

**BELLOWS FALLS VILLAGE CORPORATION**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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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, 2013, 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 *Governmental 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, 2013, 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 and private purpose trust fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund and private purpose trust 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 financial statements or to the 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 and private purpose trust 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 December 5, 2013 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,



FOTHERGILL SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

December 5, 2013

**BELLOWS FALLS VILLAGE CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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 decreased by \$46,584, or 3.4%. This is a decrease of \$80,697 compared to the \$34,113 increase in the prior year. Net position of our business-type activities decreased by \$147,643, or 1.6%, which is \$42,340 worse than the \$105,303 decrease in the prior year.
- The cost of all of the Village's programs was \$3,773,326, compared to \$3,504,664 in the prior year, with no new programs added this year.
- The General Fund reported a decrease in fund balance this year of \$47,130, which is \$47,130 worse than what was budgeted. This is a decrease of \$110,143 compared to the \$63,013 increase in the prior year.
- The Capital and Equipment Fund reported no change in fund balance this year, which is the same as the prior year.
- The unassigned fund balance for the General Fund was \$63,259 as of June 30, 2013, compared to \$68,985 as of June 30, 2012. This amount represents the amount of funds available for future budgets. The nonspendable fund balance was \$17,000 and is prepaids of fiscal year 2014 expenditures. (Exhibit C)

Financial Statements

The accompanying financial statements for the year ended June 30, 2013 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, with the difference between the two 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, 2013**

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 three categories: governmental funds, proprietary funds and fiduciary 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. The Village also reports fiduciary funds, but does not include the fiduciary activity and fund balances in the government-wide financial statements because the resources of those funds are not necessarily available to support the Village's programs. Fiduciary funds are used to account for resources used to accomplish the specific objectives associated with each fiduciary fund.

Government-wide Financial Analysis

The Village's combined net position decreased by \$194,227 from a year ago – decreasing from \$10,502,798 to \$10,308,571. 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 218,757	\$ 327,201	\$ 1,535,729	\$ 1,162,103	\$ 1,754,486	\$ 1,489,304
Capital assets	1,278,902	1,272,610	17,729,279	15,987,542	19,008,181	17,260,152
Total assets	<u>1,497,659</u>	<u>1,599,811</u>	<u>19,265,008</u>	<u>17,149,645</u>	<u>20,762,667</u>	<u>18,749,456</u>
Long-term liabilities	129,764	139,322	10,040,885	7,957,184	10,170,649	8,096,506
Other liabilities	56,036	102,046	227,411	48,106	283,447	150,152
Total liabilities	<u>185,800</u>	<u>241,368</u>	<u>10,268,296</u>	<u>8,005,290</u>	<u>10,454,096</u>	<u>8,246,658</u>
Net position:						
Invested in capital assets, net of debt	1,218,902	1,197,610	7,525,350	8,057,960	8,744,252	9,255,570
Restricted	35,954	2,729	0	0	35,954	2,729
Unrestricted	57,003	158,104	1,471,362	1,086,395	1,528,365	1,244,499
Total net position	<u>\$1,311,859</u>	<u>\$1,358,443</u>	<u>\$8,996,712</u>	<u>\$9,144,355</u>	<u>\$10,308,571</u>	<u>\$10,502,798</u>

Net position of the Village's governmental activities decreased by \$46,584, or 3.4%, (\$1,311,859 compared to \$1,358,443) in fiscal year 2013. 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 – decreased from \$158,104 at June 30, 2012 to \$57,003 at June 30, 2013.

**BELLOWS FALLS VILLAGE CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

The net position of business-type activities decreased by 1.6%, \$9,144,355 at June 30, 2012 compared to \$8,996,712 at June 30, 2013.

Table 2  
Changes in Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Net Change	2013	2012	Net Change
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 45,101	\$ 45,515	\$ (414)	\$1,503,430	\$1,441,872	\$ 61,558
Operating grants and contributions	0	0	0	125,724	114,491	11,233
Capital grants and contributions	116,813	99,779	17,034	0	0	0
General revenues:						
Property taxes	1,699,019	1,654,201	44,818	0	0	0
Int/penalties on del. taxes	11,678	14,126	(2,448)	26,491	25,949	542
Earnings on investments	406	545	(139)	12,911	14,451	(1,540)
Other revenues	6,743	(531)	7,274	30,783	23,076	7,707
Transfers	15,600	15,600	0	(15,600)	(15,600)	0
Total revenues	<u>1,895,360</u>	<u>1,829,235</u>	<u>66,125</u>	<u>1,683,739</u>	<u>1,604,239</u>	<u>79,500</u>
<b>PROGRAM EXPENSES</b>						
General government	286,913	312,304	(25,391)	0	0	0
Public safety	1,649,143	1,476,251	172,892	0	0	0
Public works	2,685	2,685	0	0	0	0
Interest on long-term debt	3,203	3,882	(679)	0	0	0
Water	0	0	0	849,661	829,373	20,288
Sewer	0	0	0	981,721	880,169	101,552
Total program expenses	<u>1,941,944</u>	<u>1,795,122</u>	<u>146,822</u>	<u>1,831,382</u>	<u>1,709,542</u>	<u>121,840</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>						
	<u>\$ (46,584)</u>	<u>\$ 34,113</u>	<u>\$ (80,697)</u>	<u>\$ (147,643)</u>	<u>\$ (105,303)</u>	<u>\$ (42,340)</u>

The increase in public safety expenses was mostly due to payroll and benefits. The Village's total revenues increased by \$145,625, or 4%, mostly due to property taxes, grants and charges for water/sewer. The total cost of all programs and services increased by \$268,662, or 8%, 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, 2013**

Table 3  
Governmental Activities

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 286,913	\$ 286,913	\$ 312,304	\$ 312,304
Public safety	1,649,143	1,487,229	1,476,251	1,330,957
Public works	2,685	2,685	2,685	2,685
Interest on debt	3,203	3,203	3,882	3,882
Totals	<u>\$ 1,941,944</u>	<u>\$ 1,780,030</u>	<u>\$ 1,795,122</u>	<u>\$ 1,649,828</u>

Financial Analysis of the Village's Funds

On June 30, 2013, the Village's governmental funds reported a combined fund balance of \$121,935, a decrease of \$68,614 in comparison with the prior year fund balance of \$190,549.

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	\$ 54,000	\$ 14,585	\$ (39,415)	Cops grant under budget
Expenditures:				
Police Dept. payroll	664,585	692,807	(28,222)	Overtime
Transfers in	15,600	55,100	39,500	Transfer from grant fund not budgeted

While unanticipated expenditures and revenue shortfalls are difficult to avoid, the Village must be aware of its financial situation at all times and alert citizens to potential unfavorable budgetary trends.

Proprietary Funds

Net position of the proprietary funds on June 30, 2013 were \$8,996,712 representing a decrease in net position of \$147,643 from 2012. This decrease is primarily due to an operating loss in the Sewer Fund as a result of expenses exceeding income again in fiscal year 2013, mostly due to depreciation. 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, 2013**

Capital Assets and Debt

*Capital Assets*

At June 30, 2013, the Village had \$19,008,181 compared to \$17,260,152 at June 30, 2012 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 increase (including additions and deductions) of \$1,748,029, over the last year.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 63,550	\$ 63,550	\$ 171,060	\$ 171,060	\$ 234,610	\$ 234,610
Capital assets being depreciated	1,215,352	1,209,060	15,159,816	15,631,074	16,375,168	16,840,134
Construction in process	0	0	2,398,403	185,408	2,398,403	185,408
<b>Totals</b>	<b>\$ 1,278,902</b>	<b>\$ 1,272,610</b>	<b>\$ 17,729,279</b>	<b>\$ 15,987,542</b>	<b>\$ 19,008,181</b>	<b>\$ 17,260,152</b>

This year's major additions included:

Police Department windows	\$ 9,983
Police/Fire Department phone system	9,213
Morphotrak system	28,190
Digital recorder	8,797
HSG equipment	3,599
Police Department wireless cards	8,619
Sewer Plant Improvements	2,171,396
Sewer Plant equipment/vehicles	37,140
Water System equipment/vehicles	79,860
Water System Improvements	31,949
	<u>\$2,388,746</u>

*Long Term - Debt*

At June 30, 2013, the Village had \$10,072,229 in bonds and notes outstanding compared to \$8,004,582 at June 30, 2012, an increase of \$2,067,647 (25.8%). This represents \$2,414,638 of new debt and \$346,991 paid down on debt.

New debt resulted from water system improvements in the Water Fund and improvements to the waste water treatment facility in the Sewer Fund.

**BELLOWS FALLS VILLAGE CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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 2014, 61% 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 2014. 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 2013 was \$2,646,158 resulting in a tax rate of \$.6417 billing \$1,698,025 in taxes. 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. Village property taxes are billing in combination with the Town of Rockingham property taxes which include the education taxes. Fiscal Year 2013 combined rates were \$2.9106 for non-residential and \$2.8803 for homestead per \$100 of assessed value. Fiscal Year 2014 combined rates were \$2.9892 for non-residential and \$2.9960 for homestead per \$100 of assessed value.

The total Fiscal Year 2014 budget of \$1,883,182, as approved, is an increase of \$80,144 over the Fiscal Year 2013 budget of \$1,803,038. This increase was primarily due to purchase of a police vehicle and payroll benefits to match full-time fire positions that were filled.

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, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,148	\$ 0	\$ 1,148
Receivables	68,298	658,462	726,760
Prepaid Expenses	17,000	6,578	23,578
Inventory	0	84,173	84,173
Internal Balances	(786,516)	786,516	0
Due from Town of Rockingham	918,827	0	918,827
Capital Assets			
Land	63,550	171,060	234,610
Construction in Progress	0	2,398,403	2,398,403
Other Capital Assets, (Net of Accumulated Depreciation)	1,215,352	15,159,816	16,375,168
Total Assets	<u>1,497,659</u>	<u>19,265,008</u>	<u>20,762,667</u>
<u>LIABILITIES</u>			
Accounts Payable	11,599	14,799	26,398
Construction Payable	0	191,700	191,700
Accrued Payroll and Benefits Payable	39,392	15,418	54,810
Accrued Interest Payable	218	5,494	5,712
Prepaid Taxes	3,140	0	3,140
Deferred Revenue	1,687	0	1,687
Bonds and leases payable due within one year	15,000	305,477	320,477
Accrued compensated absences due after one year	69,764	28,656	98,420
Bonds and leases payable due after one year	45,000	9,706,752	9,751,752
Total Liabilities	<u>185,800</u>	<u>10,268,296</u>	<u>10,454,096</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	1,218,902	7,525,350	8,744,252
Restricted	35,954	0	35,954
Unrestricted	57,003	1,471,362	1,528,365
Total Net Position	<u>\$ 1,311,859</u>	<u>\$ 8,996,712</u>	<u>\$ 10,308,571</u>

See Notes to Financial Statements.



BELLOWS FALLS VILLAGE CORPORATION  
BALANCE SHEET AND RECONCILIATION TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Capital and Equipment Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 1,148	\$ 0	\$ 0	\$ 1,148
Receivables	68,298	0	0	68,298
Prepaid Expenses	17,000	0	0	17,000
Due from General Fund	0	5,722	42,301	48,023
Due from Town of Rockingham	918,827	0	0	918,827
<b>Total Assets</b>	<b>\$ 1,005,273</b>	<b>\$ 5,722</b>	<b>\$ 42,301</b>	<b>\$ 1,053,296</b>
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 8,700	\$ 0	\$ 6,039	\$ 14,739
Accrued Payroll and Benefits Payable	39,392	0	0	39,392
Due to Other Funds	834,539	0	0	834,539
Deferred Revenue - taxes	41,004	0	0	41,004
Deferred Revenue - grants and other	1,379	0	308	1,687
<b>Total Liabilities</b>	<b>925,014</b>	<b>0</b>	<b>6,347</b>	<b>931,361</b>
<b>Fund Balances:</b>				
Nonspendable - prepaids	17,000	0	0	17,000
Restricted	0	0	35,954	35,954
Committed	0	5,722	0	5,722
Unassigned	63,259	0	0	63,259
<b>Total Fund Balances</b>	<b>80,259</b>	<b>5,722</b>	<b>35,954</b>	<b>121,935</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,005,273</b>	<b>\$ 5,722</b>	<b>\$ 42,301</b>	

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.

1,278,902

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

41,004

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.

(129,982)

Net Position of Governmental Activities

\$ 1,311,859

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, 2013

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Capital and Equipment Fund	Other Governmental Funds	
<b>Revenues:</b>				
Property Taxes	\$ 1,692,893	\$ 0	\$ 0	\$ 1,692,893
Penalties and Interest	11,678	0	0	11,678
Intergovernmental Revenues	14,585	0	102,228	116,813
Charges for Services	38,528	0	0	38,528
Fines	6,573	0	0	6,573
Investment Income	406	0	0	406
Other Income	4,868	0	1,875	6,743
<b>Total Revenues</b>	<u>1,769,531</u>	<u>0</u>	<u>104,103</u>	<u>1,873,634</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	276,235	0	0	276,235
Public Safety	1,540,276	0	54,679	1,594,955
<b>Capital Outlay:</b>				
Public Safety	27,993	0	40,408	68,401
<b>Debt Service:</b>				
Principal	15,000	0	0	15,000
Interest	3,257	0	0	3,257
<b>Total Expenditures</b>	<u>1,862,761</u>	<u>0</u>	<u>95,087</u>	<u>1,957,848</u>
<b>Excess Revenues (Expenditures)</b>	<u>(93,230)</u>	<u>0</u>	<u>9,016</u>	<u>(84,214)</u>
<b>Other Financing Sources/(Uses):</b>				
Transfers In	55,100	0	9,000	64,100
Transfers Out	(9,000)	0	(39,500)	(48,500)
<b>Total Other Financing Sources/(Uses)</b>	<u>46,100</u>	<u>0</u>	<u>(30,500)</u>	<u>15,600</u>
<b>Net Change in Fund Balances</b>	<u>(47,130)</u>	<u>0</u>	<u>(21,484)</u>	<u>(68,614)</u>
<b>Fund Balances - July 1, 2012</b>	<u>127,389</u>	<u>5,722</u>	<u>57,438</u>	<u>190,549</u>
<b>Fund Balances - June 30, 2013</b>	<u>\$ 80,259</u>	<u>\$ 5,722</u>	<u>\$ 35,954</u>	<u>\$ 121,935</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, 2013

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

Change in fund balances - total government funds (Exhibit D)	\$ (68,614)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$68,401) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$62,109). This is the amount by which capital outlays exceeded depreciation in the current period.	6,292
Revenues reported in the funds from prior year deferred revenues are not reported as revenues in the statement of activities.	6,126
The issuance of long-term debt (e.g., bonds, leases) (\$0) 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 earned was greater than the amounts paid by \$5,442.	(5,442)
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 less because accrued interest on bonds and notes payable decreased by \$54.	54
Change in net position of governmental activities (Exhibit B)	\$ <u>(46,584)</u>

BELLOWS FALLS VILLAGE CORPORATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes, Penalties and Interest	\$ 1,706,809	\$ 1,704,977	\$ (1,832)
Police & Fire	26,629	45,101	18,472
Intergovernmental	54,000	14,585	(39,415)
Miscellaneous	0	4,868	4,868
Total Revenues	<u>1,787,438</u>	<u>1,769,531</u>	<u>(17,907)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General Government:</b>			
Trustees	5,400	5,534	(134)
Village Manager	39,905	42,404	(2,499)
Elections	1,600	4,041	(2,441)
Finance Office	53,241	52,341	900
Auditing	8,900	8,408	492
Village Clerk's Office	3,210	3,265	(55)
Computer	8,950	9,658	(708)
Legal & Other Professional	16,000	21,480	(5,480)
Other Buildings	1,800	1,957	(157)
Insurance and Benefits	23,750	21,740	2,010
Service Agencies	7,400	7,100	300
Insurances	86,500	87,719	(1,219)
Parks	10,800	10,588	212
Total General Government	<u>267,456</u>	<u>276,235</u>	<u>(8,779)</u>
<b>Public Safety:</b>			
Police & Fire Building	45,000	44,234	766
<b>Fire Department:</b>			
Payroll	282,600	287,472	(4,872)
Benefits	100,632	114,293	(13,661)
Office	13,650	12,962	688
Equipment	22,100	35,778	(13,678)
<b>Police Department:</b>			
Payroll	664,585	692,807	(28,222)
Benefits	283,058	271,247	11,811
Office	40,500	34,222	6,278
Equipment	36,200	47,261	(11,061)
Total Public Safety	<u>1,488,325</u>	<u>1,540,276</u>	<u>(51,951)</u>
Capital Outlays	<u>20,000</u>	<u>27,993</u>	<u>(7,993)</u>
Debt Service	<u>18,257</u>	<u>18,257</u>	<u>0</u>
Total Expenditures	<u>1,794,038</u>	<u>1,862,761</u>	<u>(68,723)</u>
Excess Revenues (Expenditures)	<u>(6,600)</u>	<u>(93,230)</u>	<u>(86,630)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	15,600	55,100	39,500
Transfers Out	(9,000)	(9,000)	0
Total Other Financing Sources (Uses)	<u>6,600</u>	<u>46,100</u>	<u>39,500</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>(47,130)</u>	<u>\$ (47,130)</u>
Fund Balance - July 1, 2012		127,389	
Fund Balance - June 30, 2013		<u>\$ 80,259</u>	

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Receivables	\$ 406,542	\$ 251,920	\$ 658,462
Prepayments	3,866	2,712	6,578
Inventory	59,694	24,479	84,173
Due from General Fund	296,966	489,550	786,516
Total Current Assets	<u>767,068</u>	<u>768,661</u>	<u>1,535,729</u>
Noncurrent Assets:			
Capital Assets:			
Land	171,060	0	171,060
Equipment	101,764	164,357	266,121
Plant, Collection and Distribution Systems	12,526,402	12,724,435	25,250,837
Work in Progress	41,597	2,356,806	2,398,403
Accumulated Depreciation	(4,805,555)	(5,551,587)	(10,357,142)
Total Noncurrent Assets	<u>8,035,268</u>	<u>9,694,011</u>	<u>17,729,279</u>
Total Assets	<u>8,802,336</u>	<u>10,462,672</u>	<u>19,265,008</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	3,471	11,328	14,799
Construction Payable	0	191,700	191,700
Accrued Payroll	6,962	8,456	15,418
Accrued Interest Payable	5,494	0	5,494
Bonds Payable - Current Portion	228,745	76,732	305,477
Total Current Liabilities	<u>244,672</u>	<u>288,216</u>	<u>532,888</u>
Noncurrent Liabilities:			
Accrued Vacation	12,011	16,645	28,656
Bonds Payable - Long Term Portion	4,529,742	5,177,010	9,706,752
Total Noncurrent Liabilities	<u>4,541,753</u>	<u>5,193,655</u>	<u>9,735,408</u>
Total Liabilities	<u>4,786,425</u>	<u>5,481,871</u>	<u>10,268,296</u>
<u>NET POSITION</u>			
Investment in Capital Assets, Net of Related Debt	3,276,781	4,248,569	7,525,350
Unrestricted	739,130	732,232	1,471,362
Total Net Position	<u>\$ 4,015,911</u>	<u>\$ 4,980,801</u>	<u>\$ 8,996,712</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, 2013

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 768,233	\$ 735,197	\$ 1,503,430
Interest and Penalties	16,243	10,248	26,491
Miscellaneous	24,963	3,570	28,533
Total Operating Revenues	<u>809,439</u>	<u>749,015</u>	<u>1,558,454</u>
Operating Expenses:			
General Administration	42,902	42,932	85,834
Salaries and Wages	143,641	173,808	317,449
Benefits	90,272	87,600	177,872
Insurance	20,877	23,283	44,160
Other Expenses	6,418	53,473	59,891
Professional Services	20,955	9,248	30,203
Office Supplies and Equipment	8,905	0	8,905
Repairs and Supplies	41,799	12,922	54,721
Vehicle Expenses	7,001	7,088	14,089
Pump Stations	0	27,313	27,313
Miscellaneous	10,968	0	10,968
Building and Plant	48,621	117,104	165,725
Depreciation	334,066	426,950	761,016
Total Operating Expenses	<u>776,425</u>	<u>981,721</u>	<u>1,758,146</u>
Operating Income (Loss)	<u>33,014</u>	<u>(232,706)</u>	<u>(199,692)</u>
Nonoperating Revenues (Expenses):			
Interest Income	12,260	651	12,911
Grant Income	120,671	5,053	125,724
Interest Expense	(73,236)	0	(73,236)
Proceeds on Asset Sale	0	2,250	2,250
Total Nonoperating Revenues (Expenses)	<u>59,695</u>	<u>7,954</u>	<u>67,649</u>
Net Income (Loss) Before Transfers	92,709	(224,752)	(132,043)
Transfers			
Transfers out	<u>(15,600)</u>	<u>0</u>	<u>(15,600)</u>
Change in Net Position	77,109	(224,752)	(147,643)
Net Position - July 1, 2012	<u>3,938,802</u>	<u>5,205,553</u>	<u>9,144,355</u>
Net Position - June 30, 2013	<u>\$ 4,015,911</u>	<u>\$ 4,980,801</u>	<u>\$ 8,996,712</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Total
<b>Cash Flows From (To) Operating Activities:</b>			
Receipts from Customers and Users	\$ 788,405	\$ 763,097	\$ 1,551,502
Payments to Suppliers	(210,170)	(280,307)	(490,477)
Payments for Wages and Benefits	(241,768)	(261,639)	(503,407)
Net Cash From Operating Activities	<u>336,467</u>	<u>221,151</u>	<u>557,618</u>
<b>Cash Flows From (To) Noncapital Financing Activities:</b>			
Transfers to other funds	(15,600)	0	(15,600)
Decrease/(Increase) in Due From Other Funds	15,823	(397,086)	(381,263)
Net Cash From (To) Noncapital Financing Activities	<u>223</u>	<u>(397,086)</u>	<u>(396,863)</u>
<b>Cash Flows From (To) Capital and Related Financing Activities:</b>			
Receipt of Capital Grants	120,671	5,053	125,724
Acquisition of Capital Assets	(108,809)	(2,393,944)	(2,502,753)
Proceeds on disposition of Capital Assets	0	2,250	2,250
Increase in construction payable	0	191,700	191,700
Loan Proceeds	44,413	2,370,225	2,414,638
Principal Paid on Long-Term Notes and Bonds	(331,989)	0	(331,989)
Interest Paid on Long-Term Notes and Bonds	(73,236)	0	(73,236)
Net Cash From (To) Capital and Related Financing Activities	<u>(348,950)</u>	<u>175,284</u>	<u>(173,666)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest Income	12,260	651	12,911
Net Cash From Investing Activities	<u>12,260</u>	<u>651</u>	<u>12,911</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>
Cash - June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:</b>			
Operating Income (Loss)	\$ 33,014	\$ (232,706)	\$ (199,692)
Depreciation	334,066	426,950	761,016
(Increase)/Decrease in Prepayments	9,313	11,935	21,248
(Increase)/Decrease in Accounts Receivable	(21,034)	14,082	(6,952)
(Increase)/Decrease in Inventory	(4,112)	(2,547)	(6,659)
(Decrease)/Increase in Accounts Payable	(6,925)	3,668	(3,257)
(Decrease)/Increase in Accrued Liabilities	(5,879)	(3,261)	(9,140)
(Decrease)/Increase in Accrued Vacation	(1,976)	3,030	1,054
Net Cash From Operating Activities	<u>\$ 336,467</u>	<u>\$ 221,151</u>	<u>\$ 557,618</u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	<u>Private Purpose Trusts</u>
<u>ASSETS</u>	
Cash	\$ 0
Total Assets	<u>0</u>
<u>LIABILITIES</u>	
Total Liabilities	<u>0</u>
<u>NET POSITION</u>	
Held in Trust for Various Purposes	<u><u>\$ 0</u></u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION  
 STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trusts</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Net Investment Income	\$ <u>6,520</u>
Total Additions	<u>6,520</u>
<u>DEDUCTIONS:</u>	
Care of the Indigent and Needy	<u>71,464</u>
Total Deductions	<u>71,464</u>
Change In Net Position	(64,944)
Net Position - July 1, 2012	<u>64,944</u>
Net Position - June 30, 2013	<u><u>\$ 0</u></u>

See Notes to Financial Statements.

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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, Fire Equipment Reserve 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, 2013  
(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.

**Fiduciary Funds**

Private Purpose Trust funds are used to account for trust arrangements under which resources are to be used for the benefit of the indigent and elderly. Only investment earnings may be used to support these activities.

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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, accounts payable, and investments 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, 2013  
(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.

*Deferred Revenue*

Deferred revenue consists of the following:

General Fund - Delinquent taxes and other receivables not collected within sixty (60) days after year end and prepaid taxes for next fiscal year.

State and Federal Grants Fund – Grant receivables.

Capital and Equipment Fund – Grant funds received by the Village but not yet spent.

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Net Position*

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In July of 2012, the Village adopted GASB Statement No. 63. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the statement of net position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by Village legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

*Fund Balances*

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).

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.

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Investments*

Investments are stated at fair value, (quoted market price, or the best available estimate).

*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".

*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.

BELLOWS FALLS VILLAGE CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013  
 (Continued)

**NOTE 2 - CASH AND INVESTMENTS**

The Village's cash as of June 30, 2013 is classified as follows:

Cash:		
Deposits with financial institutions	\$	1,148

The Village had no investments as of June 30, 2013.

The Town and the Village Board of Trustees have delegated the responsibility for implementing the investment policy for fiduciary and permanent funds to the Trustees of Public Funds.

The primary function of the Trustees of Public Funds is to serve as manager and administrator of Town and Village assets and to distribute funds derived from the generation of income from the invested assets of the fiduciary funds.

Investment objectives

The principal objectives of the investment policy shall be:

- preservation of capital
- generation of income to fulfill charitable purposes of the fiduciary funds
- growth of asset value at a rate greater than inflation (as measured by the Consumer Price Index)
- provide market equivalent income.

Achieving these objectives will require assuming a moderate level of risk, a long-term investment horizon and diversification among assets. The funds will be invested to maximize total return (capital appreciation, interest and dividend income) consistent with a prudent level of risk. The policy provides guidance in the areas of funding of withdrawals, asset allocation and maximum holdings.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Village's mutual funds are open-ended and are not exposed to custodial credit risk.

An analysis of the Village's custodial credit risk for cash deposits by category at June 30, 2013 is as follows:

	Book Balance	Bank Balance
Insured	\$ 1,148	\$ 1,148

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investment income

Investment income is comprised of the following components for the year ended June 30, 2013:

	<u>Interest &amp; Dividends</u>	<u>Realized and Unrealized Losses</u>	<u>Total</u>
General Fund	\$ 406	\$ 0	\$ 406
Water Fund	12,260	0	12,260
Sewer Fund	651	0	651
Trustees of Public Funds	1,404	5,116	6,520
Total	<u>\$ 14,721</u>	<u>\$ 5,116</u>	<u>\$ 19,837</u>

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2013 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Delinquent taxes receivable	\$ 56,160	\$ 0	\$ 56,160
Penalties and interest on delinquent taxes	10,721	0	10,721
Accounts receivable	1,417	10,766	12,183
Grant receivable	0	2,067	2,067
Billed services	0	321,095	321,095
Unbilled services	0	312,804	312,804
Other receivables	0	11,730	11,730
Total	<u>\$ 68,298</u>	<u>\$ 658,462</u>	<u>\$ 726,760</u>

**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 \$918,827. Interest income earned by the pooled cash is allocated based on the balances of the individual funds.

BELLOWS FALLS VILLAGE CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013  
 (Continued)

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

The Village has combined some of the cash resources of its governmental and proprietary fund types for accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2013 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General Fund	\$ 0	\$ 834,539
Capital and Equipment Fund	5,722	0
Other governmental funds		
Asset Forfeiture Fund	1,501	0
State and Federal Grants Fund	38,847	0
Adopt an Angel Fund	1,953	0
Total governmental funds	<u>48,023</u>	<u>834,539</u>
Proprietary funds		
Water Fund	296,966	0
Sewer Fund	489,550	0
Total proprietary funds	<u>786,516</u>	<u>0</u>
Total	<u>\$ 834,539</u>	<u>\$ 834,539</u>

**NOTE 6 - 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, 2013 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund	\$ 55,100	\$ 9,000
Water Fund	0	15,600
State and Federal Grants Fund	9,000	39,500
Totals	<u>\$ 64,100</u>	<u>\$ 64,100</u>

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Disposals/ Reclassifications	Depreciation	Balance June 30, 2013
<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	847,216	9,983	0	0	857,199
Equipment & vehicles	1,082,644	58,418	0	0	1,141,062
Infrastructure	148,284	0	0	0	148,284
Total capital assets deprec.	<u>2,078,144</u>	<u>68,401</u>	<u>0</u>	<u>0</u>	<u>2,146,545</u>
Less accumulated depreciation for:					
Buildings and improvements	(337,565)	0	0	(9,838)	(347,403)
Equipment & vehicles	(494,861)	0	0	(47,035)	(541,896)
Infrastructure	(36,658)	0	0	(5,236)	(41,894)
Total accum. depreciation	<u>(869,084)</u>	<u>0</u>	<u>0</u>	<u>(62,109)</u>	<u>(931,193)</u>
Total capital assets, net	<u>\$ 1,272,610</u>	<u>\$ 68,401</u>	<u>\$ 0</u>	<u>\$ (62,109)</u>	<u>\$ 1,278,902</u>
<i>Business-type activities</i>					
Capital assets not depreciated					
Land	\$ 171,060	\$ 0	\$ 0	\$ 0	\$ 171,060
Construction in progress	185,408	2,398,403	(185,408)	0	2,398,403
Total capital assets not deprec.	<u>356,468</u>	<u>2,398,403</u>	<u>(185,408)</u>	<u>0</u>	<u>2,569,463</u>
Capital assets being depreciated					
Equipment	274,061	60,222	(68,162)	0	266,121
Plant, Collection & Distrib. System	25,018,301	47,128	185,408	0	25,250,837
Accum. deprec. - equipment	(183,878)	0	65,162	(23,059)	(141,775)
Accum. deprec. - plant, collection and distribution system	<u>(9,477,410)</u>	<u>0</u>	<u>0</u>	<u>(737,957)</u>	<u>(10,215,367)</u>
Total capital assets deprec., net	<u>15,631,074</u>	<u>107,350</u>	<u>182,408</u>	<u>(761,016)</u>	<u>15,159,816</u>
Total capital assets, net	<u>\$ 15,987,542</u>	<u>\$ 2,505,753</u>	<u>\$ (3,000)</u>	<u>\$ (761,016)</u>	<u>\$ 17,729,279</u>

Depreciation expense was charged to functions as follows:

<i>Governmental activities:</i>	
General government	\$ 5,236
Public safety	54,188
Public works	<u>2,685</u>
Total governmental activities	<u>\$ 62,109</u>
<i>Business-type activities:</i>	
Water Fund	\$ 334,066
Sewer Fund	<u>426,950</u>
Total business-type activities	<u>\$ 761,016</u>

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 8 – DEFERRED REVENUE**

Deferred revenue in the General Fund consists of \$1,379 of unspent grant funds and \$41,004 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.

Deferred revenue in the State and Federal Grants Fund consists of \$308 of unspent grant funds.

**NOTE 9 - LONG-TERM LIABILITIES**

The following is a summary of changes of long-term liabilities for the year ended June 30, 2013.

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2012	\$ 8,096,506	\$ 139,322	\$ 7,957,184
New bonds issued	2,414,638	0	2,414,638
Increase in accrued vacation payable	19,279	14,348	4,931
Decrease in accrued vacation payable	(12,785)	(8,906)	(3,879)
Bonds retired	(346,989)	(15,000)	(331,989)
Long-term liabilities payable at June 30, 2013	10,170,649	129,764	10,040,885
Due within one year	(320,477)	(15,000)	(305,477)
Due after one year	<u>\$ 9,850,172</u>	<u>\$ 114,764</u>	<u>\$ 9,735,408</u>

Long-term bonds will mature approximately as follows:

<u>Years ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 15,000	\$ 2,558	\$ 17,558
2015	15,000	1,844	16,844
2016	15,000	1,115	16,115
2017	15,000	374	15,374
Total	60,000	<u>\$ 5,891</u>	<u>\$ 65,891</u>
Due within one year	<u>(15,000)</u>		
Due after one year	<u>\$ 45,000</u>		

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

Years ending June 30,	Business-Type Activities					
	Principal	Negative Interest (Netted w/ Princ)	Net Principal Amount Due	Interest	Admin. Fee	Total
2014	\$ 407,661	\$ (102,184)	\$ 305,477	\$ 65,999	\$ 37,288	\$ 408,764
2015	508,486	(96,306)	412,180	58,509	78,253	548,942
2016	511,099	(90,605)	420,494	50,697	74,939	546,130
2017	513,949	(85,074)	428,875	42,559	71,578	543,012
2018	540,886	(79,709)	461,177	33,969	68,112	563,258
2019-2023	2,392,862	(323,546)	2,069,316	45,167	286,359	2,400,842
2024-2028	1,723,745	(211,624)	1,512,121	0	191,196	1,703,317
2029-2033	1,611,840	(115,514)	1,496,326	0	77,067	1,573,393
2034-2038	336,466	(38,042)	298,424	0	0	298,424
2039-2043	90,235	(4,585)	85,650	0	0	85,650
	<u>8,637,229</u>	<u>\$ (1,147,189)</u>	<u>7,490,040</u>	<u>\$ 296,900</u>	<u>\$ 884,792</u>	<u>\$ 8,671,732</u>
ARRA subsidy-credited 2014	1,000,000					
DWSRF subsidy-credited 2015	375,000					
Total	<u>\$ 10,012,229</u>					
Due within one year			<u>(305,477)</u>			
Due after one year			<u>\$ 7,184,563</u>			

Interest expense in fiscal year 2013 was \$76,493.

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.	\$ 60,000
Accrued compensated absences	69,764
Total governmental activities	<u>\$ 129,764</u>

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

Business-Type Activities

*Sewer Fund*

General obligation municipal bond with the Vermont Municipal Bond Bank, interest at 0%, annual payments of \$10,910 beginning FY 2015 through FY 2024.	\$ 109,093
General obligation municipal bond with the Vermont Municipal Bond Bank, interest at 0%, 2% administrative fee, \$1,000,000 ARRA subsidy, annual principal and admin. payments of \$114,020 beginning FY 2014 through FY 2033.	2,864,389
General obligation municipal bond with the Vermont Municipal Bond Bank, interest at 0%, 2% administrative fee, \$375,000 CSWRW subsity, annual principal and admin ayments of \$129,958 beginning FY 2014.	2,262,260
General obligation municipal bond with the Vermont Municipal Bond Bank, interest at 0%, annual payments of \$1,800 beginning FY 2015 through FY 2024.	18,000
Total Sewer Fund	5,253,742

*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.	160,000
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.	1,100,000
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.	1,806,008
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.	524,789
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.	1,075,366
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 2018 through FY 2022. 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	4,758,487
Total business-type activities	\$ 10,012,229

BELLOWS FALLS VILLAGE CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013  
 (Continued)

**NOTE 10 - RESTRICTED AND COMMITTED FUND BALANCES**

Restricted and committed fund balances of the Village as of June 30, 2013 consisted of the following:

Governmental Funds	Restricted	Committed
Police equipment	\$ 1,501	\$ 0
Adopt an Angel	1,953	0
Capital and Equipment Fund	0	5,722
Police and Fire Fund	32,500	0
Total governmental activities	<u>\$ 35,954</u>	<u>\$ 5,722</u>

**NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2013, expenditures exceeded appropriations in the General Fund by \$68,723. The excess expenditures were funded by the Village's fund balance.

**NOTE 12 - 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, 2013 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 13 - 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 2012/2013 were as follows:

Village	<u>Residential</u>	<u>Non-residential</u>
	\$ 0.6417	\$ 0.6417

**NOTE 14 - 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, 2013  
(Continued)

**NOTE 14 - 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, 2013 was \$278,739 and the Village's total payroll was \$1,551,787.

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, 2012. 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, 2013  
 (Continued)

**NOTE 14 - 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, 2013 of \$52,487 was made in accordance with actuarially determined requirements through an actuarial valuation performed as of December 31, 2012. This contribution represents 4.6% 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)
1/1/2011	\$2,399,747	\$3,426,997	\$1,027,250	70.0	\$1,618,355	63.5
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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual Pension Cost/Annual Required Contribution	Actual Contribution	Percentage Contributed	Net Pension Obligation
12/31/2011	\$ 107,112	\$ 107,112	100%	\$ 0
12/31/2012	117,010	117,010	100%	0
12/31/2013	109,527	109,527	100%	0

BELLOWS FALLS VILLAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 14 - 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, 2013 represents 47.9% 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% of gross wages while the Village contributes 6%.

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 \$1,551,787, while covered payroll for the VMERS Plan was \$1,142,058. Pension expense for the VMERS Plan year was \$64,607 for fiscal year 2013, \$44,641 for fiscal year 2012 and \$45,331 for fiscal year 2011.

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 15 – 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 16 – 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, 2013  
(Continued)

**NOTE 17 – 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 a fire rescue vehicle at a cost of \$1 per year for fifteen years.

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.

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, 2013  
(Continued)

**NOTE 17 – 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 18 - 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, 2013, 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 2014	<u>\$ 50,352</u>
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**NOTE 19 SUBSEQUENT EVENT**

Management has evaluated subsequent events through December 5, 2013, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

BELLOWS FALLS VILLAGE CORPORATION  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue Funds			Capital Projects Fund	Total
	Asset Forfeiture Fund	Police and Fire Fund	Adopt an Angel Fund	Fire Equipment Fund	
<b>ASSETS</b>					
Due From Other Funds	\$ 1,501	\$ 38,847	\$ 1,953	\$ 0	\$ 42,301
<b>TOTAL ASSETS</b>	<b>\$ 1,501</b>	<b>\$ 38,847</b>	<b>\$ 1,953</b>	<b>\$ 0</b>	<b>\$ 42,301</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 0	\$ 6,039	\$ 0	\$ 0	\$ 6,039
Deferred Revenue	0	308	0	0	308
<b>Total Liabilities</b>	<b>0</b>	<b>6,347</b>	<b>0</b>	<b>0</b>	<b>6,347</b>
<b>Fund Balances:</b>					
Restricted	1,501	32,500	1,953	0	35,954
<b>Total Fund Balances</b>	<b>1,501</b>	<b>32,500</b>	<b>1,953</b>	<b>0</b>	<b>35,954</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,501</b>	<b>\$ 38,847</b>	<b>\$ 1,953</b>	<b>\$ 0</b>	<b>\$ 42,301</b>

BELLOWS FALLS VILLAGE CORPORATION  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGE IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			Capital Projects Fund	Total
	Asset Forfeiture Fund	Police and Fire Fund	Adopt an Angel Fund	Fire Equipment Reserve Fund	
Revenues:					
Donations	\$ 0	\$ 0	\$ 1,875	\$ 0	\$ 1,875
Intergovernmental	0	102,228	0	0	102,228
Total Revenues	<u>0</u>	<u>102,228</u>	<u>1,875</u>	<u>0</u>	<u>104,103</u>
Expenditures:					
Current:					
Public Safety	332	52,820	818	709	54,679
Capital Outlay	0	40,408	0	0	40,408
Total Expenditures	<u>332</u>	<u>93,228</u>	<u>818</u>	<u>709</u>	<u>95,087</u>
Excess Revenues (Expenditures)	<u>(332)</u>	<u>9,000</u>	<u>1,057</u>	<u>(709)</u>	<u>9,016</u>
Other Financing Sources (Uses)					
Transfers In	0	9,000	0	0	9,000
Transfers Out	0	(39,500)	0	0	(39,500)
Total other Financing Sources (Uses)	<u>0</u>	<u>(30,500)</u>	<u>0</u>	<u>0</u>	<u>(30,500)</u>
Net Change in Fund Balances	(332)	(21,500)	1,057	(709)	(21,484)
Fund Balances - July 1, 2012	<u>1,833</u>	<u>54,000</u>	<u>896</u>	<u>709</u>	<u>57,438</u>
Fund Balances - June 30, 2013	<u>\$ 1,501</u>	<u>\$ 32,500</u>	<u>\$ 1,953</u>	<u>\$ 0</u>	<u>\$ 35,954</u>

BELLOWS FALLS VILLAGE CORPORATION  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2013

	Sarah Burr Howard Fund	Mary J. Arms Hospital Fund	Totals
<u>ASSETS</u>			
Cash	\$ 0	\$ 0	\$ 0
Total assets	0	0	0
<u>LIABILITIES</u>			
Total liabilities	0	0	0
<u>NET POSITION</u>			
Held in Trust for Various Purposes	\$ 0	\$ 0	\$ 0

BELLOWS FALLS VILLAGE CORPORATION  
 COMBINING SCHEDULE OF CHANGE IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Sarah Burr Howard Fund	Mary J. Arms Hospital Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<u>ADDITIONS:</u>			
Investment Earnings:			
Net Investment Income	\$      15	\$   6,505	\$   6,520
<u>DEDUCTIONS:</u>			
Care of the Indigent and Needy	<u>10,397</u>	<u>61,067</u>	<u>71,464</u>
Change In Net Position	(10,382)	(54,562)	(64,944)
Net Position - July 1, 2012	<u>10,382</u>	<u>54,562</u>	<u>64,944</u>
Net Position - June 30, 2013	<u>\$      0</u>	<u>\$      0</u>	<u>\$      0</u>