

TOWN OF LUDLOW, VERMONT

Financial Statements

Year Ended June 30, 2019

Table of Contents

Independent Auditor’s Report	1
Management Discussion & Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities.....	16
Proprietary Funds:	
Statement of Net Position – Proprietary Fund.....	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	18
Statement of Cash Flows – Proprietary Fund.....	19
Notes to Financial Statements	20-43
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund.....	44-54
Schedule of the Local Government’s Proportionate Share of the Net Pension Liability.....	55
Schedule of the Local Government Contributions.....	56
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58

Independent Auditor's Report

To the Select Board
Town of Ludlow
Ludlow, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ludlow, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town 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 Town of Ludlow, Vermont, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 44-56 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 November 5, 2019, on our consideration of the Town 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 Town 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 Town of Ludlow, Vermont's internal control over financial reporting and compliance.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
November 5, 2019

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

Within this section of the Town of Ludlow, Vermont's (the "Town") annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the year ended June 30, 2019. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the auditor's opinion letter, which precedes the management discussion and analysis.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2019 by \$7,230,484 (net position). Of this amount, \$659,250 (unrestricted net position) may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total net position decreased by \$202,254. Of this amount, net position attributable to government activities decreased by \$74,780. Net position attributable to business-type activities decreased by \$127,474.
- Fund balances of government funds increased by \$134,065 during the year ended June 30, 2019. The General Fund had \$70,426 of unassigned fund balance at June 30, 2019.

Overview of the Town's Financial Statements

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

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

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 Town'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 Town is improving or deteriorating. In addition to the financial information provided in this report, evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base, the continued financial support of the state and federal governments, and the condition of the Town's infrastructure.

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

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

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

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

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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and propriety funds.

The fund financial statements provide detailed information about each of the Town's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining 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.

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

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

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

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

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

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

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 Town.

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

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

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

Government-wide Financial Analysis

The Government's net position at fiscal year end is \$7,230,484. This represents a \$202,254 decrease from last year's net position (as restated) of \$7,498,947. The following table provides a summary of the Town's net position:

Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,699,485	\$ 3,179,438	\$ 267,774	\$ 347,474	\$ 2,967,259	\$ 3,526,912
Capital assets	7,323,539	7,332,214	320,826	357,421	7,644,365	7,689,635
Total assets	<u>10,023,024</u>	<u>10,511,652</u>	<u>588,600</u>	<u>704,895</u>	<u>10,611,624</u>	<u>11,216,547</u>
Deferred outflows of resources	353,632	350,502	36,270	35,949	389,902	386,451
Total assets and deferred outflows of resources	<u>\$ 10,376,656</u>	<u>\$ 10,862,154</u>	<u>\$ 624,870</u>	<u>\$ 740,844</u>	<u>\$ 11,001,526</u>	<u>\$ 11,602,998</u>
Current liabilities	\$ 636,023	\$ 671,254	\$ 5,855	\$ 5,162	\$ 641,878	\$ 676,416
Long-term liabilities	2,700,761	2,547,585	90,232	78,199	2,790,993	2,625,784
Total liabilities	<u>3,336,784</u>	<u>3,218,839</u>	<u>96,087</u>	<u>83,361</u>	<u>3,432,871</u>	<u>3,302,200</u>
Deferred inflows of resources	335,653	716,138	2,518	3,744	338,171	719,882
Net position						
Net investment in capital assets	5,242,749	5,291,482	320,826	357,421	5,563,575	5,648,903
Restricted	1,007,659	979,292	-	-	991,656	979,292
Unrestricted	453,811	656,403	205,439	296,318	675,253	952,721
Total net position	<u>6,704,219</u>	<u>6,927,177</u>	<u>526,265</u>	<u>653,739</u>	<u>7,230,484</u>	<u>7,580,916</u>
Total liabilities, deferred inflows & net position	<u>\$ 10,376,656</u>	<u>\$ 10,862,154</u>	<u>\$ 624,870</u>	<u>\$ 740,844</u>	<u>\$ 11,001,526</u>	<u>\$ 11,602,998</u>

The largest portion of the Town's net position, \$5,563,575, 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.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

The following table provides a summary of government-wide revenues, expenses, and net position for the year ended June 30, 2019:

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues:						
Charges for services	\$ 472,049	\$ 449,184	\$ 456,061	\$ 439,244	\$ 928,110	\$ 888,428
Operating grants	98,516	98,524	-	-	98,516	98,524
Capital grants	407,571	274,600	-	-	407,571	274,600
General revenues:						
Property taxes	4,181,042	4,048,282	-	-	4,181,042	4,048,282
Investment income	61,297	39,045	2,321	667	63,618	39,712
Miscellaneous	436,113	375,258	21,075	7,524	457,188	382,782
Total revenues	<u>5,656,588</u>	<u>5,284,893</u>	<u>479,457</u>	<u>447,435</u>	<u>6,136,045</u>	<u>5,732,328</u>
Program expenses:						
Governmental activities:						
General government	1,368,382	1,099,199	-	-	1,368,382	1,099,199
Municipal transit	251,029	270,333	-	-	251,029	270,333
Public safety	1,266,587	1,219,578	-	-	1,266,587	1,219,578
Highway and streets	1,448,176	1,193,274	-	-	1,448,176	1,193,274
Sanitation and recycling	375,855	360,092	-	-	375,855	360,092
Culture and recreation	407,183	386,716	-	-	407,183	386,716
Special articles	260,876	198,768	-	-	260,876	198,768
Intergovernmental	139,334	140,002	-	-	139,334	140,002
Cemetery	137,749	146,284	-	-	137,749	146,284
Interest	76,197	70,283	-	-	76,197	70,283
Business-type activities						
Ambulance	-	-	606,931	565,830	606,931	565,830
Total expenses	<u>5,731,368</u>	<u>5,084,529</u>	<u>606,931</u>	<u>565,830</u>	<u>6,338,299</u>	<u>5,650,359</u>
Change in net position	<u>\$ (74,780)</u>	<u>\$ 200,364</u>	<u>\$ (127,474)</u>	<u>\$ (118,395)</u>	<u>\$ (202,254)</u>	<u>\$ 81,969</u>

Financial Analysis of the Town's Funds

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

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

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 \$960,585 in fiscal year 2019 compared to \$822,308 in the prior year. The increase is primarily the result of an increase in capital grants. 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.

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 \$4,696,003 in fiscal year 2019 compared to \$4,462,585 in the prior year. Taxes and related revenue of \$4,181,042 comprised approximately 89% of the Town's general revenues for fiscal year 2019.

Governmental Expenses. Total government activity expenses were \$5,731,368 in fiscal year 2019 compared to \$5,084,529 in fiscal year 2018, a decrease of approximately 12.7%. The increase is primary the result of a increase in general government and highway and streets expenses. The largest expenses were incurred for general government, public safety, and highway and streets.

Business-Type Activities

Net position for business-type activities (Ambulance) was \$526,265 as of June 30, 2019, a decrease of \$127,474 from the prior year. Total Ambulance revenues for the 2019 fiscal year were \$479,457, an increase of 7.2% compared to the prior fiscal year. Total Ambulance operating expenses for the 2019 fiscal year were \$606,931, an increase of approximately 7.2% compared to the prior year. The largest increases were for EMTS wages, ambulance drivers and dispatch services, Medicaid provider taxes and insurance coverage.

Financial Analysis of Individual Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,868,931.

The fund balance of the General Fund as of June 30, 2019 was \$307,835, an increase of \$79,012 from the prior year.

General Fund Budgetary Highlights

The Budgetary Comparison Schedule – General Fund beginning on page 44 compares the actual results for fiscal year 2019 to the approved budget for the General Fund. Difference between budgeted amounts and actual amounts are briefly summarized below.

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

The most significant variances were as follows:

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Other Sources			
Property taxes	\$ 4,187,443	\$ 4,032,680	\$ (154,763)
Highway revenues	281,500	559,994	278,494
Miscellaneous revenue	198,832	371,629	172,797
Expenses and Other Uses			
General government	1,089,845	1,248,067	(158,222)
Public safety	1,152,134	1,104,756	47,378
Highway and streets	896,625	1,096,585	(199,960)
Capital outlays, net	484,500	642,028	(157,528)

Capital Assets and Debt Administration

Capital Assets

The Town's government activities investment in capital assets, net of accumulated depreciation and related short and long-term debt as of June 30, 2019, was \$7,323,539, which represents an decrease of \$8,675 as compared to the prior year. Investment in capital assets includes land, land improvements, machinery and equipment, buildings, infrastructure and construction on progress.

Infrastructure assets are items that are normally immovable and of value to the Town such as roads, bridges, streets, drainage systems, lighting systems and similar items. The additions, net of any trade-in allowances and disposals, amounted to \$647,884. Depreciation expense for the 2019 fiscal year totaled \$656,559.

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

- Walker Bridge
- Cemetery drain
- Cemetery mower
- Hydraulic lift
- 2018 Chevy 2500 truck
- Loader
- Main Street paving
- 2019 F550 Truck

The Town's investment in capital assets for its Ambulance service totaled \$320,826 as of June 30, 2019. The Ambulance department purchased a defibrillator during the current fiscal year. Depreciation expense on equipment in service amounted to \$58,287 for the 2019 fiscal year.

Long-Term Debt

At the end of the year, the Town had total debt outstanding of \$2,080,790. These amounts owed are backed by the full faith and credit of the Town with voter approved property taxes and user fees used to pay the obligations. These proceeds are being used to fund the addition and alterations of the capital assets.

TOWN OF LUDLOW, VERMONT
Management Discussion and Analysis
June 30, 2019

Economic Climate

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

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

Requests for Information

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

Town of Ludlow
PO Box 359
Ludlow, VT 05149

TOWN OF LUDLOW, VERMONT
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 967,624	\$ 125,384	\$ 1,093,008
Cash - restricted	28,783	-	28,783
Investments - restricted	697,716	-	697,716
Accounts receivable - other	54,475	117,537	172,012
State aid receivable	167,333	-	167,333
Federal aid receivable	179,294	-	179,294
Delinquent taxes, interest, and penalties receivable	331,945	-	331,945
Prepaid expenses	237,359	14,765	252,124
Due from Village	34,956	-	34,956
Due from General Fund	-	10,088	10,088
Total current assets	2,699,485	267,774	2,967,259
Noncurrent assets:			
Land, building, and equipment (net)	7,323,539	320,826	7,644,365
	7,323,539	320,826	7,644,365
Total assets	10,023,024	588,600	10,611,624
Deferred outflows of resources			
Pensions	353,632	36,270	389,902
Total assets and deferred outflows of resources	\$ 10,376,656	\$ 624,870	\$ 11,001,526
Liabilities			
Current liabilities:			
Accounts payable	\$ 299,133	\$ -	\$ 299,133
Accrued liabilities	40,083	5,855	45,938
Due to Ambulance Fund	10,088	-	10,088
Unearned revenue - bike path	4,319	-	4,319
Bonds and notes payable, current portion	282,400	-	282,400
Total current liabilities	636,023	5,855	641,878
Long term liabilities:			
Bonds and notes payable, less current portion	1,798,390	-	1,798,390
Compensated absences	134,305	11,456	145,761
Net pension liability	768,066	78,776	846,842
	2,700,761	90,232	2,790,993
Total liabilities	3,336,784	96,087	3,432,871
Deferred inflows of resources			
Prepaid property taxes	311,106	-	311,106
Pensions	24,547	2,518	27,065
	335,653	2,518	338,171
Net Position			
Net investment in capital assets	5,242,749	320,826	5,563,575
Restricted	1,007,659	-	1,007,659
Unrestricted	453,811	205,439	659,250
Total net position	6,704,219	526,265	7,230,484
Total liabilities, deferred inflows of resources, and net position	\$ 10,376,656	\$ 624,870	\$ 11,001,526

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

TOWN OF LUDLOW, VERMONT
Statement of Activities
Year Ended June 30, 2019

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,368,382	\$ 106,686	\$ -	\$ -	\$ (1,261,696)	\$ -	\$ (1,261,696)
Municipal transit	251,029	12,879	-	-	(238,150)	-	(238,150)
Public safety	1,266,587	85,272	-	-	(1,181,315)	-	(1,181,315)
Highway and streets	1,448,176	58,907	98,516	402,571	(888,182)	-	(888,182)
Sanitation and recycling	375,855	149,477	-	-	(226,378)	-	(226,378)
Culture and recreation	407,183	33,449	-	-	(373,734)	-	(373,734)
Special articles	260,876	-	-	-	(260,876)	-	(260,876)
Intergovernmental	139,334	-	-	-	(139,334)	-	(139,334)
Cemetery	137,749	12,828	-	-	(124,921)	-	(124,921)
Interest	76,197	-	-	-	(76,197)	-	(76,197)
Total governmental activities	<u>5,731,368</u>	<u>459,498</u>	<u>98,516</u>	<u>402,571</u>	<u>(4,770,783)</u>	<u>-</u>	<u>(4,770,783)</u>
Business-type activities							
Ambulance	606,931	456,061	-	-	-	(150,870)	(150,870)
Total business-type activities	<u>606,931</u>	<u>456,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,870)</u>	<u>(150,870)</u>
Total primary-government	<u>\$ 6,338,299</u>	<u>\$ 915,559</u>	<u>\$ 98,516</u>	<u>\$ 402,571</u>	<u>(4,770,783)</u>	<u>(150,870)</u>	<u>(4,921,653)</u>
General revenues							
Real property taxes					4,181,042	-	4,181,042
Donations					2,000	-	2,000
Investment earnings					61,297	2,321	63,618
Miscellaneous					451,664	21,075	472,739
Total general revenues and transfers					<u>4,696,003</u>	<u>23,396</u>	<u>4,719,399</u>
Change in net position					<u>(74,780)</u>	<u>(127,474)</u>	<u>(202,254)</u>
Net position - beginning of year, as previously stated					<u>6,927,177</u>	<u>653,739</u>	<u>7,580,916</u>
Prior period adjustment					(148,178)	-	(148,178)
Net position - beginning of year, restated					<u>6,778,999</u>	<u>653,739</u>	<u>7,432,738</u>
Net position - end of year					<u>\$ 6,704,219</u>	<u>\$ 526,265</u>	<u>\$ 7,230,484</u>

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

TOWN OF LUDLOW, VERMONT
Balance Sheet - Governmental Funds
June 30, 2019

	Permanent Trust Funds				Total Governmental Funds
	General	Trustees of Public Funds	Agan Fund	Non-major Funds	
Assets					
Cash and cash equivalents	\$ 960,675	\$ -	\$ -	\$ 6,949	\$ 967,624
Cash - restricted	50	28,733	-	-	28,783
Investments - restricted	-	397,362	300,354	-	697,716
Accounts receivable - other	54,475	-	-	-	54,475
State aid receivable	167,333	-	-	-	167,333
Federal aid receivable	179,294	-	-	-	179,294
Delinquent taxes, interest, and penalties receivable	331,945	-	-	-	331,945
Prepaid expenses	237,359	-	-	-	237,359
Due from Village	34,956	-	-	-	34,956
Due from other funds	-	-	-	827,698	827,698
Total assets	\$ 1,966,087	\$ 426,095	\$ 300,354	\$ 834,647	\$ 3,527,183
Liabilities					
Accounts payable	\$ 299,133	\$ -	\$ -	\$ -	\$ 299,133
Accrued liabilities	40,083	-	-	-	40,083
Due to other funds	827,698	-	-	-	827,698
Due to Ambulance Fund	10,088	-	-	-	10,088
Unearned revenue - taxes	165,825	-	-	-	165,825
Unearned revenue - bike path	4,319	-	-	-	4,319
Total liabilities	1,347,146	-	-	-	1,347,146
Deferred inflows of resources					
Prepaid property taxes	311,106	-	-	-	311,106
Fund Balance					
Nonspendable	237,359	-	-	-	237,359
Restricted	50	426,095	254,283	252,231	932,659
Committed	-	-	75,000	-	75,000
Assigned	-	-	-	620,877	620,877
Unassigned	70,426	-	(28,929)	(38,461)	3,036
Total fund balance	307,835	426,095	300,354	834,647	1,868,931
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,966,087	\$ 426,095	\$ 300,354	\$ 834,647	\$ 3,527,183

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

TOWN OF LUDLOW, VERMONT
Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2019

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 967,624	\$ -	\$ -	\$ 967,624
Cash - restricted	28,783	-	-	28,783
Investments - restricted	697,716	-	-	697,716
Accounts receivable - other	54,475	-	-	54,475
State aid receivable	167,333	-	-	167,333
Federal aid receivable	179,294	-	-	179,294
Delinquent taxes, interest, and penalties receivable	331,945	-	-	331,945
Prepaid expenses	237,359	-	-	237,359
Due from Village	34,956	-	-	34,956
Due from other funds	827,698	-	(827,698)	-
Capital assets, net of accumulated depreciation	-	7,323,539	-	7,323,539
Total assets	3,527,183	7,323,539	(827,698)	10,023,024
Deferred outflows of resources				
Pensions	-	353,632	-	353,632
Total assets and deferred outflows of resources	\$ 3,527,183	\$ 7,677,171	\$ (827,698)	\$ 10,376,656
Liabilities				
Accounts payable	\$ 299,133	\$ -	\$ -	\$ 299,133
Accrued liabilities	40,083	-	-	40,083
Due to other funds	827,698	-	(827,698)	-
Due to Ambulance Fund	10,088	-	-	10,088
Unearned revenue - taxes	165,825	(165,825)	-	-
Unearned revenue - bike path	4,319	-	-	4,319
Bonds payable and notes payable	-	2,080,790	-	2,080,790
Compensated absences	-	134,305	-	134,305
Net pension liability	-	768,066	-	768,066
Total liabilities	1,347,146	2,817,336	(827,698)	3,336,784
Deferred inflows of resources				
Prepaid property taxes	311,106	-	-	311,106
Pensions	-	24,547	-	24,547
Total deferred inflows or resources	311,106	24,547	-	335,653
Fund balance/net position				
Total fund balance/net position	1,868,931	4,835,288	-	6,704,219
Total liabilities, deferred inflows of resources, and fund balance/net position	\$ 3,527,183	\$ 7,677,171	\$ (827,698)	\$ 10,376,656

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

TOWN OF LUDLOW
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	Permanent Trust Funds				Total Governmental Funds
	General	Trustees of Public Funds	Agan Fund	Non-major Funds	
Revenues					
Property taxes, interest, and penalties	\$ 4,249,621	\$ -	\$ -	\$ -	\$ 4,249,621
Town clerk fees	74,907	-	-	-	74,907
Federal and state grant revenue	559,994	-	-	-	559,994
Investment income	8,408	23,951	20,562	8,376	61,297
Departmental income	325,684	-	-	-	325,684
Donations	-	2,000	-	-	2,000
Miscellaneous	371,629	-	-	80,035	451,664
Total revenues	5,590,243	25,951	20,562	88,411	5,725,167
Expenditures					
General government	1,248,067	1,000	19,155	-	1,268,222
Municipal transit	199,056	-	-	-	199,056
Public safety	1,104,756	-	-	-	1,104,756
Highway and streets	1,096,585	-	-	-	1,096,585
Sanitation and recycling	359,717	-	-	-	359,717
Cemetery	123,616	-	-	-	123,616
Culture and recreation	360,773	-	-	-	360,773
Intergovernmental	139,334	-	-	-	139,334
Special articles	260,876	-	-	-	260,876
Capital outlay, net	642,028	-	-	-	642,028
Debt service:					
Bond and note principal	303,900	-	-	-	303,900
Interest and other charges	76,197	-	-	-	76,197
Total expenditures	5,914,905	1,000	19,155	-	5,935,060
Excess / (deficiency) of revenues over/ (under) expenditures	(324,662)	24,951	1,407	88,411	(209,893)
Other financing source (uses)					
Loan proceeds	343,958	-	-	-	343,958
Transfers in (out)	59,716	(15,000)	-	(44,716)	-
Total other financing sources (uses)	403,674	(15,000)	-	(44,716)	343,958
Change in fund balance	79,012	9,951	1,407	43,695	134,065
Fund balance - beginning of year, as previously reported	377,001	416,144	298,947	790,952	1,883,044
Prior period adjustment	(148,178)	-	-	-	(148,178)
Fund balance - beginning of year, restated	228,823	416,144	298,947	790,952	1,734,866
Fund balance - end of year	\$ 307,835	\$ 426,095	\$ 300,354	\$ 834,647	\$ 1,868,931

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

TOWN OF LUDLOW, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Year Ended June 30, 2019

	<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					
Property taxes, interest, and penalties	\$ 4,249,621	\$ (68,579)	\$ -	\$ -	\$ 4,181,042
Town clerk fees	74,907	-	-	-	74,907
Federal and state grant revenue	559,994	-	-	-	559,994
Investment income	61,297	-	-	-	61,297
Departmental income	325,684	-	-	-	325,684
Donations	2,000	-	-	-	2,000
Miscellaneous	451,664	-	-	-	451,664
Total revenues	<u>5,725,167</u>	<u>(68,579)</u>	<u>-</u>	<u>-</u>	<u>5,656,588</u>
Expenditures/Expenses					
General government	1,268,222	100,160	-	-	1,368,382
Municipal transit	199,056	51,973	-	-	251,029
Public safety	1,104,756	161,831	-	-	1,266,587
Highway and streets	1,096,585	357,447	(5,856)	-	1,448,176
Sanitation and recycling	359,717	16,138	-	-	375,855
Cemetery	123,616	14,133	-	-	137,749
Culture and recreation	360,773	46,410	-	-	407,183
Intergovernmental	139,334	-	-	-	139,334
Special articles	260,876	-	-	-	260,876
Capital outlay, net	642,028	-	(642,028)	-	-
Debt service:					
Bond and note principal	303,900	-	-	(303,900)	-
Interest and other charges	76,197	-	-	-	76,197
Total expenditures/expenses	<u>5,935,060</u>	<u>748,092</u>	<u>(647,884)</u>	<u>(303,900)</u>	<u>5,731,368</u>
Excess (deficiency) of revenues over expenditures	<u>(209,893)</u>	<u>(816,671)</u>	<u>647,884</u>	<u>303,900</u>	<u>(74,780)</u>
Other financing sources (uses)					
Loan proceeds	343,958	-	-	(343,958)	-
Total other financing sources (uses)	<u>343,958</u>	<u>-</u>	<u>-</u>	<u>(343,958)</u>	<u>-</u>
Net change for the year	<u>\$ 134,065</u>	<u>\$ (816,671)</u>	<u>\$ 647,884</u>	<u>\$ (40,058)</u>	<u>\$ (74,780)</u>

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

TOWN OF LUDLOW, VERMONT
Statement of Net Position
Proprietary Fund
June 30, 2019

	<u>Ambulance Fund</u>
Assets	
Current assets	
Cash	\$ 125,384
Due from General Fund	10,088
Accounts receivable, net of allowance for doubtful accounts of \$50,000	117,537
Prepaid expenses	<u>14,765</u>
Total current assets	267,774
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>320,826</u>
Total assets	588,600
Deferred outflows of resources	
Pensions	<u>36,270</u>
Total assets and deferred outflows of resources	\$ <u>624,870</u>
Liabilities	
Current liabilities	
Accrued liabilities	\$ <u>5,855</u>
Total current liabilities	<u>5,855</u>
Noncurrent liabilities	
Compensated absences	11,456
Net pension liability	<u>78,776</u>
Total noncurrent liabilities	<u>90,232</u>
Total liabilities	<u>96,087</u>
Deferred inflows of resources	
Pensions	<u>2,518</u>
Net position	
Invested in capital assets	320,826
Unrestricted	<u>205,439</u>
Total net position	<u>526,265</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>624,870</u>

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

TOWN OF LUDLOW, VERMONT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2019

	<u>Ambulance Fund</u>
<i>Operating revenues</i>	
Charges for services	\$ 456,061
Miscellaneous	<u>21,075</u>
<i>Total operating revenue</i>	<u>477,136</u>
<i>Operating expenses</i>	
Operations and maintenance	548,644
Depreciation expense	<u>58,287</u>
<i>Total operating expenses</i>	<u>606,931</u>
 <i>Income (loss) from operations</i>	 <u>(129,795)</u>
<i>Nonoperating revenues</i>	
Investment income	<u>2,321</u>
<i>Total nonoperating revenues</i>	<u>2,321</u>
 <i>Change in net position</i>	 <u>(127,474)</u>
 <i>Net position - beginning of year</i>	 <u>653,739</u>
 <i>Net position - end of year</i>	 <u>\$ 526,265</u>

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

TOWN OF LUDLOW, VERMONT
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

	Ambulance Fund
<i>Cash flows from (to) operating activities:</i>	
Cash received from customers	\$ 495,926
Cash payments to suppliers for goods and services	(166,743)
Cash payments to employees for services and benefits	(372,803)
<i>Net cash(used in) operating activities</i>	<u>(43,620)</u>
<i>Cash flows from (to) noncapital financing activities:</i>	
Decrease in interfund loans receivable	188,375
<i>Net cash provided by noncapital financing activities</i>	<u>188,375</u>
<i>Cash flows from (to) capital and related financing activities</i>	
Acquisition of capital assets	(21,692)
<i>Net cash (used in) capital and financing activities</i>	<u>(21,692)</u>
<i>Cash flows from investing activities:</i>	
Investment income	2,321
<i>Net cash provided by investing activities</i>	<u>2,321</u>
<i>Net decrease in cash and cash equivalents</i>	125,384
<i>Cash and cash equivalents - beginning of year</i>	<u>-</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 125,384</u>
<i>Reconciliation of operating income to net cash provided by:</i>	
<i>(Used in) operating activities:</i>	
Operating income (loss)	\$ (129,795)
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:	
Depreciation	58,287
Decrease in accounts receivable	18,790
(Increase) in prepaid expenses	(2,081)
(Increase) in deferred outflows resources	(321)
Increase in net pension liability	11,827
(Decrease) in deferred inflows of resources	(1,226)
Increase (decrease) in accrued liabilities	693
Increase (decrease) in compensated absences	206
<i>Net cash (used in) operating activities</i>	<u>\$ (43,620)</u>

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

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Town of Ludlow, Vermont, (the "Town") has adopted the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board ("GASB"), the accepted standard setting body for establishing accounting and financial reporting principals for governmental units.

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

a) Reporting Entity

This report includes all of the funds of the Town. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the Town.

b) Basis of Presentation

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

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

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

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.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Net position (the amount by which assets and deferred outflows 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 Town's policy to use restricted assets first with unrestricted resources utilized as needed.

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

The Town reports on the following major governmental funds:

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

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

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

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

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

Bike/Walk Path Fund, Camp Quest, Zoning Fees Fund, Reappraisal Fund, Vault Preservation Fund, Ludlow Enterprise Fund, Drug Enforcement Fund, Anthony C. Marro Memorial for Ambulances Fund – These funds are non-major special revenue funds. The funds' revenue is committed by statute and can only be utilized for their special purposes. Principal resources of revenue include license fees, grants, and donations.

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

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

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

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

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.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

d) Basis of Accounting

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

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

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after 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 Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

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) Investments

Investments are stated at fair value. Fair value of investments is based on quoted market prices. For additional information regarding types of investments and basis of valuation, see Note 3 – Investments.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

g) Receivables

Receivables in the government-wide financial statements represent amounts due to the Town at June 30 that will be collected at some time in the future. They consist primarily of 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 town 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 Town within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period or recorded as unavailable revenues.

h) 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.

i) Capital Assets

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

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

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

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

j) **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 Town 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 Town's proportion of the collective net pension liability and the difference during the measurement period between the Town's contributions and its proportionate share of the total contributions to the pension system not included in pension expense. The second item is the Town's contribution to the pension system (VMERS) subsequent to the measurement date.

In addition to liabilities, the financial statements 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 Town has one type of transaction which arises under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category.

The Town reports prepaid property taxes on its governmental funds balance sheet as a deferral related to a future period.

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

k) **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.

l) **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.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

m) Budgetary Accounting

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the Town's operations. The budgets of the Town of Ludlow are formally acted upon at the annual Town meeting. All budget appropriations lapse at year end.

n) Fund Balances

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

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

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column. GASB 34 and 37 set forth minimum criteria for the determination of major funds. The General Fund, Trustees of Public Fund, and the Agan Fund are 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 Town's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes but are neither restricted 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 Town's policy to use restricted funds first, then unrestricted funds. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

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 Town's governmental funds differ 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.

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	\$	1,868,931
Assets		
Long-term:		
Capital assets net of related depreciation		7,323,539
Deferred outflows of resources:		
Pensions		353,632
Long-term:		
Bonds and notes payable		(2,080,790)
Compensated absences		(134,305)
Net pension liability – proportionate share		(768,066)
Deferred inflows of resources:		
Unavailable revenue – taxes		165,825
Pensions		(24,547)
Ending net position reported in Statement of Position for governmental activities	\$	<u>6,704,219</u>

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

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

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.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

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

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

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

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

Total revenues and other funding sources of governmental funds	\$	6,069,125
<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 an increase in unearned property taxes.</p>		
		(68,579)
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position.</p>		
		<u>(343,958)</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>5,656,588</u>
Total expenditures reported in governmental funds	\$	5,935,060
<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>		
		(8,696)
<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		(647,884)
Current year depreciation		656,559
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
		(303,900)
<p>Governmental funds report town 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>100,229</u>
Total expenses of governmental activities in the Statement of Activities	\$	<u>5,731,368</u>

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

Insured by FDIC	\$	500,000
Uninsured – collateralized		<u>983,161</u>
Total bank balances	\$	<u><u>1,483,161</u></u>

Investment Securities

The fair value of investments at June 30, 2019 are as follows:

<u>Investment Security Type</u>		<u>Carrying and Fair Value</u>
Fixed income	\$	235,388
Equities – corporate stock		207,506
Mutual funds		108,282
Exchange-traded products		<u>146,540</u>
	\$	<u><u>697,716</u></u>

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

Fair value measurements of the Town's investments are as follows at June 30, 2019:

1. Corporate stock securities: valued at \$207,506, based on quoted market prices (Level 1 inputs).
2. Mutual funds: valued at \$253,711, based on quoted market prices (Level 1 inputs).
3. Exchange-traded products: valued at \$146,540, based on quoted market prices (Level 1 inputs).
4. Corporate bonds: valued at \$89,959, based on a matrix pricing model (Level 2 inputs).

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

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

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 3. Deposits and Investments (continued)

Investment income – the components of governmental funds investment income for fiscal year 2019 were as follows:

	General Fund	Trustees of Public Funds	Agan Fund	Non- major Funds	Total
Interest and dividends	\$ 8,408	\$ 1,925	\$ 5,998	\$ 8,376	\$ 24,707
Unrealized gains	-	22,026	470	-	22,496
Realized gains	-	-	14,094	-	14,094
	\$ 8,408	\$ 23,951	\$ 20,562	\$ 8,376	\$ 61,297

Note 4. Inter-fund Transfers

Interfund-transfers for the year ended June 30, 2019 were as follows:

Funds	Interfund	
	Revenues	Expenses
General Fund	\$ 127,216	\$ (67,500)
Trustees of Public Funds	-	(15,000)
Agan Fund	-	-
Non-major Funds	67,500	(112,216)
Totals	\$ 194,716	\$ (194,716)

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.

Note 5. Due to/from

The Town has combined some of the cash resources of its governmental and proprietary funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as inter-fund balance. Interfund balances at June 30, 2019 were as follows:

Fund	Interfund	
	Receivable	Payable
Governmental Funds		
General Fund	\$ -	\$ 837,786
Non-major Funds	827,698	-
Proprietary Funds		
Ambulance Fund	10,088	-
Total	\$ 837,786	\$ 837,786

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 6. Capital Assets

Governmental activities capital assets for the year ended June 30, 2019 was as follows:

	6/30/18 Balance	Additions	Retirements Reclassify	6/30/19 Balance
Capital assets that are not depreciated:				
Land	\$ 25,600	\$ -	\$ -	\$ 25,600
Construction in process	182,947	68,305	(251,252)	-
Total	<u>208,547</u>	<u>68,305</u>	<u>(251,252)</u>	<u>25,600</u>
Capital assets that are depreciated:				
Land improvements	173,628	-	-	173,628
Buildings and improvements	5,063,929	-	-	5,063,929
Roads and bridges	3,438,567	591,499	-	4,030,066
Vehicles and equipment	4,195,838	272,801	(182,132)	4,286,507
Total	<u>12,871,962</u>	<u>864,300</u>	<u>(182,132)</u>	<u>13,554,130</u>
Less accumulated depreciation:				
Land improvements	(55,843)	(9,246)	-	(65,089)
Buildings and improvements	(1,964,454)	(128,568)	-	(2,093,022)
Roads and bridges	(1,484,401)	(191,823)	-	(1,676,224)
Vehicles and equipment	(2,243,597)	(326,922)	148,663	(2,421,856)
Total	<u>(5,748,295)</u>	<u>(656,559)</u>	<u>148,663</u>	<u>(6,256,191)</u>
Governmental activities capital assets, net	<u>\$ 7,332,214</u>	<u>\$ 276,046</u>	<u>\$ (284,721)</u>	<u>\$ 7,323,539</u>

Depreciation expense was charged as follows:

General government	\$ 78,787
Highway and streets	341,411
Public safety	124,746
Sanitation and recycling	13,131
Culture and recreation	39,394
Cemetery	13,131
Municipal transit	45,959
	<u>\$ 656,559</u>

Proprietary funds capital assets activities for the year ended June 30, 2019 was as follows:

	6/30/18 Balance	Additions	Retirements Reclassify	6/30/19 Balance
Capital assets that are depreciated:				
Vehicles	\$ 578,137	\$ -	\$ -	\$ 578,137
Equipment	141,724	21,692	-	163,416
Total	<u>719,861</u>	<u>21,692</u>	<u>-</u>	<u>741,553</u>
Less accumulated depreciation:				
Vehicles	(271,522)	(41,964)	-	(313,486)
Equipment	(90,918)	(16,323)	-	(107,241)
Total	<u>(362,440)</u>	<u>(58,287)</u>	<u>-</u>	<u>(420,727)</u>
Business-type activities capital assets, net	<u>\$ 357,421</u>	<u>\$ (36,595)</u>	<u>\$ -</u>	<u>\$ 320,826</u>

TOWN 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, 2019:

Governmental Activities:

Bond payable, Vermont Municipal Bond Bank, for public safety building, annual payments of \$20,000, with semi-annual interest payments. Interest rate varies from 3.83% to 4.69%. Bond matures December 1, 2023.	\$ 100,000
Bond payable, Vermont Municipal Bond Bank, for the purchase of a fire truck, annual payments of \$15,000 plus interest. Interest rate varies from 1.0% to 2.6%. Bond matures December 1, 2020.	30,000
Bond payable, Vermont Municipal Bond Bank, for town hall renovations, annual payments of \$40,000 beginning 2007 through 2016, then annual payments of \$35,000 through 2026, with semi-annual interest payments. Interest rate varies from 3.835% to 4.665% Bond matures December 1, 2026.	280,000
Bond payable, Vermont Municipal Bond Bank, for grader, annual payments of \$14,667, with semi-annual interest payments. Interest rate varies from 1.098% to 3.308%. Bond matures December 1, 2024	87,997
Bond payable, Vermont Municipal Bond Bank, for fire truck and various infrastructure renovations, annual payments of \$32,133 beginning November 2014 through November 2028, plus semi-annual interest payments. Interest rate varies from .8% to 4.3% Bond matures November 1, 2028	321,335
Bond payable, Vermont Municipal Bond Bank, for community center renovations, annual payments of \$55,000 beginning December 2012 through December 2030, then one payment of \$10,000 in 2031, plus semi-annual interest payments. Interest rate varies from 1.3% to 4.6%. Bond matures 2031.	670,000
Notes payable, Peoples United Bank, for Backhoe/loader, annual principal payments of \$8,000 beginning June 2017 through June 2021, plus annual interest payments made in conjunction with annual principal payments at a rate of 2.5% per annum. Bond matures June 9, 2021.	16,000
Notes payable, Peoples United Bank, for highway truck, annual principal payments of \$16,400 beginning June 2017 through June 2022, plus annual interest payments made in conjunction with annual principal payments at a rate of 2.45% per annum. Bond matures June 8, 2022.	49,200
Notes payable, Peoples United Bank, for 2017 transit bus, annual principal payments of \$4,500 beginning June 2017 through June 2018, plus annual interest payments made in conjunction with annual principal payments at a rate of 2.05% per annum. Bond matures June 8, 2018.	13,500

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

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

Notes payable, Peoples United Bank, for fire station improvements, annual principal payments of \$9,800, beginning June 2017 through June 2022, plus annual interest payments made in conjunction with annual principal payments at a rate of 2.05% per annum. Bond matures June 8, 2022.	29,400
Notes payable, Peoples United Bank, for excavator, truck, and trackless, annual principal payments of \$38,600 beginning June 2019 through June 2023, plus annual interest payments made in conjunction with annual principal payments at a rate of 3.10% per annum. Bond matures June 20, 2023.	154,400
Notes payable, People's United Bank, for building and grounds truck, annual principal payments of \$4,300, beginning June 2020 through June 2024, plus annual interest payments made in conjunction with annual principal payments at a rate of 3.10% per annum. Bond matures June 7, 2024.	21,500
Notes payable, People's United Bank, for wheel loader, annual principal payments of \$14,000, beginning November 2019 through November 2023, plus annual interest payments made in conjunction with annual principal payments at a rate of 3.35% per annum. Bond matures November 8, 2023.	70,000
Bond payable, Vermont Municipal Bond Bank, for Walker Bridge project, annual payments of \$15,000 beginning November 2018 through November 2033, then one payment of \$12,458 in 2034, plus semi-annual interest payments. Interest rate varies from 1.78% to 3.70%. Bond matures November 1, 2034.	<u>237,458</u>
Total governmental activities	\$ 2,080,790
Less current portion:	<u>(282,400)</u>
	<u><u>1,798,390</u></u>

Scheduled maturities of notes and bonds payable are as follows as June 30, 2019:

Years ended June 30	Principal	Interest	Total
2020	\$ 282,400	\$ 74,514	\$ 356,914
2021	282,400	66,048	348,448
2022	259,400	57,037	316,437
2023	228,700	48,744	277,444
2024	190,100	38,634	228,734
2025-2029	630,332	110,703	741,035
2030-2034	207,458	24,571	232,029
	<u>\$ 2,080,790</u>	<u>\$ 420,251</u>	<u>\$ 2,501,041</u>

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

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

During the year ended June 30, 2019, the following changes occurred in the long-term liabilities:

	6/30/18 Balance	Additions	Reductions	6/30/19 Balance
Governmental Activities				
Serial bonds	\$ 1,661,132	\$ 252,458	\$ (226,600)	\$ 1,686,990
Notes payable	379,600	91,500	(77,300)	393,800
Compensated absences	143,001	-	(8,696)	134,305
Net pension liability	<u>652,752</u>	<u>115,314</u>	<u>-</u>	<u>768,066</u>
Total governmental activities long-term liabilities	<u>\$ 2,836,485</u>	<u>\$ 459,272</u>	<u>\$ (312,596)</u>	<u>\$ 2,983,161</u>

Note 8. Unearned Revenue and Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$165,825 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.

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 it 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, 2018, the retirement plan consisted of 402 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School 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.
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 AFC. Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC. Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Summary of system provisions (continued)

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.

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 Groups B, C, and D.

TOWN OF LUDLOW, VERMONT
Notes to the Financial Statements

Note 9. Pensions (continued)

Summary of system provisions (continued)

Member Contributions	Group A – 2.625%
	Group B – 5.000%
	Group C – 10.125%
	Group D – 11.475%
Employer Contributions	Group A – 4.125%
	Group B – 5.625%
	Group C – 7.375%
	Group D – 9.975%
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees

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

At June 30, 2019 the Town reported a government-wide liability of \$846,842 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projections of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.60200%, which was an increase of 0.00927% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018 the Town recognized pension expense of \$208,642 for the total governmental activities and \$21,400 for the Ambulance Fund.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 73,558	\$ 13,541
Changes of assumptions	93,777	-
Net difference between projected and actual earnings on pension plan investments	98,146	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	4,888	13,524
Town's contributions subsequent to the measurement date	<u>119,533</u>	<u>-</u>
Total	<u>\$ 389,902</u>	<u>\$ 27,065</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2019	\$ 152,337
2020	56,361
2021	13,019
2022	<u>21,585</u>
Total	<u>\$ 243,302</u>

Employer contribution history for the Town as of June 30, 2018 is as follows:

FY 18	\$	105,441
FY 17		97,010
FY 16		93,682

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.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Mortality:

Death in active service:

Group A, B, and C – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvements.

Group D – RP-2006 Blue Collar Annuitant Table with generational improvements.

Healthy post-retirement:

Group A, B, and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Annuitant with generational improvements.

Group D – 100% of RP-2014 Healthy Annuitant with generational improvements.

Disabled post-retirement

All groups – RP-2006 Disabled Mortality Table with generational improvements.

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%.

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.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Best estimates of arithmetic rates of return for each major class included in the target asset allocation at June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
US equity	18.0%	6.10%
Non-US equity	16.0	7.45
Global equity	9.0	6.74
Fixed income	26.0	2.25
Real estate	8.0	5.11
Private markets	15.0	7.60
Hedge funds	8.0	3.86
Total	100.0%	

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 Town'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>
Town's proportionate share of the net pension liability	\$ 1,434,360	\$ 846,842	\$ 369,028

Pension plan fiduciary net position

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

<http://finance.vermont.gov/reports-and-publications/CAFR>

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 10. Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Town taxes levied in July are payable in installments on August 15th, November 15th, February 15th, and May 15th, and become delinquent on May 16th. Property taxes are recognized as revenue in the period for which they 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 tax rates for fiscal year 2019 were:

Town tax rate	\$	0.3115
Education tax rate - residential		1.6741
Education tax rate - nonresidential		1.6353

Note 11. Deficit Fund Balances

A fund deficit of \$26,795 exists in the Armory Building Fund as of June 30, 2019 resulting from the purchase and renovation of the Armory building. In addition, the Camp Quest fund had an \$11,666 deficit balance as June 30, 2019 due to the timing of running this program. Both deficits are expected to be covered from revenues to be received in future years.

Note 12. Designated Net Position – Ambulance Fund

The unrestricted net position balance in the Ambulance fund as June 30, 2019 includes \$33,738 that has been designated by the Select Board for ambulance equipment.

TOWN OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 13. Restricted and Assigned Fund Balances – Non-Major Funds

At June 30, 2019, the Town's individual non-major fund balances were restricted or assigned for the following purposes:

	<u>Restricted</u>	<u>Assigned</u>
Bike/walk path fund	\$ 29,784	\$ -
Zoning fees fund	3,356	-
Reappraisal fund	178,529	-
Vault preservation fund	11,833	-
Ludlow enterprise fund	12,935	-
Drug enforcement fund	2,964	-
Anthony C. Marro memorial fund for ambulances	6,948	-
Black river Senior center capital fund	5,882	-
Public safety equipment fund	-	2,519
Stearns pit fund	-	22,177
Recreation facilities fund	-	37,792
Highway equipment fund	-	38,389
Landfill fund	-	97,457
Police equipment fund	-	17,242
Town hall renovations	-	38,797
Cemetery capital reserve	-	33,147
Community center capital fund	-	25,905
Special fire equipment fund	-	211,572
Municipal transit fund	-	95,880
Total	<u>\$ 252,231</u>	<u>\$ 620,877</u>

Note 14. Related Parties

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

Note 15. Prior Period Adjustment

The Town corrected the accounting for the Walker Bridge bond proceeds originally recorded as a grant revenue. The effect of the adjustment decreased fund balance and net position by \$180,028 as of June 30, 2018.

The Town corrected the accounting for due from Village to record the Village share of a loan. The effect of the adjustment increased fund balance and net position by \$31,850 as of June 30, 2018.

Note 16. Subsequent Events

Management has evaluated subsequent events through November 5, 2019, the date that the financial statements were available to be issued.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes			
Property taxes - general	\$ 4,187,443	\$ 4,032,680	\$ (154,763)
Pilot program	-	32,983	32,983
Railroad tax	1,000	675	(325)
State of Vermont Hold Harmless	-	23,049	23,049
Total property taxes	<u>4,188,443</u>	<u>4,089,387</u>	<u>(99,056)</u>
Property tax interest and penalties			
Current interest	40,000	33,358	(6,642)
Delinquent interest	40,000	41,040	1,040
Delinquent penalties	57,000	85,836	28,836
Total property tax interest and penalties	<u>137,000</u>	<u>160,234</u>	<u>23,234</u>
Interest and dividends	<u>4,000</u>	<u>8,408</u>	<u>4,408</u>
Town clerk			
Licenses and permits	9,050	9,825	775
Clerk copier fees	6,500	7,157	657
Certified copy fees	2,500	2,648	148
Recording fees	55,000	52,777	(2,223)
Zoning recording fees	2,500	2,500	-
Total licenses and permits	<u>75,550</u>	<u>74,907</u>	<u>(643)</u>
Highway			
State aid	95,000	98,516	3,516
FEMA	-	140,800	140,800
Permits	1,500	3,450	1,950
Grant income	160,000	261,771	101,771
Other	25,000	55,457	30,457
Total highway	<u>281,500</u>	<u>559,994</u>	<u>278,494</u>
Departmental income			
Planning and zoning	27,500	26,904	(596)
Listers	3,440	3,531	91
Cemetery fees	13,100	12,828	(272)
Sanitation and recycling	141,500	149,477	7,977
Municipal transit	9,300	12,879	3,579
Police department	86,030	81,614	(4,416)
Fire department	3,000	3,658	658
Senior center bond reimbursement/rent	-	1,344	1,344
Recreation department	18,800	33,449	14,649
Total department income	<u>302,670</u>	<u>325,684</u>	<u>23,014</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Miscellaneous			
State education collection fees	44,000	48,079	4,079
Stearns pit	72,260	73,059	799
Armory bond reimbursement	2,214	-	(2,214)
Insurance refunds and reimbursements	37,443	41,513	4,070
Tenant payments	4,440	-	(4,440)
Miscellaneous	38,475	208,978	170,503
Total miscellaneous	<u>198,832</u>	<u>371,629</u>	<u>172,797</u>
Total revenue	<u>5,187,995</u>	<u>5,590,243</u>	<u>402,248</u>
Expenditures			
General government			
Administration			
Salaries			
Manager	60,000	53,386	6,614
Clerks	79,100	80,618	(1,518)
Selectmen and officers	7,900	7,665	235
Recording secretary	1,200	1,300	(100)
Benefits			
FICA	11,335	11,638	(303)
Insurance	49,120	36,024	13,096
Pension	7,850	8,313	(463)
Town report	5,000	4,815	185
Equipment/supplies	5,500	6,596	(1,096)
Computer	500	424	76
Copier	2,600	2,073	527
Audit	10,000	7,000	3,000
Expense/mileage	1,200	5,179	(3,979)
Training/conference	600	678	(78)
Legal	2,000	15,527	(13,527)
League of Cities and Towns (VLCT)	3,287	3,287	-
Membership	200	149	51
Advertising	600	908	(308)
Web page maintenance	1,000	900	100
Safety program	1,000	493	507
Telephone	2,300	2,227	73
Tax, interest, and penalty abatement	-	16,403	(16,403)
Miscellaneous	-	149,632	(149,632)
Total administration	<u>252,292</u>	<u>415,235</u>	<u>(162,943)</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Building and grounds			
Salaries			
Janitor	52,790	60,002	(7,212)
Maintenance	3,000	1,837	1,163
Benefits			
FICA	4,270	4,732	(462)
Insurance	31,930	27,224	4,706
Pension	3,350	3,930	(580)
Fuel oil	13,500	17,368	(3,868)
Equipment	750	486	264
Parks/bandstands	300	78	222
Utilities	22,000	23,229	(1,229)
Supplies	5,000	3,730	1,270
Uniforms	900	612	288
Telephone	150	150	-
Gas	3,250	3,579	(329)
Repairs and maintenance - equipment	2,500	2,134	366
Repairs and maintenance - grounds	3,000	5,112	(2,112)
Total buildings and grounds	<u>146,690</u>	<u>154,203</u>	<u>(7,513)</u>
Zoning and planning			
Salaries			
Administrative officer	47,810	47,797	13
Planning board	1,500	1,125	375
Development review board	6,000	6,000	-
Secretary	2,400	2,100	300
Clerk	22,400	25,277	(2,877)
Benefits			
FICA	6,130	6,297	(167)
Insurance	44,155	41,101	3,054
Pension	3,861	4,123	(262)
Mapping services	665	1,215	(550)
Computer maintenance	500	167	333
SWCRPC	2,454	2,454	-
Equipment/supplies	2,500	3,115	(615)
Legal	1,000	4,033	(3,033)
Advertising	4,700	3,337	1,363
Training/conference	200	60	140
Telephone	900	540	360
GIS	500	312	188

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
E-911	80	492	(412)
Miscellaneous	1,514	7,460	(5,946)
Total zoning and planning	<u>149,269</u>	<u>157,005</u>	<u>(7,736)</u>
Town Clerk/Treasurer			
Salaries			
Town Clerk/Treasurer	77,272	76,325	947
Assistant Clerk	44,772	44,762	10
BCA/Town meetings	2,500	2,437	63
Trustees of public funds	900	900	-
Benefits			
FICA	9,600	9,518	82
Insurance	52,295	46,110	6,185
Pensions	6,877	7,216	(339)
Vault preservation	2,500	2,612	(112)
Licenses	3,000	3,110	(110)
Equipment/supplies	14,750	16,615	(1,865)
Training/conferences	200	242	(42)
Telephone	950	1,055	(105)
Total town Clerk/Treasurer	<u>215,616</u>	<u>210,902</u>	<u>4,714</u>
Listers			
Salaries	63,400	63,443	(43)
FICA	4,850	4,853	(3)
Computer	1,000	1,343	(343)
Licenses	4,500	4,500	-
Postage	800	143	657
Equipment/supplies	2,300	1,912	388
Training/conferences	400	223	177
Telephone	1,200	1,211	(11)
Property map update	3,200	2,550	650
Mileage	75	-	75
Professional services	11,700	18,437	(6,737)
Total listers	<u>93,425</u>	<u>98,615</u>	<u>(5,190)</u>
Insurance and fidelity bond			
Unemployment	27,255	3,543	23,712
Workers' compensation	96,755	107,433	(10,678)
Municipal officers	3,435	2,948	487
Vehicle/fire/liability	91,869	85,054	6,815
Employment practice liability	13,239	13,129	110
Total insurance and fidelity bond	<u>232,553</u>	<u>212,107</u>	<u>20,446</u>
Total general government	<u>1,089,845</u>	<u>1,248,067</u>	<u>(158,222)</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Municipal transit system			
Transportation supervisor	11,440	11,440	-
Driver salaries	76,450	52,721	23,729
Overtime	16,000	16,482	(482)
Part time drivers	30,000	36,338	(6,338)
Pension	4,850	5,933	(1,083)
Insurance	48,540	32,670	15,870
FICA	10,700	8,949	1,751
Equipment/supplies	2,600	1,201	1,399
Telephone/postage	3,200	3,888	(688)
Repairs and maintenance	13,500	7,123	6,377
Dues and fees	50	-	50
Diesel fuel	14,500	13,077	1,423
Miscellaneous	100	9,234	(9,134)
Total municipal transit system	<u>231,930</u>	<u>199,056</u>	<u>32,874</u>
Public safety			
Police department			
Salaries			
Police duty	343,342	326,207	17,135
Special officers	5,500	4,060	1,440
Traffic control	12,000	10,404	1,596
Overtime	34,000	25,501	8,499
Dispatchers	218,000	188,906	29,094
Part time dispatchers	21,000	13,635	7,365
Dispatch overtime	18,000	21,993	(3,993)
Vehicle maintenance labor	700	505	195
Benefits			
FICA	49,950	46,684	3,266
Insurance	189,028	201,910	(12,882)
Pensions	38,500	49,375	(10,875)
Cleaning allowance	4,350	3,210	1,140
Building utilities	6,000	5,349	651
Services/advertising	-	820	(820)
Computer services	13,500	11,212	2,288
Equipment/supplies	9,100	4,648	4,452
Uniforms	4,800	1,406	3,394
Training	3,500	2,014	1,486
Telephone	13,000	6,653	6,347
Repairs and maintenance	12,000	14,805	(2,805)
Gas/oil	12,500	11,329	1,171
Total police department	<u>1,008,770</u>	<u>950,626</u>	<u>58,144</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire department			
Salaries			
Chief	13,140	13,140	-
Payroll	48,000	55,578	(7,578)
Benefits			
FICA	4,700	5,257	(557)
Insurance	9,674	11,536	(1,862)
Fuel oil	7,000	5,735	1,265
Utilities	7,000	7,847	(847)
Equipment/supplies	27,250	37,378	(10,128)
Training	1,500	980	520
Telephone	800	811	(11)
Repairs and maintenance	7,000	1,070	5,930
Diesel fuel/gas	2,500	1,947	553
Protective gear	12,000	10,410	1,590
Air pack maintenance	2,800	2,441	359
Total fire department	<u>143,364</u>	<u>154,130</u>	<u>(10,766)</u>
Total public safety	<u>1,152,134</u>	<u>1,104,756</u>	<u>47,378</u>
Highway and streets			
Highway			
Salaries			
Highway salaries	260,825	264,267	(3,442)
Overtime	20,000	19,276	724
Benefits			
FICA	21,490	21,894	(404)
Insurance	111,465	84,283	27,182
Pension	15,445	15,941	(496)
Street lights	62,000	59,402	2,598
Supplies	5,000	7,408	(2,408)
Winter sand	37,000	56,094	(19,094)
Winter salt	68,000	85,909	(17,909)
Winter supplies	8,000	11,453	(3,453)
Crushing gravel	3,000	-	3,000
Rentals	1,500	-	1,500
Surpac	15,000	23,149	(8,149)
Plant mix	4,000	-	4,000
Uniforms	3,000	3,026	(26)
Asphalt	2,000	300	1,700
Cold patch	750	2,700	(1,950)
Retreatment	107,000	152,918	(45,918)
Culverts	8,000	6,826	1,174

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Highway			
Bridges	5,000	9,200	(4,200)
Training	700	120	580
Telephone, cell phones, pagers	1,650	1,368	282
Computer	200	-	200
Repairs and maintenance	40,000	59,899	(19,899)
Road signs	6,000	1,767	4,233
Road cut bond returns	1,500	3,050	(1,550)
Chloride	9,000	10,115	(1,115)
Tree/brush	4,700	5,919	(1,219)
Summer construction	40,000	51,129	(11,129)
Fuel-diesel	23,000	40,358	(17,358)
Miscellaneous	-	89,713	(89,713)
Total highway	<u>885,225</u>	<u>1,087,484</u>	<u>(202,259)</u>
Garage			
Maintenance	4,000	1,556	2,444
Fuel	3,000	3,493	(493)
Utilities	4,400	4,052	348
Total garage	<u>11,400</u>	<u>9,101</u>	<u>2,299</u>
Total highway and streets	<u>896,625</u>	<u>1,096,585</u>	<u>(199,960)</u>
Sanitation and recycling			
Solid waste			
Salaries			
Attendant	46,150	48,663	(2,513)
Part time attendant	30,968	40,357	(9,389)
Labor	17,000	24,788	(7,788)
Benefits			
FICA	7,200	8,706	(1,506)
Insurance	33,235	26,048	7,187
Pensions	4,250	4,694	(444)
Uniforms	1,000	1,008	(8)
Work offender program	500	150	350
Heating fuel	600	653	(53)
Equipment/supplies	-	3,272	(3,272)
Utilities	6,500	5,036	1,464
Repairs and maintenance	6,350	9,580	(3,230)
Telephone	900	799	101
Miscellaneous	2,500	215	2,285
Total solid waste	<u>157,153</u>	<u>173,969</u>	<u>(16,816)</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Disposal			
Recycle bags	54,000	23,165	30,835
Trucking fees	51,700	47,690	4,010
Processing fees	18,000	11,513	6,487
Construction and disposal	103,300	103,380	(80)
Total disposal	<u>227,000</u>	<u>185,748</u>	<u>41,252</u>
Total sanitation and disposal	<u>384,153</u>	<u>359,717</u>	<u>24,436</u>
Cemetery			
Labor	47,000	45,895	1,105
Commission	4,000	4,000	-
Recording secretary	800	800	-
Insurances	8,241	8,022	219
FICA	4,000	4,010	(10)
Pension	1,500	1,146	354
Gas/oil	1,800	1,556	244
Audit	600	1,320	(720)
Equipment/supplies	5,400	5,889	(489)
Uniforms	300	277	23
Tree work/stump/brush	2,000	-	2,000
Utilities	2,500	2,007	493
Flowers	350	120	230
Training	200	-	200
Corner stones	700	900	(200)
Sand/top soil	1,500	-	1,500
Legal	250	-	250
Miscellaneous	39,500	47,553	(8,053)
Truck maintenance	500	121	379
Monument restoration	8,000	-	8,000
Total cemetery	<u>129,141</u>	<u>123,616</u>	<u>5,525</u>
Culture and recreation			
Recreation department			
Salaries			
Director	52,874	52,428	446
Assistant	22,000	973	21,027
Camp staff	11,750	11,578	172
Summer labor	5,000	26,535	(21,535)
Winter labor	1,000	2,440	(1,440)
Referees/coaches	9,000	12,655	(3,655)
Benefits			
FICA	7,775	8,464	(689)

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation department			
Insurance	22,360	4,866	17,494
Pension	2,908	3,468	(560)
Fuel oil	1,500	1,993	(493)
Utilities	17,000	15,571	1,429
Equipment/supplies	7,300	4,029	3,271
Advertising	250	155	95
Training	750	777	(27)
Telephone	2,000	2,086	(86)
Fields	16,000	12,276	3,724
Repairs and maintenance	500	107	393
Skate park maintenance	2,000	1,715	285
Concerts	4,000	4,250	(250)
Improvements	-	65	(65)
Youth activities	10,000	7,016	2,984
Adult activities	1,200	646	554
Senior citizen activities	500	223	277
Little league	3,500	7,329	(3,829)
Babe Ruth	500	165	335
Recreation to school	18,000	18,000	-
Youth athletic equipment	8,500	4,299	4,201
Team sports	15,000	13,140	1,860
Miscellaneous	750	16,472	(15,722)
Transportation	4,000	4,000	-
Fireworks display	5,000	-	5,000
Total recreation department	<u>252,917</u>	<u>237,721</u>	<u>15,196</u>
Community Center			
Salaries			
Staff	47,491	50,082	(2,591)
Benefits			
FICA	3,633	3,831	(198)
Insurance	11,760	9,495	2,265
Pension	2,410	3,119	(709)
Telephone	500	484	16
Uniforms	800	707	93
Utilities	33,500	34,734	(1,234)
Cleaning and supplies	14,500	20,600	(6,100)
Total community center	<u>114,594</u>	<u>123,052</u>	<u>(8,458)</u>
Total culture and recreation	<u>367,511</u>	<u>360,773</u>	<u>6,738</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Intergovernmental			
County tax	66,836	67,112	(276)
County capital cost	37,000	35,722	1,278
3/5 highway tax	36,500	36,500	-
Total intergovernmental	<u>140,336</u>	<u>139,334</u>	<u>1,002</u>
Special articles			
Nurse service	15,500	15,500	-
Library electric and fuel	14,000	12,911	1,089
Library operations	25,000	25,000	-
Library/school books	5,000	3,980	1,020
Vermont green up day	100	1,050	(950)
Black River Academy Museum fuel	13,500	16,970	(3,470)
Black River Academy Museum	25,000	25,000	-
SEVCA	2,440	2,440	-
Advocacy, resources, and community	800	800	-
Black River Valley Senior center meals	9,000	9,000	-
Black River Valley Senior Center operations	20,000	17,486	2,514
RSVP program	500	500	-
Youth services	600	-	600
Women's freedom	800	800	-
LES mentoring program	4,500	4,500	-
Windsor county partners	500	500	-
Black River good neighbor services	4,000	4,000	-
Vermont Center for Independent Living	360	360	-
Education operations	22,000	20,320	1,680
Okemo Valley TV	1,750	1,750	-
Friends of Ludlow	57,500	56,759	741
The Current (SEVT)	7,250	7,250	-
BRACC	15,000	15,000	-
After school program	19,000	19,000	-
Senior Solutions	750	-	750
American Red Cross	500	-	500
Total special articles	<u>265,350</u>	<u>260,876</u>	<u>4,474</u>
Capital outlays	<u>484,500</u>	<u>642,028</u>	<u>(157,528)</u>
Debt service			
Principal	297,101	303,900	(6,799)
Interest	77,551	76,197	1,354
Total debt service	<u>374,652</u>	<u>380,097</u>	<u>(5,445)</u>
Total expenditures	<u>5,516,177</u>	<u>5,914,905</u>	<u>(398,728)</u>

See the independent auditor's report.

TOWN OF LUDLOW
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(328,182)</u>	<u>(324,662)</u>	<u>3,520</u>
Other financing sources (uses)			
Loan proceeds	91,500	343,958	252,458
Transfers in (out)	<u>236,682</u>	<u>59,716</u>	<u>(176,966)</u>
Total other financing sources (uses)	<u>328,182</u>	<u>403,674</u>	<u>75,492</u>
<i>Change in fund balance</i>	\$ <u> -</u>	\$ <u> 79,012</u>	\$ <u> 79,012</u>

See the independent auditor's report.

TOWN OF LUDLOW, VERMONT
Schedule of the Local Government's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2019

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<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>
Town's proportion of the net pension liability	0.70000%	0.69073%	-	-	-	-	-	-	-	-
Town's proportionate share of the net pension liability	\$ 846,842	\$ 719,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,770,271	\$ 1,728,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	47.84%	41.64%	-	-	-	-	-	-	-	-

See the independent auditor's report.

TOWN OF LUDLOW, VERMONT
Schedule of Local Government Contributions
Year Ended June 30, 2019

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<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>
Contractually required contributions	\$ 119,533	\$ 105,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>119,533</u>	<u>105,441</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	\$ 1,770,271	\$ 1,728,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	6.75%	6.10%	-	-	-	-	-	-	-	-

See the independent auditor's report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

To the Select Board
Town of Ludlow
Ludlow, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of the Town of Ludlow, Vermont as of and for the year ended June 30, 2019, which collectively comprise Town of Ludlow, Vermont's basic financial statements and have issued our report thereon dated November 5, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
November 5, 2019