

VILLAGE OF LUDLOW, VERMONT

Financial Statements

June 30, 2020

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Independent Auditor's Report

To the Board of Trustees
Village of Ludlow
Ludlow, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ludlow, Vermont as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Village of Ludlow, Vermont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the Electric Light Department of the Village of Ludlow, Vermont as of June 30, 2020, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matter described in the “Basis for Adverse Opinion on Electric Light Department and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Village of Ludlow, Vermont as of June 30, 2020, and the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than the Electric Department, and the aggregate remaining fund information of the Village of Ludlow, Vermont, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information, schedule of local government’s proportionate share of net pension liability, and schedule of the local government contributions on pages 3-10 and 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of the Village of Ludlow, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Ludlow, Vermont’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ludlow, Vermont’s internal control over financial reporting and compliance.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
November 11, 2020

VILLAGE OF LUDLOW, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

The following is a discussion and analysis of the Village of Ludlow, Vermont's financial performance for the fiscal year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Village uses governmental and proprietary funds.

Governmental funds

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

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

Proprietary funds

Proprietary funds are used by the Village to report functions of business-type activities in the government-wide financial statements. The Village maintains two proprietary funds that are enterprise funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and the Sewer Fund.

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

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 fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$8,642,480 (i.e., net position), a change of \$430,891 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$533,426, a change of \$54,600 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$468,443, a change of \$(110,521) in comparison to the prior year.
- As of the close of the current fiscal year, the business-type activities reported total revenue of \$1,395,298, a change of \$289,819 in comparison to the prior year.
- As of the close of the current fiscal year, the business-type activities reported total expenses of \$1,029,390, a change of \$71,650 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported a combined ending fund balance of \$(27,212), a change of \$(12,865) in comparison to the prior year.
- As of the close of the current fiscal year, the general fund's fund balance was \$(35,520) a change of \$(12,925) in comparison to the prior year. The key element of this change is due to an increase in highway and street expenditures.
- As of the close of the current fiscal year, the water fund's net position was \$2,441,790 a change of \$(6,217) in comparison to the prior year. The key element of this change is due to an increase in operating and maintenance expense.
- As of the close of the current fiscal year, the sewer fund's net position was \$5,609,542 a change of \$334,125 in comparison to the prior year. The key element of this change is due to the discount on a bond payable of \$214,354.

Government-wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,089,142	\$ 961,367	\$ 1,190,369	\$ 1,569,645	\$ 2,279,511	\$ 2,531,012
Capital assets	671,056	539,675	10,605,242	9,144,863	11,276,298	9,684,538
Total assets	<u>1,760,198</u>	<u>1,501,042</u>	<u>11,795,611</u>	<u>10,714,508</u>	<u>13,555,809</u>	<u>12,215,550</u>
Deferred outflows of resources	<u>22,889</u>	<u>22,669</u>	<u>41,200</u>	<u>40,804</u>	<u>64,089</u>	<u>63,473</u>
Total assets and deferred outflows of resources	<u>\$ 1,783,087</u>	<u>\$ 1,523,711</u>	<u>\$ 11,836,811</u>	<u>\$ 10,755,312</u>	<u>\$ 13,619,898</u>	<u>\$ 12,279,023</u>
Current liabilities	\$ 1,087,964	\$ 950,182	\$ 580,447	\$ 668,231	\$ 1,668,411	\$ 1,618,413
Long-term liabilities	76,997	60,892	2,951,888	2,360,825	3,028,885	2,421,717
Total liabilities	<u>1,164,961</u>	<u>1,011,074</u>	<u>3,532,335</u>	<u>3,029,056</u>	<u>4,697,296</u>	<u>4,040,130</u>
Deferred inflows of resources	<u>26,978</u>	<u>1,574</u>	<u>253,144</u>	<u>2,832</u>	<u>280,122</u>	<u>4,406</u>
Net position						
Net investment in capital assets	671,056	539,675	7,473,615	6,765,447	8,144,671	7,305,122
Restricted	8,308	8,248	-	-	8,308	8,248
Unrestricted	(88,216)	(36,860)	577,717	957,977	489,501	921,117
Total net position	<u>591,148</u>	<u>511,063</u>	<u>8,051,332</u>	<u>7,723,424</u>	<u>8,642,480</u>	<u>8,234,487</u>
Total liabilities, deferred inflows & net position	<u>\$ 1,783,087</u>	<u>\$ 1,523,711</u>	<u>\$ 11,836,811</u>	<u>\$ 10,755,312</u>	<u>\$ 13,619,898</u>	<u>\$ 12,279,023</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$8,642,480, a change of \$430,891 from the prior year.

The largest portion of net position, \$8,144,671, reflects our investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$8,308, represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position amounted to \$489,501.

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 3,941	\$ 49,581	\$ 1,069,541	\$ 969,308	\$ 1,073,482	\$ 1,018,889
Operating grants & contributions	44,781	43,645	14,935	12,386	59,716	56,031
Capital grants and contributions	78,743	-	-	-	78,743	-
General revenues:						
Property taxes	397,392	375,982	-	-	397,392	375,982
Investment income	179	333	8,049	9,337	8,228	9,670
Miscellaneous	8,390	9,285	88,419	114,448	96,809	123,733
Discount on bond	-	-	214,354	-	214,354	-
Total revenues	<u>533,426</u>	<u>478,826</u>	<u>1,395,298</u>	<u>1,105,479</u>	<u>1,928,724</u>	<u>1,584,305</u>
Program expenses:						
Governmental activities:						
General government	133,507	180,278	-	-	133,507	180,278
Highway and streets	334,936	398,686	-	-	334,936	398,686
Business-type activities						
Water utilities	-	-	378,363	298,203	378,363	298,203
Sewer utilities	-	-	651,027	659,537	651,027	659,537
Total expenses	<u>468,443</u>	<u>578,964</u>	<u>1,029,390</u>	<u>957,740</u>	<u>1,497,833</u>	<u>1,536,704</u>
Transfers	38,000	38,000	(38,000)	(38,000)	-	-
Change in net position	\$ 102,983	\$ (62,138)	\$ 327,908	\$ 109,739	\$ 430,891	\$ 47,601
Net position - beginning of year, as previously reported	511,063	605,051	7,723,424	7,613,685	8,234,487	8,218,736
Prior period adjustment	(22,898)	(31,850)	-	-	(22,898)	(31,850)
Net position - beginning of year, restated	<u>488,165</u>	<u>573,201</u>	<u>7,723,424</u>	<u>7,613,685</u>	<u>8,211,589</u>	<u>8,186,886</u>
Net position - end of year	<u>591,148</u>	<u>511,063</u>	<u>8,051,332</u>	<u>7,723,424</u>	<u>8,642,480</u>	<u>8,234,487</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$102,983. Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (12,925)
Special revenue fund activity	60
Change in unearned revenue - taxes	(349)
Acquisition of fixed assets	190,962
Depreciation expense	(59,580)
Change in employee benefits	(15,185)
Total	<u>\$ 102,983</u>

Business-type activities

Business-type activities for the year resulted in a change in net position of \$327,908. The key element of this change is due to the discount on a bond payable in the sewer fund of \$214,354.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balance of \$(27,212), a change of \$(12,865) in comparison with the prior year. Key elements of this change are as follows:

General fund operations	\$	(12,925)
Special revenue funds		60
Total	\$	<u>(12,865)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$(35,520), while total fund balance was \$(35,520). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ (35,520)	\$ (22,595)	\$ (12,925)	-6.1%
Total fund balance	\$ (35,520)	\$ (22,595)	\$ (12,925)	-6.1%

The total fund balance of the general fund changed by \$(12,925) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$	83,699
Expenditures in excess of budget		<u>(96,624)</u>
Total	\$	<u>(12,925)</u>

General Fund Budgetary Highlights

The Statement of Revenues and Expenditures – Budget to Actual – General Fund on pages 37-40 compares actual results for the fiscal year 2020 to the approved budget for the General Fund. The Village has an overall negative budgetary performance of \$12,925.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$11,276,298 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, vehicles, construction in progress, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

<u>Capital Asset Addition</u>	
Godfrey water tank	\$ 317,988
Wastewater treatment facility upgrades	1,609,032

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt

At the end of the current fiscal year, total bonded and note debt outstanding was \$3,131,627, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

FACTORS BEARING ON THE VILLAGE'S FUTURE

At the time these financial statements were prepared and audited, the Village was not aware of the following circumstances that could affect its future financial health.

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the Village, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Municipal Office
Village of Ludlow, Vermont
P.O. Box 359
Ludlow, Vermont

VILLAGE OF LUDLOW, VERMONT
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 991,951	\$ 222,837	\$ 1,214,788
Accounts receivable, net	-	45,640	45,640
Delinquent taxes receivable	6,838	-	6,838
Interest and penalties receivable	934	-	934
Inventories	-	32,328	32,328
Prepaid expenses	10,676	13,218	23,894
Due from State	78,743	-	78,743
Due from other funds	-	876,346	876,346
Total current assets	<u>1,089,142</u>	<u>1,190,369</u>	<u>2,279,511</u>
Noncurrent assets:			
Land, building, and equipment (net)	<u>671,056</u>	<u>10,605,242</u>	<u>11,276,298</u>
Total assets	<u>1,760,198</u>	<u>11,795,611</u>	<u>13,555,809</u>
Deferred outflows of resources			
Pensions	<u>22,889</u>	<u>41,200</u>	<u>64,089</u>
Total assets and deferred outflows of resources	<u>\$ 1,783,087</u>	<u>\$ 11,836,811</u>	<u>\$ 13,619,898</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 185,282	\$ 271,173	\$ 456,455
Due to Town	26,334	2,801	29,135
Due to other funds	876,348	-	876,348
Bonds and notes payable, current	-	306,473	306,473
Total current liabilities	<u>1,087,964</u>	<u>580,447</u>	<u>1,668,411</u>
Long term liabilities:			
Bonds payable, less current portion	-	2,825,154	2,825,154
Compensated absences	14,244	13,779	28,023
Net pension liability	62,753	112,955	175,708
Total long term liabilities	<u>76,997</u>	<u>2,951,888</u>	<u>3,028,885</u>
Total liabilities	<u>1,164,961</u>	<u>3,532,335</u>	<u>4,697,296</u>
Deferred inflows of resources			
Unearned revenue	26,105	251,572	277,677
Pensions	873	1,572	2,445
Total deferred inflows of resources	<u>26,978</u>	<u>253,144</u>	<u>280,122</u>
Net Position			
Net investment in capital assets	671,056	7,473,615	8,144,671
Restricted	8,308	-	8,308
Unrestricted	(88,216)	577,717	489,501
Total net position	<u>591,148</u>	<u>8,051,332</u>	<u>8,642,480</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,783,087</u>	<u>\$ 11,836,811</u>	<u>\$ 13,619,898</u>

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

VILLAGE OF LUDLOW, VERMONT
Statement of Activities
Year Ended June 30, 2020

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 133,507	\$ 3,941	\$ -	\$ -	\$ (129,566)	\$ -	\$ (129,566)
Highways and streets	334,936	-	44,781	78,743	(211,412)	-	(211,412)
Total governmental activities	<u>468,443</u>	<u>3,941</u>	<u>44,781</u>	<u>78,743</u>	<u>(340,978)</u>	<u>-</u>	<u>(340,978)</u>
Business-type activities							
Water	378,363	354,684	9,037	-	-	(14,642)	(14,642)
Sewer	651,027	714,857	5,898	-	-	69,728	69,728
Total business-type activities	<u>1,029,390</u>	<u>1,069,541</u>	<u>14,935</u>	<u>-</u>	<u>-</u>	<u>55,086</u>	<u>55,086</u>
Total primary-government	<u>\$ 1,497,833</u>	<u>\$ 1,073,482</u>	<u>\$ 59,716</u>	<u>\$ 78,743</u>	<u>(340,978)</u>	<u>55,086</u>	<u>(285,892)</u>
General revenues							
Real property taxes					397,392	-	397,392
Service hookup revenue					-	73,734	73,734
Investment earnings					179	8,049	8,228
Miscellaneous					8,390	14,685	23,075
Transfers					38,000	(38,000)	-
Discount on Bond					-	214,354	214,354
Total general revenues and transfers					<u>443,961</u>	<u>272,822</u>	<u>716,783</u>
Change in net position					<u>102,983</u>	<u>327,908</u>	<u>430,891</u>
Net position - beginning of year, as previously reported					511,063	7,723,424	8,234,487
Prior period adjustment					(22,898)	-	(22,898)
Net position - beginning of year, restated					<u>488,165</u>	<u>7,723,424</u>	<u>8,211,589</u>
Net position - end of year					<u>\$ 591,148</u>	<u>\$ 8,051,332</u>	<u>\$ 8,642,480</u>

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

VILLAGE OF LUDLOW, VERMONT
Balance Sheet - Governmental Funds
June 30, 2020

	General	Non-major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 991,951	\$ -	\$ 991,951
Delinquent taxes receivable	6,838	-	6,838
Interest and penalties receivable	934	-	934
Prepaid expenses	10,676	-	10,676
Due from State	78,743	-	78,743
Due from other funds	-	8,308	8,308
	<u>1,089,142</u>	<u>8,308</u>	<u>1,097,450</u>
Total assets	\$ 1,089,142	\$ 8,308	\$ 1,097,450
Liabilities			
Accounts payable	\$ 185,282	\$ -	\$ 185,282
Due to Town	26,334	-	26,334
Due to other funds	884,656	-	884,656
Total liabilities	<u>1,096,272</u>	<u>-</u>	<u>1,096,272</u>
Deferred inflows of resources			
Unearned revenue	28,390	-	28,390
Total deferred inflows of resources	<u>28,390</u>	<u>-</u>	<u>28,390</u>
Fund balance			
Nonspendable	-	-	-
Restricted	-	8,308	8,308
Unassigned	(35,520)	-	(35,520)
Total fund balance	<u>(35,520)</u>	<u>8,308</u>	<u>(27,212)</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,089,142	\$ 8,308	\$ 1,097,450

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

VILLAGE OF LUDLOW, VERMONT
Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2020

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
Assets				
Cash and cash equivalents	\$ 991,951	\$ -	\$ -	\$ 991,951
Delinquent taxes receivable	6,838	-	-	6,838
Interest and penalties receivable	934	-	-	934
Prepaid expenses	10,676	-	-	10,676
Due from State	78,743	-	-	78,743
Due from other funds	8,308	-	(8,308)	-
Capital assets, net of accumulated depreciation	-	671,056	-	671,056
Total assets	<u>1,097,450</u>	<u>671,056</u>	<u>(8,308)</u>	<u>1,760,198</u>
Deferred outflows of resources				
Pensions	-	22,889	-	22,889
Total assets and deferred outflows of resources	<u>\$ 1,097,450</u>	<u>\$ 693,945</u>	<u>\$ (8,308)</u>	<u>\$ 1,783,087</u>
Liabilities				
Accounts payable	\$ 185,282	\$ -	\$ -	\$ 185,282
Due to Town	26,334	-	-	26,334
Due to other funds	884,656	-	(8,308)	876,348
Compensated absences	-	14,244	-	14,244
Net pension liability	-	62,753	-	62,753
Total liabilities	<u>1,096,272</u>	<u>76,997</u>	<u>(8,308)</u>	<u>1,164,961</u>
Deferred inflows of resources				
Unearned revenue	28,390	(2,285)	-	26,105
Pensions	-	873	-	873
Total deferred inflows or resources	<u>28,390</u>	<u>(1,412)</u>	<u>-</u>	<u>26,978</u>
Fund balance/net position				
Total fund balance/net position	<u>(27,212)</u>	<u>618,360</u>	<u>-</u>	<u>591,148</u>
Total liabilities, deferred inflows of resources, and fund balance/net position	<u>\$ 1,097,450</u>	<u>\$ 693,945</u>	<u>\$ (8,308)</u>	<u>\$ 1,783,087</u>

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

VILLAGE OF LUDLOW
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020

	General	Non-major Funds	Total Governmental Funds
Revenues			
Taxes, interest, and penalties	\$ 397,741	\$ -	\$ 397,741
Licenses, permits, and fees	3,941	-	3,941
Intergovernmental	44,781	-	44,781
Investment income	119	60	179
Miscellaneous	8,390	-	8,390
State Aid	78,743	-	78,743
Total revenues	533,715	60	533,775
Expenditures			
General government	115,018	-	115,018
Highways and streets	469,622	-	469,622
Total expenditures	584,640	-	584,640
Excess of revenues over expenditures	(50,925)	60	(50,865)
Other financing source (uses)			
Transfers in (out)	38,000	-	38,000
Total other financing sources (uses)	38,000	-	38,000
Change in fund balance	(12,925)	60	(12,865)
Fund balance - beginning of year, as previously stated	303	8,248	8,551
Prior period adjustment	(22,898)	-	(22,898)
Fund balance - beginning of year, restated	(22,595)	8,248	(14,347)
Fund balance - end of year	\$ (35,520)	\$ 8,308	\$ (27,212)

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

VILLAGE OF LUDLOW, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Year Ended June 30, 2020

	<u>Total Governmental Funds</u>	<u>Long-term Revenues, Expenses</u>	<u>Capital Related Funds</u>	<u>Long-term Debt Transactions</u>	<u>Statement of Activities Totals</u>
Revenues					
Taxes, interest, and penalties	\$ 397,741	\$ (349)	\$ -	\$ -	\$ 397,392
Licenses, permits, and fees	3,941	-	-	-	3,941
Intergovernmental	44,781	-	-	-	44,781
Investment income	179	-	-	-	179
Miscellaneous	8,390	-	-	-	8,390
State Aid	78,743	-	-	-	78,743
Total revenues	<u>533,775</u>	<u>(349)</u>	<u>-</u>	<u>-</u>	<u>533,426</u>
Expenditures/Expenses					
General government	115,018	18,489	-	-	133,507
Highways and streets	469,622	56,276	(190,962)	-	334,936
Total expenditures/expenses	<u>584,640</u>	<u>74,765</u>	<u>(190,962)</u>	<u>-</u>	<u>468,443</u>
Excess (deficiency) of revenues over expenditures	<u>(50,865)</u>	<u>(75,114)</u>	<u>190,962</u>	<u>-</u>	<u>64,983</u>
Other sources and (uses)					
Transfers in (out)	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>
Total other sources (uses)	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>
Net change for the year	<u>\$ (12,865)</u>	<u>\$ (75,114)</u>	<u>\$ 190,962</u>	<u>\$ -</u>	<u>\$ 102,983</u>

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

VILLAGE OF LUDLOW, VERMONT
Statements of Net Position
Proprietary Funds
June 30, 2020

Assets	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ -	\$ 222,837	\$ 222,837
Accounts receivable, net	13,547	32,093	45,640
Prepaid expenses	2,486	10,732	13,218
Inventories	16,097	16,231	32,328
Due from other funds	130,623	745,723	876,346
Total current assets	<u>162,753</u>	<u>1,027,616</u>	<u>1,190,369</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>4,089,620</u>	<u>6,515,622</u>	<u>10,605,242</u>
Total assets	<u>4,252,373</u>	<u>7,543,238</u>	<u>11,795,611</u>
Deferred outflows of resources			
Pensions	<u>13,733</u>	<u>27,467</u>	<u>41,200</u>
Total assets and deferred outflows of resources	<u>\$ 4,266,106</u>	<u>\$ 7,570,705</u>	<u>\$ 11,836,811</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 6,225	\$ 264,948	\$ 271,173
Due to Town	1,611	1,190	2,801
Bonds payable, current portion	<u>97,518</u>	<u>208,955</u>	<u>306,473</u>
Total current liabilities	<u>105,354</u>	<u>475,093</u>	<u>580,447</u>
Noncurrent liabilities			
Bond payable, less current portion	1,585,746	1,239,408	2,825,154
Compensated absences	4,246	9,533	13,779
Net pension liability	<u>37,652</u>	<u>75,303</u>	<u>112,955</u>
Total noncurrent liabilities	<u>1,627,644</u>	<u>1,324,244</u>	<u>2,951,888</u>
Total liabilities	<u>1,732,998</u>	<u>1,799,337</u>	<u>3,532,335</u>
Deferred inflows of resources			
Unearned revenue	90,794	160,778	251,572
Pensions	<u>524</u>	<u>1,048</u>	<u>1,572</u>
Total deferred inflows of resources	<u>91,318</u>	<u>161,826</u>	<u>253,144</u>
Net position			
Invested in capital assets	2,406,356	5,067,259	7,473,615
Unrestricted	<u>35,434</u>	<u>542,283</u>	<u>577,717</u>
Total net position	<u>2,441,790</u>	<u>5,609,542</u>	<u>8,051,332</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,266,106</u>	<u>\$ 7,570,705</u>	<u>\$ 11,836,811</u>

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

VILLAGE OF LUDLOW, VERMONT
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<i>Operating revenues</i>			
Charges for services	\$ 354,684	\$ 714,857	\$ 1,069,541
Delinquent interest and penalties	4,761	7,979	12,740
Miscellaneous	870	1,075	1,945
<i>Total operating revenue</i>	<u>360,315</u>	<u>723,911</u>	<u>1,084,226</u>
<i>Operating expenses</i>			
Operations and maintenance	178,704	441,077	619,781
Administration	25,423	3,043	28,466
Depreciation expense	133,246	189,190	322,436
<i>Total operating expenses</i>	<u>337,373</u>	<u>633,310</u>	<u>970,683</u>
<i>Income from operations</i>	<u>22,942</u>	<u>90,601</u>	<u>113,543</u>
<i>Nonoperating revenues (expenses)</i>			
Investment income	294	7,755	8,049
Service hook up revenue	2,500	71,234	73,734
Build America Bond interest rebate	9,037	-	9,037
Andover interest reimbursement	-	5,898	5,898
Discount on Bond		214,354	214,354
Bond interest expense	(40,990)	(17,717)	(58,707)
<i>Total nonoperating revenues (expenses)</i>	<u>(29,159)</u>	<u>281,524</u>	<u>252,365</u>
<i>Net income before transfers</i>	(6,217)	372,125	365,908
<i>Other financing sources (uses)</i>			
Transfer to general fund	-	(38,000)	(38,000)
<i>Change in net position</i>	(6,217)	334,125	327,908
<i>Net position - beginning of year</i>	<u>2,448,007</u>	<u>5,275,417</u>	<u>7,723,424</u>
<i>Net position - end of year</i>	<u>\$ 2,441,790</u>	<u>\$ 5,609,542</u>	<u>\$ 8,051,332</u>

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

VILLAGE OF LUDLOW, VERMONT
Statements of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Water	Sewer	Total
<i>Cash flows from operating activities:</i>			
Cash received from customers	\$ 407,012	\$ 761,626	\$ 1,168,638
Cash payments to suppliers for goods and services	(78,697)	12,216	(66,481)
Cash payments to employees for services and benefits	<u>(77,309)</u>	<u>(184,146)</u>	<u>(261,455)</u>
<i>Net cash provided by operating activities</i>	<u>251,006</u>	<u>589,696</u>	<u>840,702</u>
<i>Cash flows from noncapital financing activities:</i>			
Transfer to general fund	-	(38,000)	(38,000)
Interfund proceeds (repayments)	<u>23,762</u>	<u>(44,364)</u>	<u>(20,602)</u>
<i>Net cash provided by (used in) noncapital financing activities</i>	<u>23,762</u>	<u>(82,364)</u>	<u>(58,602)</u>
<i>Cash flows from capital and related financing activities</i>			
Service hook up revenue	2,500	71,234	73,734
Interest paid on notes and bonds, net of rebate	(31,953)	(11,819)	(43,772)
Acquisition of capital assets	(149,883)	(1,632,932)	(1,782,815)
Principal payments on notes and bonds	(95,726)	(20,395)	(116,121)
Bond proceeds	<u>-</u>	<u>1,082,684</u>	<u>1,082,684</u>
<i>Net cash (used in) capital and financing activities</i>	<u>(275,062)</u>	<u>(511,228)</u>	<u>(786,290)</u>
<i>Cash flows from investing activities:</i>			
Investment income	<u>294</u>	<u>7,755</u>	<u>8,049</u>
<i>Net cash provided by investing activities</i>	<u>294</u>	<u>7,755</u>	<u>8,049</u>
<i>Net increase in cash and cash equivalents</i>	-	3,859	3,859
<i>Cash and cash equivalents - beginning of year</i>	<u>-</u>	<u>218,978</u>	<u>218,978</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ -</u>	<u>\$ 222,837</u>	<u>\$ 222,837</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>			
Operating income	\$ 22,942	\$ 90,601	\$ 113,543
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:			
Depreciation	133,246	189,190	322,436
(Increase) decrease in accounts receivable	133,022	236,005	369,027
(Increase) decrease in prepaid expenses	(326)	(2,636)	(2,962)
Decrease in inventories	33,903	3,769	37,672
Increase (decrease) in accounts payable	5,315	252,335	257,650
Increase (decrease) in unearned revenue	(86,325)	(198,290)	(284,615)
Increase (decrease) in other liabilities	<u>9,229</u>	<u>18,722</u>	<u>27,951</u>
<i>Net cash provided by operating activities</i>	<u>\$ 251,006</u>	<u>\$ 589,696</u>	<u>\$ 840,702</u>

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

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

a) Reporting Entity

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

b) Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Adjustments have been made to minimize the effect of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of good or services offered by the programs, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

Fund Financial Statements

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues and expenditures as appropriate.

Governmental Funds

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are grouped, in the financial statements in this report, as follows:

General Fund – 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.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that of the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expense not meeting this definition are reported as non-operating revenue and expenses. The Village reports the following major enterprise funds:

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

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

c) Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide financial statements and the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

c) Measurement Focus and Basis of Accounting (continued)

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Village's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

e) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including potential contingent liabilities, net pension liability, and useful lives of long-lived assets.

f) Cash and Cash Equivalents

For the purpose of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

g) Receivables

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

h) Inventories

Inventory in the water and sewer funds consists of expendable items held for consumption. They are valued at cost on a first-in, first-out method.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

h) Capital Assets (continued)

The Village's property, plant, equipment, vehicles, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets.

The Village has elected under the requirements of GASB Statement No. 34 not to capitalize infrastructure costs prior to January 1, 2004. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated.

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

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

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

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

i) Deferred Outflows of Resources and Deferred Inflows of Resources

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

In addition to liabilities, the Village will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows resources," represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The Village reports taxes and water and sewer fees paid in advance as unearned revenue on its funds balance sheets and Statement of Net Position as a deferral related to a future period.

The Village reports the net change in the it's proportion of the collective net pension liability (VMERS) and differences during the measurement periods between the Village's contributions and its proportion share of total contributions to the pension system not included in the pension expense.

j) **Interfund Transactions**

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The Village typically loans resources between funds for the purpose of providing cash flow. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and business-type activities). Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

k) **Accrued Compensated Absences**

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

l) **Other Benefits**

Village employees participate in the Vermont Municipal Employees' Retirement System.

m) **Long-Term Liabilities**

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

n) Net Position/Fund Balances

In the government-wide and proprietary funds financial statements, net position is classified in the following categories:

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Village.

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

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

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

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

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

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

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

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

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

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	(27,212)
Assets		
Long-term:		
Capital assets net of related depreciation		671,056
Deferred outflows of resources:		
Pensions		22,889
Long-term:		
Compensated absences		14,244
Net pension liability – proportionate share		62,753
Deferred inflows of resources:		
Unearned revenue - taxes		(2,285)
Pensions		873
Ending net position reported in Statement of Position for governmental activities	\$	<u>591,148</u>

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

i) Long-term revenue and expense differences:

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

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

ii) Capital related differences:

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

iii) Pension differences:

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

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

Total revenues and other funding sources of governmental funds	\$	533,775
Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents a decrease in unearned property taxes.		(349)
Total revenues of governmental activities in the Statement of Activities	\$	533,426
Total expenditures reported in governmental funds	\$	584,640
In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences earned were more than the amount used during the year.		2,587
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital outlay		(190,962)
Current year depreciation		59,580
Governmental funds report Village pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		12,598
Total expenses of governmental activities in the Statement of Activities	\$	468,443

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual meeting, the Board of Trustees presents a general fund budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the Village meeting establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to the budgetary data.

The following is a summary of adjustments made to the actual revenues and expenditures to conform to the budgetary basis of accounting:

General fund:	
Total revenues (GAAP basis)	\$ 533,715
Add: Ludlow electric insurance reimbursement	<u>45,223</u>
Total revenues budgetary basis	<u>\$ 578,938</u>
Total expenditures (GAAP basis)	\$ 584,640
Less: Ludlow electric insurance reimbursement	<u>45,223</u>
Total expenditures budgetary basis	<u>\$ 629,863</u>

The Village has a general fund deficit of \$35,520 at June 30, 2020. Per Vermont statute 24 section 1523 the Village can call at their annual meeting or a special village meeting a vote to raise taxes to cover the deficit or the Board of Trustees can add a tax of 5% upon the grand list to liquidate the deficit.

Note 4. Deposits and Investments

Deposits

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

Insured by FDIC	\$ 250,000
Insured by SIPC	222,837
Uninsured – collateralized	<u>1,189,826</u>
Total bank balances	<u>\$ 1,662,663</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 5. Capital Assets

Governmental activities capital assets for the year ended June 30, 2020 was as follows:

	6/30/19 Balance	Additions	Retirements Reclassify	6/30/20 Balance
Capital assets that are not depreciated:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Capital assets that are depreciated:				
Equipment	36,493	-	-	36,493
Infrastructure	947,613	190,962	-	1,138,575
Total	<u>984,106</u>	<u>190,962</u>	<u>-</u>	<u>1,175,068</u>
Less accumulated depreciation:				
Equipment	(25,922)	(3,305)	-	(29,227)
Infrastructure	(436,509)	(56,276)	-	(492,785)
Total	<u>(462,431)</u>	<u>(59,579)</u>	<u>-</u>	<u>(522,012)</u>
Governmental activities capital assets, net	<u>\$ 539,675</u>	<u>\$ 131,381</u>	<u>\$ -</u>	<u>\$ 671,056</u>

Depreciation expense was charged as follows:

General government	\$ 3,304
Highway and streets	<u>56,275</u>
	<u>\$ 59,579</u>

Proprietary funds capital assets activities for the year ended June 30, 2020 was as follows:

	6/30/19 Balance	Additions	Retirements Reclassify	6/30/20 Balance
Capital assets that are not depreciated:				
Land	\$ 152,920	\$ -	\$ -	\$ 152,920
Total	<u>152,920</u>	<u>-</u>	<u>-</u>	<u>152,920</u>
Capital assets that are depreciated:				
Buildings and improvements	13,363,694	341,888	-	13,705,582
Vehicles	79,566	-	-	79,566
Equipment	123,871	-	-	123,871
Construction in progress	362,766	1,609,032	(168,105)	1,803,693
Total	<u>13,929,897</u>	<u>1,950,832</u>	<u>(168,105)</u>	<u>15,712,712</u>
Less accumulated depreciation:				
Buildings and improvements	(4,828,554)	(303,404)	-	(5,131,958)
Vehicles	(48,448)	(12,031)	-	(60,479)
Equipment	(60,952)	(7,001)	-	(67,953)
Total	<u>(4,937,954)</u>	<u>(322,436)</u>	<u>-</u>	<u>(5,260,390)</u>
Business-type activities capital assets, net	<u>\$ 9,144,863</u>	<u>\$ 1,628,396</u>	<u>\$ (168,105)</u>	<u>\$ 10,605,242</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 6. Long-term Bonds and Notes Payable

During the year ended June 30, 2020, the following changes occurred in the long-term liabilities:

	6/30/19 Balance	Additions	Reductions	6/30/20 Balance
Governmental Activities				
Compensated absences	\$ 11,657	\$ 2,587	\$ -	\$ 14,244
Net pension liability	49,235	13,518	-	62,753
Total governmental activities long-term liabilities	<u>\$ 60,892</u>	<u>\$ 16,105</u>	<u>\$ -</u>	<u>\$ 76,997</u>
Business-type Activities				
Serial bonds	\$ 2,379,418	\$ 868,330	\$ 116,121	\$ 3,131,627
Compensated absences	8,504	5,275	-	13,779
Net pension liability	88,623	24,332	-	112,955
Total business-type activities long-term liabilities	<u>\$ 2,476,544</u>	<u>\$ 897,937</u>	<u>\$ 116,121</u>	<u>\$ 3,258,361</u>

Long-term bonds and notes payable consist of the following at June 30, 2020:

Description	Issue Date	Maturity Date	Interest Rate	Administrative Fee	Original Amount	Balance June 30, 2020
Water Fund:						
Bond payable - VMBB	1/9/13	12/1/20	2.20%-5.18%	0.00%	120,000	20,000
Bond payable - VMBB	10/8/08	5/1/32	1.00%	2.00%	706,000	472,361
Bond payable - USDA	12/20/10	12/20/50	2.25%	0.00%	1,974,800	1,180,183
Bond payable - VMBB	12/1/17	12/1/21	0.00%	0.00%	26,800	10,720
						<u>1,683,264</u>
Sewer Fund:						
Bond payable - USDA	12/20/10	12/20/40	3.00%	0.00%	750,200	580,032
Bond payable - VMBB	7/16/19	6/1/40	0.00%	2.00%	2,365,930	868,330
			Imputed at 2.20%			<u>1,448,362</u>
						3,131,626
			Less: current portion			<u>(306,473)</u>
			Long-term portion			<u>\$ 2,825,154</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 6. Long-term Bonds and Notes Payable (continued)

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

Years ended June 30	Principal	Interest
2021	\$ 306,473	78,241
2022	211,555	75,654
2023	201,395	73,271
2024	206,722	71,093
2025	212,175	68,857
2026-2030	1,147,234	308,583
2031-2035	1,158,025	244,713
2036-2040	1,167,470	181,529
2041	18,117	275
	<u>\$ 4,629,226</u>	<u>1,102,216</u>

Note 7. Interfund Balances and Activity

Interfund balances and activity at June 30, 2020 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
Governmental Funds				
General Fund	\$ -	\$ 884,656	\$ 38,000	\$ -
Non-major Funds	8,308	-	-	-
Proprietary Funds				
Water Fund	130,624	-	-	-
Sewer Fund	745,724	-	-	38,000
Total	<u>\$ 884,656</u>	<u>\$ 884,656</u>	<u>\$ 38,000</u>	<u>\$ 38,000</u>

The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. Transfers are used to move revenues from the fund that statute or budget requires it to be collected into the fund that statute or budget requires it to be expended from. Transfers are also used for unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. The sewer fund made transfer of \$38,000 to the general fund according to budgetary authorization for reimbursement of administrative costs.

Note 9. Pensions

Summary of significant accounting policies

Pensions

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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

General information about the pension plan

Plan Description

VMERS is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee fired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement consisted of 411 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

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

Summary of system provisions

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note . Pensions (continued)

Summary of system provisions (continued)

Service retirement allowance

Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D – age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC. Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x service. Group D – 2.5 of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC. Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above includes the portion of the allowance provided by member contributions.

Early retirement allowance

Eligibility	Age 55 with 5 years of service for Group A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.

Vested Retirement Allowance

Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement aged based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments” described below.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 8. Pensions (continued)

Summary of system provisions (continued)

Disability Retirement Allowance

Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death benefits

Eligibility	Death after 5 years of service.
Amount	For Groups A, B, and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional benefit and death after retirement

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

Refund of Contribution

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

Post-retirement adjustments

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

Member contributions

Group A – 2.75%
Group B – 5.125%
Group C – 10.25%
Group D – 11.60%

Employer contributions

Group A – 4.25%
Group B – 5.75%
Group C – 7.50%
Group D – 10.10%

Retirement stipend

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

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 8. Pensions (continued)

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

At June 30, 2020 the Village reported a government-wide liability of \$175,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projections of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Village's proportion was 0.72341%, which was an increase of 0.02341% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the Village recognized pension expense of \$19,829 for the total governmental activities and \$35,693 for the business-type activities.

At June 30, 2020 the Village reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows or Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experiences	\$ 22,765	\$ 1,518
Changes of assumptions	5,866	-
Net difference between projected and actual earnings on pension plan investments	11,968	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	3,190	927
Village's contributions subsequent to the measurement date	<u>20,300</u>	<u>-</u>
Total	<u>\$ 64,089</u>	<u>\$ 2,445</u>

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2020	\$ 15,999
2021	8,706
2022	10,132
2023	<u>6,507</u>
Total	<u>\$ 41,344</u>

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 8. Pensions (continued)

Employer contribution history for the Village as of June 30, 2020 is as follows:

FY 20	\$	20,300
FY 19		19,459
FY 18		17,165

Significant actuarial assumptions and methods

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

Salary increase: 5.00% per year.

Mortality:

Death in active service:

Group A, B, and C – 98% of RP-2006 Mortality Tables, blended 60% Blue Collar Employee and 40% Healthy Employee with generation projection using scale SSA-2017

Group D – 100% of RP-2006 Blue Collar Mortality Table with generation projection using scale SSA-2017.

Healthy post-retirement:

Group A, B, and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Health Annuitant with generational projection using scale SSA-2017

Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projection using scale SSA-2017

Disabled post-retirement

All groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.

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

Cost-of-living adjustments: 1.15% for Group A members and 1.30% for Groups B, C and D members. The January 1, 2019 ND January 1, 2020 COLAs are 1.30% and 0.80% respectively, for all groups.

Actuarial cost method: Entry age normal cost method.

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

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

Inflation: 2.50%.

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 8. Pensions (continued)

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

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

Asset Class	Target Allocation	Long-term Expected
Global Equity	29.00%	6.90%
US Equity – Large Cap	4.00	5.94
US Equity – Small/Mid Cap	3.00	6.72
Non-US Equity – Large Cap	5.00	6.81
Non-US Equity – Small Cap	2.00	7.31
Emerging Market Debts	4.00	4.26
Core Bonds	14.00	1.79
Non-Core Bonds	6.00	3.22
Short Quality Credit	5.00	1.81
Private Credit	5.00	6.00
US TIPS	3.00	1.45
Core Real Estate	5.00	4.26
Non-Core Real Estate	3.00	5.76
Private Equity	10.00	10.81
Infrastructure/Farmland	2.00	4.89
	100.00%	

Discount rate

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

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Village's proportionate share of the net pension liability	\$ 288,134	\$ 175,708	\$ 82,639

VILLAGE OF LUDLOW, VERMONT

Notes to the Financial Statements

Note 8. Pensions (continued)

Pension plan fiduciary net position

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

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

Note 9. Property taxes

Property taxes attach as an enforceable lien on property as of July 1. Village taxes levied in July are payable in installments on August 15th, November 15th, February 15th, and May 15th, and become delinquent on May 16th. Property taxes are recognized as revenue in the period for which they levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources. The Village tax rate for fiscal year 2020 was \$0.2276 for residential property and \$0.2276 for non-residential property.

Note 10. Related parties

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

Note 11. Prior Period Adjustment

Previously, the Village recorded prepaid insurance attributable to the Electric Light Department as an asset. The Village corrected the amount of prepaid insurance recorded on behalf of the Electric Light Department as of June 30, 2019. The effect of the adjustment decreased fund balance by \$22,898.

Note 12. Contingencies

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the District, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Note 13. Subsequent events

Management has evaluated subsequent events through November 11, 2020 the date that the financial statements were available to be issued.

VILLAGE OF LUDLOW, VERMONT
Statement of Revenues and Other Sources and Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes			
Property taxes - general	\$ 320,348	\$ 319,293	\$ (1,055)
Pilot program	500	67	(433)
3/5 Highway	50,000	50,000	-
Electric department PILOT	26,200	26,105	(95)
Total taxes	<u>397,048</u>	<u>395,465</u>	<u>(1,583)</u>
Delinquent tax interest and penalties			
Delinquent interest	750	1,927	1,177
Delinquent penalties	1,000	349	(651)
Total delinquent tax interest and penalties	<u>1,750</u>	<u>2,276</u>	<u>526</u>
Interest and dividends	<u>100</u>	<u>119</u>	<u>19</u>
Licenses and permits			
Zoning fees and permits	2,500	2,111	(389)
Hearing fees and permits	4,000	1,550	(2,450)
Bianchi fees	500	280	(220)
Total licenses and permits	<u>7,000</u>	<u>3,941</u>	<u>(3,059)</u>
Intergovernmental			
State aid-highway	<u>43,046</u>	<u>44,781</u>	<u>1,735</u>
Miscellaneous			
Insurance refund	45,795	45,486	(309)
Miscellaneous	500	8,127	7,627
Grant Income	-	78,743	78,743
Total miscellaneous	<u>46,295</u>	<u>132,356</u>	<u>86,061</u>
Total revenue	<u>495,239</u>	<u>578,938</u>	<u>83,699</u>
Expenditures			
General government			
Administration			
Salaries			
Manager	28,200	22,662	5,538
Clerk	14,230	15,783	(1,553)
Officers	10,800	10,511	289
BCA salary	400	238	162
Benefits			
Payroll taxes	4,125	3,787	338
Insurance	8,205	7,267	938
Pension	2,550	2,164	386
Manager car allowance	300.00	308	(8)

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Village report	1,600	1,216	384
Equipment/supplies	3,300	4,360	(1,060)
Computer supplies	100.00	29	71
Tax abatement	-	23	(23)
Copier	1,750	982	768
Ordinance Enforcement	-	150	(150)
Audit	7,200	6,180	1,020
Services	1,700	2,414	(714)
Beautification	750	192	558
Expense/mileage	250	-	250
Training/meetings	200	69	131
Legal		144	(144)
League of Cities and Villages (VLCT)	882	882	-
Total administration	<u>86,542</u>	<u>79,361</u>	<u>7,181</u>
Zoning and planning			
Salaries			
Director	8,748	9,028	(280)
Administrative Assistant	4,185	3,869	316
Benefits			
Payroll taxes	990	1,071	(81)
Insurance	7,900	7,689	211
Pension	727	742	(15)
Advertising	2,000	1,636	364
Legal	500	-	500
Equipment	1,520	830	690
Supplies	1,000	749	251
Computer maintenance	200	162	38
Telephone	400	257	143
Mapping services (GIS)	375.00	168	207
Total zoning and planning	<u>28,545</u>	<u>26,201</u>	<u>2,344</u>
Insurance and fidelity bond			
Unemployment	1,280	692	588
Workers' compensation	4,303	4,054	249
Ludlow electric	45,795	45,225	570
Vehicle liability	2,320	2,157	163
Public officials	489	1,344	(855)
Employment practice liability	2,600	1,207	1,393
Total insurance and fidelity bond	<u>56,787</u>	<u>54,679</u>	<u>2,108</u>
Total general government	<u>171,874</u>	<u>160,241</u>	<u>11,633</u>

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Highway and streets			
Streets			
Salaries			
Highway salaries	44,000	51,205	(7,205)
Overtime	5,000	3,698	1,302
Labor	1,500	-	1,500
Benefits			
FICA	3,850	4,114	(264)
Insurance	18,000	18,236	(236)
Pension	3,030	3,229	(199)
Street lights	33,750	34,623	(873)
Equipment maintenance	30,000	26,885	3,115
Training/conference	200	29	171
Diesel	18,750	13,254	5,496
Gas/oil	1,500	29	1,471
Grant Expense	-	78,743	(78,743)
Rentals	500	360	140
Street construction	50,000	30,545	19,455
Sidewalks	15,000	18,547	(3,547)
Asphalt	1,000	1,240	(240)
Cold patch	600	380	220
Supplies	2,600	3,286	(686)
Uniforms	1,600	1,189	411
Culverts	1,000	-	1,000
Parking	4,800	4,800	-
Signs/lines/rails	3,050	23,001	(19,951)
Municipal Road Permit Fees	2,190	500	1,690
Total streets	<u>241,920</u>	<u>317,893</u>	<u>(75,973)</u>
Garage			
Maintenance	1,500	1,132	368
Fuel	3,000	1,774	1,226
Utilities	2,600	2,294	306
Telephone/cell/pagers	550	463	87
Total garage	<u>7,650</u>	<u>5,663</u>	<u>1,987</u>
Summer roads			
Class 1-3 material	7,000	5,073	1,927
Storm drains	3,000	8,537	(5,537)
Equipment	600	-	600
Total summer roads	<u>10,600</u>	<u>13,610</u>	<u>(3,010)</u>
Retreatment	<u>32,000</u>	<u>65,039</u>	<u>(33,039)</u>

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Winter roads			
Winter sand	18,900	20,584	(1,684)
Winter salt	33,400	43,801	(10,401)
Supplies	3,500	2,099	1,401
Equipment	2,500	933	1,567
Total winter roads	58,300	67,417	(9,117)
Total highway and streets	350,470	469,622	(119,152)
Solid waste			
Legal	500		500
Advertising	300		300
Total solid waste	800	-	800
Debt management	10,095	-	10,095
Total expenditures	533,239	629,863	(96,624)
Excess (deficiency) of revenues over (under) expenditures	(38,000)	(50,925)	(12,925)
Other financing sources (uses)			
Transfers in (out)	38,000	38,000	-
Total other financing sources (uses)	38,000	38,000	-
Change in fund balance	\$ -	\$ (12,925)	\$ (12,925)

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Schedule of the Local Government's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Village's proportion of the net pension liability	0.72341%	0.70000%	0.69073%	-	-	-	-	-	-	-
Village's proportionate share of the net pension liability \$	175,708	137,858	117,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll \$	292,780	271,078	281,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's proportionate share of the net pension liability as a percentage of its covered employee payroll	60.01%	50.86%	41.64%	-	-	-	-	-	-	-

See the independent auditor's report.

VILLAGE OF LUDLOW, VERMONT
Schedule of Local Government Contributions
Year Ended June 30, 2020

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 19,459	\$ 16,771	\$ 17,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>19,459</u>	<u>16,771</u>	<u>17,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 292,780	\$ 271,078	\$ 281,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	6.65%	6.19%	6.10%	-	-	-	-	-	-	-

See the independent auditor's report.