

BELLOWS FALLS VILLAGE CORPORATION
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	Exhibit A 10
Statement of Activities	Exhibit B 11
FUND FINANCIAL STATEMENTS	
Balance Sheet and Reconciliation to the Statement of Net Position - Governmental Funds	Exhibit C 12
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	Exhibit D 13
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of the Governmental Funds to the Statement of Activities	Exhibit E 14
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	Exhibit F 15
Statement of Net Position – Proprietary Funds	Exhibit G 16
Statement of Revenues, Expenses and Change in Fund Net Position – Proprietary Funds	Exhibit H 17
Statement of Cash Flows – Proprietary Funds	Exhibit I 18
NOTES TO FINANCIAL STATEMENTS	19 - 36
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Other Governmental Funds	Schedule 1 37
Combining Schedule of Revenues, Expenditures and Change in Fund Balances - Other Governmental Funds	Schedule 2 38
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	39 – 40

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bellows Falls Village Corporation
Bellows Falls, 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 Bellows Falls Village Corporation as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village'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 the 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellows Falls Village Corporation as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

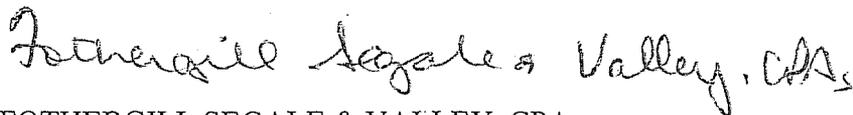
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Fothergill Segale & Valley, CPAs".

FOTHERGILL SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

November 19, 2014

BELLOWS FALLS VILLAGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

This discussion and analysis is intended to serve as an introduction to the Village of Bellows Falls's basic financial statements. The Village's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights

- The net position of our governmental activities increased by \$54,079, or 4.1%. This is an improvement of \$100,663 over the \$46,584 decrease in the prior year. Net position of our business-type activities increased by \$738,364, or 8.2%, which is \$886,007 better than the \$147,643 decrease in the prior year.
- The cost of all of the Village's programs was \$3,970,804, compared to \$3,773,326 in the prior year, with no new programs added this year.
- The General Fund reported an increase in fund balance this year of \$63,927, which is \$63,927 better than what was budgeted. This is an improvement of \$111,057 over the \$47,130 decrease in the prior year.
- The Capital and Equipment Fund reported an increase in fund balance this year of \$4,500, which is \$4,500 more than the prior year. This increase was a result of a transfer from the General Fund.
- The unassigned fund balance for the General Fund was \$74,501 as of June 30, 2014, compared to \$63,259 as of June 30, 2013. This amount represents the amount of funds available for future budgets. The nonspendable fund balance was \$69,685 and is prepaids of fiscal year 2015 expenditures. (Exhibit C)

Financial Statements

The accompanying financial statements for the year ended June 30, 2014 include a Statement of Net Position and Statements of Activities for government activities, which are required following adoption of Governmental Accounting Standards Board Statement #34 (GASBS #34). These two financial statements are referred to as government-wide financial statements. These statements present the financial picture of the Village from an "economic resources" measurement perspective, using the accrual basis of accounting. The Statement of Net Position includes all assets of the Village, including capital assets, net of depreciation, and all liabilities, including long-term debt, and deferred inflows of resources, with the difference between those being reported as net position. Year-to-year increases or decreases in net position serve as one useful indicator of whether the financial position of the Village is improving or deteriorating. The Statement of Activities reports revenues and expenses related to the programs of the Village and presents information showing how the Village's net position changed during the year.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a single portion of their costs through user fees and charges (business-type activities).

**BELLOWS FALLS VILLAGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The fund financial statements include statements that present activities by fund. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the Village are divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of cash resources and their balance at the end of the year. The Village's main governmental fund is the General Fund. Other governmental funds are included in the governmental funds financial statements and schedules.

The proprietary funds of the Village are enterprise funds; they report revenues and expenses similar to those presented as business-type activities in the government-wide financial statements. The Village has two proprietary funds; the Water Fund and the Sewer Fund.

Government-wide Financial Analysis

The Village's combined net position increased by \$792,443 from a year ago – increasing from \$10,308,571 to \$11,101,014. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the Village's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 263,685	\$ 218,757	\$ 1,481,578	\$ 1,535,729	\$ 1,745,263	\$ 1,754,486
Capital assets	1,290,175	1,278,902	17,080,573	17,729,279	18,370,748	19,008,181
Total assets	<u>1,553,860</u>	<u>1,497,659</u>	<u>18,562,151</u>	<u>19,265,008</u>	<u>20,116,011</u>	<u>20,762,667</u>
Long-term liabilities	133,512	129,764	8,749,605	10,040,885	8,883,117	10,170,649
Other liabilities	54,410	56,036	77,470	227,411	131,880	283,447
Total liabilities	<u>187,922</u>	<u>185,800</u>	<u>8,827,075</u>	<u>10,268,296</u>	<u>9,014,997</u>	<u>10,454,096</u>
Net position:						
Invested in capital assets, net of debt	1,215,175	1,218,902	8,365,358	7,525,350	9,580,533	8,744,252
Restricted	12,537	35,954	0	0	12,537	35,954
Unrestricted	138,226	57,003	1,369,718	1,471,362	1,507,944	1,528,365
Total net position	<u>\$1,365,938</u>	<u>\$1,311,859</u>	<u>\$9,735,076</u>	<u>\$8,996,712</u>	<u>\$11,101,014</u>	<u>\$10,308,571</u>

Net position of the Village's governmental activities increased by \$54,079, or 4.1%, (\$1,365,938 compared to \$1,311,859) in fiscal year 2014. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$57,003 at June 30, 2013 to \$138,226 at June 30, 2014.

The net position of business-type activities increased by 8.2%, \$8,996,712 at June 30, 2013 compared to \$9,735,076 at June 30, 2014.

**BELLOWS FALLS VILLAGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Table 2
Changes in Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Net Change	2014	2013	Net Change
REVENUES						
Program revenues:						
Charges for services	\$ 44,991	\$ 45,101	\$ (110)	\$1,516,162	\$1,503,430	\$ 12,732
Operating grants and contributions	0	0	0	137,299	125,724	11,575
Capital grants and contributions	102,941	116,813	(13,872)	50,220	0	50,220
General revenues:						
Property taxes	1,769,928	1,699,019	70,909	0	0	0
Int/penalties on del. taxes	16,350	11,678	4,672	27,707	26,491	1,216
Interest income	287	406	(119)	11,734	12,911	(1,177)
Other revenues	7,503	6,743	760	78,125	30,783	47,342
Transfers	15,600	15,600	0	(15,600)	(15,600)	0
Total revenues	1,957,600	1,895,360	62,240	1,805,647	1,683,739	121,908
PROGRAM EXPENSES						
General government	251,400	286,913	(35,513)	0	0	0
Public safety	1,646,511	1,649,143	(2,632)	0	0	0
Public works	2,685	2,685	0	0	0	0
Interest on long-term debt	2,925	3,203	(278)	0	0	0
Water	0	0	0	834,545	849,661	(15,116)
Sewer	0	0	0	1,232,738	981,721	251,017
Total program expenses	1,903,521	1,941,944	(38,423)	2,067,283	1,831,382	235,901
SPECIAL ITEM						
Loan forgiveness	0	0	0	1,000,000	0	1,000,000
INCREASE (DECREASE) IN NET POSITION	\$ 54,079	\$ (46,584)	\$ 100,663	\$ 738,364	\$ (147,643)	\$ 886,007

The decrease in general government expenses was mostly due to salaries and legal fees. The total cost of all programs and services increased by \$197,478, or 5%, with no new programs added this year.

Table 3 presents the cost of each of the Village's three largest programs – general government, public safety, and public works – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Village's taxpayers by each of these functions.

**BELLOWS FALLS VILLAGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Table 3
Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 251,400	\$ 251,400	\$ 286,913	\$ 286,913
Public safety	1,646,511	1,498,579	1,649,143	1,487,229
Public works	2,685	2,685	2,685	2,685
Interest on debt	2,925	2,925	3,203	3,203
Totals	<u>\$ 1,903,521</u>	<u>\$ 1,755,589</u>	<u>\$ 1,941,944</u>	<u>\$ 1,780,030</u>

Financial Analysis of the Village's Funds

On June 30, 2014, the Village's governmental funds reported a combined fund balance of \$166,945, an increase of \$45,010 in comparison with the prior year fund balance of \$121,935.

General Fund revenues and expenditures do vary from the operating budget as shown on the Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund. The following is a list of some of the specific budget variances.

<u>Account</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanation</u>
Revenues:				
Intergovernmental	\$ 0	\$ 40,480	\$ 40,480	Homeland Security grants not anticipated
Expenditures:				
Police Dept. payroll	681,457	600,585	80,872	Dispatching staff reduction due to contract services
Police Dept. benefits	280,100	220,733	59,367	Dispatching staff reduction
Police Dept. office	46,000	138,248	(92,248)	Contracted dispatch services

Proprietary Funds

Net position of the proprietary funds on June 30, 2014 were \$9,735,076 representing an increase in net position of \$738,364 from 2013. This increase is primarily due to a \$1,000,000 loan forgiveness in the Sewer Fund. Exhibit I shows that both the Water and Sewer Funds had net positive cash flow from operations that were used to repay long-term debt and to purchase additional capital assets.

**BELLOWS FALLS VILLAGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Capital Assets and Debt

Capital Assets

At June 30, 2014, the Village had \$18,370,748 compared to \$19,008,181 at June 30, 2013 invested in a broad range of capital assets, including public safety equipment, building, water and sewer facilities, roads and sidewalks. This amount represents a net decrease (including additions and deductions) of \$637,433, over the last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 63,550	\$ 63,550	\$ 171,060	\$ 171,060	\$ 234,610	\$ 234,610
Capital assets being depreciated	1,226,625	1,215,352	16,796,429	15,159,816	18,023,054	16,375,168
Construction in process	0	0	113,084	2,398,403	113,084	2,398,403
Totals	<u>\$ 1,290,175</u>	<u>\$ 1,278,902</u>	<u>\$ 17,080,573</u>	<u>\$ 17,729,279</u>	<u>\$ 18,370,748</u>	<u>\$ 19,008,181</u>

This year's major additions included:

Police vehicle	\$ 30,000
Fire Department radios	40,480
Water lines – Bezanson Rd.	50,220
Water Main Bridge St. Ext	24,010
Water system evaluation	6,681
Water system – Phase II	106,402
Sewer Plant Improvements	13,443
Sewer Plant pumps	14,400
Sewer Plant equipment	<u>12,309</u>
	<u>\$297,945</u>

Long Term – Debt

At June 30, 2014, the Village had \$8,790,215 in bonds and notes outstanding compared to \$10,072,229 at June 30, 2013, a decrease of \$1,282,014 (12.7%). This represents \$267,740 of new debt, \$549,754 paid down on debt, and debt forgiveness of \$1,000,000.

New debt resulted from improvements to the waste water treatment facility in the Sewer Fund and a capital improvement note in the General Fund.

**BELLOWS FALLS VILLAGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators and activities reflect the growth, prosperity and economic concerns of the Village.

The rapidly rising cost of public education funded by property taxes has led to a taxpayer revolt throughout the State of Vermont. The Village of Bellows Falls property taxes do not include an education component, however in Fiscal Year 2015, 62% of the property taxes collected by the Town of Rockingham will be used to fund public education. The high cost of education results in pressure being placed on the municipal budget in order to keep overall Town and Village property taxes at an affordable level.

The continued recession and lack of Grand List growth created a stranglehold on the budgetary process for fiscal year 2015. The addition of voter approved long-term debt payments for other governmental entities budgets that are adopted prior to the Village result in external pressures on this budget at the time of presentation. This causes the Village to feel a need to reduce the overall tax burden as a result of already known estimated tax rate changes.

The Village Grand List value for Fiscal Year 2014 was \$2,636,986 resulting in a tax rate of \$.6714 billing \$1,770,457 in taxes. The Village Grand List value for Fiscal Year 2015 was \$2,920,468 resulting in a tax rate of \$.6419 billing \$1,874,634 in taxes. Village property taxes are billing in combination with the Town of Rockingham property taxes which include the education taxes. Fiscal Year 2014 combined rates were \$2.9892 for non-residential and \$2.9960 for homestead per \$100 of assessed value. Fiscal Year 2015 combined rates were \$2.9962 for non-residential and \$3.1002 for homestead per \$100 of assessed value.

The total Fiscal Year 2015 budget of \$1,851,602, as approved, is a decrease of \$31,580 over the Fiscal Year 2014 budget of \$1,883,182. This decrease was primarily due to reducing the number of employees for Police dispatching, as a result of contracting with Windham County Sheriff's Department.

Requests for Information

This report is designed to provide an overview of the Village of Bellows Falls's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Village of Bellows Falls, P.O. Box 370, Bellows Falls, VT 05101.

BELLOWS FALLS VILLAGE CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,150	\$ 0	\$ 1,150
Receivables	73,728	685,080	758,808
Prepaid Expenses	69,685	26,928	96,613
Inventory	0	75,919	75,919
Due from Town of Rockingham	119,122	693,651	812,773
Capital Assets			
Land	63,550	171,060	234,610
Construction in Progress	0	113,084	113,084
Other Capital Assets, (Net of Accumulated Depreciation)	1,226,625	16,796,429	18,023,054
Total Assets	<u>1,553,860</u>	<u>18,562,151</u>	<u>20,116,011</u>
<u>LIABILITIES</u>			
Accounts Payable	8,008	25,224	33,232
Accrued Payroll and Benefits Payable	39,508	17,582	57,090
Accrued Interest Payable	585	34,664	35,249
Prepaid Taxes	3,708	0	3,708
Unearned Grant Revenue	2,601	0	2,601
Bonds and loan payable due within one year	30,000	312,012	342,012
Accrued compensated absences due after one year	58,512	34,390	92,902
Bonds and loan payable due after one year	45,000	8,403,203	8,448,203
Total Liabilities	<u>187,922</u>	<u>8,827,075</u>	<u>9,014,997</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	1,215,175	8,365,358	9,580,533
Restricted	12,537	0	12,537
Unrestricted	138,226	1,369,718	1,507,944
Total Net Position	<u>\$ 1,365,938</u>	<u>\$ 9,735,076</u>	<u>\$ 11,101,014</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 251,400	\$ 0	\$ 0	\$ 0	\$ (251,400)	\$ 0	\$ (251,400)
Public Safety	1,646,511	44,991	0	102,941	(1,498,579)	0	(1,498,579)
Public Works	2,685	0	0	0	(2,685)	0	(2,685)
Interest on Long-Term Debt	2,925	0	0	0	(2,925)	0	(2,925)
Total Governmental Activities	<u>1,903,521</u>	<u>44,991</u>	<u>0</u>	<u>102,941</u>	<u>(1,755,589)</u>	<u>0</u>	<u>(1,755,589)</u>
Business-Type Activities:							
Water	834,545	778,020	137,299	50,220	0	130,994	130,994
Sewer	<u>1,232,738</u>	<u>738,142</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(494,596)</u>	<u>(494,596)</u>
Total Business-Type Activities	<u>2,067,283</u>	<u>1,516,162</u>	<u>137,299</u>	<u>50,220</u>	<u>0</u>	<u>(363,602)</u>	<u>(363,602)</u>
Total	<u>\$ 3,970,804</u>	<u>\$ 1,561,153</u>	<u>\$ 137,299</u>	<u>\$ 153,161</u>	<u>(1,755,589)</u>	<u>(363,602)</u>	<u>(2,119,191)</u>
General Revenues:							
Property Taxes					1,769,928	0	1,769,928
Interest and Penalties on Delinquencies					16,350	27,707	44,057
Interest income					287	11,734	12,021
Other Revenues					7,503	78,125	85,628
Transfers					<u>15,600</u>	<u>(15,600)</u>	<u>0</u>
Total General Revenues and Transfers					<u>1,809,668</u>	<u>101,966</u>	<u>1,911,634</u>
Change in Net Position Before Special Item					54,079	(261,636)	(207,557)
Special Item:							
Loan forgiveness					<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
Change in Net Position					54,079	738,364	792,443
Net Position - July 1, 2013					<u>1,311,859</u>	<u>8,996,712</u>	<u>10,308,571</u>
Net Position - June 30, 2014					<u>\$ 1,365,938</u>	<u>\$ 9,735,076</u>	<u>\$ 11,101,014</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
BALANCE SHEET AND RECONCILIATION TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Capital and Equipment Fund	Other Governmental Funds	
<u>ASSETS</u>				
Cash	\$ 1,150	\$ 0	\$ 0	\$ 1,150
Receivables	73,728	0	0	73,728
Prepaid Expenses	69,685	0	0	69,685
Due from Town of Rockingham	94,261	10,222	14,639	119,122
Total Assets	<u>\$ 238,824</u>	<u>\$ 10,222</u>	<u>\$ 14,639</u>	<u>\$ 263,685</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 10,795	\$ 0	\$ 921	\$ 11,716
Accrued Payroll and Benefits Payable	39,508	0	0	39,508
Unearned grants	1,420	0	1,181	2,601
Total Liabilities	<u>51,723</u>	<u>0</u>	<u>2,102</u>	<u>53,825</u>
Deferred Inflows of Resources:				
Unavailable Revenue - taxes	42,915	0	0	42,915
Fund Balances:				
Nonspendable - prepaids	69,685	0	0	69,685
Restricted	0	0	12,537	12,537
Committed	0	10,222	0	10,222
Unassigned	74,501	0	0	74,501
Total Fund Balances	<u>144,186</u>	<u>10,222</u>	<u>12,537</u>	<u>166,945</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 238,824</u>	<u>\$ 10,222</u>	<u>\$ 14,639</u>	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds.

1,290,175

Other Assets are not Available to Pay for Current-Period Expenditures, and therefore, are Unavailable in the Funds.

42,915

Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.

(134,097)

Net Position of Governmental Activities

\$ 1,365,938

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Capital and Equipment Fund	Other Governmental Funds	
Revenues:				
Property Taxes	\$ 1,768,017	\$ 0	\$ 0	\$ 1,768,017
Penalties and Interest	16,350	0	0	16,350
Intergovernmental Revenues	40,480	0	62,461	102,941
Charges for Services	32,735	0	0	32,735
Fines	12,256	0	0	12,256
Investment Income	287	0	0	287
Other Income	2,913	0	2,590	5,503
Total Revenues	1,873,038	0	65,051	1,938,089
Expenditures:				
Current:				
General Government	257,416	0	0	257,416
Public Safety	1,537,257	0	55,968	1,593,225
Capital Outlay:				
Public Safety	70,480	0	0	70,480
Debt Service:				
Principal	15,000	0	0	15,000
Interest	2,558	0	0	2,558
Total Expenditures	1,882,711	0	55,968	1,938,679
Excess Revenues (Expenditures)	(9,673)	0	9,083	(590)
Other Financing Sources/(Uses):				
Loan proceeds	30,000	0	0	30,000
Transfers In	48,100	4,500	0	52,600
Transfers Out	(4,500)	0	(32,500)	(37,000)
Total Other Financing Sources/(Uses)	73,600	4,500	(32,500)	45,600
Net Change in Fund Balances	63,927	4,500	(23,417)	45,010
Fund Balances - July 1, 2013	80,259	5,722	35,954	121,935
Fund Balances - June 30, 2014	<u>\$ 144,186</u>	<u>\$ 10,222</u>	<u>\$ 12,537</u>	<u>\$ 166,945</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGE IN FUND BALANCES OF THE
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Change in fund balances - total government funds (Exhibit D)	\$	45,010
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$70,480) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$61,207). This is the amount by which capital outlays exceeded depreciation in the current period, net of disposal gain (\$2,000).		11,273
Revenues reported in the funds from prior year unearned revenues are not reported as revenues in the statement of activities.		1,911
The issuance of long-term debt (e.g., bonds, loan (\$30,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$15,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(15,000)
In the statement of activities, accrued compensated absences are measured by the amounts incurred 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). This year, compensated absences paid was greater than the amounts earned by \$11,252.		11,252
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the the interest accrues, regardless of when it is due. The interest reported in the statement of activities is more because accrued interest on bonds and notes payable increased by \$367.		<u>(367)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>54,079</u></u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes, Penalties and Interest	\$ 1,782,032	\$ 1,784,654	\$ 2,622
Police & Fire	23,050	44,991	21,941
Intergovernmental	0	40,480	40,480
Miscellaneous	0	2,913	2,913
Total Revenues	<u>1,805,082</u>	<u>1,873,038</u>	<u>67,956</u>
Expenditures:			
Current:			
General Government:			
Trustees	5,470	5,415	55
Village Manager	31,539	35,754	(4,215)
Elections	2,500	2,864	(364)
Finance Office	42,747	33,170	9,577
Auditing	10,850	9,890	960
Village Clerk's Office	3,150	3,024	126
Computer	12,150	14,001	(1,851)
Legal & Other Professional	26,000	12,418	13,582
Other Buildings	2,100	1,788	312
Insurance and Benefits	23,450	20,962	2,488
Service Agencies	7,100	7,100	0
Insurances	103,400	100,918	2,482
Parks	11,100	10,112	988
Total General Government	<u>281,556</u>	<u>257,416</u>	<u>24,140</u>
Public Safety:			
Police & Fire Building	48,560	47,803	757
Fire Department:			
Payroll	287,001	296,178	(9,177)
Benefits	127,100	117,167	9,933
Office	13,850	37,838	(23,988)
Equipment	20,500	29,563	(9,063)
Police Department:			
Payroll	681,457	600,585	80,872
Benefits	280,100	220,733	59,367
Office	46,000	138,248	(92,248)
Equipment	45,000	49,142	(4,142)
Total Public Safety	<u>1,549,568</u>	<u>1,537,257</u>	<u>12,311</u>
Capital Outlays	30,000	70,480	(40,480)
Debt Service	17,558	17,558	0
Total Expenditures	<u>1,878,682</u>	<u>1,882,711</u>	<u>(4,029)</u>
Excess Revenues (Expenditures)	<u>(73,600)</u>	<u>(9,673)</u>	<u>63,927</u>
Other Financing Sources (Uses):			
Loan proceeds	30,000	30,000	0
Transfers In	48,100	48,100	0
Transfers Out	(4,500)	(4,500)	0
Total Other Financing Sources (Uses)	<u>73,600</u>	<u>73,600</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 0</u>	63,927	<u>\$ 63,927</u>
Fund Balance - July 1, 2013		80,259	
Fund Balance - June 30, 2014		<u>\$ 144,186</u>	

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Receivables	\$ 404,113	\$ 280,967	\$ 685,080
Prepayments	10,399	16,529	26,928
Inventory	54,581	21,338	75,919
Due from Town of Rockingham	339,055	354,596	693,651
Total Current Assets	<u>808,148</u>	<u>673,430</u>	<u>1,481,578</u>
Noncurrent Assets:			
Capital Assets:			
Land	171,060	0	171,060
Equipment	101,764	155,695	257,459
Plant, Collection and Distribution Systems	12,642,228	15,075,760	27,717,988
Work in Progress	113,084	0	113,084
Accumulated Depreciation	<u>(5,144,178)</u>	<u>(6,034,840)</u>	<u>(11,179,018)</u>
Total Noncurrent Assets	<u>7,883,958</u>	<u>9,196,615</u>	<u>17,080,573</u>
Total Assets	<u>8,692,106</u>	<u>9,870,045</u>	<u>18,562,151</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	5,494	19,730	25,224
Accrued Payroll	8,389	9,193	17,582
Accrued Interest Payable	4,984	29,680	34,664
Bonds Payable - Current Portion	<u>233,745</u>	<u>78,267</u>	<u>312,012</u>
Total Current Liabilities	<u>252,612</u>	<u>136,870</u>	<u>389,482</u>
Noncurrent Liabilities:			
Accrued Vacation	15,151	19,239	34,390
Bonds Payable - Long Term Portion	<u>4,193,813</u>	<u>4,209,390</u>	<u>8,403,203</u>
Total Noncurrent Liabilities	<u>4,208,964</u>	<u>4,228,629</u>	<u>8,437,593</u>
Total Liabilities	<u>4,461,576</u>	<u>4,365,499</u>	<u>8,827,075</u>
<u>NET POSITION</u>			
Investment in Capital Assets, Net of Related Debt	3,456,400	4,908,958	8,365,358
Unrestricted	<u>774,130</u>	<u>595,588</u>	<u>1,369,718</u>
Total Net Position	<u>\$ 4,230,530</u>	<u>\$ 5,504,546</u>	<u>\$ 9,735,076</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 778,020	\$ 738,142	\$ 1,516,162
Interest and Penalties	17,184	10,523	27,707
Contributed assets	50,220	0	50,220
Logging	46,035	0	46,035
Miscellaneous	24,974	5,715	30,689
Total Operating Revenues	<u>916,433</u>	<u>754,380</u>	<u>1,670,813</u>
Operating Expenses:			
General Administration	46,737	46,795	93,532
Salaries and Wages	146,049	177,107	323,156
Benefits	95,601	109,032	204,633
Insurance	19,763	32,307	52,070
Other Expenses	9,836	57,648	67,484
Professional Services	13,669	8,796	22,465
Office Supplies and Equipment	8,151	0	8,151
Repairs and Supplies	30,598	17,301	47,899
Vehicle Expenses	8,045	6,083	14,128
Pump Stations	0	30,469	30,469
Miscellaneous	122	0	122
Building and Plant	51,863	142,194	194,057
Depreciation	338,623	538,038	876,661
Total Operating Expenses	<u>769,057</u>	<u>1,165,770</u>	<u>1,934,827</u>
Operating Income (Loss)	<u>147,376</u>	<u>(411,390)</u>	<u>(264,014)</u>
Nonoperating Revenues (Expenses):			
Interest Income	11,032	702	11,734
Grant Income	137,299	0	137,299
Interest Expense	(65,488)	(66,968)	(132,456)
Gain on Asset Disposal	0	491	491
Proceeds on Asset Sale	0	910	910
Total Nonoperating Revenues (Expenses)	<u>82,843</u>	<u>(64,865)</u>	<u>17,978</u>
Net Income (Loss) Before Transfers and Special Item	<u>230,219</u>	<u>(476,255)</u>	<u>(246,036)</u>
Transfers			
Transfers out	<u>(15,600)</u>	<u>0</u>	<u>(15,600)</u>
Special Item			
Loan forgiveness	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
Change in Net Position	214,619	523,745	738,364
Net Position - July 1, 2013	<u>4,015,911</u>	<u>4,980,801</u>	<u>8,996,712</u>
Net Position - June 30, 2014	<u>\$ 4,230,530</u>	<u>\$ 5,504,546</u>	<u>\$ 9,735,076</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Total
Cash Flows From (To) Operating Activities:			
Receipts from Customers and Users	\$ 918,862	\$ 725,333	\$ 1,644,195
Payments to Suppliers	(188,181)	(343,866)	(532,047)
Payments for Wages and Benefits	(237,593)	(253,128)	(490,721)
Net Cash From Operating Activities	493,088	128,339	621,427
Cash Flows From (To) Noncapital Financing Activities:			
Transfers to other funds	(15,600)	0	(15,600)
Decrease/(Increase) in Due From Town of Rockingham	(42,089)	134,954	92,865
Net Cash From (To) Noncapital Financing Activities	(57,689)	134,954	77,265
Cash Flows From (To) Capital and Related Financing Activities:			
Receipt of Capital Grants	137,299	0	137,299
Acquisition of Capital Assets	(187,313)	(40,152)	(227,465)
Proceeds on disposition of Capital Assets	0	910	910
Decrease in construction payable	0	(191,700)	(191,700)
Loan Proceeds	0	237,740	237,740
Principal Paid on Long-Term Notes and Bonds	(330,929)	(203,825)	(534,754)
Interest Paid on Long-Term Notes and Bonds	(65,488)	(66,968)	(132,456)
Net Cash (To) Capital and Related Financing Activities	(446,431)	(263,995)	(710,426)
Cash Flows From Investing Activities:			
Interest Income	11,032	702	11,734
Net Cash From Investing Activities	11,032	702	11,734
Net Increase in Cash	0	0	0
Cash - July 1, 2013	0	0	0
Cash - June 30, 2014	\$ 0	\$ 0	\$ 0
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:			
Operating Income (Loss)	\$ 147,376	\$ (411,390)	\$ (264,014)
Depreciation	338,623	538,038	876,661
(Increase) in Prepayments	(6,533)	(13,817)	(20,350)
(Increase)/Decrease in Accounts Receivable	2,429	(29,047)	(26,618)
Decrease in Inventory	5,113	3,141	8,254
Increase in Accounts Payable	2,023	8,403	10,426
Increase in Accrued Liabilities	917	30,417	31,334
Increase in Accrued Vacation	3,140	2,594	5,734
Net Cash From Operating Activities	\$ 493,088	\$ 128,339	\$ 621,427
SUPPLEMENTAL NON-CASH TRANSACTIONS			
Loan forgiveness	\$ 0	\$ 1,000,000	\$ 1,000,000

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The Bellows Falls Village Corporation (the Village), is organized according to Vermont State Law and Village Charter, under the governance of a five member Board of Trustees to provide the following services for the Village of Bellows Falls: public safety, highways and streets, and general administration.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity

The Village's basic financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, and GASB 14.

Based on the criteria, the Village has no component units.

Basic Financial Statements – Government-Wide Statements

The Village's basic financial statements include both government-wide (focusing on the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's Asset Forfeiture Fund, State and Federal Grants Fund, Adopt an Angel Fund, Capital and Equipment Fund, and General Fund activities are classified as governmental. The Village's Water Fund and Sewer Fund are classified as business-type.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's governmental functions and business-type activities (water and sewer). The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants. Program revenues must be directly associated with the governmental function (public safety, highways and streets, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net costs (by governmental function or business-type activity) are normally covered by general revenues (property taxes, intergovernmental revenue, interest income, etc.).

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenses/expenditures of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The General Fund, Water Fund and Sewer Fund are shown as major funds. The Village has elected to also show the Capital and Equipment Fund as a major fund. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The Village reports on the following major governmental funds:

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

Capital and Equipment Fund is the fund used to account for capital asset purchases.

Proprietary Funds

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

Water Fund is used to account for operations of the water distribution system.

Sewer Fund is used to account for operations of the sewage plant and sewage pumping stations and collection systems.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The Village applies the provisions of the Codifications for "Disclosure about the Fair Value of Financial Instruments". The Codification requires disclosure of the fair value of certain financial instruments. Recorded amounts for cash, accounts receivable and accounts payable approximate fair value.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when transactions occur and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and six months for other revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, compensated absences, claims and judgments, and certain prepaids which are recognized when due/paid.

Cash and Cash Equivalents

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

Budgetary Accounting

The Village approves a budget for the General Fund at an annual Village Meeting and the Trustees based on the budget and Grand List determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost, except for infrastructure and small equipment and furniture which are reported if the cost is \$50,000 and \$10,000 or more, respectively. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 - 150 years
Equipment/furniture	10 – 30 years
Vehicles	7 – 20 years
Plant, Collection & Distribution Systems	40 – 50 years
Infrastructure	20 – 50 years

GASB No. 34 requires the Village to report and depreciate new general infrastructure assets prospectively starting July 1, 2003.

Accrued Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Unavailable Revenue

Unavailable revenue consists of the following:

General Fund – Delinquent taxes and other receivables not collected within sixty (60) days after year end.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Proprietary Fund Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town’s creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Deferred Inflows of Resources

In July of 2013, the Village implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reports a separate section for deferred inflows of resources in the Village’s governmental funds. This separate financial statement element reflects an increase in net position that applies to a future period(s). The Village will recognize the related revenues when a future event occurs. The Village has one item which occurs because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Village’s fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue (formerly deferred property taxes) are reported in the governmental funds balance sheet. The Village did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

Fund Equity

GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Village's Trustees. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Trustees, or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Trustees can establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through a simple majority vote. Assigned fund balance is established by the Trustees through a majority vote, and must be recorded in the minutes, as intended for specific purposes (such as the purchase of capital assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

Interfund Activities

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements, except for the net amounts due between governmental and business-type activities, which are reported as "internal balances", if any.

BELLOWS FALLS VILLAGE CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at lower of cost or market. Inventories in the proprietary funds consist of chemicals and materials. Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses. Reported inventories and prepaids in the fund financial statements are offset by a nonspendable fund balance amount because they do not constitute resources that are available for expenditures.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH

The Village's cash as of June 30, 2014 is classified as follows:

Cash:		
Deposits with financial institutions	\$	1,150

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, none of the Village's bank balance of \$1,150 was exposed to custodial credit risk.

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2014 are as follows:

	Governmental Activities	Business-Type Activities	Total
Delinquent taxes receivable	\$ 53,583	\$ 0	\$ 53,583
Penalties and interest on delinquent taxes	9,599	0	9,599
Accounts receivable	10,546	23,106	33,652
Billed services	0	325,930	325,930
Unbilled services	0	325,694	325,694
Other receivables	0	10,350	10,350
Total	\$ 73,728	\$ 685,080	\$ 758,808

BELLOWS FALLS VILLAGE CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

NOTE 4 – DUE FROM THE TOWN OF ROCKINGHAM

The Village has pooled its cash with the Town of Rockingham. Funds are deposited and invested by the Town Treasurer. The amount due from the Town of Rockingham based upon the pooled cash is \$812,773. Interest income earned by the pooled cash is allocated based on the balances of the individual funds. The amounts due from the Town of Rockingham at June 30, 2014 were:

Governmental funds	
General Fund	\$ 94,261
Capital and Equipment Fund	10,222
Other governmental funds	
Asset Forfeiture Fund	801
State and Federal Grants Fund	11,183
Adopt an Angel Fund	2,655
Total governmental funds	<u>119,122</u>
Proprietary funds	
Water Fund	339,055
Sewer Fund	354,596
Total proprietary funds	<u>693,651</u>
Total	<u>\$ 812,773</u>

NOTE 5 - INTERFUND TRANSFERS

During the year interfund transfers occurred between funds. The various operating transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2014 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund	\$ 48,100	\$ 4,500
Capital and Equipment Fund	4,500	0
Water Fund	0	15,600
State and Federal Grants Fund	0	32,500
Totals	<u>\$ 52,600</u>	<u>\$ 52,600</u>

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Disposals/ Reclassifications	Depreciation	Balance June 30, 2014
<i>Governmental activities</i>					
Capital assets not depreciated					
Land	\$ 63,550	\$ 0	\$ 0	\$ 0	\$ 63,550
Total capital assets not deprec.	<u>63,550</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,550</u>
Capital assets being depreciated					
Buildings and improvements	857,199	0	0	0	857,199
Equipment & vehicles	1,141,062	70,480	(34,922)	0	1,176,620
Infrastructure	148,284	0	0	0	148,284
Total capital assets deprec.	<u>2,146,545</u>	<u>70,480</u>	<u>(34,922)</u>	<u>0</u>	<u>2,182,103</u>
Less accumulated depreciation for:					
Buildings and improvements	(347,403)	0	0	(10,037)	(357,440)
Equipment & vehicles	(541,896)	0	36,922	(45,934)	(550,908)
Infrastructure	(41,894)	0	0	(5,236)	(47,130)
Total accum. depreciation	<u>(931,193)</u>	<u>0</u>	<u>36,922</u>	<u>(61,207)</u>	<u>(955,478)</u>
Total capital assets, net	<u>\$ 1,278,902</u>	<u>\$ 70,480</u>	<u>\$ 2,000</u>	<u>\$ (61,207)</u>	<u>\$ 1,290,175</u>
<i>Business-type activities</i>					
Capital assets not depreciated					
Land	\$ 171,060	\$ 0	\$ 0	\$ 0	\$ 171,060
Construction in progress	2,398,403	113,084	(2,398,403)	0	113,084
Total capital assets not deprec.	<u>2,569,463</u>	<u>113,084</u>	<u>(2,398,403)</u>	<u>0</u>	<u>284,144</u>
Capital assets being depreciated					
Equipment	266,121	12,308	(20,970)	0	257,459
Plant, Collection & Distrib. System	25,250,837	102,073	2,365,078	0	27,717,988
Accum. deprec. - equipment	(151,775)	0	21,461	(27,094)	(157,408)
Accum. deprec. - plant, collection and distribution system	(10,205,367)	0	33,324	(849,567)	(11,021,610)
Total capital assets deprec., net	<u>15,159,816</u>	<u>114,381</u>	<u>2,398,893</u>	<u>(876,661)</u>	<u>16,796,429</u>
Total capital assets, net	<u>\$ 17,729,279</u>	<u>\$ 227,465</u>	<u>\$ 490</u>	<u>\$ (876,661)</u>	<u>\$ 17,080,573</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 5,236
Public safety	53,286
Public works	<u>2,685</u>
Total governmental activities	<u>\$ 61,207</u>

Business-type activities:

Water Fund	\$ 338,623
Sewer Fund	538,038
Total business-type activities	<u>\$ 876,661</u>

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 7 – UNAVAILABLE REVENUE / UNEARNED GRANTS

Unavailable revenue consists of \$42,915 of delinquent taxes, penalty and interest on taxes that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

Unearned revenue in the General Fund of \$1,420 and \$1,181 in the State and Federal Grants Fund consists of unspent grant funds.

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes of long-term liabilities for the year ended June 30, 2014.

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2013	\$ 10,170,649	\$ 129,764	\$ 10,040,885
New bonds issued/loan proceeds	267,740	30,000	237,740
Increase in accrued vacation payable	21,188	9,053	12,135
Decrease in accrued vacation payable	(26,706)	(20,305)	(6,401)
Bonds retired	(549,754)	(15,000)	(534,754)
Loan forgiveness	(1,000,000)	0	(1,000,000)
Long-term liabilities payable at June 30, 2014	8,883,117	133,512	8,749,605
Due within one year	(342,012)	(30,000)	(312,012)
Due after one year	\$ 8,541,105	\$ 103,512	\$ 8,437,593

Long-term bond and note payables will mature approximately as follows:

<u>Years ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,000	\$ 2,369	\$ 32,369
2016	30,000	1,640	31,640
2017	15,000	374	15,374
Total	75,000	\$ 4,383	\$ 79,383
Due within one year	(30,000)		
Due after one year	\$ 45,000		

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued)

<u>Years ending June 30,</u>	<u>Business-Type Activities</u>					
	<u>Principal</u>	<u>Negative Interest (Netted w/ Princ)</u>	<u>Net Principal Amount Due</u>	<u>Interest</u>	<u>Admin. Fee</u>	<u>Total</u>
2015	\$ 408,318	\$ (96,306)	\$ 312,012	\$ 58,509	\$ 35,753	\$ 406,274
2016	496,640	(90,605)	406,035	50,697	76,688	533,420
2017	518,309	(85,074)	433,235	42,559	73,342	549,136
2018	526,356	(79,709)	446,647	33,969	69,930	550,546
2019	534,634	(74,506)	460,128	24,809	66,448	551,385
2020-2024	2,106,614	(299,778)	1,806,836	20,358	277,551	2,104,745
2025-2029	1,700,367	(191,213)	1,509,154	0	179,461	1,688,615
2030-2034	1,601,411	(97,987)	1,503,424	0	71,172	1,574,596
2035-2039	397,016	(27,949)	369,067	0	2,548	371,615
2040-2044	50,550	(1,878)	48,672	0	0	48,672
	<u>8,340,215</u>	<u>\$(1,045,005)</u>	<u>7,295,210</u>	<u>\$ 230,901</u>	<u>\$ 852,893</u>	<u>\$ 8,379,004</u>
DWSRF subsidy-credited 2016	375,000					
Total	8,715,215					
Due within one year	(312,012)		(312,012)			
Due after one year	<u>\$ 8,403,203</u>		<u>\$ 6,983,198</u>			

Interest expense in fiscal year 2014 was \$135,381.

Long-term liabilities include the following:

Governmental Activities

General obligation municipal bonds with the Vermont Municipal Bond Bank, 4.415% blended semi-annual interest plus annual principal payments from \$15,000 to \$20,000, due December 2016.	\$ 45,000
Note payable with the Merchants Bank, interest at 1.74%, annual principal payments of \$15,000 plus interest, due August 2015.	30,000
Accrued compensated absences	58,512
Total governmental activities	<u>\$ 133,512</u>

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Business-Type Activities

Sewer Fund

General obligation municipal bond with the Vermont Municipal Bond Bank, interest at 0%, 2% administrative fee, \$1,000,000 ARRA subsidy applied in FY 2014, annual principal and admin. payments of \$114,020 beginning FY 2014 through FY 2033.	\$ 1,787,657
General obligation municipal bond with the Vermont Municipal Bond Bank, interest at 0%, 2% administrative fee, \$375,000 CSWRW subsidy, annual principal and admin payments of \$129,958 beginning FY 2016.	2,500,000
Total Sewer Fund	4,287,657

Water Fund

General obligation municipal bond with the Vermont Municipal Bond Bank, variable interest, currently at 7.1%, \$20,000 principal due annually plus semi-annual interest payments in June and December through 2020.	140,000
General obligation municipal bond with the Vermont Municipal Bond Bank, variable interest, currently at 5.136%, principal payments of \$65,000 to \$165,000 due annually plus semi-annual interest payments in June and December through 2020.	985,000
General obligation municipal bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, interest at -3%, annual payments of \$56,767 through 2035. Grant income recognized annually for the amount of forgiven principal as a result of negative interest.	1,695,061
General obligation municipal bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, interest at -3%, annual payments of \$11,694 starting 2012 through 2041. Grant income recognized annually for the amount of forgiven principal as a result of negative interest.	497,352
General obligation municipal bond with the Vermont Municipal Bond Bank, interest at -3%, annual payments of \$25,284 through 2040. Grant income recognized annually for the amount of forgiven principal as a result of negative interest.	1,017,821
General obligation municipal bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, interest at 0%, annual payments of \$18,854 starting FY 2017 through FY 2021. Authorized up to \$94,270. Loan subject to 100% forgiveness by the State of Vermont upon completion of the project.	92,324
Total Water Fund	4,427,558
Total business-type activities	\$ 8,715,215

The Village was approved for a negative 3% interest \$4,133,128 general obligation water loan from the State of Vermont Environmental Revolving Fund. \$154,277 has been drawn on this loan as of November 19, 2014.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 9 - RESTRICTED AND COMMITTED FUND BALANCES

Restricted and committed fund balances of the Village as of June 30, 2014 consisted of the following:

Governmental Funds	Restricted	Committed
Police equipment	\$ 801	\$ 0
Adopt an Angel	1,734	0
Capital and Equipment Fund	0	10,222
Police and Fire Fund	10,002	0
Total governmental activities	\$ 12,537	\$ 10,222

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, expenditures exceeded appropriations in the General Fund by \$4,029. The excess expenditures were funded by excess revenues.

NOTE 11 – CONTINGENCY

The Village participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2014 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

NOTE 12 - PROPERTY TAXES

The Village is responsible for assessing and collecting its own property taxes. Property taxes are assessed based on property valuations as of April 1, annually. Property taxes were due in four equal installments on August 10th, November 10th, February 10th and May 10th. All late payments are subject to an 8% penalty and interest is calculated at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

Village property tax revenue is recognized for the period for which the tax is levied to the extent they result in current receivables, which will be collected within 60 days of the fiscal year end. The tax rates for fiscal year 2013/2014 were as follows:

	Residential	Non-residential
Village	\$ 0.6714	\$ 0.6714

NOTE 13 - PENSION PLAN

The Village’s full-time employees participate in the Town of Rockingham and Bellows Falls Village Employees’ Pension Plan (the “Plan”), a multiple-employer public employee retirement plan or the State of Vermont’s Municipal Employee’s Retirement Plan (the “VMERS Plan”). All Village full-time employees who have completed one year of service must participate in one of the retirement plans.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 13 - PENSION PLAN (Continued)

Employees under the Plan who retire at or after age 65 with five years of credited service, or after age 62, with 30 years of service are entitled to a retirement benefit in the form of a life annuity, equal to 1-2/3% of the employee's average compensation over the final five years of service (average of annual compensation) multiplied by the years of credited service (not to exceed 30 years), plus ½% of the employee's average annual compensation multiplied by the years of credited service in excess of 30 years (not to exceed 5 years). Accrued benefits fully vest on reaching five years of service, but employee contributions are fully vested when made. Fully-vested employees with ten years of service may retire at or after age 55 and receive reduced retirement benefits. Sworn members of the Police and Fire Department may receive early retirement without reduction as early as age 55 with at least twenty years of credited service. The payroll for employees covered by the Plan for the year ended June 30, 2014 was \$150,917 and the Village's total payroll was \$1,420,799.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The Plan does not make separate measurements of assets and pension benefit obligation for individual employers.

Unless otherwise indicated, the following information represents total combined Plan information for all participating employers (Bellows Falls Village Corporation and the Town of Rockingham, Vermont).

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 2013. Significant actuarial assumptions used include (1) rate of return on investments of present and future assets of 8% per annum, (2) projected salary increases of 6% per year, and (3) assumed retirement age is the greater of 62 or the age at which 30 years of service is completed (not to exceed age 65). The rate of return on investments and the projected salary increases have not changed from the prior year.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

The actuarial cost method used to determine the normal cost, actuarial accrued liability and contribution amounts of the plan is the Service Pro-Rate Unit Credit Actuarial Cost Method. Under this method benefits are projected to retirement (or earlier termination) for each plan member based on the assumptions as to future compensation increases.

The actuarial accrued liability of each participant is the actuarial present value of his/her benefit calculated using projected compensation to his/her retirement date (or termination, if earlier) and his/her credited service accrued to the valuation date. The total actuarial accrued liability is equal to the sum of such liabilities as determined for each active participant plus the actuarial present value of benefits being paid, or due to be paid, to retirees, beneficiaries and former active participants with deferred vested benefits.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 13 - PENSION PLAN (Continued)

The normal cost of each active participant is the positive difference in the actuarial present value of a participant's benefit calculated using projected compensation to his/her retirement date (or termination, if earlier) and his/her credited service accrued to the valuation date and the actuarial present value of a participant's benefit using projected compensation to his/her retirement date (or termination, if earlier) and his/her credited service accrued to one year following the valuation date. The total normal cost of the plan is the sum of the normal costs for each active plan participant.

The total actuarial accrued liability for all plan members less the actuarial value of plan assets is the unfunded actuarial accrued liability. This calculation is performed as of each valuation date. Deviations in actual experience from the actuarial assumptions result in actuarial gains or losses which reduce or increase, respectively, the unfunded actuarial accrued liability.

Under the Plan, the employers are obligated to pay the entire cost of the Plan, except that all active employees are required to contribute 5% of their annual compensation on a before tax basis to the Plan. Police and Fire employees are required to contribute 7% of their annual compensation effective January 1, 2005. The Village's contribution requirement for the Plan year ending December 31, 2014 of \$18,506 was made in accordance with actuarially determined requirements through an actuarial valuation performed as of December 31, 2013. This contribution represents 1.7% of covered payroll.

Trend information gives an indication of the Plan's progress in accumulating sufficient assets to pay benefits when due. This information is presented below:

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ 2,315,608	\$ 3,476,546	\$ 1,160,938	66.6	\$ 1,525,045	76.1
1/1/2013	2,468,583	3,547,317	1,078,734	69.6	1,458,827	74.0
1/1/2014	2,643,940	2,999,597	355,657	88.1	1,300,934	27.3

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Pension Cost/Annual Required Contribution	Actual Contribution	Percentage Contributed	Net Pension Obligation
12/31/2012	\$ 117,010	\$ 117,010	100%	\$ 0
12/31/2013	109,527	109,527	100%	0
12/31/2014	34,870	34,870	100%	0

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 13 - PENSION PLAN (Continued)

All Plan assets are invested in various funds and accounts by the Plan's trustees, Banknorth Investment Management. The Village's contribution for the Plan year ending December 31, 2014 represents 53.1% of total contributions required of all participating entities.

The VMERS Plan requires that both the Village and employees contribute to the VMERS Plan which provides retirement, disability and death benefits. The Village has elected to participate in VMERS Plan B which requires all eligible employees to contribute 4.5% of gross wages while the Village contributes 5%. The Village has also elected to participate in VMERS Plan C for sworn police personnel which requires all eligible employees contribute 9.25% of gross wages while the Village contributes 7%.

The Village pays all costs accrued each year for the VMERS plans. The premise of VMERS Plan B is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as the present value of vested and non-vested plan benefits by municipality are not determinable.

The Village's total payroll for the year was \$1,420,799, while covered payroll for the VMERS Plan was \$1,116,352. Pension expense for the VMERS Plan year was \$67,885 for fiscal year 2014, \$64,607 for fiscal year 2013 and \$44,641 for fiscal year 2012.

Additional information regarding the State of Vermont Municipal Employees' Retirement Plan is available upon request from the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

NOTE 14 – DEFERRED COMPENSATION

The Village offers its employees a deferred compensation plan through the International City/County Management Association's "ICMA" Retirement Corporation. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Village has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self directed by each employee.

NOTE 15 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Village maintains insurance coverage from the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund that covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this coverage in any of the past three (3) fiscal years.

BELLOWS FALLS VILLAGE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 16 – VILLAGE-TOWN AGREEMENTS

The Village and the Town of Rockingham (Town) take part in the following agreements:

Fire Rescue Vehicle

In 1996, the Village entered into an agreement with the Town to lease fire rescue vehicles at a cost of \$1 per year.

Village Public Works Building

In September 1998, the Village and Town agreed to share the use of the Village Public Works building for a period of five years. The agreement was renewed in 2004 and provides that the Town will pay an annual fee of \$1 and handle operational (electricity, fuel and telephone), improvement and maintenance costs, while the Village will pay insurance costs and utility fees. The renewed agreement contains an evergreen clause whereby the agreement is automatically extended unless either Board votes to terminate it.

Recycling/Transfer Station

In 1992, the Village entered into an agreement with the Town to lease to the Town all of its property that is located on the east side of Route 5 in Westminster, Vermont for the purpose of operating a Rockingham/Westminster Recycling/Transfer Station at a cost of \$1 per year for twenty years. The agreement automatically renews when the Town continues to use the facilities as outlined in the agreement.

Town Recreation Program

In 2000, the Village entered into an agreement with the Town to lease to the Town a portion of property located on the west side of Playground Road for the purposes of operating a Town recreation program at a cost of \$1 per year for a period of 20 years. On June 29, 2010, this agreement was restated and updated to allow for the demolition of the old recreation building, which was owned by the Village of Bellows Falls, and the construction of a new facility to be wholly owned by the Town of Rockingham. The term of the agreement was also extended for a period of 20 years at a cost of \$1 per year.

Fire Equipment Purchases

In 1995, the Village entered into a Memorandum of Understanding with the Town and the Saxtons River Village Corporation related to the purchase and use of fire equipment within the Town. The Town will purchase and retain title to all major fire equipment and lease to the Village appropriate equipment for \$1 per year. The term of each lease will be structured over the reasonable life expectancy of the specific equipment. The Village will be responsible for all expenses incurred in connection with the operation, maintenance and repair of the equipment. The Memorandum of Understanding will remain in full force and effect unless formally amended and/or rescinded by any one of the three parties at an annual or special meeting warned for that purpose.

BELLOWS FALLS VILLAGE CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

NOTE 16 – VILLAGE-TOWN AGREEMENTS (Continued)

Sewer Hook-Up Fees

Pursuant to 1999 and 2004 amendments to a 1994 interlocal agreement with the Town regarding sewer-hook up fees received by the Village for commercial or residential hook-up fees onto the Town’s Industrial Park Sewer Line, the Village shall reimburse the Town for the fees received.

NOTE 17 - COMMITMENTS

At a special meeting on July 28, 2009, the Village voters authorized the issuance of \$3,000,000 of general obligation bonds for the purpose of financing plant upgrades at the wastewater plant, referred to as the “headworks” project. The approval of the bonds was contingent upon the Village receiving \$1,000,000 in the form of construction grants-in-aid or other financial assistance. Annual payments begin September 2013 through September 2032. The bonds bear a zero (0) percent interest rate and a two (2) percent administrative fee. At June 30, 2014, bonds in the amount of \$2,864,389 had been issued. The Village has signed various contracts for work related to the improvements to the water system. These contracts are to be funded with the bond proceeds.

The Village entered into an agreement with the Saxtons River Village Corporation to provide services related to the operation of the wastewater treatment facility. Under the terms of this agreement the future basic operation and maintenance charges are as follows:

Fiscal year 2015	\$ 51,863
Fiscal year 2016	53,419
Fiscal year 2017	<u>55,022</u>
Total	<u><u>\$ 160,304</u></u>

The Village entered into an agreement with the Windham County Sheriff’s Department to provide dispatch services. Under the terms of this agreement the future obligations are as follows:

Fiscal year 2015	\$ 84,000
Fiscal year 2016	<u>84,000</u>
Total	<u><u>\$ 168,000</u></u>

NOTE 18 - SUBSEQUENT EVENT

Management has evaluated subsequent events through November 19, 2014, the date which the financial statements were available for issue.

In October 2014, the Village obtained approval of a zero interest wastewater treatment facility upgrade loan from the State of Vermont for \$14,500. The note is payable in five annual payments beginning in October 2019.

BELLOWS FALLS VILLAGE CORPORATION
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds			Total
	Asset Forfeiture Fund	Police and Fire Fund	Adopt an Angel Fund	
<u>ASSETS</u>				
Due From Town of Rockingham	\$ 801	\$ 11,183	\$ 2,655	\$ 14,639
TOTAL ASSETS	<u>\$ 801</u>	<u>\$ 11,183</u>	<u>\$ 2,655</u>	<u>\$ 14,639</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 921	\$ 921
Unearned grant revenue	<u>0</u>	<u>1,181</u>	<u>0</u>	<u>1,181</u>
Total Liabilities	<u>0</u>	<u>1,181</u>	<u>921</u>	<u>2,102</u>
Fund Balances:				
Restricted	<u>801</u>	<u>10,002</u>	<u>1,734</u>	<u>12,537</u>
Total Fund Balances	<u>801</u>	<u>10,002</u>	<u>1,734</u>	<u>12,537</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 801</u>	<u>\$ 11,183</u>	<u>\$ 2,655</u>	<u>\$ 14,639</u>

BELLOWS FALLS VILLAGE CORPORATION
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			Total
	Asset Forfeiture Fund	Police and Fire Fund	Adopt an Angel Fund	
Revenues:				
Donations	\$ 0	\$ 0	\$ 2,590	\$ 2,590
Intergovernmental	0	62,461	0	62,461
Total Revenues	0	62,461	2,590	65,051
Expenditures:				
Current:				
Public Safety	700	52,459	2,809	55,968
Excess Revenues (Expenditures)	(700)	10,002	(219)	9,083
Other Financing Sources (Uses)				
Transfers Out	0	(32,500)	0	(32,500)
Net Change in Fund Balances	(700)	(22,498)	(219)	(23,417)
Fund Balances - July 1, 2013	1,501	32,500	1,953	35,954
Fund Balances - June 30, 2014	\$ 801	\$ 10,002	\$ 1,734	\$ 12,537

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
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Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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

Bellows Falls Village Corporation
Bellows Falls, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellows Falls Village Corporation as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

November 19, 2014