

BELLOWS FALLS VILLAGE CORPORATION

FEDERAL COMPLIANCE

JUNE 30, 2013

TABLE OF CONTENTS

Page No.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3 - 5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Corrective Action Plan	9

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

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

Bellows Falls Village Corporation
Bellows Falls, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellows Falls Village Corporation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the

deficiency described in the accompanying schedule of findings and questioned costs as 2013-1 to be a material weakness.

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.

Compliance and Other Matters

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

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying corrective action plan. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,


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

December 5, 2013

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

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

To the Trustees
Bellows Falls Village Corporation
Bellows Falls, Vermont

Report on Compliance for Each Major Federal Program

We have audited the 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 the Village's major federal program for the year ended June 30, 2013. The Village's major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Village's major federal program 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 the Village'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 the major federal program. However, our audit does not provide a legal determination of the Village'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 its major federal program for the year ended June 30, 2013.

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 the Village's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village'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 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 the testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited 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, 2013, and the related notes to the

financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated December 5, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

December 5, 2013

BELLOWS FALLS VILLAGE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Justice</u>				
COPS Grant	16.710	2009RKWX0871	\$ 156,053	\$ 14,585
Byrne Memorial Justice Assistance Grant	16.804	2009SBB92102	23,721	<u>8,619</u>
Total U.S. Department of Justice				<u>23,204</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
FY09 Homeland Security Grant Program	97.067	2009-SS-T9-0075	8,866	8,866
FY10 Homeland Security Grant Program	97.067	2010-SS-T0-0086	8,608	8,608
FY09 Homeland Security Grant Program	97.067	2009-SS-T9-0075	29,025	28,190
FY10 Homeland Security Grant Program	97.067	2009-SS-T9-0075	3,599	3,599
FY10 Homeland Security Grant Program	97.067	2010-SS-T0-0083	2,295	<u>1,005</u>
Total U.S. Department of Homeland Security				<u>50,268</u>
<u>Environmental Protection Agency</u>				
Passed through State of Vermont Agency of Natural Resources				
Local Assistance State Revolving Fund	66.468	WPL-154	94,270	<u>41,597</u>
Clean Water State Revolving Fund	ARRA 66.458	RF1-154	2,075,000	1,956,149
Pollution Control State Revolving Fund	ARRA 66.458	AR1-007	2,370,248	<u>214,818</u>
Cluster subtotal				<u>2,170,967</u>
Total Environmental Protection Agency				<u>2,212,564</u>
Total Federal Awards				<u>\$ 2,286,036</u>

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Bellows Falls Village Corporation and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BELLOWS FALLS VILLAGE CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Bellows Falls Village Corporation.

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the schedule. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting for the governmental funds and on the accrual basis for the proprietary funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within six months after year end. Expenditures are recorded when the related liability is incurred, if measurable. Under the accrual basis of accounting, revenues are recognized when transactions occur and expenses are recognized when incurred.

NOTE 3 – SUBRECIPIENTS

None

BELLOWS FALLS VILLAGE CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Bellows Falls Village Corporation.
2. There was one significant deficiency, which is also a material weakness, noted during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Bellows Falls Village Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No control deficiencies were disclosed during the audit of internal control over major federal award programs as reported in Section C.
5. The auditor's report on compliance for the major federal award program for the Bellows Falls Village Corporation expresses an unmodified opinion on its major federal program. There were no instances of noncompliance relative to its major federal award program as reported in Section C.
6. The program tested as a major program was:

Clean Water Revolving Loan Fund CFDA #66.458
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Bellows Falls Village Corporation was determined not to be a low-risk auditee.

B. Findings – Financial Statements Audit

2013-1: Construction related payables missed – Material Weakness in Internal Control

During our audit we noted that material payable and retainage amounts relating to the RBC contract were not recorded. We recommend that all contractor requests for payments be thoroughly review to ensure expenses are reported in full in the correct accounting period.

C. Findings - Major Federal Award Program Audit

None

D. Questioned Costs

None



Bellows Falls Village Corporation

Town Hall, 7 Square
PO Box 370
Bellows Falls, VT 05101
Voice: (802) 463-3964 Fax: (802) 463-1228

CORRECTIVE ACTION PLAN December 6, 2013

Fothergill Segale & Valley
Certified Public Accountants
143 Barre Street
Montpelier, VT 05602

Audit Period: July 1, 2012 – June 30, 2013

Bellows Falls Village Corporation respectfully submits the following corrective action plan for the year ended June 30, 2013.

The findings from the June 30, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

B. Findings – Financial Statements Audit

2013-1: Construction related payables missed.

During our audit we noted that material payable and retainage amounts relating to the RBC contract were not recorded. We recommend that all contractor requests for payments be thoroughly reviewed to ensure expenses are reported in full in the correct accounting period.

Response:

Bellows Falls Village Corporation accepts this finding as requiring a change in processing of invoices with a retainage value expressed. We have paid only the net value requested and not recorded the additional owed but not paid during incremental invoicing. Projects that are not completed within a fiscal year result in payable values missing from the balance sheet. The new process will be to expense the entire value to the project and credit a new balance sheet account during the invoice payment for the retainage amount thereby recognizing the expense during the period incurred.

Sincerely,

A handwritten signature in black ink, appearing to read "Willis D. Stearns, II".

Willis D. Stearns, II, Municipal Manager