

Federal Compliance Audit

Bellows Falls Village Corporation

June 30, 2015



Proven Expertise and Integrity

BELLOWS FALLS VILLAGE CORPORATION

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JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 financial statements.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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, business-type activities, each major fund and the aggregate remaining fund information of the Bellows Falls Village Corporation as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 59 through 64 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 Bellows Falls Village Corporation's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of Bellows Falls Village Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Bellows Falls Village Corporation's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 30, 2015

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(UNAUDITED)

The following management's discussion and analysis of Bellows Falls Village Corporation's financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Corporation's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Corporation's basic services are reported in governmental activities, which include general government, public safety, public works, and parks and recreation.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Bellows Falls Village Corporation include the water fund and sewer fund.

Fund Financial Statements

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

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

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

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

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

Proprietary Funds: The Bellows Falls Village Corporation maintains two proprietary funds, the water fund and the sewer fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Bellows Falls Village Corporation. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Corporation's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Changes in Net Pension Liability and Related Ratios – Employees' Pension Plan, a Schedule of Contributions – Employees' Pension Plan, a Schedule of Investment Returns –

Employees' Pension Plan, a Schedule of Proportionate Share of the Net Pension Liability - VMERS and a Schedule of Contributions - VMERS.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Corporation's governmental activities. The Corporation's total net position for governmental activities increased by \$155,584 from \$1,257,441 to \$1,413,025. The Corporation's total business-type net position increased by \$347,129 from \$9,738,772 to \$10,085,901.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$122,988 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$2,913,944.

Table 1
Bellows Falls Village Corporation
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014 (Restated)</u>	<u>2015</u>	<u>2014 (Restated)</u>
Assets:				
Current assets	\$ 388,624	\$ 263,685	\$ 3,618,319	\$ 1,481,578
Noncurrent assets	1,325,581	1,290,175	19,517,648	17,080,573
Total Assets	<u>1,714,205</u>	<u>1,553,860</u>	<u>23,135,967</u>	<u>18,562,151</u>
Deferred Outflows of Resources:				
Deferred outflows related to pensions	294,264	59,881	97,076	-
Total Deferred Outflows of Resources	<u>294,264</u>	<u>59,881</u>	<u>97,076</u>	<u>-</u>
Liabilities:				
Current liabilities	159,425	78,321	1,197,864	389,482
Long-term debt outstanding	252,880	271,890	11,933,450	8,433,897
Total Liabilities	<u>412,305</u>	<u>350,211</u>	<u>13,131,314</u>	<u>8,823,379</u>
Deferred Inflows of Resources:				
Prepaid taxes	5,127	3,488	-	-
Deferred revenue	4,360	2,601	-	-
Deferred inflows related to pensions	173,652	-	15,828	-
Total Deferred Inflows of Resources	<u>183,139</u>	<u>6,089</u>	<u>15,828</u>	<u>-</u>
Net Position:				
Net investment in capital assets	1,280,581	1,215,175	7,171,957	8,365,358
Restricted for: Special revenue funds	9,456	12,537	-	-
Unrestricted	122,988	29,729	2,913,944	1,373,414
Total Net Position	<u>\$ 1,413,025</u>	<u>\$ 1,257,441</u>	<u>\$ 10,085,901</u>	<u>\$ 9,738,772</u>

Table 2
Bellows Falls Village Corporation
Change in Net Position
For the Year Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 34,226	\$ 44,991	\$ 1,699,371	\$ 1,516,162
Operating grants and contributions	-	-	259,403	137,299
Capital grants and contributions	102,595	62,461	-	50,220
<i>General Revenue:</i>				
Taxes	1,874,501	1,769,928	-	-
Grants and contributions not restricted to specific programs	49,053	40,480	-	-
Interest income	571	287	715	11,734
Other income	20,796	23,853	61,564	105,832
Total Revenues	<u>2,081,742</u>	<u>1,942,000</u>	<u>2,021,053</u>	<u>1,821,247</u>
Expenses				
General government	174,479	241,288	-	-
Parks and recreation	11,223	10,112	-	-
Public safety	1,683,958	1,590,543	-	-
Public works	7,921	2,685	-	-
Program expenses	61,822	55,968	-	-
Interest on long-term debt	2,355	2,925	-	-
Water	-	-	901,297	834,545
Sewer	-	-	1,132,027	1,232,738
Total expenses	<u>1,941,758</u>	<u>1,903,521</u>	<u>2,033,324</u>	<u>2,067,283</u>
Transfers	<u>15,600</u>	<u>15,600</u>	<u>(15,600)</u>	<u>(15,600)</u>
Loan forgiveness	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>1,000,000</u>
Change in Net Position	155,584	54,079	347,129	738,364
Net Position - July 1, Restated	<u>1,257,441</u>	<u>1,203,362</u>	<u>9,738,772</u>	<u>9,000,408</u>
Net Position - June 30	<u>\$ 1,413,025</u>	<u>\$ 1,257,441</u>	<u>\$ 10,085,901</u>	<u>\$ 9,738,772</u>

Revenues and Expenses

Revenues for the Corporation's governmental activities increased by 7.20%, while total expenses increased by 2.01%.

Revenues for the Corporation's business-type activities increased by 10.97%, while total expenses decreased by 1.64%.

Financial Analysis of the Corporation's Fund Statements

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

Table 3
Bellows Falls Village Corporation
Fund Balances - Governmental Funds
June 30,

	<u>2015</u>	<u>2014</u>
General Fund:		
Nonspendable	\$ 26,277	\$ 69,685
Unassigned	224,914	74,501
Total General Fund	<u>\$ 251,191</u>	<u>\$ 144,186</u>
Nonmajor Funds:		
Special revenue funds:		
Nonspendable	\$ 3,192	\$ -
Restricted	9,456	12,537
Capital projects funds:		
Assigned	3,360	10,222
Total Nonmajor Funds	<u>\$ 16,008</u>	<u>\$ 22,759</u>

The general fund total fund balance increased by \$107,005 from the prior fiscal year. The non-major fund balances decreased by \$6,751 from the prior fiscal year.

Budgetary Highlights

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

The general fund actual revenues were over budget by \$49,743. This was mostly a result of the increase of revenues from taxes and charges for services.

The general fund actual expenditures were under budget by \$57,262. All expenditures categories were under budget with the exception of general government, parks and recreation and capital outlay.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the net book value of the capital assets recorded by the Corporation increased by \$2,472,481 from the prior year. This is a result of capital additions of \$3,425,770 less current year depreciation of \$951,289 and net disposals of \$2,000.

Table 4
Bellows Falls Village Corporation
Capital Assets (Net of Depreciation)
June 30,

	<u>2015</u>	<u>2014</u>
Land	\$ 234,610	\$ 234,610
Construction in progress	3,131,317	113,084
Buildings and improvements	16,642,613	17,196,137
Machinery, equipment and vehicles	738,951	725,763
Infrastructure	95,738	101,154
Total	<u>\$ 20,843,229</u>	<u>\$ 18,370,748</u>

Debt

At June 30, 2015, the Corporation had \$12,390,691 in bonds and notes outstanding versus \$8,790,215 last year, an increase of 40.96%. Other obligations include accrued compensated absences and net pension liability. For additional comparative information on the Corporation's outstanding debt, refer to Note 5 of Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates

It is the Corporation's fund balance policy to achieve and maintain an unassigned fund balance equal to between 5% and 10% of its expenditures. At June 30, 2015, the Corporation's unassigned fund balance was in excess of its policy at approximately 12% of its total expenditures. The Corporation also maintains significant reserves for future operations, capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's Finance Department at P.O. Box 370, Bellows Falls, Vermont 05101.

STATEMENT A

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,152	\$ -	\$ 1,152
Accounts receivable (net of allowance for uncollectibles):			
Taxes	64,964	-	64,964
Other	1,298	736,138	737,436
Due from other governments	-	3,102,035	3,102,035
Inventory	-	70,419	70,419
Prepaid expenses	29,469	1,468	30,937
Internal balances	291,741	(291,741)	-
Total current assets	<u>388,624</u>	<u>3,618,319</u>	<u>4,006,943</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	63,550	3,302,377	3,365,927
Infrastructure, buildings, equipment and vehicles net of accumulated depreciation	1,262,031	16,215,271	17,477,302
Total noncurrent assets	<u>1,325,581</u>	<u>19,517,648</u>	<u>20,843,229</u>
TOTAL ASSETS	<u>1,714,205</u>	<u>23,135,967</u>	<u>24,850,172</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	294,264	97,076	391,340
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>294,264</u>	<u>97,076</u>	<u>391,340</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,008,469</u>	<u>\$ 23,233,043</u>	<u>\$ 25,241,512</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 13,730	\$ 612,245	\$ 625,975
Accrued payroll	41,777	19,288	61,065
Accrued interest payable	335	32,776	33,111
Due to other governments	13,579	-	13,579
Current portion of long-term obligations	90,004	533,555	623,559
Total current liabilities	<u>159,425</u>	<u>1,197,864</u>	<u>1,357,289</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	15,000	11,849,051	11,864,051
Net pension liability	237,880	84,399	322,279
Total noncurrent liabilities	<u>252,880</u>	<u>11,933,450</u>	<u>12,186,330</u>
TOTAL LIABILITIES	<u>412,305</u>	<u>13,131,314</u>	<u>13,543,619</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	5,127	-	5,127
Deferred revenue	4,360	-	4,360
Deferred inflows related to pensions	173,652	15,828	189,480
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>183,139</u>	<u>15,828</u>	<u>198,967</u>
NET POSITION			
Net investment in capital assets	1,280,581	7,171,957	8,452,538
Restricted for: Special revenue funds	9,456	-	9,456
Unrestricted	122,988	2,913,944	3,036,932
TOTAL NET POSITION	<u>1,413,025</u>	<u>10,085,901</u>	<u>11,498,926</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,008,469</u>	<u>\$ 23,233,043</u>	<u>\$ 25,241,512</u>

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

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 174,479	\$ -	\$ -	\$ -	\$ (174,479)	\$ -	\$ (174,479)
Parks and recreation	11,223	-	-	-	(11,223)	-	(11,223)
Public safety	1,683,958	34,226	-	102,595	(1,547,137)	-	(1,547,137)
Public works	7,921	-	-	-	(7,921)	-	(7,921)
Program expenses	61,822	-	-	-	(61,822)	-	(61,822)
Interest on long-term debt	2,355	-	-	-	(2,355)	-	(2,355)
Total governmental activities	<u>1,941,758</u>	<u>34,226</u>	<u>-</u>	<u>102,595</u>	<u>(1,804,937)</u>	<u>-</u>	<u>(1,804,937)</u>
Business-type activities:							
Water fund	901,297	852,428	130,671	-	-	81,802	81,802
Sewer fund	1,132,027	846,943	128,732	-	-	(156,352)	(156,352)
Total business-type activities	<u>2,033,324</u>	<u>1,699,371</u>	<u>259,403</u>	<u>-</u>	<u>-</u>	<u>(74,550)</u>	<u>(74,550)</u>
Total government	<u>\$ 3,975,082</u>	<u>\$ 1,733,597</u>	<u>\$ 259,403</u>	<u>\$ 102,595</u>	<u>(1,804,937)</u>	<u>(74,550)</u>	<u>(1,879,487)</u>

STATEMENT B (CONTINUED)
 BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities	Business-type Activities	Totals
Changes in net position:			
Net (expense) revenue	(1,804,937)	(74,550)	(1,879,487)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	1,874,501	-	1,874,501
Grants and contributions not restricted to specific programs	49,053	-	49,053
Interest income	571	715	1,286
Other income	20,796	61,564	82,360
Loan forgiveness	-	375,000	375,000
Transfers	15,600	(15,600)	-
Total general revenues and transfers	1,960,521	421,679	2,382,200
Change in net position	155,584	347,129	502,713
NET POSITION - JULY 1, RESTATED	1,257,441	9,738,772	10,996,213
NET POSITION - JUNE 30	\$ 1,413,025	\$ 10,085,901	\$ 11,498,926

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

BELLOWS FALLS VILLAGE CORPORATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,152	\$ -	\$ 1,152
Accounts receivable (net of allowance for uncollectibles):			
Taxes	64,964	-	64,964
Other	1,298	-	1,298
Prepaid expenses	26,277	3,192	29,469
Due from other funds	331,006	17,610	348,616
TOTAL ASSETS	\$ 424,697	\$ 20,802	\$ 445,499
LIABILITIES			
Accounts payable	\$ 11,833	\$ 1,897	\$ 13,730
Accrued payroll	41,777	-	41,777
Due to other governments	13,579	-	13,579
Due to other funds	56,875	-	56,875
TOTAL LIABILITIES	124,064	1,897	125,961
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	5,127	-	5,127
Deferred revenue	1,463	2,897	4,360
Deferred tax revenues	42,852	-	42,852
TOTAL DEFERRED INFLOWS OF RESOURCES	49,442	2,897	52,339
FUND BALANCES			
Nonspendable	26,277	3,192	29,469
Restricted	-	9,456	9,456
Committed	-	-	-
Assigned	-	3,360	3,360
Unassigned	224,914	-	224,914
TOTAL FUND BALANCES	251,191	16,008	267,199
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 424,697	\$ 20,802	\$ 445,499

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

BELLOWS FALLS VILLAGE CORPORATION

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 267,199
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, net of accumulated depreciation	1,325,581
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	42,852
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	294,264
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(30,000)
Notes payable	(15,000)
Accrued compensated absences	(60,004)
Accrued interest payable	(335)
Net pension liability	(237,880)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(173,652)</u>
Net position of governmental activities	<u><u>\$ 1,413,025</u></u>

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

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,874,564	\$ -	\$ 1,874,564
Intergovernmental revenue	49,053	102,595	151,648
Charges for services	34,226	-	34,226
Interest income	571	-	571
Other revenues	18,384	2,412	20,796
TOTAL REVENUES	<u>1,976,798</u>	<u>105,007</u>	<u>2,081,805</u>
EXPENDITURES			
Current:			
General government	174,729	-	174,729
Parks and recreation	11,223	-	11,223
Public safety	1,620,046	-	1,620,046
Program expenses	-	61,822	61,822
Capital outlay	42,040	54,936	96,976
Debt service:			
Principal	30,000	-	30,000
Interest	2,355	-	2,355
TOTAL EXPENDITURES	<u>1,880,393</u>	<u>116,758</u>	<u>1,997,151</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>96,405</u>	<u>(11,751)</u>	<u>84,654</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,600	5,000	20,600
Transfers (out)	(5,000)	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,600</u>	<u>5,000</u>	<u>15,600</u>
NET CHANGE IN FUND BALANCES	107,005	(6,751)	100,254
FUND BALANCES - JULY 1	<u>144,186</u>	<u>22,759</u>	<u>166,945</u>
FUND BALANCES - JUNE 30	<u>\$ 251,191</u>	<u>\$ 16,008</u>	<u>\$ 267,199</u>

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

BELLOWS FALLS VILLAGE CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 100,254</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset additions	107,307
Capital asset disposals	(2,000)
Depreciation expense	<u>(69,901)</u>
	<u>35,406</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>(63)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>234,383</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, reduces long-term liabilities in the Statement of Net Position	
	<u>30,000</u>
Deferred inflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>(173,652)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(1,492)
Accrued interest	250
Net pension liability	<u>(69,502)</u>
	<u>(70,744)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 155,584</u></u>

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

BELLOWS FALLS VILLAGE CORPORATION

BALANCE SHEET - PROPRIETARY FUNDS

JUNE 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	460,763	275,375	736,138
Due from other governments	2,821,614	280,421	3,102,035
Inventory	48,580	21,839	70,419
Prepaid expenses	699	769	1,468
Due from other funds	-	39,265	39,265
Total current assets	<u>3,331,656</u>	<u>617,669</u>	<u>3,949,325</u>
Noncurrent assets:			
Capital assets:			
Land	171,060	-	171,060
Construction in progress	2,694,096	437,221	3,131,317
Buildings and equipment, net of accumulated depreciation	7,266,557	8,948,714	16,215,271
Total noncurrent assets	<u>10,131,713</u>	<u>9,385,935</u>	<u>19,517,648</u>
TOTAL ASSETS	<u>13,463,369</u>	<u>10,003,604</u>	<u>23,466,973</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	63,992	33,084	97,076
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>63,992</u>	<u>33,084</u>	<u>97,076</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,527,361</u>	<u>\$ 10,036,688</u>	<u>\$ 23,564,049</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 563,735	\$ 48,510	\$ 612,245
Accrued payroll	10,924	8,364	19,288
Accrued interest payable	4,395	28,381	32,776
Due to other funds	331,006	-	331,006
Current portion of long-term obligations	347,542	186,013	533,555
Total current liabilities	<u>1,257,602</u>	<u>271,268</u>	<u>1,528,870</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	7,858,962	3,990,089	11,849,051
Net pension liability	55,635	28,764	84,399
Total noncurrent liabilities	<u>7,914,597</u>	<u>4,018,853</u>	<u>11,933,450</u>
TOTAL LIABILITIES	<u>9,172,199</u>	<u>4,290,121</u>	<u>13,462,320</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	10,434	5,394	15,828
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,434</u>	<u>5,394</u>	<u>15,828</u>
NET POSITION			
Net investment in capital assets	1,943,401	5,228,556	7,171,957
Unrestricted (deficit)	2,401,327	512,617	2,913,944
TOTAL NET POSITION	<u>4,344,728</u>	<u>5,741,173</u>	<u>10,085,901</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,527,361</u>	<u>\$ 10,036,688</u>	<u>\$ 23,564,049</u>

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

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for service	\$ 852,428	\$ 846,943	\$ 1,699,371
Interest and penalties	18,234	11,287	29,521
Other	26,828	5,215	32,043
TOTAL OPERATING REVENUES	897,490	863,445	1,760,935
OPERATING EXPENSES			
Wages and benefits	291,805	333,464	625,269
Insurance	21,113	34,359	55,472
Professional services	24,454	5,610	30,064
Repairs and maintenance	11,527	18,878	30,405
Utilities	25,699	47,181	72,880
Sludge disposal	-	26,291	26,291
Supplies, uniforms, chemicals and fuel	41,467	25,238	66,705
Building and plant	57,637	46,420	104,057
Depreciation	339,939	541,449	881,388
Pension	4,513	2,334	6,847
Other	25,222	16,349	41,571
TOTAL OPERATING EXPENSES	843,376	1,097,573	1,940,949
OPERATING INCOME (LOSS)	54,114	(234,128)	(180,014)
NONOPERATING REVENUE (EXPENSES)			
Interest income	498	217	715
Grant income	130,671	128,732	259,403
Interest expense	(57,921)	(34,454)	(92,375)
TOTAL NONOPERATING REVENUE (EXPENSES)	73,248	94,495	167,743
NET INCOME (LOSS) BEFORE TRANSFERS AND SPECIAL ITEM	127,362	(139,633)	(12,271)
Transfers	(15,600)	-	(15,600)
Special item			
Loan forgiveness	-	375,000	375,000
CHANGE IN NET POSITION	111,762	235,367	347,129
NET POSITION - JULY 1, RESTATED	4,232,966	5,505,806	9,738,772
NET POSITION - JUNE 30	\$ 4,344,728	\$ 5,741,173	\$ 10,085,901

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

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ (1,641,719)	\$ 943,212	\$ (698,507)
Internal activity - receipts (payments) from/to other funds	331,006	(39,265)	291,741
Payments to employees	(281,716)	(332,475)	(614,191)
Payments to suppliers	361,721	(179,920)	181,801
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,230,708)</u>	<u>391,552</u>	<u>(839,156)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfers	(15,600)	-	(15,600)
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(15,600)</u>	<u>-</u>	<u>(15,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Receipt of capital grants	130,671	128,732	259,403
Debt proceeds	4,133,128	322,989	4,456,117
Purchase of capital assets	(2,587,694)	(730,769)	(3,318,463)
Principal paid on capital debt	(372,374)	(78,267)	(450,641)
Interest paid on capital debt	(57,921)	(34,454)	(92,375)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,245,810</u>	<u>(391,769)</u>	<u>854,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	498	217	715
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>498</u>	<u>217</u>	<u>715</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATEMENT I (CONTINUED)

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 54,114	\$ (234,128)	\$ (180,014)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	339,939	541,449	881,388
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(56,650)	5,592	(51,058)
(Increase) decrease in due from other governments	(2,482,559)	74,175	(2,408,384)
(Increase) decrease in inventory	6,001	(501)	5,500
(Increase) decrease in prepaid expenses	9,700	15,760	25,460
(Increase) decrease in due from other funds	-	(39,265)	(39,265)
(Increase) decrease in deferred outflows related to pensions	(63,992)	(33,084)	(97,076)
Increase (decrease) in accounts payable	558,241	28,780	587,021
Increase (decrease) in accrued payroll	2,535	(829)	1,706
Increase (decrease) in accrued interest payable	(589)	(1,299)	(1,888)
Increase (decrease) in due to other funds	331,006	-	331,006
Increase (decrease) in accrued compensated absences	3,041	(516)	2,525
Increase (decrease) in net pension liability	58,071	30,024	88,095
Increase (decrease) in deferred outflows related to pensions	10,434	5,394	15,828
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,230,708)</u>	<u>\$ 391,552</u>	<u>\$ (839,156)</u>
SUPPLEMENTAL NONCASH AND RELATED FINANCING ACTIVITIES:			
Loan forgiveness	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 375,000</u>

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

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Employees' Pension Plan Trust</u>
ASSETS	
Cash and cash equivalents	\$ 40,546
Investments, at fair value	<u>1,744,938</u>
TOTAL ASSETS	<u><u>\$ 1,785,484</u></u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted - held in trust for special purposes	<u>1,785,484</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,785,484</u></u>

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

BELLOWS FALLS VILLAGE CORPORATION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Employees' Pension Plan Trust</u>
ADDITIONS	
Contributions	
Member	\$ 4,241
Employer	18,506
Net increase (decrease) in the fair value of investments	<u>197,150</u>
Total additions	<u>219,897</u>
DEDUCTIONS	
Service benefits	94,929
Administrative expenses	<u>19,675</u>
Total deductions	<u>114,604</u>
Change in net position	105,293
NET POSITION - JULY 1	<u>1,680,191</u>
NET POSITION - JUNE 30	<u><u>\$ 1,785,484</u></u>

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bellows Falls Village Corporation was incorporated under the laws of the State of Vermont. The Corporation operates under trustees-manager form of government and provides the following services: general government, public safety, public works, and parks and recreation.

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

The Corporation's combined financial statements include all accounts and all operations of the Corporation. We have determined that the Corporation has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and 61.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as governmental. The Corporation categorizes all activities of the Corporation governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Corporation's functions (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Corporation:

1. Governmental Funds:

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

- a. The General Fund is the general operating fund of the Corporation. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

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

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Corporation programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Corporation's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. The Corporation does not adopt budgets for Special Revenue or Capital Project Funds.

Deposits and Investments

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

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

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Mutual funds

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2015.

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. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Corporation. The Corporation has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost using the first-in, first-out (FIFO) method. Under the consumption method, the costs of inventory items are recognized as expenditures when used. The proprietary fund's inventory consists of operational supplies on hand at the end of the year, and other maintenance non-expendable supplies.

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

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

Transactions Between Funds

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

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

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

Compensated Absences

The Corporation's policies regarding vacation time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2015, the Corporation's liability for compensated absences is \$96,919.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Rockingham and Bellows Falls Village Corporation Employees' Pension Plan and the Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Net Position

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

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

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

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

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

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Corporation's property tax for the current year was levied on July 9, 2014, on the assessed value listed as of April 1, 2014, for all taxable real and personal property located in the Corporation. Taxes were due in four installments on August 10, 2014, November 10, 2014, February 10, 2015, and May 10, 2015. Interest on unpaid taxes commenced on August 11, 2014, November 11, 2014, February 11, 2015, and May 11, 2015, at 1% interest per installment for 3 months and 1.5% per month thereafter and an 8% penalty applied to the unpaid principal balance after the 4th installment due date.

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

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Corporation has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

Encumbrance Accounting

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

Use of Estimates

During the preparation of the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Corporation's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Corporation funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Corporation will not be able to recover its deposits. The Corporation does not have a policy covering custodial credit risk for deposits. However, the Corporation maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2015, the Corporation's deposits of \$41,698 were comprised of bank deposits of \$41,698. All of these bank deposits were fully covered by federal depository insurance and was not exposed to custodial credit risk or covered by the Securities Investors Protection Corporation (SIPC).

<u>Account Type</u>	<u>Balance</u>
Checking accounts	\$ 1,152
Cash equivalents	40,546
	<u>\$ 41,698</u>

Investments:

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2015, the Corporation had the following investments and maturities:

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years
Mutual funds - fixed income	338,041	338,041	-	-
Stocks	1,406,897	1,406,897	-	-
	\$ 1,744,938	\$ 1,744,938	\$ -	\$ -

At June 30, 2015, the Corporation's investment balances amounting to \$1,744,938 were comprised of investments in mutual funds and stocks of \$1,744,938. Of these investments, \$338,041 were fully covered by the Securities Investor Protection Corporation (SIPC). The remaining \$1,406,897 were uninsured and uncollateralized.

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

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

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 331,006	\$ 56,875
Proprietary funds	39,265	331,006
Nonmajor special revenue funds	14,250	-
Nonmajor capital projects funds	3,360	-
	\$ 387,881	\$ 387,881

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2015:

	Balance, 7/1/14	Additions	Disposals	Balance, 6/30/15
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 63,550	\$ -	\$ -	\$ 63,550
	<u>63,550</u>	<u>-</u>	<u>-</u>	<u>63,550</u>
Depreciated assets:				
Buildings and improvements	857,199	10,800	-	867,999
Machinery, equipment & vehicles	1,176,620	96,507	(12,900)	1,260,227
Infrastructure	148,284	-	-	148,284
	<u>2,182,103</u>	<u>107,307</u>	<u>(12,900)</u>	<u>2,276,510</u>
Less: accumulated depreciation	<u>(955,478)</u>	<u>(69,901)</u>	<u>10,900</u>	<u>(1,014,479)</u>
	<u>1,226,625</u>	<u>37,406</u>	<u>(2,000)</u>	<u>1,262,031</u>
Net governmental capital assets	<u>\$ 1,290,175</u>	<u>\$ 37,406</u>	<u>\$ (2,000)</u>	<u>\$ 1,325,581</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 171,060	\$ -	\$ -	\$ 171,060
Constuction in progress	113,084	3,024,915	(6,682)	3,131,317
	<u>284,144</u>	<u>3,024,915</u>	<u>(6,682)</u>	<u>3,302,377</u>
Depreciated assets:				
Buildings and improvements	27,717,988	300,230	-	28,018,218
Equipment	257,459	-	-	257,459
	<u>27,975,447</u>	<u>300,230</u>	<u>-</u>	<u>28,275,677</u>
Less: accumulated depreciation	<u>(11,179,018)</u>	<u>(881,388)</u>	<u>-</u>	<u>(12,060,406)</u>
	<u>16,796,429</u>	<u>(581,158)</u>	<u>-</u>	<u>16,215,271</u>
Net business-type capital assets	<u>\$ 17,080,573</u>	<u>\$ 2,443,757</u>	<u>\$ (6,682)</u>	<u>\$ 19,517,648</u>

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation

Governmental activities:

Public safety	\$ 61,980
Public works	7,921
	<u>69,901</u>

Business-type activities:

Water fund	339,939
Sewer fund	541,449
Total depreciation expense	<u><u>\$ 951,289</u></u>

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2015:

	Balance, 7/1/14 (Restated)	Additions	Deletions	Balance, 6/30/15	Current Portion
<i>Governmental activities:</i>					
Bonds payable	\$ 45,000	\$ -	\$ (15,000)	\$ 30,000	\$ 15,000
Notes payable	30,000	-	(15,000)	15,000	15,000
Accrued compensated absences	58,512	1,492	-	60,004	60,004
Net pension liability (asset)	168,378	243,784	(174,282)	237,880	-
Totals	<u>\$ 301,890</u>	<u>\$ 245,276</u>	<u>\$ (204,282)</u>	<u>\$ 105,004</u>	<u>\$ 90,004</u>
<i>Business-type activities:</i>					
Bonds payable	\$ 8,715,215	\$ 4,456,117	\$ (825,641)	\$ 12,345,691	\$ 496,640
Accrued compensated absences	34,390	3,041	(516)	36,915	36,915
Net pension liability (asset)	(3,696)	103,923	(15,828)	84,399	-
Totals	<u>\$ 8,745,909</u>	<u>\$ 4,563,081</u>	<u>\$ (841,985)</u>	<u>\$ 12,382,606</u>	<u>\$ 533,555</u>

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and notes payable:

Governmental activities:

\$230,000, 2001 general obligation bond with Vermont Municipal Bond Bank due in annual principal installments varying from \$15,000 to \$20,000 through December 2016. Interest is charged at a rate varying from 2.80% to 4.98% per annum.	\$ 30,000
\$30,000, 2013 capital improvement note with Merchants Bank due in annual principal installments of \$15,000 through August 2015. Interest is charged at a rate of 1.74% per annum.	15,000
Total Bonds and Notes Payable - Governmental Activities	<u>\$ 45,000</u>

Business-type activities:

Sewer Fund:

\$1,864,389, 2013 general obligation bond with Vermont Municipal Bond Bank due in annual principal and admin fee installments of \$114,020 through September 2032. Interest is charged at a rate of 0% per annum, admin fee charged at a rate of 2.00% per annum. \$1,000,000 ARRA subsidy applied in FY 2014.	\$ 1,709,390
\$2,125,000, 2011 general obligation bond with Vermont Municipal Bond Bank due in annual principal and admin fee installments of \$129,958 beginning in October 2015 through October 2034. Interest is charged at a rate of 0% per annum, admin fee charged at a rate of 2.00% per annum. \$375,000 CWSRF subsidy applied in FY 2015.	2,125,000
\$322,989, 2015 general obligation bond with Vermont Municipal Bond Bank due in annual principal installments of \$21,533 through December 2034. Interest is charged at a rate of 0% per annum. \$198,311 CWSRF subsidy applied in FY 2015.	322,989
Total Sewer Fund	<u>4,157,379</u>

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LONG TERM DEBT (CONTINUED)

Water Fund

\$615,000, 1990 general obligation bond with Vermont Municipal Bond Bank due in annual principal installments of \$20,000 and semi-annual interest installments through December 2020. Interest is charged at a rate varying from 6.90% to 8.45% per annum.	120,000
\$2,685,000, 1999 general obligation bond with Vermont Municipal Bond Bank due in annual principal installments varying from \$95,000 to \$165,000 and semi-annual interest installments through December 2020. Interest is charged at a rate varying from 4.875% to 5.415% per annum.	865,000
\$2,825,000, 2009 general obligation bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, due in annual principal and interest installments of \$56,767 through January 2035. Interest is charged at a rate of -3.00% per annum. Grant income is recognized annually for the amount of forgiven principal as a result of the negative interest.	1,587,443
\$650,000, 2007 general obligation bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, due in annual principal and interest installments of \$11,694 through September 2040. Interest is charged at a rate of -3.00% per annum. Grant income is recognized annually for the amount of forgiven principal as a result of the negative interest.	470,738
\$1,285,000, 2009 general obligation bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, due in annual principal and interest installments of \$25,284 through January 2040. Interest is charged at a rate of -3.00% per annum. Grant income is recognized annually for the amount of forgiven principal as a result of the negative interest.	962,003
\$94,270, 2012 general obligation bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, due in annual principal installments of \$18,854 beginning in May 2017 through May 2021. Interest is charged at a rate of 0% per annum. Loan is subject to 100% forgiveness by the State of Vermont upon completion of the project.	50,000
\$4,133,128, 2014 general obligation bond with the State of Vermont Special Environmental Revolving Fund - Safe Drinking Water Loan, due in annual principal and interest installments of \$83,010 beginning in August 2017 through August 2046. Interest is charged at a rate of -3.00% per annum. Grant income is recognized annually for the amount of forgiven principal as a result of the negative interest. As of June 30, 2015, \$2.6 million has been drawn down on the bond. The project is expected to be completed in FY 2016 with the remaining funds being drawn down.	4,133,128
Total Water Fund	<u>8,188,312</u>
Total Bonds Payable - Business-type Activities	<u>\$ 12,345,691</u>

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LONG TERM DEBT (CONTINUED)

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

Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 30,000	\$ 1,356	\$ 31,356
2017	15,000	374	15,374
2018	-	-	-
2019	-	-	-
2020	-	-	-
	<u>\$ 45,000</u>	<u>\$ 1,730</u>	<u>\$ 46,730</u>

Business-type Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 496,640	\$ 36,780	\$ 533,420
2017	518,309	30,827	549,136
2018	733,360	(99,804)	633,556
2019	728,866	(101,032)	627,834
2020	714,054	(103,120)	610,934
2021-2025	2,888,939	(496,443)	2,392,496
2026-2030	2,572,999	(361,671)	2,211,328
2031-2035	2,254,781	(271,495)	1,983,286
2036-2040	768,109	(168,169)	599,940
2041-2045	495,832	(69,089)	426,743
2046-2050	173,802	(7,781)	166,021
	<u>\$ 12,345,691</u>	<u>\$ (1,610,997)</u>	<u>\$ 5,347,376</u>

All bonds payable are direct obligations of the Corporation, for which its full faith and credit are pledged. The Corporation is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Corporation.

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – NONSPENDABLE FUND BALANCE

At June 30, 2015, the Bellows Falls Village Corporation had the following nonspendable fund balance:

General fund:	
Prepaid expenses	\$ 26,277
Nonmajor special revenue funds (See Schedule D)	<u>3,192</u>
	<u>\$ 29,469</u>

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2015, the Bellows Falls Village Corporation had the following restricted fund balances:

Nonmajor special revenue funds (See Schedule D)	<u>\$ 9,456</u>
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NOTE 8 – ASSIGNED FUND BALANCES

At June 30, 2015, the Bellows Falls Village Corporation had the following assigned fund balances:

Nonmajor capital projects funds (See Schedule F)	<u>\$ 3,360</u>
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NOTE 9 – DEFINED BENEFIT PENSION PLANS

TOWN OF ROCKINGHAM AND BELLOWS FALLS VILLAGE CORPORATION
EMPLOYEES' PENSION PLAN

Plan Description

The Town of Rockingham and Bellows Falls Village Corporation Employees' Pension Plan is a single-employer defined benefit pension plan established and maintained by the Corporation for its employees. The plan is administered by and may be amended by the Town's and Corporation's respective executive boards. The plan was established effective June 1, 1968, with the latest plan amendment effective January 1, 2002. The plan does not issue stand-alone financial statements. The plan covers all employees of the Corporation who work at least 1,000 hours on a twelve (12) month consecutive period and who agree to make minimum contributions.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are calculated according to a formula that recognizes both the member's level of pay and years of service. The basic annual pension benefit

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

formula under the plan is $1 \frac{2}{3}\%$ (one and two-thirds percent) of the plan member's Average Annual Compensation times years of Credited Service (not to exceed 30 such years; plus $\frac{1}{2}\%$ (one-half percent) of the plan member's Average Annual Compensation times years of Credited Service in excess of 30 years (not to exceed five (5) such years). This benefit is subject an annual minimum accrued benefit equal to the greater of (1) the actuarial equivalent of the member's contribution account, or (2) \$144 for each year of service. Furthermore, a plan member's benefit cannot be less than his accrued benefit determined as of December 31, 1990 under the terms of the plan in effect on that date.

Normal retirement is generally at age 65, or at age 62 with 30 or more years of service. A member may elect early retirement on the first day of any month following the completion of ten (10) years of service and attainment of age 55. The pension benefit commencing on or after early retirement shall be equal to the plan member's vested accrued pension benefit, reduced by $\frac{3}{12}$ th of 1% for each month or part thereof that payment begin before the earlier of their 65th birthday or the age at which they would have completed 30 years of credited service, but not before age 62. For a plan member who retires on or after their 62nd birthday with at least 30 years of credited service, no reduction shall apply. Sworn members of the police and fire department may receive early retirement without reduction as early as age 55 with at least 20 years of credited service.

A member who retires on a deferred retirement date (later than his normal retirement date) will be entitled to receive his accrued benefit determined as of that date. A married member who has satisfied the requirements for vesting prior to their death is covered by a pre-retirement death benefit. The amount of monthly benefit payable immediately as a life annuity to the surviving spouse is 50% of the member's monthly accrued benefit with no adjustment for early commencement or for the joint and survivor annuity form. Notwithstanding, the total amount of the pre-retirement death benefit will not be less than the amount standing to the credit of the member in their Mandatory Member Contribution Account as of the earlier of (a) the date of such member's death or (b) the date benefit payments originally commenced.

Effective January 1, 2009, the plan was closed to new police and fire department employees. The Corporation had stopped allowing all other new employees to enter the plan, effective January 1, 2008.

Contributions

The authority to establish and amend the contribution requirement of the Corporation and its active employees lies with the executive boards of the Town and the Corporation. The executive boards establish rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

during the year, with an additional amount to finance any unfunded accrued liability. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Town and Corporation to contribute \$55,000 per year or an amount necessary to meet benefit obligations when due, if greater. The Corporation's contribution requirement for the year ended June 30, 2015 of \$18,506 was made in accordance with actuarially determined requirements through an actuarial valuation performed as of December 31, 2014. This contribution represents 2.54% of covered payroll.

Effective March 1, 1991, all active plan members are required to contribute 5% (7% for police and fire department members effective January 1, 2007) of their annual compensation on a pre-tax basis to the plan. A record of such Mandatory Member Contributions shall be maintained along with interest credited thereto. A plan member is fully vested in the amount standing to his credit in his Mandatory Member Contribution Account as of any date. Each plan member will be 100% vested in his accrued benefit after completion of five or more years of credited service. There are no active employees of the Corporation covered by the plan for the year ended June 30, 2015.

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Town's and Corporation's respective executive boards, by a majority vote of their members. It is the policy of the executive boards to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2015:

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation
Domestic equity	79.00%
International equity	0.00%
Fixed income	19.00%
Real estate	0.00%
Cash	2.00%
	<u>100.00%</u>
Total	<u>100.00%</u>

Rate of return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The Corporation's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the Corporation at June 30, 2015 were as follows:

Total pension liability	\$ 2,065,396
Plan fiduciary net position	<u>(1,785,484)</u>
Net pension liability	<u>\$ 279,912</u>

Plan fiduciary net position as a percentage of the total pension liability	86.45%
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Significant Actuarial Assumptions and Methods

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Inflation	3.00% as of December 31, 2014 and for future periods
Salary increases	6.00% annually as of December 31, 2014 and for future periods
Investment rate of return	7.15% (8.00% as of December 31, 2013), net of pension plan investment expense, including inflation
Cost of living adjustment	None
Pre-retirement mortality	Mortality rates were based on the 1971 Group Annuity Mortality Table
Post-retirement mortality	Mortality rates were based on the 1971 Group Annuity Mortality Table

The *long-term expected rate of return* on pension plan assets was determined using a building block method in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized on the table below:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	4.50%
International equity	5.50%
Fixed income	3.00%
Real estate	4.00%
Cash	1.00%
Total	4.15%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

available to make all projected future benefit payments of current plan members. Therefore, the expected long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Effective December 31, 2014, the investment rate of return was 7.15% per year, a decrease from 8.00% that affected the measurement of the total pension liability since the prior measurement date of December 31, 2013.

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.15%	7.15%	8.15%
Corporation's proportionate share of the net pension liability	\$ 487,613	\$ 279,912	\$ 100,803

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the fiduciary fund section of this financial report.

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

For the year ended June 30, 2015, the Corporation recognized pension expense of \$16,248. At June 30, 2015, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 149,898	\$ -
Changes of assumptions	172,058	-
Net difference between projected and actual earnings on pension plan investments	-	52,497
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>6,463</u>	<u>-</u>
Total	<u>\$ 328,419</u>	<u>\$ 52,497</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 18,335
2017	18,335
2018	18,335
2019	18,335
2020	18,335
Thereafter	177,786

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the Corporation other than Teachers are eligible to participate in the VMERS providing they

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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

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

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

Benefits Provided

The pension plan is divided into four membership groups:

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

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

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

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

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the Corporation and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2015 and 2014 totaled \$77,364 and \$73,660, respectively. The Corporation contributed \$62,921 and \$59,330 for the years ended June 30, 2015 and 2014, respectively. The Corporation's total payroll for the year ended June 30, 2015 for all employees covered under this plan was \$993,366.

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

At June 30, 2015, the Corporation reported a liability of \$42,367 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liabilities were based on a projection of the Corporation's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2014, the Corporation's proportion was 0.464191% for VMERS, which was a decrease of 0.021791% from its proportion measured as of June 30, 2013 for VMERS.

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

For the year ended June 30, 2015, the Corporation recognized total pension expense of \$630. At June 30, 2015, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Corporation	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	130,642
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,341
Contributions subsequent to the measurement date	62,921	-
Total	<u>\$ 62,921</u>	<u>\$ 136,983</u>

\$62,921 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Corporation
Year ended June 30:	
2016	\$ 35,777
2017	35,777
2018	35,777
2019	-
2020	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using the actuarial assumptions outlined below. These assumptions were

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

VMERS:

Inflation	3.00% to 3.25% per year
Salary increases	5.00%, per year, including inflation
Investment rate of return	A select-and-ultimate interest rate set that is restarted every year follows:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

Spouse's age assumptions used in the June 30, 2014 valuation set a husband's age at three years greater than their wives.

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

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

The *long-term expected rate of return* on the VMERS plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Corporation	
	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	6.70%
Fixed income	33.00%	2.94%
Alternative	15.50%	6.26%
Multi-strategy	20.00%	5.98%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

Discount Rate

The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current VMERS System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the Corporation’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Corporation’s proportionate share of the net pension liability calculated using the discount rate of 8.23%, as well as what the Corporation’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.23%) or 1 percentage point higher (9.23%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Corporation: Discount rate	7.23%	8.23%	9.23%
Corporation's proportionate share of the net pension liability	\$ 356,900	\$ 42,367	\$ (221,520)

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont Municipal Employees’ Retirement System (VMERS) or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State’s Department of Finance & Management website at:

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

NOTE 10 – DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION-RETIREMENT CORPORATION

A. Plan Description

The Corporation offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by International City Managers Association Retirement Corporation (ICMA). The plan, available to employees who negotiate for such benefits as a condition of employment, permits them to defer a portion of their salary until future years. There is no employer match by the Corporation. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – DEFERRED COMPENSATION PLAN (CONTINUED)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Corporation's management that the Corporation has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 11 – EXPENDITURES OVER APPROPRIATIONS

At June 30, 2015, the following appropriations were exceeded by actual expenditures:

General government	\$	3,375
Parks and recreation		553
Capital outlay		40
		<u>3,968</u>

NOTE 12 – CONTINGENCIES

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

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

NOTE 13 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Vermont League of Cities and Towns (VLCT).

Based on the coverage provided by the insurance purchased, the Corporation is not aware of any material actual or potential claim liabilities which should be recorded

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – RISK MANAGEMENT (CONTINUED)

as of June 30, 2015. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 14 – COMMITMENTS

Bellows Falls Village Corporation has entered into a contract for the operation of the wastewater treatment facility with Saxtons River Village Corporation. This contract is effective until fiscal year 2017. The Corporation has also entered into a contract with the Windham County Sheriff’s Department to provide dispatch services. This contract is effective until fiscal year 2016. The annual contracts’ costs are as follows:

Fiscal Years Ending June 30,	Wastewater Treatment Facility Operation	Dispatch Services
2016	\$ 53,419	\$ 84,000
2017	55,022	-

For the twelve months ended June 30, 2015, the Town paid a total of \$51,863 for the operation of the wastewater treatment facility and a total of \$84,000 for dispatch services. All future contract amounts are subject to annual appropriation by Bellows Falls Village Corporation

NOTE 15 – RESTATEMENT

The governmental activities beginning net position balance as of July 1, 2014 has been restated for the effects of GASB No. 68. The beginning balance has been restated by \$(108,497) to a balance of \$1,257,441.

The business-type activities beginning net position balance as of July 1, 2014 has been restated for the effects of GASB No. 68. The beginning balance has been restated by \$3,696 to a balance of \$9,738,772.

NOTE 16 – COMPARATIVE DATA/RECLASSIFICATIONS

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

Required Supplementary Information

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

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Schedule of Changes in Net Pension Liability and Related Ratios – Employees’ Pension Plan
- Schedule of Contributions – Employees’ Pension Plan
- Schedule of Investment Returns – Employees’ Pension Plan
- Schedule of Proportionate Share of the Net Pension Liability - VMERS
- Schedule of Contributions - VMERS

BELLOWS FALLS VILLAGE CORPORATION

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND
ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 144,186	\$ 144,186	\$ 144,186	\$ -
Resources (Inflows):				
Taxes	1,842,502	1,842,502	1,874,564	32,062
Intergovernmental revenue	-	49,053	49,053	-
Charges for services	23,300	23,300	34,226	10,926
Investment income	200	200	571	371
Other income	12,000	12,000	18,384	6,384
Transfers from other funds	15,600	15,600	15,600	-
Amounts Available for Appropriation	<u>2,037,788</u>	<u>2,086,841</u>	<u>2,136,584</u>	<u>49,743</u>
Charges to Appropriations (Outflows):				
General government	171,354	171,354	174,729	(3,375)
Parks and recreation	10,670	10,670	11,223	(553)
Public safety	1,632,209	1,681,262	1,620,046	61,216
Debt service:				
Principal	30,000	30,000	30,000	-
Interest	2,369	2,369	2,355	14
Capital outlay	42,000	42,000	42,040	(40)
Transfers to other funds	5,000	5,000	5,000	-
Total Charges to Appropriations	<u>1,893,602</u>	<u>1,942,655</u>	<u>1,885,393</u>	<u>57,262</u>
Budgetary Fund Balance, June 30	<u>\$ 144,186</u>	<u>\$ 144,186</u>	<u>\$ 251,191</u>	<u>\$ 107,005</u>
Use of unassigned fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report and notes to financial statements.

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 EMPLOYEES' PENSION PLAN
 LAST 10 FISCAL YEARS*

	<u>2015</u>
Total pension liability	
Service cost	\$ 1,616
Interest	137,361
Changes in benefit terms	-
Difference between actual and expected experience	164,545
Changes of assumptions	188,870
Benefit payments, including refunds of employee contributions	-
	<u>(94,929)</u>
Net change in total pension liability	<u>397,463</u>
Total pension liability - beginning	<u>1,667,933</u>
Total pension liability - ending (a)	<u><u>\$ 2,065,396</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 18,506
Contributions - employee	4,241
Net investment income	197,150
Benefit payments, including refunds of member contributions	-
	<u>(94,929)</u>
Administrative expense	(19,675)
Other	-
	<u>-</u>
Net change in plan fiduciary net position	<u>105,293</u>
Plan fiduciary net position - beginning	<u>1,680,191</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,785,484</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 279,912</u></u>
Plan fiduciary net position as a percentage of the total pension liability	86.45%
Covered-employee payroll	\$ 727,166
Net pension liability as a percentage of its covered-employee payroll	284.03%

Notes to schedule:**Changes of assumptions:**

The investment rate of return is 7.15% per year - previously 8.00% per year.

* The amounts presented for each fiscal year were determined as of December 31, 2014, and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF CONTRIBUTIONS – EMPLOYEES’ PENSION PLAN
LAST 10 FISCAL YEARS*

	<u>2015</u>
Actuarially determined contribution	\$ 30,563
Contributions in relation to the actuarially determined contribution	<u>(18,506)</u>
Contribution deficiency (excess)	<u>\$ 12,057</u>
Covered-employee payroll	\$ 727,166
Contributions as a percentage of covered-employee payroll	2.54%
Annual money-weighted rate of return, net of investment expense	10.48%

Notes to schedule:

Valuation date:	Actuarially determined contribution was calculated as of December 31, 2014.
Actuarial cost method:	Entry age normal.
Amortization method:	15-year Level dollar of the existing Net Pension Liability as of the valuation date.
Remaining amortization term:	15 years. Fresh start method with amortization of remaining unfunded amortized each year.
Asset-valuation method:	Market value of assets as of the measurement date.

Actuarial assumptions

Investment rate of return:	7.15% (8.00% as of December 31, 2013), net of pension plan investment expense, including inflation.
Discount rate:	7.15% (8.00% as of December 31, 2013), net of pension plan investment expense, including inflation.
Inflation:	3.00% as of December 31, 2014 and for future periods.
Salary increases:	6.00% annually as of December 31, 2014 and for future periods.
Cost of living adjustment:	None
Pre-retirement mortality:	Mortality rates were based on the 1971 Group Annuity Mortality Table.
Post-retirement mortality:	Mortality rates were based on the 1971 Group Annuity Mortality Table.

* The amounts presented for each fiscal year were determined as of December 31, 2014, and are for those years for which information is available.

See accompanying independent auditor’s report and notes to financial statements.

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF INVESTMENT RETURNS – EMPLOYEES' PENSION PLAN
LAST 10 FISCAL YEARS*

	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	10.48%

* The amounts presented for each fiscal year were determined as of December 31, 2014, and are for those years for which information is available.

BELLOWS FALLS VILLAGE CORPORATION

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

<u>Corporation:</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.46%	0.49%
Proportionate share of the net pension liability	\$ 42,367	\$ 176,940
Covered-employee payroll	\$ 993,366	\$ 980,382
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.52%	112.74%
Plan fiduciary net position as a percentage of the total pension liability	98.32%	92.71%

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

See accompanying independent auditor's report and notes to financial statements.

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF CONTRIBUTIONS - VMERS
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
<u>Corporation:</u>		
Contractually required contribution	\$ 62,921	\$ 59,330
Contributions in relation to the contractually required contribution	<u>(62,921)</u>	<u>(59,330)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 993,366	\$ 980,382
Contributions as a percentage of covered- employee payroll	6.33%	6.05%

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

See accompanying independent auditor's report and notes to financial statements.

Other Supplementary Information

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

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Appropriations	Budget Adjustments	Total Available	Actual	Variance Positive (Negative)
General government:					
Trustees	\$ 5,550	\$ -	\$ 5,550	\$ 5,582	\$ (32)
Village manager	30,950	-	30,950	32,092	(1,142)
Elections	2,000	-	2,000	2,017	(17)
Finance office	29,250	-	29,250	28,599	651
Auditing	10,000	-	10,000	11,500	(1,500)
Village clerk's office	4,350	-	4,350	4,300	50
Computer and supplies	18,250	-	18,250	17,457	793
Legal and other professional	24,500	-	24,500	22,402	2,098
Other buildings	2,200	-	2,200	1,900	300
Insurance and benefits	19,479	-	19,479	20,707	(1,228)
Service agencies	7,100	-	7,100	7,100	-
Insurances	17,225	-	17,225	21,073	(3,848)
Advertising	500	-	500	-	500
	<u>171,354</u>	<u>-</u>	<u>171,354</u>	<u>174,729</u>	<u>(3,375)</u>
Parks and recreation	<u>10,670</u>	<u>-</u>	<u>10,670</u>	<u>11,223</u>	<u>(553)</u>

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Appropriations	Budget Adjustments	Total Available	Actual	Variance Positive (Negative)
Public safety:					
Police and fire building	55,940	-	55,940	54,118	1,822
Fire department:					
Wages and benefits	428,385	-	428,385	381,569	46,816
Equipment, repairs and maintenance	35,000	49,053	84,053	82,599	1,454
Insurance	39,700	-	39,700	45,482	(5,782)
Miscellaneous	44,600	-	44,600	42,981	1,619
Police department:					
Wages and benefits	784,350	-	784,350	784,187	163
Contracted services	84,000	-	84,000	85,025	(1,025)
Equipment, repairs and maintenance	41,834	-	41,834	46,939	(5,105)
Insurance	71,400	-	71,400	42,857	28,543
Miscellaneous	47,000	-	47,000	54,289	(7,289)
	<u>1,632,209</u>	<u>49,053</u>	<u>1,681,262</u>	<u>1,620,046</u>	<u>61,216</u>
Debt service:					
Principal	30,000	-	30,000	30,000	-
Interest	2,369	-	2,369	2,355	14
	<u>32,369</u>	<u>-</u>	<u>32,369</u>	<u>32,355</u>	<u>14</u>
Capital outlay	<u>42,000</u>	<u>-</u>	<u>42,000</u>	<u>42,040</u>	<u>(40)</u>
Transfers to other funds:					
Capital project funds	5,000	-	5,000	5,000	-
	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Expenditures	<u>\$ 1,893,602</u>	<u>\$ 49,053</u>	<u>\$ 1,942,655</u>	<u>\$ 1,885,393</u>	<u>\$ 57,262</u>

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE B

BELLOWS FALLS VILLAGE CORPORATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Prepaid expenses	3,192	-	3,192
Due from other funds	14,250	3,360	17,610
TOTAL ASSETS	<u>\$ 17,442</u>	<u>\$ 3,360</u>	<u>\$ 20,802</u>
LIABILITIES			
Accounts payable	\$ 1,897	\$ -	\$ 1,897
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>1,897</u>	<u>-</u>	<u>1,897</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	2,897	-	2,897
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,897</u>	<u>-</u>	<u>2,897</u>
FUND BALANCES			
Nonspendable	3,192	-	3,192
Restricted	9,456	-	9,456
Committed	-	-	-
Assigned	-	3,360	3,360
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>12,648</u>	<u>3,360</u>	<u>16,008</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 17,442</u>	<u>\$ 3,360</u>	<u>\$ 20,802</u>

See accompanying independent auditor's report and notes to financial statements.

BELLOWS FALLS VILLAGE CORPORATION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 102,595	\$ -	\$ 102,595
Other income	2,412	-	2,412
TOTAL REVENUES	<u>105,007</u>	<u>-</u>	<u>105,007</u>
EXPENDITURES			
Other	60,760	1,062	61,822
Capital outlay	44,136	10,800	54,936
TOTAL EXPENDITURES	<u>104,896</u>	<u>11,862</u>	<u>116,758</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>111</u>	<u>(11,862)</u>	<u>(11,751)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,000	5,000
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>5,000</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	111	(6,862)	(6,751)
FUND BALANCES - JULY 1	<u>12,537</u>	<u>10,222</u>	<u>22,759</u>
FUND BALANCES - JUNE 30	<u>\$ 12,648</u>	<u>\$ 3,360</u>	<u>\$ 16,008</u>

See accompanying independent auditor's report and notes to financial statements.

Special Revenue Funds

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

BELLOWS FALLS VILLAGE CORPORATION

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Asset Forfeiture Fund	Police and Fire Fund	Adopt an Angel Fund	Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	3,192	-	3,192
Due from other funds	1,704	11,133	1,413	14,250
TOTAL ASSETS	<u>\$ 1,704</u>	<u>\$ 14,325</u>	<u>\$ 1,413</u>	<u>\$ 17,442</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,897	\$ -	\$ 1,897
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,897</u>	<u>-</u>	<u>1,897</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	2,897	-	2,897
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>2,897</u>	<u>-</u>	<u>2,897</u>
FUND BALANCES				
Nonspendable	-	3,192	-	3,192
Restricted	1,704	6,339	1,413	9,456
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>1,704</u>	<u>9,531</u>	<u>1,413</u>	<u>12,648</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,704</u>	<u>\$ 14,325</u>	<u>\$ 1,413</u>	<u>\$ 17,442</u>

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

BELLOWS FALLS VILLAGE CORPORATION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Asset Forfeiture Fund	Police and Fire Fund	Adopt an Angel Fund	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ 102,595	\$ -	\$ 102,595
Other income	903	-	1,509	2,412
TOTAL REVENUES	<u>903</u>	<u>102,595</u>	<u>1,509</u>	<u>105,007</u>
EXPENDITURES				
Other	-	58,930	1,830	60,760
Capital outlay	-	44,136	-	44,136
TOTAL EXPENDITURES	<u>-</u>	<u>103,066</u>	<u>1,830</u>	<u>104,896</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>903</u>	<u>(471)</u>	<u>(321)</u>	<u>111</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	903	(471)	(321)	111
FUND BALANCES - JULY 1	<u>801</u>	<u>10,002</u>	<u>1,734</u>	<u>12,537</u>
FUND BALANCES - JUNE 30	<u>\$ 1,704</u>	<u>\$ 9,531</u>	<u>\$ 1,413</u>	<u>\$ 12,648</u>

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

Capital Projects Funds

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

BELLOWS FALLS VILLAGE CORPORATION

BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	Capital and Equipment Fund	Totals
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Due from other funds	3,360	3,360
TOTAL ASSETS	<u>\$ 3,360</u>	<u>\$ 3,360</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	3,360	3,360
Unassigned	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>3,360</u>	<u>3,360</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,360</u>	<u>\$ 3,360</u>

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

BELLOWS FALLS VILLAGE CORPORATION, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Capital and Equipment Fund	Totals
REVENUES		
Other income	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Capital outlay	10,800	10,800
Other	1,062	1,062
TOTAL EXPENDITURES	<u>11,862</u>	<u>11,862</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,862)</u>	<u>(11,862)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	5,000	5,000
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES	<u>5,000</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	(6,862)	(6,862)
FUND BALANCES - JULY 1	<u>10,222</u>	<u>10,222</u>
FUND BALANCES - JUNE 30	<u>\$ 3,360</u>	<u>\$ 3,360</u>

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

General Capital Assets

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

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2015

	Land, Other Non- Depreciable Assets and Construction in Progress	Land Improvements, Buildings, and Building Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Public safety	\$ 21,000	\$ 667,984	\$ 1,260,227	\$ -	\$ 1,949,211
Public works	1	134,231	-	148,284	282,516
Parks and recreation	29,175	65,784	-	-	94,959
Corporation-wide	13,374	-	-	-	13,374
Water	2,865,156	12,648,910	101,764	-	15,615,830
Sewer	437,221	15,369,308	155,695	-	15,962,224
Total General Capital Assets	3,365,927	28,886,217	1,517,686	148,284	33,918,114
Less: Accumulated Depreciation	-	(12,243,604)	(778,735)	(52,546)	(13,074,885)
Net General Capital Assets	\$ 3,365,927	\$ 16,642,613	\$ 738,951	\$ 95,738	\$ 20,843,229

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

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2015

	General Capital Assets 7/1/14	Additions	Deletions	General Capital Assets 6/30/15
Public safety	\$ 1,854,804	\$ 107,307	\$ (12,900)	\$ 1,949,211
Public works	282,516	-	-	282,516
Parks and recreation	94,959	-	-	94,959
Corporation-wide	13,374	-	-	13,374
Water	13,028,136	2,587,694	-	15,615,830
Sewer	15,231,455	730,769	-	15,962,224
Total General Capital Assets	30,505,244	3,425,770	(12,900)	33,918,114
Less: Accumulated Depreciation	<u>(12,134,496)</u>	<u>(951,289)</u>	<u>10,900</u>	<u>(13,074,885)</u>
Net General Capital Assets	<u><u>\$ 18,370,748</u></u>	<u><u>\$ 2,474,481</u></u>	<u><u>\$ (2,000)</u></u>	<u><u>\$ 20,843,229</u></u>

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

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
 JUNE 30, 2015

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures
Department of Homeland Security			
Direct Program:			
FEMA Grant	97.044	N/A	\$ 49,053
Passed Through Vermont Public Safety:			
Homeland Security Program	97.067	02140-74164V-303	<u>44,136</u>
Total Department of Homeland Security			<u>93,189</u>
Environmental Protection Agency			
Passed through Vermont Environmental Protection:			
Safe Drinking Water/Revolving Loan	66.468	N/A	2,503,083
Clean Water/Revolving Loan	66.458	N/A	<u>448,096</u>
Total Environmental Protection Agency			<u>2,951,179</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 3,044,368</u></u>

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
JUNE 30, 2015

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Bellows Falls Village Corporation. All federal financial assistance received is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. The following programs were tested as Type A program as outlined in OMB Circular A-133.

- 1) 66.468 – Safe Drinking Water/Revolving Loan



Proven Expertise and Integrity

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

Board of Trustees
Bellows Falls Village Corporation
Bellows Falls, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bellows Falls Village Corporation as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bellows Falls Village Corporation's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bellows Falls Village Corporation'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 Bellows Falls Village Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bellows Falls Village Corporation'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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 30, 2015



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Bellows Falls Village Corporation
Bellows Falls, Vermont

Report on Compliance for Each Major Federal Program

We have audited Bellows Falls Village Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bellows Falls Village Corporation's major federal programs for the year ended June 30, 2015. Bellows Falls Village Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bellows Falls Village Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bellows Falls Village Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bellows Falls Village Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Bellows Falls Village Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bellows Falls Village Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Bellows Falls Village Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bellows Falls Village Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine

Vermont Registration No. 092.0000697

October 30, 2015

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

- *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
In accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.468	Safe Drinking Water/Revolving Loan

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None