

Federal Compliance Audit

Village of Ludlow, Vermont

June 30, 2021



Proven Expertise & Integrity

VILLAGE OF LUDLOW, VERMONT

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JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Village of Ludlow
Ludlow, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Ludlow, Vermont, as of and for the year ended June 30, 2021 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Village of Ludlow, Vermont - Electric Light Department which is a discretely presented component unit. The financial records were furnished to us and our opinion, insofar as it relates to the amounts included for the Village of Ludlow, Vermont - Electric Light Department is based solely on those records. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

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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 opinion.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Ludlow, Vermont as of June 30, 2021 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, budgetary comparison information and pension information on pages 4 through 11 and 55 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ludlow, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and

Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2022 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 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 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.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 16, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

(UNAUDITED)

The following management's discussion and analysis of the Village of Ludlow, Vermont's financial performance provides an overview of the Village's financial activities for the year ended June 30, 2021. Please read it in conjunction with the Village's financial statements.

Financial Statement Overview

The Village of Ludlow's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Village's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Village's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of Village activities. The types of activities presented for the Village of Ludlow are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Village's basic services are reported in governmental activities, which include general government and highways and streets.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Village of Ludlow include the Water and Sewer Fund. The Village Electric Light Department is discretely presented as a component unit.

Fund Financial Statements

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

Governmental funds: Most of the basic services provided by the Village are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Village's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Village.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These

reconciliations are presented on the page immediately following each governmental fund financial statement.

The Village of Ludlow presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Village's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Village legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Village of Ludlow maintains two proprietary funds, the Water and Sewer Fund. The Village Electric Light Department is discretely presented as a component unit. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pension and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Village's governmental and business-type activities. The Village's total net position for governmental activities increased by \$19,643 from \$590,690 to \$610,333. For business-type activities, the Village's total net position increased by \$244,671 from \$8,062,661 to \$8,307,332.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for the governmental activities to a deficit balance of \$25,671 at the end of the fiscal year. The business-type activities increased to \$1,525,912.

Table 1
Village of Ludlow, Vermont
Net Position
June 30,

	Governmental Activities		Business-Type Activities	
	2021	2020 (Restated)	2021	2020 (Restated)
Assets:				
Current Assets	\$ 133,445	\$ 1,089,142	\$ 2,236,435	\$ 1,190,369
Noncurrent Assets - Capital Assets	636,004	670,598	11,341,716	10,616,570
Total Assets	\$ 769,449	\$ 1,759,740	\$ 13,578,151	\$ 11,806,939
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	\$ 35,141	\$ 22,889	\$ 64,372	\$ 41,200
Total Deferred Outflows of Resources	\$ 35,141	\$ 22,889	\$ 64,372	\$ 41,200
Liabilities:				
Current Liabilities	\$ 46,889	\$ 1,087,964	\$ 224,850	\$ 580,446
Noncurrent Liabilities	93,882	76,997	4,506,866	2,951,888
Total Liabilities	\$ 140,771	\$ 1,164,961	\$ 4,731,716	\$ 3,532,334
Deferred Inflows of Resources:				
Deferred Revenues	\$ 51,632	\$ 26,105	\$ 600,138	\$ 251,572
Deferred Inflows Related to Pensions	1,854	873	3,337	1,572
Total Deferred Inflows of Resources	\$ 53,486	\$ 26,978	\$ 603,475	\$ 253,144
Net Position:				
Net Investment in Capital Assets	\$ 636,004	\$ 670,598	\$ 6,781,420	\$ 7,484,943
Restricted	-	8,308	-	-
Unrestricted	(25,671)	(88,216)	1,525,912	577,718
Total Net Position	\$ 610,333	\$ 590,690	\$ 8,307,332	\$ 8,062,661

Table 2
Village of Ludlow, Vermont
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 41,335	\$ 3,941	\$ 1,212,211	\$ 1,069,541
Operating grants and contributions	46,095	44,781	-	14,935
Capital grants and contributions	-	78,743	-	-
<i>General Revenues:</i>				
Taxes	422,817	397,392	-	-
Investment income	512	179	14,369	8,049
Miscellaneous	76,149	8,390	36,866	302,773
Total Revenues	<u>586,908</u>	<u>533,426</u>	<u>1,263,446</u>	<u>1,395,298</u>
Expenses				
General government	182,733	133,507	-	-
Highways and streets	384,532	334,936	-	-
Water	-	-	332,299	378,363
Sewer	-	-	686,476	651,027
Total Expenses	<u>567,265</u>	<u>468,443</u>	<u>1,018,775</u>	<u>1,029,390</u>
Transfers	-	38,000	-	(38,000)
Change in Net Position	19,643	102,983	244,671	327,908
Net Position - July 1, Restated	<u>590,690</u>	<u>487,707</u>	<u>8,062,661</u>	<u>7,734,753</u>
Net Position - June 30	<u>\$ 610,333</u>	<u>\$ 590,690</u>	<u>\$ 8,307,332</u>	<u>\$ 8,062,661</u>

Revenues and Expenses

Revenues for the Village of Ludlow's governmental activities increased by 10.03%, while total expenses increased by 21.10%. The increase in revenues was primarily due to charges for services, taxes and miscellaneous and the increase in expenses was due to general government and highways and streets.

Revenues for the business-type activities decreased by 9.45% while total expenses decreased by 1.03%.

Financial Analysis of the Village's Fund Statements

Governmental funds: The financial reporting focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Village's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

Table 3
Village of Ludlow, Vermont
Fund Balances (Deficit) - Governmental Funds
June 30,

	2021	2020 (Restated)	Increase/ (Decrease)
General Fund (Deficit):			
Nonspendable	\$ 7,881	\$ -	\$ 7,881
Unassigned	16,880	(35,520)	52,400
Total General Fund (Deficit)	\$ 24,761	\$ (35,520)	\$ 60,281
Nonmajor Funds:			
Special Revenue Funds:			
Assigned	\$ 7,980	\$ 7,969	\$ 11
Capital Project Funds			
Committed	340	339	1
Total Nonmajor Funds	\$ 8,320	\$ 8,308	\$ 12

The changes in total fund balances for the general fund and the nonmajor funds occurred due to the regular activity of operations.

Proprietary funds: The Village's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The Water and Sewer Funds had an increase in the net position for the fiscal year to \$8,307,332 versus last year's net position of \$8,062,661.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceed budgeted amounts by \$28,877. All revenue categories matched or exceeded budgeted amounts with the exception of property taxes and permits, licenses and fees.

The general fund actual expenditures were under budgeted amounts by \$31,404. All expenditure categories were within or under budgeted amounts with the exception of general government.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the net book value of capital assets recorded by the Village increased by \$690,552 from the prior year. The increase is the result of net capital additions of \$2,889,961, less net disposals of \$1,803,690 and current year depreciation of \$395,719.

Table 4
Village of Ludlow, Vermont
Capital Assets (Net of Depreciation)
June 30,

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
Land and construction in progress	\$ 233,947	\$ 1,974,610
Buildings and Improvements	6,839,754	4,372,927
Machinery, equipment and vehicles	101,946	84,962
Infrastructure	<u>4,802,073</u>	<u>4,854,669</u>
 Total	 <u><u>\$ 11,977,720</u></u>	 <u><u>\$ 11,287,168</u></u>

Debt

At June 30, 2021, the Village had \$4,560,296 in bonds payable versus last year's outstanding amount of \$3,131,627. Refer to Note 5 of the Notes to the Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Village. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Village.

Economic Factors and Next Year's Budgets and Rates

The Village's unassigned fund balance has fallen below a level sufficient to sustain government operations for a period of less than three months.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at 37 Depot Street, Ludlow, Vermont 05149.

The Village of Ludlow, Vermont Electric Light Department audited financial statements are available at the Electric Department offices at 9 Pond Street, Ludlow, Vermont 05149.

STATEMENT A

VILLAGE OF LUDLOW, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,582,805	\$ 223,413	\$ 1,806,218
Accounts receivable (net of allowance for uncollectibles):			
Taxes receivable	5,419	-	5,419
Other	682	478,204	478,886
Prepaid items	7,881	-	7,881
Inventories	-	71,476	71,476
Internal balances	(1,463,342)	1,463,342	-
Total current assets	<u>133,445</u>	<u>2,236,435</u>	<u>2,369,880</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure and other assets not being depreciated	18,000	215,947	233,947
Land improvements, buildings and improvements, equipment, vehicles and infrastructure net of accumulated depreciation	618,004	11,125,769	11,743,773
Total noncurrent assets	<u>636,004</u>	<u>11,341,716</u>	<u>11,977,720</u>
TOTAL ASSETS	<u>769,449</u>	<u>13,578,151</u>	<u>14,347,600</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	35,141	64,372	99,513
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>35,141</u>	<u>64,372</u>	<u>99,513</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 804,590</u>	<u>\$ 13,642,523</u>	<u>\$ 14,447,113</u>

STATEMENT A (CONTINUED)
VILLAGE OF LUDLOW, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 27,812	\$ 2,995	\$ 30,807
Accrued payroll	1,594	-	1,594
Accrued expenses	94	2,827	2,921
Due to other governments	15,480	-	15,480
Current portion of long-term obligations	1,909	219,028	220,937
Total current liabilities	<u>46,889</u>	<u>224,850</u>	<u>271,739</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	-	4,342,997	4,342,997
Accrued compensated absences	5,725	5,187	10,912
Net pension liability	88,157	158,682	246,839
Total noncurrent liabilities	<u>93,882</u>	<u>4,506,866</u>	<u>4,600,748</u>
TOTAL LIABILITIES	<u>140,771</u>	<u>4,731,716</u>	<u>4,872,487</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	51,632	600,138	651,770
Deferred inflows related to pensions	1,854	3,337	5,191
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>53,486</u>	<u>603,475</u>	<u>656,961</u>
NET POSITION			
Net investment in capital assets	636,004	6,781,420	7,417,424
Unrestricted	(25,671)	1,525,912	1,500,241
TOTAL NET POSITION	<u>610,333</u>	<u>8,307,332</u>	<u>8,917,665</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 804,590</u>	<u>\$ 13,642,523</u>	<u>\$ 14,447,113</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

VILLAGE OF LUDLOW, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
General government	\$ 182,733	\$ 41,335	\$ -	\$ -	\$ (141,398)	\$ -	\$ (141,398)
Highways and streets	384,532	-	46,095	-	(338,437)	-	(338,437)
Total governmental activities	567,265	41,335	46,095	-	(479,835)	-	(479,835)
Business-type activities:							
Water fund	332,299	394,211	-	-	-	61,912	61,912
Sewer fund	686,476	818,000	-	-	-	131,524	131,524
Total business-type activities	1,018,775	1,212,211	-	-	-	193,436	193,436
Total government	\$ 1,586,040	\$ 1,253,546	\$ 46,095	\$ -	(479,835)	193,436	(286,399)

STATEMENT B (CONTINUED)
VILLAGE OF LUDLOW, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(479,835)	193,436	(286,399)
General revenue:			
Taxes:			
Property taxes, levied for general purposes	422,817	-	422,817
Interest income	512	14,369	14,881
Miscellaneous	76,149	36,866	113,015
Total general revenues	499,478	51,235	550,713
Change in net position	19,643	244,671	264,314
NET POSITION - JULY 1, RESTATED	590,690	8,062,661	8,653,351
NET POSITION - JUNE 30	\$ 610,333	\$ 8,307,332	\$ 8,917,665

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,582,805	\$ -	\$ 1,582,805
Accounts receivable (net of allowance for uncollectibles):			
Taxes receivable	5,419	-	5,419
Other	682	-	682
Prepaid items	7,881	-	7,881
Due from other funds	-	8,320	8,320
TOTAL ASSETS	\$ 1,596,787	\$ 8,320	\$ 1,605,107
LIABILITIES			
Accounts payable	\$ 27,812	\$ -	\$ 27,812
Accrued payroll	1,594	-	1,594
Accrued expenses	94	-	94
Due to other governments	15,480	-	15,480
Due to other funds	1,471,662	-	1,471,662
TOTAL LIABILITIES	1,516,642	-	1,516,642
DEFERRED INFLOWS OF RESOURCES			
Ludlow Electric prepayment	51,632	-	51,632
Deferred tax revenues	3,752	-	3,752
TOTAL DEFERRED INFLOWS OF RESOURCES	55,384	-	55,384
FUND BALANCES			
Nonspendable	7,881	-	7,881
Restricted	-	-	-
Committed	-	340	340
Assigned	-	7,980	7,980
Unassigned	16,880	-	16,880
TOTAL FUND BALANCES	24,761	8,320	33,081
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,596,787	\$ 8,320	\$ 1,605,107

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 33,081
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	636,004
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	3,752
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	35,141
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(7,634)
Net pension liability	(88,157)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	(1,854)
	(1,854)
Net position of governmental activities	\$ 610,333

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 421,350	\$ -	\$ 421,350
Intergovernmental	46,095	-	46,095
Permits, licenses and fees	2,335	-	2,335
Charges for services	39,000	-	39,000
Miscellaneous revenues	76,649	12	76,661
TOTAL REVENUES	<u>585,429</u>	<u>12</u>	<u>585,441</u>
EXPENDITURES			
Current:			
General government	171,889	-	171,889
Highways and streets	353,259	-	353,259
TOTAL EXPENDITURES	<u>525,148</u>	<u>-</u>	<u>525,148</u>
NET CHANGE IN FUND BALANCES	60,281	12	60,293
FUND BALANCES (DEFICITS) - JULY 1	<u>(35,520)</u>	<u>8,308</u>	<u>(27,212)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 24,761</u>	<u>\$ 8,320</u>	<u>\$ 33,081</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 60,293</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	29,971
Depreciation expense	(64,565)
	<u>(34,594)</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported.</p>	
Taxes and liens receivable	<u>1,467</u>
<p>Deferred outflows of resources is a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.</p>	
	<u>12,252</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Accrued compensated absences	6,610
Net pension liability	(25,404)
	<u>(18,794)</u>
<p>Deferred inflows of resources are an acquisition of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.</p>	
	<u>(981)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 19,643</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT G

VILLAGE OF LUDLOW, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021 AND DECEMBER 31, 2020

	Enterprise Fund			Discrete
	June 30, 2021			Comp. Unit
	Water	Sewer	Total	Electric
	Fund	Fund		Light Dept.
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 223,413	\$ 223,413	\$ 6,334,129
Accounts receivable (net of allowance for uncollectibles)	154,275	323,929	478,204	1,014,728
Unbilled revenues	-	-	-	223,601
Prepaid items	-	-	-	140,480
Inventories	48,316	23,160	71,476	99,436
Due from other funds	140,044	1,323,298	1,463,342	-
Total current assets	<u>342,635</u>	<u>1,893,800</u>	<u>2,236,435</u>	<u>7,812,374</u>
Capital assets:				
Land and other nondepreciable assets	182,708	33,239	215,947	-
Buildings and improvements	2,252,172	8,386,440	10,638,612	-
Machinery, equipment and vehicles	77,415	166,038	243,453	-
Infrastructure	3,338,354	2,485,564	5,823,918	-
Electric Light department	-	-	-	7,710,191
Total capital assets	<u>5,850,649</u>	<u>11,071,281</u>	<u>16,921,930</u>	<u>7,710,191</u>
Less: accumulated depreciation	<u>(1,826,915)</u>	<u>(3,753,299)</u>	<u>(5,580,214)</u>	<u>(6,514,321)</u>
Net capital assets	<u>4,023,734</u>	<u>7,317,982</u>	<u>11,341,716</u>	<u>1,195,870</u>
Investment in associated company	-	-	-	4,488,314
TOTAL ASSETS	<u>4,366,369</u>	<u>9,211,782</u>	<u>13,578,151</u>	<u>13,496,558</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	<u>21,031</u>	<u>43,341</u>	<u>64,372</u>	<u>185,295</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>21,031</u>	<u>43,341</u>	<u>64,372</u>	<u>185,295</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,387,400</u>	<u>\$ 9,255,123</u>	<u>\$ 13,642,523</u>	<u>\$ 13,681,853</u>

STATEMENT G (CONTINUED)
VILLAGE OF LUDLOW, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021 AND DECEMBER 31, 2020

	Enterprise Fund			Discrete
	June 30, 2021			Comp. Unit
	Water Fund	Sewer Fund	Total	Electric Light Dept.
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,432	\$ 1,563	\$ 2,995	\$ 1,006,563
Accrued expenses	1,051	1,776	2,827	545,324
Note payable	-	-	-	345,930
Current portion of long-term liabilities	100,089	118,939	219,028	-
Total current liabilities	<u>102,572</u>	<u>122,278</u>	<u>224,850</u>	<u>1,897,817</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations:				
Bonds payable	1,486,121	2,856,876	4,342,997	-
Accrued compensated absences	1,397	3,790	5,187	-
Net pension liability	52,894	105,788	158,682	522,918
Total noncurrent liabilities	<u>1,540,412</u>	<u>2,966,454</u>	<u>4,506,866</u>	<u>522,918</u>
TOTAL LIABILITIES	<u>1,642,984</u>	<u>3,088,732</u>	<u>4,731,716</u>	<u>2,420,735</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	201,138	399,000	600,138	23,588
Deferred inflows related to pension	1,113	2,224	3,337	27,749
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>202,251</u>	<u>401,224</u>	<u>603,475</u>	<u>51,337</u>
NET POSITION				
Net investment in capital assets	2,437,990	4,343,430	6,781,420	849,940
Unrestricted	104,175	1,421,737	1,525,912	10,359,841
TOTAL NET POSITION	<u>2,542,165</u>	<u>5,765,167</u>	<u>8,307,332</u>	<u>11,209,781</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,387,400</u>	<u>\$ 9,255,123</u>	<u>\$ 13,642,523</u>	<u>\$ 13,681,853</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT H

VILLAGE OF LUDLOW, VERMONT

STATEMENT OF CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021 AND DECEMBER 31, 2020

	Enterprise Fund			Discrete
	June 30, 2021			Comp. Unit
	Water Fund	Sewer Fund	Total	Electric Light Dept.
OPERATING REVENUES				
Charges for services	\$ 394,211	\$ 818,000	\$ 1,212,211	\$ 7,626,174
Other	28,053	7,528	35,581	-
TOTAL OPERATING REVENUES	<u>422,264</u>	<u>825,528</u>	<u>1,247,792</u>	<u>7,626,174</u>
OPERATING EXPENSES				
Salaries and benefits	72,114	238,521	310,635	-
Contract services	14,873	90,190	105,063	-
Purchased power and distribution	-	-	-	6,129,726
Customer accounts	-	-	-	281,147
Administration and general	-	-	-	1,325,808
Office expenses	1,805	371	2,176	-
Maintenance	39,642	42,108	81,750	-
Supplies	8,015	32,291	40,306	-
Utilities	15,048	42,276	57,324	-
Insurance	7,698	24,134	31,832	-
Depreciation	140,859	190,295	331,154	125,682
Taxes	-	-	-	332,785
Other	6,157	9,040	15,197	-
TOTAL OPERATING EXPENSES	<u>306,211</u>	<u>669,226</u>	<u>975,437</u>	<u>8,195,148</u>
OPERATING INCOME	<u>116,053</u>	<u>156,302</u>	<u>272,355</u>	<u>(568,974)</u>
NONOPERATING REVENUES (EXPENSES)				
Bond interest forgiven	8,676	5,693	14,369	-
Other non-operating income	-	-	-	210,883
Investment income (loss)	64	1,221	1,285	503,845
Interest (expense)	(26,088)	(17,250)	(43,338)	(11,968)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(17,348)</u>	<u>(10,336)</u>	<u>(27,684)</u>	<u>702,760</u>
CHANGE IN NET POSITION	98,705	145,966	244,671	133,786
NET POSITION - JULY 1, RESTATED	<u>2,443,460</u>	<u>5,619,201</u>	<u>8,062,661</u>	<u>11,075,995</u>
NET POSITION - JUNE 30	<u>\$ 2,542,165</u>	<u>\$ 5,765,167</u>	<u>\$ 8,307,332</u>	<u>\$ 11,209,781</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021 AND DECEMBER 31, 2020

	Enterprise Funds			Discrete
	June 30, 2021			Comp. Unit
	Water Fund	Sewer Fund	Total	12/31/20 Electric Light Dept.
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 391,880	\$ 771,914	\$ 1,163,794	\$ 7,646,291
Internal activity - receipts (payments) from/to other funds	(9,421)	(577,575)	(586,996)	-
Payments to suppliers	(128,324)	(499,405)	(627,729)	(7,468,436)
Payments to employees	(65,963)	(227,215)	(293,178)	(725,761)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	188,172	(532,281)	(344,109)	(547,906)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income (loss)	64	1,221	1,285	503,845
Purchase of investments	-	-	-	(360,007)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	64	1,221	1,285	143,838
CASH FLOWS FROM NON-CAPITAL INVESTING ACTIVITIES:				
Non-operating income	-	-	-	210,883
NET CASH PROVIDED (USED) BY NON-CAPITAL INVESTING ACTIVITIES:	-	-	-	210,883
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital asset purchases	(73,303)	(982,997)	(1,056,300)	(50,103)
Bond proceeds	-	1,547,051	1,547,051	-
Bond negative interest forgiveness	8,676	5,693	14,369	-
Principal payments on bonds and notes payable	(97,521)	(20,861)	(118,382)	(34,133)
Interest payments on bonds and notes payable	(26,088)	(17,250)	(43,338)	(11,968)
NET CASH PROVIDED BY (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(188,236)	531,636	343,400	(96,204)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	576	576	(289,389)
CASH AND CASH EQUIVALENTS - JULY 1	-	222,837	222,837	6,623,518
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 223,413	\$ 223,413	\$ 6,334,129

SCHEDULE I (CONTINUED)
VILLAGE OF LUDLOW, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021 AND DECEMBER 31, 2020

	Enterprise Funds			Discrete
	June 30, 2021			Comp. Unit
	Water Fund	Sewer Fund	Total	12/31/20 Electric Light Dept.
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 116,053	\$ 156,302	\$ 272,355	\$ (568,974)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	140,859	190,295	331,154	125,682
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(140,728)	(291,836)	(432,564)	196,002
(Increase) decrease in unbilled revenue	-	-	-	(37,673)
(Increase) decrease in prepaid items	2,486	10,732	13,218	(103,237)
(Increase) decrease in inventories	(32,219)	(6,929)	(39,148)	(34,975)
(Increase) decrease in due from other funds	(9,421)	(577,575)	(586,996)	-
(Increase) decrease in deferred outflows related to pension	(7,298)	(15,874)	(23,172)	21,895
Increase (decrease) in accounts payable	(4,793)	(263,384)	(268,177)	(216,172)
Increase (decrease) in accrued expenses	1,051	1,776	2,827	-
Increase (decrease) in customer deposits liability	-	-	-	(15,644)
Increase (decrease) in due to other governments	(1,611)	(1,190)	(2,801)	-
Increase (decrease) in accrued compensated absences	(2,382)	(4,481)	(6,863)	-
Increase (decrease) in net pension liability	15,242	30,485	45,727	72,140
Increase (decrease) in deferred revenues	110,344	238,222	348,566	-
(Increase) decrease in deferred inflows related to pension	589	1,176	1,765	13,050
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 188,172</u>	<u>\$ (532,281)</u>	<u>\$ (344,109)</u>	<u>\$ (547,906)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	<u>\$ 26,088</u>	<u>\$ 17,250</u>	<u>\$ 43,338</u>	<u>\$ 11,968</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Village of Ludlow was incorporated under the laws of the State of Vermont. The Village operates under the Trustee-manager form of government and provides the following services: general government and highway and streets.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Village's combined financial statements include all accounts and all operations of the Village. We determined the Village has a component unit, Village of Ludlow, Vermont - Electric Light Department as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61. The Village of Ludlow, Vermont - Electric Light Department is discretely presented in the Village's financial statement. The discretely presented component unit has a December 31, 2021 fiscal year end.

The Village of Ludlow, Vermont - Electric Light Department is a chartered utility providing retail electric power to the residents of the Village of Ludlow and the nearby surrounding area. The Electric Light Department is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and the Vermont Public Service Board (VPSB) with respect to their rates and accounting. The primary criteria used in determining the separate nature of the Electric Light Department is its special accounting and report practices required by various regulatory authorities.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

business and activities, issuing a “stay at home” directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. The state of emergency expired on June 15, 2021.

Impact on Finances

The Village does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act, American Rescue Plan Act (“ARPA”) funding and applicable Federal and/or State programs.

Expected Federal/State Support

The Village may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Village expects that if those actions are necessary, that the Village would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Village and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Village. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Village.

Implementation of New Accounting Standards

During the year ended June 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's Water and Sewer Fund is categorized as business-type activities. All other activities of the Village are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts - net investment in capital assets, restricted net position and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Village does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Village are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

1. Governmental Funds:

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

Major fund:

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

Nonmajor funds:

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, infrastructure and/or equipment.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e., interest income. The following is a description of the proprietary funds of the Village:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs. These activities for the Village of Ludlow include the Water and Sewer Fund. The Village Electric Light Department is discretely presented as a component unit.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

Governmental activities in the government-wide financial statements and proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Village's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. In the second half of the year the Village prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A Village meeting of the residents of the Village was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Village.

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Village's policy to value investments at fair value. None of the Village's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Village Treasurer is authorized by State Statutes to invest all excess funds in the following:

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due for Transportation Grant funds and Enterprise funds primarily. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts in the water fund is estimated to be \$1,000 as of June 30, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$478,886 for the year ended June 30, 2021.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The water and sewer fund inventory consists of operational supplies on hand at the end of the year and other maintenance non-expendable supplies.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

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

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are reported at their estimated acquisition value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village.

Estimated useful lives are as follows:

Buildings and improvements	10 - 50 years
Infrastructure	20 - 50 years
Machinery and equipment	3 - 25 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term debt consists of bonds payable, accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Village. The inhabitants of the Village through Village meetings are the highest level of decision-making authority of the Village. Commitments may be established, modified or rescinded only through a Village meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by the taxpayers and is expressed by the Trustees.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Village meeting vote has provided otherwise in its commitment or assignment actions.

Pensions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times 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

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

outflow of resources (expense/expenditure) until then. The Village has only one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenues and prepaid revenues from Ludlow Electric, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Village's property tax for the current year was levied on July 15, 2020 on the assessed value listed as of April 1, annually, for all real property located in the Village. Taxes were due in four installments on August 15, November 15, February 15 and May 15. Interest accrues at 1% per month until three months following the final payment at which point 1½% per month for each month thereafter. An 9% Collector's Commission is added to the entire unpaid principal tax balance after May 15.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Village does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Village's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Village's investment policies, which follow state statutes, authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Village funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Village will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Village does not have a policy covering custodial credit risk.

At June 30, 2021, the Village's cash balance of \$1,806,218 was comprised of bank deposits and cash equivalents amounting to \$1,622,895. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Village's cash and cash equivalents balance. All of these deposits were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Account Type	Bank Balance
Checking accounts	\$ 1,622,895

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Village does not have a policy for custodial credit risk for investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At June 30, 2021, the Village's had no investments.

Credit risk - Statutes for the State of Vermont authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Village does not have an investment policy on credit risk. Generally, the Village invests excess funds in savings accounts and various certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ -	\$ 1,471,662
Enterprise Funds	1,463,342	-
Nonmajor Special Revenue Funds	7,980	-
Nonmajor Capital Projects Funds	340	-
	\$ 1,471,662	\$ 1,471,662

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The result of amounts owed between funds are considered to be in the course of normal operations by the Village. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20 (Restated)	Additions	Disposals	Balance, 6/30/21
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Depreciated assets:				
Machinery, equipment and vehicles	36,493	-	-	36,493
Infrastructure	1,138,574	29,971	-	1,168,545
	<u>1,175,067</u>	<u>29,971</u>	<u>-</u>	<u>1,205,038</u>
Less: accumulated depreciation for:				
Machinery, equipment and vehicles	(29,226)	(3,321)	-	(32,547)
Infrastructure	(493,243)	(61,244)	-	(554,487)
	<u>(522,469)</u>	<u>(64,565)</u>	<u>-</u>	<u>(587,034)</u>
Net governmental capital assets	<u>\$ 670,598</u>	<u>\$ (34,594)</u>	<u>\$ -</u>	<u>\$ 636,004</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 152,920	\$ -	\$ -	\$ 152,920
Construction in progress	1,803,690	63,027	(1,803,690)	63,027
	<u>\$ 1,956,610</u>	<u>\$ 63,027</u>	<u>\$ (1,803,690)</u>	<u>\$ 215,947</u>
Depreciated assets:				
Buildings and improvements	8,001,006	2,637,606	-	10,638,612
Machinery and equipment	123,871	40,015	-	163,886
Vehicles	79,567	-	-	79,567
Infrastructure	5,704,576	119,342	-	5,823,918
	<u>13,909,020</u>	<u>2,796,963</u>	<u>-</u>	<u>16,705,983</u>
Less: accumulated depreciation for:				
Buildings and improvements	(3,628,079)	(170,779)	-	(3,798,858)
Machinery and equipment	(67,954)	(6,996)	-	(74,950)
Vehicles	(57,789)	(12,714)	-	(70,503)
Infrastructure	(1,495,238)	(140,665)	-	(1,635,903)
	<u>(5,249,060)</u>	<u>(331,154)</u>	<u>-</u>	<u>(5,580,214)</u>
Net business-type capital assets	<u>\$ 10,616,570</u>	<u>\$ 2,528,836</u>	<u>\$ (1,803,690)</u>	<u>\$ 11,341,716</u>
<u>Depreciation expense:</u>				
General government				\$ 3,321
Highway and streets				<u>61,244</u>
Total governmental fund depreciation				<u>64,565</u>
Water				140,859
Sewer				<u>190,295</u>
Total business-type fund depreciation				<u>331,154</u>
Total depreciation expense				<u>\$ 395,719</u>

VILLAGE OF LUDLOW, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Portion
<u>Business-type activities:</u>					
<u>Water</u>					
Bond payable	\$ 1,683,264	\$ -	\$ (97,519)	\$ 1,585,745	\$ 99,623
<u>Sewer</u>					
Bond payable	1,448,363	1,547,051	(20,863)	2,974,551	117,676
	<u>\$ 3,131,627</u>	<u>\$ 1,547,051</u>	<u>\$ (118,382)</u>	<u>\$ 4,560,296</u>	<u>\$ 217,299</u>

The following is a summary of outstanding bonds:

Business-type activities

Bonds payable:

Water

VMBB Bond for Village Booster Station for \$120,000. Annual principal payments of \$10,000 with annual interest payments at a fixed interest rate ranging from 2.20% to 5.18% per annum. The bond was refunded in 2017. The final payment is due in June 2022. \$ 10,000

ARRA Bond for water upgrades for \$706,000. Annual principal, interest and administrative fee payments of \$47,454 with a fixed interest rate of 1% per annum and administrative fees calculated at 2% per annum. The final payment is due in May 2032. 439,077

USDA Bond for water system upgrades for \$1,974,800. Semi-annual principal and interest payments totaling \$37,581 with a fixed interest rate of 2.25% per annum. The final payment is due in June 2035. 1,131,307

VMBB Bond for Water Planning for \$26,800. Annual principal payments of \$5,360 and a fixed interest rate of 0.00% per annum. The final payment is due in December 2021. 5,360

Vermont State Revolving Loan Fund for Water upgrades. Total available funds are \$440,000 with \$0 having been drawn. Payments commence one year following completion of project with annual principal and administrative fee payments. Administrative fee payments are 2% per annum. -

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Sewer

USDA Sewer Bond for \$750,200. Semi-annual principal and interest payments with a fixed interest rate of 3.00% per annum. The final payment is due in December 2040.

559,170

Vermont State Revolving Loan Fund. Total available funds are \$2,950,000 with \$2,415,382 having been drawn. Payments commence one year following completion of project with annual principal and administrative fee payments. Administrative fee payments are 2% per annum.

2,415,382

Vermont State Revolving Loan Fund for Sewer upgrades. Total available funds are \$550,000 with \$0 having been drawn. Payments commence one year following completion of project with annual principal and administrative fee payments. Administrative fee payments are 2% per annum.

-

\$ 4,560,296

The following is a summary of outstanding bonds payable principal and interest requirements for the fiscal years ending June 30:

Business-type activities:

<u>Water</u>	<u>Water Bonds</u>		<u>Sewer Bonds</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 99,623	\$ 29,830	\$ 117,676	\$ 16,619	\$ 263,748
2023	86,423	28,098	120,249	15,970	250,740
2024	88,638	26,588	122,880	15,301	253,407
2025	90,912	25,042	125,571	14,611	256,136
2026	93,345	23,458	128,323	13,901	259,027
2027-2031	503,322	92,183	685,123	58,075	1,338,703
2032-2036	373,111	49,231	763,912	36,806	1,223,060
2037-2041	250,370	11,369	910,818	12,129	1,184,686
	<u>\$ 1,585,744</u>	<u>\$ 285,799</u>	<u>\$ 2,974,552</u>	<u>\$ 183,412</u>	<u>\$ 5,029,507</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for business-type activities for the year ended June 30, 2021 was \$43,338.

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - LONG-TERM DEBT (CONTINUED)

All bonds and notes from direct borrowings payable are direct obligations of the Village, for which its full faith and credit are pledged. The Village is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Village or for business-type activities from user fees.

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2021 is as follows:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 14,244	\$ -	\$ (6,610)	\$ 7,634	\$ 1,909
Net pension liability	62,753	25,404	-	88,157	-
Total	<u>\$ 76,997</u>	<u>\$ 25,404</u>	<u>\$ (6,610)</u>	<u>\$ 95,791</u>	<u>\$ 1,909</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 13,779	\$ -	\$ (6,863)	\$ 6,916	\$ 1,729
Net pension liability	112,955	45,727	-	158,682	-
Total	<u>\$ 3,258,361</u>	<u>\$ 1,592,778</u>	<u>\$ (125,245)</u>	<u>\$ 4,725,894</u>	<u>\$ 219,028</u>

Please see Notes 10 and 13 for detailed information on the other long-term obligations.

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2021, the Village had the following nonspendable fund balance:

General fund:	
Prepaid items	<u>\$ 7,881</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2021, the Village had the following committed fund balances:

Nonmajor Capital Projects Funds (Schedule G)	<u>\$ 340</u>
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VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2021, the Village had the following assigned fund balances:

Nonmajor Special Revenue Funds (Schedule E)	\$ 7,980
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NOTE 10 - ACCRUED COMPENSATED ABSENCES

The Village's policies regarding vacation time permits employees to accumulate vacation time. The Village's policies also permit employees to accumulate earned but unused comp time and sick leave, but these are not paid out upon termination. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2021, the Village's liability for compensated absences is \$14,550.

NOTE 11 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Village carries commercial insurance. There have been no significant reductions in coverage from the prior year and amounts of settlements have not exceeded insurance coverage in the past three years. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village.

In addition, the Village is a member of the Vermont League of Cities and Villages (VLCT). The VLCT has set up two insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Villages Employment Resource Benefits Trust (VERB) for unemployment, life, disability and other ancillary coverage. PACIF and VERB are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and Villages and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability. Members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - RISK MANAGEMENT (CONTINUED)

or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

To provide unemployment insurance coverage, VERB has established a self-funded fully insured program. Contributions fund unemployment claims and are based on payroll expense and the claim experience from the best four years out of the last five. Other benefits available include dental insurance, vision plans, flexible spending accounts, life insurance, disability insurance and long-term care insurance. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VERB is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 12 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Village's financial position.

The Village participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Village's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975 and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071 or for no fewer than 1,040 hours in a year and for no fewer than 24

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

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 Schools and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report. The Annual Report may be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

Benefits Provided

The pension plan is divided into four membership groups:

- Group A - general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B and C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Village participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2020 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	3.000% of gross salary	5.375% of gross salary	10.500% of gross salary	11.850% of gross salary
Employer Contributions	4.500% of gross salary	6.000% of gross salary	7.750% of gross salary	10.350% of gross salary

Employee contributions are withheld pre-income tax by the Village and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2021 totaled \$95,486. The Village contributed \$79,241 for the year ended June 30, 2021. The Village's total payroll for the year ended June 30, 2021 for all employees covered under this plan was \$1,176,816.

Pension Liabilities

At June 30, 2021, the Village reported a liability of \$246,839 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2020 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2019. The Village's proportion of the net pension liabilities were based on a projection of the Village's long-term share of contributions to each pension plan relative to the projected contributions of all participating Villages, actuarially determined.

At June 30, 2020, the Village's proportion was 0.09757% for VMERS, which was a decrease of 0.01094% from its proportion measured as of June 30, 2019 for VMERS.

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2021, the Village recognized pension expense of \$14,133 for the VMERS plan. At June 30, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,230	\$ 731
Changes of assumptions	33,093	-
Net difference between projected and actual earnings on pension plan investments	23,608	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,343	4,460
Contributions subsequent to the measurement date	18,239	-
Total	\$ 99,513	\$ 5,191

\$18,239 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS Plan
Plan year ended June 30:	
2021	\$ 21,301
2022	22,691
2023	19,192
2024	12,899
2025	-
Thereafter	-

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2020 measurement date was determined by rolling forward the total pension liability as of June 30, 2019 to June 30, 2020. The total pension liability was calculated using the following actuarial assumptions:

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Inflation: 2.30%

Salary Increases: Varying, service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B and C, 98% of RP-2006 tables, blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with 100% of RP-2006 Blue Collar Employee

Healthy Retiree - Groups A, B and C, 98% of RP-2006 tables, blended with a 60% Blue Collar Annuitant and 40% Healthy Annuitant and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

Inactive Members: Valuation liability equals 100% of accumulated contributions. Inactive who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Percent Married: 85% of male members and 50% of female members are assumed to be married.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.10% per annum for Group A members and 1.20% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

Actuarial Cost Method: The Projected Benefit Cost Method is used. Normal contribution rates for each Group are equal to rates from the prior year, adjusted for increases or decreases in rates due to assumption changes or plan provision changes.

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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

VILLAGE OF LUDLOW, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	7.07%
US Equity - Large Cap	4.00%	6.19%
US Equity - Small/Mid Cap	3.00%	6.93%
Non-US Equity - Large Cap	5.00%	7.01%
Non-US Equity - Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bonds	20.00%	0.39%
Private and Alternative Credit	10.00%	6.03%
US TIPS	3.00%	-0.20%
Core Real Estate	5.00%	4.06%
Non-Core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the VMERS plan. 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 which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Village's Proportionate 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 rate of 7.00% for the VMERS plan, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.00%	7.00%	8.00%
Town's proportionate share of the net pension liability	\$ 377,119	\$ 246,839	\$ 139,645

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report. The Annual Report can be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

NOTE 14 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Village's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 15 - RELATED ORGANIZATION

The Village received services from the Town of Ludlow. The Village has an ongoing financial responsibility to the Town of Ludlow as defined in GASB 14, paragraph 71.

NOTE 16 - LEASE AGREEMENT

The Village (lessee) entered into a lease agreement with Bailey Holdings, LLC (lessor) for property located at 199 and 207 Main Street, Ludlow, Vermont on July 1, 2020 and expires on June 30, 2021. The rent is payable in monthly installments of \$400 for an annual total of \$4,800.

VILLAGE OF LUDLOW, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 17 - RESTATEMENTS

In 2021, the Village required a restatement to capital assets for governmental activities and net position for governmental activities. The capital asset balance for governmental activities decreased by \$458, changing the beginning net position from \$591,148 to \$590,690.

In 2021, the Village required a restatement to capital assets for business-type activities and net position for business-type activities. The capital asset balance for business-type activities increased by \$11,328, changing the beginning net position from \$8,051,333 to \$8,062,661.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Notes to Required Supplementary Information

VILLAGE OF LUDLOW, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (35,520)	\$ (35,520)	\$ (35,520)	\$ -
Resources (Inflows):				
Property taxes	422,272	422,272	421,350	(922)
Intergovernmental	43,000	43,000	46,095	3,095
Permits, licenses and fees	6,225	6,225	2,335	(3,890)
Charges for services	39,000	39,000	39,000	-
Miscellaneous revenues	46,055	46,055	76,649	30,594
Amounts Available for Appropriation	<u>521,032</u>	<u>521,032</u>	<u>549,909</u>	<u>28,877</u>
Charges to Appropriations (Outflows):				
Current:				
General government	168,370	168,370	171,889	(3,519)
Highways and streets	377,192	377,192	353,259	23,933
Debt service:				
Principal	10,990	10,990	-	10,990
Total Charges to Appropriations	<u>556,552</u>	<u>556,552</u>	<u>525,148</u>	<u>31,404</u>
Budgetary Fund Balance, June 30	<u>\$ (35,520)</u>	<u>\$ (35,520)</u>	<u>\$ 24,761</u>	<u>\$ 60,281</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018
<u>VMERS:</u>				
Proportion of the net pension liability	0.10%	0.11%	0.11%	0.00%
Proportionate share of the net pension liability	\$ 246,839	\$ 175,708	\$ 137,858	\$ 117,161
Covered payroll	\$ 292,780	\$ 271,078	\$ 281,339	-
Proportionate share of the net pension liability as a percentage of its covered payroll	84.31%	64.82%	49.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>VMERS:</u>				
Contractually required contribution	\$ 18,239	\$ 19,459	\$ 16,771	\$ 17,165
Contributions in relation to the contractually required contribution	<u>(18,239)</u>	<u>(19,459)</u>	<u>(16,771)</u>	<u>(17,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 303,978	\$ 292,780	\$ 271,078	\$ 281,339
Contributions as a percentage of covered payroll	6.00%	6.65%	6.19%	6.10%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

Changes of Assumptions

VMERS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:
 - Pre- Retirement - Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, Group D - PubG-2010 General Employee above-median
 - Healthy Post Retirement - Retirees - Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree
 - Healthy Post-Retirement - Beneficiaries - Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor. Group D - Pub-2010 Contingent Survivor.
 - Disabled Retirees - All Groups - PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
 - Group A - Decreased the rates throughout all ages.
 - Group B - For females, slightly decreased the rates at younger ages and then increase the rates at later ages. For males, slightly decreased the rates at most ages.

VILLAGE OF LUDLOW, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

- Group C - Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
- Group D - For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were simplified for females to one set of slightly reduced rates for all females.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

VILLAGE OF LUDLOW, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes:			
Property taxes net of education	\$ 333,072	\$ 333,410	\$ 338
3/5 highway	60,000	60,000	-
Electric pilot	26,200	26,105	(95)
Pilot program	1,500	68	(1,432)
Penalties and interest	1,500	1,767	267
Intergovernmental:			
Highway state aid	43,000	46,095	3,095
Permits, licenses and fees:			
Zoning fees	2,750	1,690	(1,060)
Hearing fees	3,000	-	(3,000)
Bianchi fees	475	595	120
Access permit	-	50	50
Charges for services:			
Wastewater office	39,000	39,000	-
Other income:			
Interest income	400	512	112
Insurance refund	44,655	48,794	4,139
Highway misc	500	23,607	23,107
Admin misc	500	173	(327)
Miscellaneous grants	-	3,563	3,563
Total revenues	\$ 556,552	\$ 585,429	\$ 28,877

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Office	\$ 82,477	\$ 85,575	\$ (3,098)
General	1,650	950	700
Planning services	29,317	26,539	2,778
Insurance	54,926	58,825	(3,899)
	<u>168,370</u>	<u>171,889</u>	<u>(3,519)</u>
HIGHWAYS AND STREETS			
Streets	266,392	188,674	77,718
Garage	7,550	8,031	(481)
Summer construction	10,750	1,496	9,254
Retreatment	33,000	79,411	(46,411)
Winter roads	59,500	75,647	(16,147)
	<u>377,192</u>	<u>353,259</u>	<u>23,933</u>
DEBT SERVICE			
Principal	10,990	-	10,990
	<u>10,990</u>	<u>-</u>	<u>10,990</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 556,552</u>	<u>\$ 525,148</u>	<u>\$ 31,404</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Due from other funds	\$ 7,980	\$ 340	\$ 8,320
TOTAL ASSETS	\$ 7,980	\$ 340	\$ 8,320
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	340	340
Assigned	7,980	-	7,980
Unassigned	-	-	-
TOTAL FUND BALANCES	7,980	340	8,320
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,980	\$ 340	\$ 8,320

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Interest income	\$ 11	\$ 1	\$ 12
TOTAL REVENUES	<u>11</u>	<u>1</u>	<u>12</u>
EXPENDITURES			
Other	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	11	1	12
FUND BALANCES - JULY 1	<u>7,969</u>	<u>339</u>	<u>8,308</u>
FUND BALANCES - JUNE 30	<u>\$ 7,980</u>	<u>\$ 340</u>	<u>\$ 8,320</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

VILLAGE OF LUDLOW, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2021

	Zoning Fee	Act 200	Total
ASSETS			
Due from other funds	\$ 4,380	\$ 3,600	\$ 7,980
TOTAL ASSETS	\$ 4,380	\$ 3,600	\$ 7,980
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	4,380	3,600	7,980
Unassigned	-	-	-
TOTAL FUND BALANCES	4,380	3,600	7,980
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,380	\$ 3,600	\$ 7,980

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Zoning Fee	Act 200	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Interest Income	\$ 6	\$ 5	\$ 11
TOTAL REVENUES	<u> 6</u>	<u> 5</u>	<u> 11</u>
EXPENDITURES			
Other	<u> -</u>	<u> -</u>	<u> -</u>
TOTAL EXPENDITURES	<u> -</u>	<u> -</u>	<u> -</u>
NET CHANGE IN FUND BALANCES	6	5	11
FUND BALANCES - JULY 1	<u> 4,374</u>	<u> 3,595</u>	<u> 7,969</u>
FUND BALANCES - JUNE 30	<u> \$ 4,380</u>	<u> \$ 3,600</u>	<u> \$ 7,980</u>

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

VILLAGE OF LUDLOW, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2021

	<u>Equipment</u>	<u>Total</u>
ASSETS		
Due from other funds	\$ 340	\$ 340
TOTAL ASSETS	<u>\$ 340</u>	<u>\$ 340</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	340	340
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>340</u>	<u>340</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 340</u>	<u>\$ 340</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Equipment</u>	<u>Total</u>
REVENUES		
Interest Income	\$ 1	\$ 1
TOTAL REVENUES	<u>1</u>	<u>1</u>
EXPENDITURES		
Capital Outlay	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1	1
FUND BALANCES - JULY 1	<u>339</u>	<u>339</u>
FUND BALANCES - JUNE 30	<u>\$ 340</u>	<u>\$ 340</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2021

	Land and Non-depreciable Assets	Buildings and Building Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 18,000	\$ -	\$ 36,493	\$ -	\$ 54,493
Highway	-	-	-	1,168,545	1,168,545
Water	182,708	2,252,172	77,415	3,338,354	5,850,649
Sewer	33,239	8,386,440	166,038	2,485,564	11,071,281
Total General Capital Assets	233,947	10,638,612	279,946	6,992,463	18,144,968
Less: Accumulated Depreciation	-	(3,798,858)	(178,000)	(2,190,390)	(6,167,248)
Net General Capital Assets	<u>\$ 233,947</u>	<u>\$ 6,839,754</u>	<u>\$ 101,946</u>	<u>\$ 4,802,073</u>	<u>\$ 11,977,720</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021

	General Capital Assets 7/1/20 (Restated)	Additions	Deletions	General Capital Assets 6/30/21
General government	\$ 54,493	\$ -	\$ -	\$ 54,493
Highway	1,138,574	29,971	-	1,168,545
Water	5,777,346	73,303	-	5,850,649
Sewer	10,088,284	982,997	-	11,071,281
Total General Capital Assets	17,058,697	1,086,271	-	18,144,968
Less: Accumulated Depreciation	(5,771,529)	(395,719)	-	(6,167,248)
Net General Capital Assets	<u>\$ 11,287,168</u>	<u>\$ 690,552</u>	<u>\$ -</u>	<u>\$ 11,977,720</u>

See accompanying independent auditors' report and notes to financial statements.

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Pass Through Grantor Program/Cluster Title	Federal AL Number	Pass Through Number	Expenditures to Subrecipients	Federal Expenditures
Environmental Protection Agency Passed through Vermont Environmental Protection: Capitalization Grants for Clean Water State Revolving Funds	66.458	06140-2019-RF1-225	-	1,289,158
Total Environmental Protection Agency			-	1,289,158
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 1,289,158

VILLAGE OF LUDLOW, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Village of Ludlow, Vermont under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village of Ludlow, Vermont, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village of Ludlow, Vermont.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Village of Ludlow, Vermont has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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

Board of Trustees
Village of Ludlow
Ludlow, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Ludlow, Vermont as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Village of Ludlow, Vermont's basic financial statements and have issued our report thereon dated March 16, 2022. We did not audit the financial statements of the Village of Ludlow, Vermont - Electric Light Department which is presented as a discrete component unit. The financial records were furnished to us and our opinion, insofar as it relates to the amounts included for the Village of Ludlow, Vermont - Electric Light Department is based solely on those records.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ludlow, Vermont's financial statements are free from 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*. We noted certain other matters that we reported to management of the Village of Ludlow, Vermont in a separate letter dated February 23, 2022.

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.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 16, 2022



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Trustees
Village of Ludlow
Ludlow, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Village of Ludlow, Vermont's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village of Ludlow, Vermont's major federal programs for the year ended June 30, 2021. The Village of Ludlow, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Village of Ludlow, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Ludlow, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village of Ludlow, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village of Ludlow, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Village of Ludlow, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Ludlow, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Village of Ludlow, Vermont's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Ludlow, Vermont's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 16, 2022

VILLAGE OF LUDLOW, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with section OMB Compliance Supplement? yes no

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalized Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None