post-retirement:

Group A, B, and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Health Annuitant with generation projection using Scale SSA-2017.

Group D – 100% of RP-2014 Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled post-retirement

All groups – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse's age: Females three years younger than males.

Cost-of-living adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C, and D members.

Actuarial cost method: Entry age normal cost method.

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 difference between actual and assumed investment return. The value for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.50%.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Long-term expected rate of return: The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major class included in the target asset allocation at June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
US equity	16.0%	6.07%
Non-US equity	16.0	7.42
Global equity	9.0	6.85
Fixed income	24.0	2.41
Real estate	8.0	4.62
Private markets	15.0	7.8
Hedge funds	8.0	3.95
Risk parity	4.0	4.8

Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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 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 share of the net pension liability to changes in the discount rate

The following presents the Village's proportionate share of the net pension liability calculated using the discount of 7.50%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) and one percent higher (8.50%):

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Village's proportionate share of the net pension liability	\$ 209,183	\$ 117,161	\$ 40,843

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available as a part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/CAFR

Note 10. Property taxes

Property taxes attach as an enforceable lien on property as of July 1. Village 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 levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources. The Village tax rate for fiscal year 2018 was \$2.2511 for residential property and \$2.0796 for non-residential property.

Note 11. Related parties

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

Note 12. Prior Period Adjustment

The Village increased the VLCT prepaid insurance expense in the General Fund, Water Fund, and Sewer Fund as of June 30, 2017. The effect of the adjustment increased fund balance and net position by \$29,033, \$2,056, and \$9,020, respectively.

The Village adjusted inventory in the Water and Sewer Fund as of June 30, 2017. The effect of the adjustment increased net position by \$23,123 and 10,988, respectively.

Note 13. Subsequent events

Management has evaluated subsequent events through December 2, 2018, the date that the financial statements were available to be issued.

VILLAGE OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes - general	\$ 296,173	\$ 297,038	\$ 865
Pilot program	1,500	57	(1,443)
3/5 Highway	36,500	36,500	-
Electric department PILOT	26,100	26,105	5
Total taxes	360,273	359,700	(573)
Delinquent tax interest and penalties			
Delinquent interest	1,000	1,117	117
Delinquent penalties	1,200	825	(375)
Total delinquent tax interest and penalties	2,200	1,942	(258)
Interest and dividends	500	73	(427)
Licenses and permits			
Zoning fees and permits	2,000	2,793	793
Hearing fees and permits	4,000	4,200	200
Bianchi fees	250	735	485
Total licenses and permits	6,250	7,728	1,478
Intergovernmental			
State aid-highway	40,000	43,655	3,655
Miscellaneous			
Insurance refund	47,933	44,446	(3,487)
Miscellaneous	500	2,661	2,161
Total miscellaneous	48,433	47,107	(1,326)
Total revenue	457,656	460,205	2,549
Expenditures			
General government			
Administration			
Salaries			
Manager	31,167	35,686	(4,519)
Clerk	10,635	14,245	(3,610)
Officers	9,800	11,750	(1,950)
BCA salary	500	319	181
Benefits			
Payroll taxes	4,130	4,916	(786)
Insurance	12,025	11,844	181
Pension	3,978	5,322	(1,344)
Manager car allowance	1,543	2,257	(714)

See the independent auditor's report.

VILLAGE OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Village report	1,500	1,495	5
Equipment/supplies	3,000	3,895	(895)
Computer supplies	-	86	(86)
Tax abatement	-	238	(238)
Copier	1,600	1,722	(122)
Audit	7,565	7,521	44
Services	1,700	3,314	(1,614)
Beautification	300	325	(25)
Expense/mileage	100	35	65
Training/meetings	200	155	45
League of Cities and Villages (VLCT)	835	835	-
Total administration	<u>90,578</u>	<u>105,960</u>	<u>(15,382)</u>
Zoning and planning			
Salaries			
Director	8,528	8,232	296
Secretary	3,290	4,163	(873)
Benefits			
Payroll taxes	904	1,018	(114)
Insurance	7,625	7,409	216
Pension	670	833	(163)
Advertising	1,500	3,855	(2,355)
Professional services	-	563	(563)
Legal	500	4,595	(4,095)
Equipment	600	534	66
Supplies	900	1,023	(123)
Computer maintenance	200	67	133
Training	-	25	(25)
Telephone	400	337	63
Mapping services (GIS)	-	593	(593)
Total zoning and planning	<u>25,117</u>	<u>33,247</u>	<u>(8,130)</u>
Insurance and fidelity bond			
Unemployment	836	1,281	(445)
Workers' compensation	4,612	4,769	(157)
Ludlow electric	47,933	45,438	2,495
Vehicle liability	3,182	2,707	475
Public officials	656	3,073	(2,417)
Employment practice liability	2,517	-	2,517
Total insurance and fidelity bond	<u>59,736</u>	<u>57,268</u>	<u>2,468</u>
Total general government	<u>175,431</u>	<u>196,475</u>	<u>(21,044)</u>

See the independent auditor's report.

VILLAGE OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Highway and streets			
Streets			
Salaries			
Highway salaries	42,300	40,586	1,714
Overtime	5,000	4,502	498
Labor	1,500	1,288	212
Benefits			
FICA	3,750	3,474	276
Insurance	17,275	18,015	(740)
Pension	2,700	3,252	(552)
Street lights	31,000	33,127	(2,127)
Equipment maintenance	26,000	45,077	(19,077)
Training/conference	300	53	247
Diesel	19,500	16,656	2,844
Gas/oil	1,750	102	1,648
Rentals	500	948	(448)
Street construction	32,000	-	32,000
Sidewalks	15,000	6,100	8,900
Asphalt	1,000	378	622
Cold patch	400	1,384	(984)
Supplies	2,500	2,371	129
Uniforms	1,600	1,093	507
Culverts	800	3,114	(2,314)
Parking	4,800	4,800	-
Signs/lines/rails	2,550	3,993	(1,443)
Total streets	<u>212,225</u>	<u>190,313</u>	<u>21,912</u>
Garage			
Maintenance	1,500	1,082	418
Fuel	3,000	1,564	1,436
Utilities	2,550	2,757	(207)
Telephone/cell/pagers	550	452	98
Total garage	<u>7,600</u>	<u>5,855</u>	<u>1,745</u>
Summer roads			
Class 1-3 material	7,000	5,937	1,063
Storm drains	2,000	2,628	(628)
Equipment	600	378	222
Total summer roads	<u>9,600</u>	<u>8,943</u>	<u>657</u>
Winter roads			
Winter sand	20,000	15,282	4,718
Winter salt	32,000	37,104	(5,104)
Supplies	3,500	1,959	1,541
Equipment	1,500	4,518	(3,018)
Total winter roads	<u>57,000</u>	<u>58,863</u>	<u>(1,863)</u>
Total highway and streets	<u>286,425</u>	<u>263,974</u>	<u>22,451</u>

See the independent auditor's report.

VILLAGE OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Solid waste			
Legal	500	-	500
Advertising	300	-	300
Total solid waste	800	-	800
Capital outlay	32,000	27,374	4,626
Total expenditures	494,656	487,823	6,833
Excess (deficiency) of revenues over (under) expenditures	(37,000)	(27,618)	9,382
Other financing sources (uses)			
Transfers in (out)	37,000	37,000	-
Total other financing sources (uses)	37,000	37,000	-
Change in fund balance	\$ -	\$ 9,382	\$ 9,382
Fund balance - beginning of year, as previously reported		38,815	
Prior period adjustment		29,033	
Fund balance- beginning of year, restated		67,848	
Fund balance - end of year		\$ 77,230	

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Schedule of the Local Government's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2018

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Village's proportion of the net pension liability	0.69073%	-	-	-	-	-	-	-	-	-
Village's proportionate share of the net pension liability \$	117,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll \$	281,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's proportionate share of the net pension liability as a percentage of its covered employee payroll	41.64%	-	-	-	-	-	-	-	-	-

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Schedule of Local Government Contributions
Year Ended June 30, 2018

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 17,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>17,165</u>	<u>-</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 281,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	6.101%	-	-	-	-	-	-	-	-	-

See the independent auditor's report.