

VILLAGE OF LUDLOW, VERMONT

Financial Statements

Year Ended June 30, 2019

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Independent Auditor's Report

To the Board of Trustees
Village of Ludlow
Ludlow, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ludlow, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Ludlow, Vermont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the Electric Light Department of the Village of Ludlow, Vermont as of June 30, 2019, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matter described in the “Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Village of Ludlow, Vermont as of June 30, 2019, and the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, other than the Electric Department, and the aggregate remaining fund information of the Village 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 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the Village of Ludlow, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Ludlow, Vermont’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ludlow, Vermont’s internal control over financial reporting and compliance.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
October 28, 2019

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

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

Financial Highlights

Government-wide highlights

- *Net position* – The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources by \$8,234,487 (net position). Of this amount, \$921,117 (unrestricted net position) may be used by the various funds of the Village to meet the Village's ongoing obligations to citizens and creditors, and \$7,305,122 was invested in capital assets, net of related long-term debt. The remainder, \$8,248, is restricted for special purpose revenue funds and capital projects.
- *Change in net position* – The Village's total net position increased by \$47,601. Of this amount, net position attributable to governmental activities decreased by \$62,138. Net position attributable to business-type activities increased by \$109,739.

Fund highlights

- *Governmental funds* – Governmental funds include general, special revenue, and capital projects. As of June 30, 2019, the Village's governmental funds reported a combined ending fund balance of \$8,551, a decrease of \$45,006.
- *Water Fund* – The Village's Water Fund reported a total net position of \$2,448,007 as of June 30, 2019, an increase of \$37,173. The \$154,013 represents the *unrestricted balance* available for future expenses, and \$2,293,994 is the amount invested in capital assets, net of related debt.
- *Sewer Fund* – The Village's Sewer Fund reported a total net position of \$5,275,417 as of June 30, 2019, an increase of \$72,566. The \$803,964 represents the *unrestricted balance* available for future expenses, and \$4,471,453 is the amount invested in capital assets, net of related debt.

Overview of the Village's Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The Village has one major governmental fund. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the Village.

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

The Government's net position at fiscal year end is \$8,234,487. This represents a \$15,751 increase from last year's net position of \$8,218,736. The following table provides a summary of the Village's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 961,367	\$ 1,122,770	\$ 1,569,645	\$ 1,545,762	\$ 2,531,012	\$ 2,668,532
Capital assets	539,675	550,136	9,144,863	9,097,754	9,684,538	9,647,890
Total assets	1,501,042	1,672,906	10,714,508	10,643,516	12,215,550	12,316,422
Deferred outflows of resources	22,669	22,468	40,804	40,443	63,473	62,911
Total assets and deferred outflows of resources	\$ 1,523,711	\$ 1,695,374	\$ 10,755,312	\$ 10,683,959	\$ 12,279,023	\$ 12,379,333
Current liabilities	\$ 950,182	\$ 1,033,521	\$ 668,231	\$ 603,858	\$ 1,618,413	\$ 1,637,379
Long-term liabilities	60,892	54,462	2,360,825	2,462,204	2,421,717	2,516,666
Total liabilities	1,011,074	1,087,983	3,029,056	3,066,062	4,040,130	4,154,045
Deferred inflows of resources	1,574	2,340	2,832	4,212	4,406	6,552
Net position						
Net investment in capital assets	539,675	550,136	6,765,447	6,605,211	7,305,122	7,155,347
Restricted	8,248	8,177	-	-	8,248	8,177
Unrestricted	(36,860)	46,738	957,977	1,008,474	921,117	1,055,212
Total net position	511,063	605,051	7,723,424	7,613,685	8,234,487	8,218,736
Total liabilities, deferred inflows & net position	\$ 1,523,711	\$ 1,695,374	\$ 10,755,312	\$ 10,683,959	\$ 12,279,023	\$ 12,379,333

The largest portion of the Village's net position, \$7,305,122, reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to the Village; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

In summary, (as indicated in the statement of net position on page 11) the restricted net position in the governmental activities totaled \$8,248. The net position has been principally earmarked for the capital project fund.

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

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 49,581	\$ 52,174	\$ 969,308	\$ 929,118	\$ 1,018,889	\$ 981,292
Operating grants	43,645	43,655	12,386	101,552	56,031	145,207
General revenues:						
Property taxes	375,982	361,268	-	-	375,982	361,268
Investment income	333	84	9,337	3,756	9,670	3,840
Miscellaneous	9,285	2,661	114,448	172,055	123,733	174,716
Total revenues	478,826	449,842	1,105,479	1,206,481	1,584,305	1,666,323
Program expenses:						
Governmental activities:						
General government	180,278	202,640	-	-	180,278	202,640
Highway and streets	398,686	299,213	-	-	398,686	299,213
Business-type activities						
Water utilities	-	-	298,203	326,465	298,203	326,465
Sewer utilities	-	-	659,537	679,828	659,537	679,828
Total expenses	578,964	501,853	957,740	1,006,296	1,536,704	1,508,146
Transfers	38,000	37,000	(38,000)	(37,000)	-	-
Change in net position	\$ (62,138)	\$ (5,011)	\$ 109,739	\$ 163,188	\$ 47,601	\$ 158,177

Financial Analysis of the Village's Funds

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

Governmental Activities

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

The total program revenues from governmental activities were \$93,226 in fiscal year 2019 compared to \$95,829 in the prior year. The decrease is primarily the result of a decrease in charges for services. Governmental program revenues come from *charges for services*, which includes licenses and permits, planning fees, developer fees, forfeitures, and several other revenues and *operating grants and contributions*, which include operating-specific and discretionary (either operating or capital) grants.

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General Revenues. All other revenues not categorized as program revenues, include all taxes, as well as unrestricted grants, contributions and investment earnings. Total general revenues from governmental activities were \$385,600 in fiscal year 2019 compared to \$364,013 in the prior year. Taxes and related revenue of \$375,982 comprised approximately 98% of the Village's general revenues for fiscal year 2019.

Governmental Expenses. Total government activity expenses were \$578,964 in fiscal year 2019 compared to \$501,853 in fiscal year 2018, an increase of approximately 15.4%. The increase is primary the result of an increase in highway and streets expenses. The largest expenses were incurred for general government and highway and streets.

Business-Type Activities

Net position for business-type activities (water and sewer department) was \$7,723,424 as of June 30, 2019, an increase of \$109,739 from the prior year. Total water and sewer revenues for the 2019 fiscal year were \$1,105,479, a decrease of 8% compared to the prior fiscal year. Total water and sewer expenses for the 2019 fiscal year were \$995,740, a decrease of approximately 4.5% compared to the prior year. The largest decreases were in plant repairs and main replacements.

Financial Analysis of Individual Funds

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$8,551.

The fund balance of the General Fund as of June 30, 2019 was \$303, a decrease of \$45,077 from the prior year.

General Fund Budgetary Highlights

The Budgetary Comparison Schedule – General Fund beginning on page 40 compares the actual results for fiscal year 2019 to the approved budget for the General Fund. Difference between budgeted amounts and actual amounts are briefly summarized below.

The most significant variances were as follows:

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue and Other Sources			
Insurance refund	\$ 43,777	\$ 46,164	\$ (2,387)
Licenses and permits	6,250	3,417	(2,833)
Intergovernmental	40,000	43,645	3,645
Expenses and Other Uses			
Highway and streets – winter sand	31,000	46,381	(15,381)
Highway and streets – signs/lines/rail	2,550	21,894	(19,344)
Highway and streets – street construction	32,000	54,915	(22,915)

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

Capital Assets and Debt Administration

Capital Assets

The Village's government activities investment in capital assets, net of accumulated depreciation and related short and long-term debt as of June 30, 2019, was \$539,675 which represents a decrease of \$10,461 as compared to the prior year. Investment in capital assets includes land, land improvements, machinery and equipment, buildings, and infrastructure. Infrastructure assets are items that are normally immovable and of value to the Village such as roads, bridges, streets, drainage systems, lighting systems and similar items. The additions, net of any trade-in allowances and disposals, amounted to \$43,554. Depreciation expense for the 2019 fiscal year totaled \$54,015. The net increase in capital assets was \$10,461.

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

- Andover Street Paving

The Village's investment in capital assets for the water and sewer departments totaled \$6,765,447 as of June 30, 2019. Depreciation expense on buildings, vehicles, and equipment in service amounted to \$125,502 and \$190,113, respectively, for the water and sewer department for the 2019 fiscal year.

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

- Construction in Progress Bridge Street
- Construction in Progress Line Upgrades

Long-Term Debt

At the end of the year, the Village's water and sewer departments had total debt outstanding of \$2,379,416. These amounts owed are backed by the full faith and credit of the Village with voter approved property taxes and user fees used to pay the obligations. These proceeds are being used to fund the addition and alterations of the capital assets.

Economic Climate

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

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

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

Requests for Information

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

Village of Ludlow
PO Box 359
Ludlow, VT 05149

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 905,035	\$ 218,978	\$ 1,124,013
Accounts receivable, net	-	414,666	414,666
Delinquent taxes receivable	5,245	-	5,245
Interest and penalties receivable	733	-	733
Inventories	-	70,000	70,000
Prepaid expenses	50,354	10,256	60,610
Due from other funds	-	855,745	855,745
Total current assets	<u>961,367</u>	<u>1,569,645</u>	<u>2,531,012</u>
Noncurrent assets:			
Land, building, and equipment (net)	<u>539,675</u>	<u>9,144,863</u>	<u>9,684,538</u>
Total assets	1,501,042	10,714,508	12,215,550
Deferred outflows of resources			
Pensions	<u>22,669</u>	<u>40,804</u>	<u>63,473</u>
Total assets and deferred outflows of resources	<u>\$ 1,523,711</u>	<u>\$ 10,755,312</u>	<u>\$ 12,279,023</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 38,575	\$ 11,128	\$ 49,703
Unearned revenue	26,104	536,187	562,291
Due to Town	29,758	5,198	34,956
Due to other funds	855,745	-	855,745
Bonds and notes payable, current	-	115,718	115,718
Total current liabilities	<u>950,182</u>	<u>668,231</u>	<u>1,618,413</u>
Long term liabilities:			
Bonds payable, less current portion	-	2,263,698	2,263,698
Compensated absences	11,657	8,504	20,161
Net pension liability	49,235	88,623	137,858
Total long term liabilities	<u>60,892</u>	<u>2,360,825</u>	<u>2,421,717</u>
Total liabilities	<u>1,011,074</u>	<u>3,029,056</u>	<u>4,040,130</u>
Deferred inflows of resources			
Pensions	<u>1,574</u>	<u>2,832</u>	<u>4,406</u>
Net Position			
Net investment in capital assets	539,675	6,765,447	7,305,122
Restricted	8,248	-	8,248
Unrestricted	<u>(36,860)</u>	<u>957,977</u>	<u>921,117</u>
Total net position	<u>511,063</u>	<u>7,723,424</u>	<u>8,234,487</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,523,711</u>	<u>\$ 10,755,312</u>	<u>\$ 12,279,023</u>

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

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

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government						
Governmental activities						
General government	\$ 180,278	\$ 3,417	\$ -	\$ (176,861)	\$ -	\$ (176,861)
Highways and streets	398,686	46,164	43,645	(308,877)	-	(308,877)
Total governmental activities	<u>578,964</u>	<u>49,581</u>	<u>43,645</u>	<u>(485,738)</u>	<u>-</u>	<u>(485,738)</u>
Business-type activities						
Water	298,203	318,894	9,332	-	30,023	30,023
Sewer	659,537	650,414	3,054	-	(6,069)	(6,069)
Total business-type activities	<u>957,740</u>	<u>969,308</u>	<u>12,386</u>	<u>-</u>	<u>23,954</u>	<u>23,954</u>
Total primary-government	<u>\$ 1,536,704</u>	<u>\$ 1,018,889</u>	<u>\$ 56,031</u>	<u>(485,738)</u>	<u>23,954</u>	<u>(461,784)</u>
General revenues						
Real property taxes				375,982	-	375,982
Service hookup revenue				-	89,734	89,734
Investment earnings				333	9,337	9,670
Miscellaneous				9,285	24,714	33,999
Transfers				38,000	(38,000)	-
Total general revenues and transfers				<u>423,600</u>	<u>85,785</u>	<u>509,385</u>
Change in net position				<u>(62,138)</u>	<u>109,739</u>	<u>47,601</u>
Net position - beginning of year, as previously reported						
				605,051	7,613,685	8,218,736
Prior period adjustment				(31,850)	-	(31,850)
Net position - beginning of year, restated				<u>573,201</u>	<u>7,613,685</u>	<u>8,186,886</u>
Net position - end of year				<u>\$ 511,063</u>	<u>\$ 7,723,424</u>	<u>\$ 8,234,487</u>

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

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

	General	Non-major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 905,035	\$ -	\$ 905,035
Delinquent taxes receivable	5,245	-	5,245
Interest and penalties receivable	733	-	733
Prepaid expenses	50,354	-	50,354
Due from other funds	-	8,248	8,248
Total assets	\$ 961,367	\$ 8,248	\$ 969,615
Liabilities			
Accounts payable	\$ 38,575	\$ -	\$ 38,575
Due to Town	29,758	-	29,758
Due to other funds	863,993	-	863,993
Unearned revenue	26,104	-	26,104
Total liabilities	958,430	-	958,430
Deferred inflows of resources			
Unavailable revenues	2,634	-	2,634
Fund balance			
Nonspendable	50,354	-	50,354
Restricted	-	8,248	8,248
Unassigned	(50,051)	-	(50,051)
Total fund balance	303	8,248	8,551
Total liabilities, deferred inflows of resources, and fund balance	\$ 961,367	\$ 8,248	\$ 969,615

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

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

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 905,035	\$ -	\$ -	\$ 905,035
Delinquent taxes receivable	5,245	-	-	5,245
Interest and penalties receivable	733	-	-	733
Prepaid expenses	50,354	-	-	50,354
Due from other funds	8,248	-	(8,248)	-
Capital assets, net of accumulated depreciation	-	539,675	-	539,675
Total assets	969,615	539,675	(8,248)	1,501,042
Deferred outflows of resources				
Pensions	-	22,669	-	22,669
Total assets and deferred outflows of resources	\$ 969,615	\$ 562,344	\$ (8,248)	\$ 1,523,711
Liabilities				
Accounts payable	\$ 38,575	\$ -	\$ -	\$ 38,575
Due to Town	29,758	-	-	29,758
Due to other funds	863,993	-	(8,248)	855,745
Unearned revenue	26,104	-	-	26,104
Compensated absences	-	11,657	-	11,657
Net pension liability	-	49,235	-	49,235
Total liabilities	958,430	60,892	(8,248)	1,011,074
Deferred inflows of resources				
Unavailable revenues	2,634	(2,634)	-	-
Pensions	-	1,574	-	1,574
Total deferred inflows or resources	2,634	(1,060)	-	1,574
Fund balance/net position				
Total fund balance/net position	8,551	502,512	-	511,063
Total liabilities, deferred inflows of resources, and fund balance/net position	\$ 969,615	\$ 562,344	\$ (8,248)	\$ 1,523,711

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

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

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes, interest, and penalties	\$ 377,190	\$ -	\$ 377,190
Licenses, permits, and fees	3,417	-	3,417
Intergovernmental	43,645	-	43,645
Investment income	262	71	333
Insurance reimbursement	46,164	-	46,164
Miscellaneous	9,285	-	9,285
Total revenues	<u>479,963</u>	<u>71</u>	<u>480,034</u>
Expenditures			
General government	172,114	-	172,114
Highways and streets	390,926	-	390,926
Total expenditures	<u>563,040</u>	<u>-</u>	<u>563,040</u>
Excess of revenues over expenditures	<u>(83,077)</u>	<u>71</u>	<u>(83,006)</u>
Other financing source (uses)			
Transfers in (out)	38,000	-	38,000
Total other financing sources (uses)	<u>38,000</u>	<u>-</u>	<u>38,000</u>
Change in fund balance	<u>(45,077)</u>	<u>71</u>	<u>(45,006)</u>
Fund balance - beginning of year, as previously stated	77,230	8,177	85,407
Prior period adjustment	(31,850)	-	(31,850)
Fund balance - beginning of year, restated	<u>45,380</u>	<u>8,177</u>	<u>53,557</u>
Fund balance - end of year	<u>\$ 303</u>	<u>\$ 8,248</u>	<u>\$ 8,551</u>

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

VILLAGE OF LUDLOW, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Year Ended June 30, 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					
Taxes, interest, and penalties	\$ 377,190	\$ (1,208)	\$ -	\$ -	\$ 375,982
Licenses, permits, and fees	3,417	-	-	-	3,417
Intergovernmental	43,645	-	-	-	43,645
Investment income	333	-	-	-	333
Insurance reimbursement	46,164	-	-	-	46,164
Miscellaneous	9,285	-	-	-	9,285
Total revenues	<u>480,034</u>	<u>(1,208)</u>	<u>-</u>	<u>-</u>	<u>478,826</u>
Expenditures/Expenses					
General government	172,114	8,164	-	-	180,278
Highways and streets	390,926	51,314	(43,554)	-	398,686
Total expenditures/expenses	<u>563,040</u>	<u>59,478</u>	<u>(43,554)</u>	<u>-</u>	<u>578,964</u>
Excess (deficiency) of revenues over expenditures	<u>(83,006)</u>	<u>(60,686)</u>	<u>43,554</u>	<u>-</u>	<u>(100,138)</u>
Other sources and (uses)					
Transfers in (out)	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>
Total other sources (uses)	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>
Net change for the year	<u>\$ (45,006)</u>	<u>\$ (60,686)</u>	<u>\$ 43,554</u>	<u>\$ -</u>	<u>\$ (62,138)</u>

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

VILLAGE OF LUDLOW, VERMONT
Statements of Net Position
Proprietary Funds
June 30, 2019

Assets	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ -	\$ 218,978	\$ 218,978
Accounts receivable, net	146,568	268,098	414,666
Prepaid expenses	2,160	8,096	10,256
Inventories	50,000	20,000	70,000
Due from other funds	154,385	701,360	855,745
Total current assets	<u>353,113</u>	<u>1,216,532</u>	<u>1,569,645</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>4,072,983</u>	<u>5,071,880</u>	<u>9,144,863</u>
Total assets	<u>4,426,096</u>	<u>6,288,412</u>	<u>10,714,508</u>
Deferred outflows of resources			
Pensions	<u>13,601</u>	<u>27,203</u>	<u>40,804</u>
Total assets and deferred outflows of resources	<u>\$ 4,439,697</u>	<u>\$ 6,315,615</u>	<u>\$ 10,755,312</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 222	\$ 10,906	\$ 11,128
Due to Town	2,299	2,899	5,198
Unearned revenue	177,119	359,068	536,187
Bonds payable, current portion	95,468	20,250	115,718
Total current liabilities	<u>275,108</u>	<u>393,123</u>	<u>668,231</u>
Noncurrent liabilities			
Bond payable, less current portion	1,683,521	580,177	2,263,698
Compensated absences	2,576	5,928	8,504
Net pension liability	29,541	59,082	88,623
Total noncurrent liabilities	<u>1,715,638</u>	<u>645,187</u>	<u>2,360,825</u>
Total liabilities	<u>1,990,746</u>	<u>1,038,310</u>	<u>3,029,056</u>
Deferred inflows of resources			
Pensions	<u>944</u>	<u>1,888</u>	<u>2,832</u>
Net position			
Invested in capital assets	2,293,994	4,471,453	6,765,447
Unrestricted	154,013	803,964	957,977
Total net position	<u>2,448,007</u>	<u>5,275,417</u>	<u>7,723,424</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,439,697</u>	<u>\$ 6,315,615</u>	<u>\$ 10,755,312</u>

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

VILLAGE OF LUDLOW, VERMONT
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2019

	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 318,894	\$ 650,414	\$ 969,308
Delinquent interest and penalties	5,647	11,151	16,798
Miscellaneous	665	7,251	7,916
Total operating revenue	325,206	668,816	994,022
Operating expenses			
Operations and maintenance	102,834	447,948	550,782
Administration	26,041	2,500	28,541
Depreciation expense	125,502	190,113	315,615
Total operating expenses	254,377	640,561	894,938
Income from operations	70,829	28,255	99,084
Nonoperating revenues (expenses)			
Investment income	338	8,999	9,337
Service hook up revenue	500	89,234	89,734
Build America Bond interest rebate	9,332	-	9,332
Andover interest reimbursement	-	3,054	3,054
Bond interest expense	(43,826)	(18,976)	(62,802)
Total nonoperating revenues (expenses)	(33,656)	82,311	48,655
Net income before transfers	37,173	110,566	147,739
Other financing sources (uses)			
Transfer to general fund	-	(38,000)	(38,000)
Change in net position	37,173	72,566	109,739
Net position - beginning of year	2,410,834	5,202,851	7,613,685
Net position - end of year	\$ 2,448,007	\$ 5,275,417	\$ 7,723,424

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

VILLAGE OF LUDLOW, VERMONT
Statements of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Water	Sewer	Total
<i>Cash flows from (to) operating activities:</i>			
Cash received from customers	\$ 303,234	\$ 615,314	\$ 918,548
Cash payments to suppliers for goods and services	(53,163)	(365,713)	(418,876)
Cash payments to employees for services and benefits	(71,929)	(67,664)	(139,593)
<i>Net cash provided by operating activities</i>	178,142	181,937	360,079
<i>Cash flows from (to) noncapital financing activities:</i>			
Transfer to general fund	-	(38,000)	(38,000)
Interfund proceeds (repayments)	117,090	(7,417)	109,673
<i>Net cash provided by (used in) noncapital financing activities</i>	117,090	(45,417)	71,673
<i>Cash flows from (to) capital and related financing activities</i>			
Service hook up revenue	500	89,234	89,734
Interest paid on notes and bonds, net of rebate	(34,494)	(15,922)	(50,416)
Acquisition of capital assets	(168,105)	(194,619)	(362,724)
Principal payments on notes and bonds	(93,471)	(19,656)	(113,127)
<i>Net cash (used in) capital and financing activities</i>	(295,570)	(140,963)	(436,533)
<i>Cash flows from investing activities:</i>			
Investment income	338	8,999	9,337
<i>Net cash provided by investing activities</i>	338	8,999	9,337
<i>Net increase in cash and cash equivalents</i>	-	4,556	4,556
<i>Cash and cash equivalents - beginning of year</i>	-	214,422	214,422
<i>Cash and cash equivalents - end of year</i>	\$ -	\$ 218,978	\$ 218,978
<i>Reconciliation of operating income to net cash provided by:</i>			
<i>(Used for) operating activities:</i>			
Operating income	\$ 70,829	\$ 28,255	\$ 99,084
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:			
Depreciation	125,502	190,113	315,615
(Increase) decrease in accounts receivable	(40,630)	(87,708)	(128,338)
(Increase) decrease in prepaid expenses	(51)	153	102
Increase (decrease) in accounts payable	(334)	8,485	8,151
Increase (decrease) in unearned revenue	18,658	34,206	52,864
Increase (decrease) in other liabilities	4,168	8,433	12,601
<i>Net cash provided by operating activities</i>	\$ 178,142	\$ 181,937	\$ 360,079

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Village of Ludlow, Vermont, (the "Village") was granted a charter under the provisions of the State of Vermont and operates under a trustee-treasurer form of government and provides services to Village residents as authorized by the charter.

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

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

a) Reporting Entity

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

b) Basis of Presentation

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

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

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

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

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

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

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

The Village reports on the following major governmental funds:

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

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

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

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

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

c) Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources and are segregated into non-spendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they present a summary of sources and uses of available spendable resources during a period.

d) Basis of Accounting

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

d) Basis of Accounting (continued)

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

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

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

e) Use of Estimates

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

f) Receivables

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

g) Internal Balances

Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "Advances to/from Other Fund." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Cash balances deposited and invested by the Treasurer in a combined cash account are reported as "Due to/from Other Funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (non-spendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

h) Capital Assets

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

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

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

Buildings and Improvements	20 - 50
Equipment and Vehicles	5 - 12
Utility Systems	8 - 50
Infrastructure	20 - 40

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

i) Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

j) **Accrued Compensated Absences**

Employees may carry forward ten days of vacation from one calendar year to the next. Upon termination, employees will be paid for these carryforward days plus days earned up to the date of termination. Sick time cannot be carried forward and will not be paid upon termination. Certain employees with ten years of service at the time that the policy was last modified to its current state, were allowed to carry forward sick time credits. These employees will be compensated for these credits upon retirement. Accrued compensated absences in these funds are recorded as expenditures in the year they are paid.

k) **Long-Term Liabilities**

Long-term liabilities include bonds and notes payable and other obligations such as compensated absences and net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

l) **Budgetary Accounting**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the Village's operations. The Village's department heads and Village manager submit an annual budget to the Village's Trustees to review. A public hearing is held prior to the Village meeting to review the budget. The Village approves the budget at the annual Village meeting and the tax rate is determined by the Trustees based on the budget and grand list. Formal budgetary accounting is employed as a management control device in the General Fund.

m) **Fund Balances**

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

m) Fund Balances (continued)

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

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

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

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

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

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

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

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

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

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

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

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 8,551
Assets	
Long-term:	
Capital assets net of related depreciation	539,675
Deferred outflows of resources:	
Pensions	22,669
Long-term:	
Compensated absences	(11,657)
Net pension liability – proportionate share	(49,235)
Deferred inflows of resources:	
Unavailable revenue - taxes	2,634
Pensions	<u>(1,574)</u>
Ending net position reported in Statement of Position for governmental activities	\$ <u>511,063</u>

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

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

iii) Pension differences:

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

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

Total revenues and other funding sources of governmental funds	\$	480,034
<p>Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents a decrease in unearned property taxes.</p>		
		<u>(1,208)</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>478,826</u>
Total expenditures reported in governmental funds	\$	563,040
<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>		
		(962)
<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		(43,554)
Current year depreciation		54,015
<p>Governmental funds report Village pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
		<u>6,425</u>
Total expenses of governmental activities in the Statement of Activities	\$	<u>578,964</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 3. Deposits and Investments

Deposits

Custodial Credit Risk – Deposits. The Treasurer works with the Board to limit custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The table below reflects the custodial credit risk of the Village's Deposits.

Insured by FDIC	\$	250,000
Insured by SIPC		218,978
Uninsured – collateralized		708,531
Total bank balances	\$	<u>1,177,509</u>

Note 4. Inter-fund Transfers

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

Funds	Interfund	
	Revenues	Expenses
General Fund	\$ 38,000	\$ -
Non-major Funds	-	-
Water Fund	-	-
Sewer Fund	-	38,000
Totals	<u>\$ 38,000</u>	<u>\$ 38,000</u>

Transfers are used to move revenues from the fund that statute or budget requires it to be collected in to the fund that statute or budget requires it to be expended from. Transfers are also used for unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. The sewer fund made transfer of \$38,000 to the general fund according to budgetary authorization for reimbursement of administrative costs.

Note 5. Due to/from

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

Fund	Interfund	
	Receivable	Payable
Governmental Funds		
General Fund	\$ -	\$ 863,993
Non-major Funds	8,248	-
Proprietary Funds		
Water Fund	154,385	-
Sewer Fund	701,360	-
Total	<u>\$ 863,993</u>	<u>\$ 863,993</u>

VILLAGE 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	\$ 18,000	\$ -	\$ -	\$ 18,000
Total	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Capital assets that are depreciated:				
Equipment	36,493	-	-	36,493
Infrastructure	904,059	43,554	-	947,613
Total	<u>940,522</u>	<u>43,554</u>	<u>-</u>	<u>984,106</u>
Less accumulated depreciation:				
Equipment	(22,618)	(3,304)	-	(25,922)
Infrastructure	(385,798)	(50,711)	-	(436,509)
Total	<u>(408,416)</u>	<u>(54,015)</u>	<u>-</u>	<u>(462,431)</u>
Governmental activities capital assets, net	<u>\$ 550,136</u>	<u>\$ (10,461)</u>	<u>\$ -</u>	<u>\$ 539,675</u>

Depreciation expense was charged as follows:

General government	\$ 2,701
Highway and streets	51,314
	<u>\$ 54,015</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 not depreciated:				
Land	\$ 152,920	\$ -	\$ -	\$ 152,920
Total	<u>152,920</u>	<u>-</u>	<u>-</u>	<u>152,920</u>
Capital assets that are depreciated:				
Buildings and improvements	13,363,694	-	-	13,363,694
Vehicles	79,566	-	-	79,566
Equipment	123,871	-	-	123,871
Construction in progress	-	362,766	-	362,766
Total	<u>13,567,131</u>	<u>362,766</u>	<u>-</u>	<u>13,929,897</u>
Less accumulated depreciation:				
Buildings and improvements	(4,532,461)	(296,093)	-	(4,828,554)
Vehicles	(36,417)	(12,031)	-	(48,448)
Equipment	(53,419)	(7,533)	-	(60,952)
Total	<u>(4,622,297)</u>	<u>(315,657)</u>	<u>-</u>	<u>(4,937,954)</u>
Business-type activities capital assets, net	<u>\$ 9,097,754</u>	<u>\$ 47,109</u>	<u>\$ -</u>	<u>\$ 9,144,863</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 7. Long-term Bonds and Notes Payable

Long-term bonds and notes payable consist of the following at June 30, 2019:

Business-type activities:

Water Fund

Bond payable, Vermont Municipal Bond Bank, annual payments of \$10,000, plus interest at rates varying from 2.20% to 5.18%. Bond matures December 1, 2021.	\$	30,000
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Bond payable, Vermont Municipal Bond Bank, drinking water loan, annual payments of \$47,454, with interest at 1% plus 2% admin fee. Bond matures May 1, 2032.		504,674
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Bond payable, USDA Rural Development water system, semi-annual payments of \$37,581, with interest at 2.25% partially refunded (35% of interest paid) each year. Bond matures December 1, 2039.		1,228,235
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Bond payable, Vermont Municipal Bond Bank, for water supply improvements, annual payments of \$5,360, interest free. Bond matures December 1, 2021.		16,080
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Sewer Fund

Bond payable, USDA Rural Development, for Andover Street sewer project, annual payments of \$19,056, with interest at 3% partially refunded (35% of interest paid) each year. Bond matures in 2040.		600,427
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Total governmental activities		2,379,416
Less current portion:		(115,718)
	\$	2,263,698

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

Years ended June 30	Principal	Interest
2020	\$ 115,718	\$ 51,567
2021	118,380	49,037
2022	121,115	46,450
2023	108,564	44,067
2024	111,450	41,889
2025-2029	603,338	174,811
2030-2034	591,823	111,489
2035-2039	517,866	48,503
2040	91,162	2,059
	\$ 2,379,416	\$ 569,872

VILLAGE 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:

	<u>6/30/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/19 Balance</u>
Governmental Activities				
Compensated absences	\$ 12,619	\$ -	\$ (962)	\$ 11,657
Net pension liability	<u>41,843</u>	<u>7,392</u>	<u>-</u>	<u>49,235</u>
Total governmental activities long-term liabilities	<u>\$ 54,462</u>	<u>\$ -7,392</u>	<u>\$ (962)</u>	<u>\$ 60,892</u>

	<u>6/30/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/19 Balance</u>
Business-type Activities				
Serial bonds	\$ 2,492,543	\$ -	\$ (113,127)	\$ 2,379,416
Compensated absences	7,467	1,037	-	8,504
Net pension liability	<u>75,318</u>	<u>13,305</u>	<u>-</u>	<u>88,623</u>
Total business-type activities long-term liabilities	<u>\$ 2,575,328</u>	<u>\$ 14,342</u>	<u>\$ (113,127)</u>	<u>\$ 2,476,543</u>

Note 8. Unearned Revenue and Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$2,634 of delinquent property taxes, penalties and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Note 9. Pensions

Summary of significant accounting policies

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pensions expense information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS), and additions to/deductions from VMERS's fiduciary net position has been determined on the same basis as they are reported by VMERS.

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

General information about the pension plan

Plan Description

VMERS is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee fired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement consisted of 411 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

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

Summary of system provisions

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Group A, B, C, or D provisions.
Creditable service	Service as a member plus purchased service.
Average final compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years. Group B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service retirement allowance	
Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D – age 55 with 5 years of service.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Summary of system provisions (continued)

Amount	Group A – 1.4% of AFC x service . Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC. Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x service. Group D – 2.5 of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC. Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above includes the portion of the allowance provided by member contributions.
Early retirement allowance	
Eligibility	Age 55 with 5 years of service for Group A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.
Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement aged based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments” described below.
Disability Retirement Allowance	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Summary of system provisions (continued)

Death benefits

Eligibility Death after 5 years of service.

Amount For Groups A, B, and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional benefit and death after retirement For Group A, B, and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-retirement adjustments Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for B, C, and D.

Member contributions Group A – 2.625%
Group B – 5.00%
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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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

At June 30, 2019 the Village reported a government-wide liability of \$137,858 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 Village's proportion of the net pension liability was based on a projections of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Village's proportion was 0.70000%, which was an increase of 0.00927% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the Village recognized pension expense of \$13,374 for the total governmental activities and \$24,074 for the business-type activities.

At June 30, 2019 the Village reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows or Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experiences	\$ 11,974	\$ 2,204
Changes of assumptions	15,266	-
Net difference between projected and actual earnings on pension plan investments	15,977	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	795	2,201
Village's contributions subsequent to the measurement date	<u>19,461</u>	<u>-</u>
Total	\$ <u>63,473</u>	\$ <u>4,405</u>

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

Year ended:	
2019	\$ 24,799
2020	9,175
2021	2,119
2022	<u>3,501</u>
Total	\$ <u>39,594</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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

FY 18	\$	122,606
FY 17		112,802
FY 16		108,933
FY 15		104,406

Significant actuarial assumptions and methods

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

Salary increase: 5.00% per year.

Mortality:

Death in active service:

Group A, B, and C – 98% of RP-2016 blended 60% Blue Collar Employee, 40% Health Employee with generation improvement.

Group D – RP-2006 Blue Collar Annuitant Table with generation improvement.

Healthy post-retirement:

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

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

Disabled post-retirement

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

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

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

Actuarial cost method: Entry age normal cost method.

Asset valuation method: Invested assets are reported at fair value.

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

Inflation: 2.50%.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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

Best estimates of arithmetic rates of return for each major class included in the target asset allocation 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

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the employer's share of the net pension liability to changes in the discount rate

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

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Village's proportionate share of the net pension liability	\$ 233,500	\$ 137,858	\$ 60,074

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Pension plan fiduciary net position

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

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

Note 10. Property taxes

Property taxes attach as an enforceable lien on property as of July 1. Village taxes levied in July are payable in installments on August 15th, November 15th, February 15th, and May 15th, and become delinquent on May 16th. Property taxes are recognized as revenue in the period for which they levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources. The Village tax rate for fiscal year 2019 was \$2.200 for residential property and \$2.200 for non-residential property.

Note 11. Related parties

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

Note 12. Prior period adjustment

The Village corrected the accounting for its portion of a \$193,000 loan taken out by the Town of Ludlow, Vermont as of June 30, 2018. The effect of the adjustment decreased fund balance by \$31,850.

Note 13. Subsequent events

Management has evaluated subsequent events through October 28, 2019 the date that the financial statements were available to be issued.

VILLAGE OF LUDLOW
Statement of Revenues and Other Sources and Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes - general	\$ 307,589	\$ 311,357	\$ 3,768
Pilot program	1,500	59	(1,441)
3/5 Highway	36,500	36,500	-
Electric department PILOT	26,100	26,105	5
Total taxes	371,689	374,021	2,332
Delinquent tax interest and penalties			
Delinquent interest	1,000	981	(19)
Delinquent penalties	1,200	2,188	988
Total delinquent tax interest and penalties	2,200	3,169	969
Interest and dividends	500	262	(238)
Licenses and permits			
Zoning fees and permits	2,000	1,567	(433)
Hearing fees and permits	4,000	1,500	(2,500)
Bianchi fees	250	350	100
Total licenses and permits	6,250	3,417	(2,833)
Intergovernmental			
State aid-highway	40,000	43,645	3,645
Miscellaneous			
Insurance refund	43,777	46,164	2,387
Miscellaneous	500	9,285	8,785
Total miscellaneous	44,277	55,449	11,172
Total revenue	464,916	479,963	15,047
Expenditures			
General government			
Administration			
Salaries			
Manager	25,750	22,244	3,506
Clerk	13,863	15,152	(1,289)
Officers	10,188	11,662	(1,474)
BCA salary	400	713	(313)
Benefits			
Payroll taxes	3,850	3,962	(112)
Insurance	12,275	6,680	5,595
Pension	2,230	2,229	1
Manager car allowance	-	2,013	(2,013)

See the independent auditor's report.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Village report	1,500	1,569	(69)
Equipment/supplies	3,000	4,001	(1,001)
Computer supplies	-	103	(103)
Tax abatement	-	305	(305)
Copier	1,650	1,038	612
Ordinance Enforcement	-	5,567	(5,567)
Audit	7,600	6,000	1,600
Services	1,700	1,195	505
Beautification	750	644	106
Expense/mileage	250	118	132
Training/meetings	200	194	6
League of Cities and Villages (VLCT)	850	854	(4)
Total administration	<u>86,056</u>	<u>86,243</u>	<u>(187)</u>
Zoning and planning			
Salaries			
Director	8,741	8,434	307
Secretary	3,360	4,136	(776)
Benefits			
Payroll taxes	925	1,087	(162)
Insurance	7,791	7,253	538
Pension	665	707	(42)
Advertising	1,600	1,934	(334)
Legal	500	579	(79)
Equipment	600	674	(74)
Supplies	1,000	1,229	(229)
Computer maintenance	200	43	157
Telephone	400	276	124
Mapping services (GIS)	-	168	(168)
Total zoning and planning	<u>25,782</u>	<u>26,520</u>	<u>(738)</u>
Insurance and fidelity bond			
Unemployment	1,575	5,024	(3,449)
Workers' compensation	4,926	4,614	312
Ludlow electric	43,777	44,786	(1,009)
Vehicle liability	2,232	2,276	(44)
Public officials	637	2,651	(2,014)
Employment practice liability	2,335	-	2,335
Total insurance and fidelity bond	<u>55,482</u>	<u>59,351</u>	<u>(3,869)</u>
Total general government	<u>167,320</u>	<u>172,114</u>	<u>(4,794)</u>

See the independent auditor's report.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Highway and streets			
Streets			
Salaries			
Highway salaries	46,726	46,616	110
Overtime	5,000	7,279	(2,279)
Labor	1,500	67	1,433
Benefits			
FICA	4,070	4,003	67
Insurance	20,130	14,684	5,446
Pension	2,850	2,971	(121)
Street lights	31,000	29,873	1,127
Equipment maintenance	26,000	36,446	(10,446)
Training/conference	300	-	300
Diesel	19,500	19,874	(374)
Gas/oil	1,500	42	1,458
Rentals	500	-	500
Street construction	32,000	54,915	(22,915)
Sidewalks	15,000	4,500	10,500
Asphalt	1,000	1,074	(74)
Cold patch	400	2,262	(1,862)
Supplies	2,500	3,778	(1,278)
Uniforms	1,600	1,629	(29)
Culverts	800	3,590	(2,790)
Parking	4,800	4,800	-
Signs/lines/rails	2,550	21,894	(19,344)
Total streets	<u>219,726</u>	<u>260,297</u>	<u>(40,571)</u>
Garage			
Maintenance	1,500	645	855
Fuel	3,000	1,668	1,332
Utilities	2,550	2,556	(6)
Telephone/cell/pagers	550	407	143
Total garage	<u>7,600</u>	<u>5,276</u>	<u>2,324</u>
Summer roads			
Class 1-3 material	7,000	525	6,475
Storm drains	2,500	4,024	(1,524)
Equipment	600	350	250
Total summer roads	<u>10,100</u>	<u>4,899</u>	<u>5,201</u>
Retreatment	<u>32,000</u>	<u>33,429</u>	<u>(1,429)</u>
Winter roads			
Winter sand	18,000	31,617	(13,617)
Winter salt	31,000	46,381	(15,381)
Supplies	3,500	4,744	(1,244)
Equipment	1,500	4,283	(2,783)
Total winter roads	<u>54,000</u>	<u>87,025</u>	<u>(33,025)</u>
Total highway and streets	<u>323,426</u>	<u>390,926</u>	<u>(67,500)</u>

See the independent auditor's report.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Solid waste			
Legal	500	-	500
Advertising	300	-	300
Total solid waste	<u>800</u>	<u>-</u>	<u>800</u>
Debt management	<u>11,370</u>	<u>-</u>	<u>11,370</u>
Total expenditures	<u>502,916</u>	<u>563,040</u>	<u>(60,124)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,000)</u>	<u>(83,077)</u>	<u>(45,077)</u>
Other financing sources (uses)			
Transfers in (out)	<u>38,000</u>	<u>38,000</u>	<u>-</u>
Total other financing sources (uses)	<u>38,000</u>	<u>38,000</u>	<u>-</u>
Change in fund balance	\$ <u>-</u>	\$ <u>(45,077)</u>	\$ <u>(45,077)</u>

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Schedule of the Local Government's Proportionate Share of the Net Pension Liability
Year Ended June 30, 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>
Village's proportion of the net pension liability	0.70000%	0.69073%	-	-	-	-	-	-	-	-
Village's proportionate share of the net pension liability \$	137,858	\$ 117,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll \$	271,078	\$ 281,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's proportionate share of the net pension liability as a percentage of its covered employee payroll	50.86%	41.64%	-	-	-	-	-	-	-	-

See the independent auditor's report.

VILLAGE 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	\$ 16,771	\$ 17,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>16,771</u>	<u>17,165</u>	<u>-</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 271,078	\$ 281,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	6.19%	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 Board of Trustees
Village 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 Village of Ludlow, Vermont as of and for the year ended June 30, 2019, which collectively comprise Village of Ludlow, Vermont's basic financial statements and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village 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 Village of Ludlow, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village 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 Village 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
October 28, 2019