

Federal Compliance Audit

Town of Killington, Vermont

December 31, 2012



Proven Expertise and Integrity

TOWN OF KILLINGTON, VERMONT

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DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

January 25, 2013

Board of Selectmen
Town of Killington
Killington, Vermont

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 Town of Killington, Vermont, as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Killington's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The basic financial statements referred to above do not include a complete capital assets inventory which is required to be in compliance with Governmental Accounting Standards Boards Statement No. 34. The effect on the financial statements cannot be determined.

In our opinion, except for the item mentioned in the previous paragraph, 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 Town of Killington, Vermont as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of Town of Killington, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 43 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Killington's financial statements as a whole. The combining and individual non major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RHR Smith & Company

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

(UNAUDITED)

The following management's discussion and analysis of the Town of Killington, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Killington's 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, 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 Town'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 Town'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 Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets 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 town activities. The types of activities presented for the Town of Killington are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, highways, health and sanitation, culture and recreation, social services, education, and other unclassified.
- *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 Town of Killington include the Alpine Drive Sewer Fund, Route 4 Sewer Fund and the Golf Course.

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 Town of Killington, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Killington can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Town 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 Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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 Town of Killington presents four columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, FEMA Irene Storm and the Shelburne Village Cemetery Fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

The general fund is the only fund for which the Town 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 Town of Killington maintains three proprietary funds, the Alpine Drive Sewer Fund, the Route 4 Sewer Fund and the Golf Course. 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.

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 Cash Flows – Proprietary 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.

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 assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental activities increased by \$1,102,374 from \$3,228,775 to \$4,331,149. For business-type activities, the Town's total net assets increased by \$510,819 from a deficit of \$1,256,877 to a deficit of \$746,058.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for the governmental activities to a balance of \$1,652,045 at the end of the fiscal year. For the business-type activities, unrestricted net assets increased to a deficit balance of \$2,340,732.

Table 1
Town of Killington, Vermont
Net Assets
December 31,

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Assets:				
Current and Other Assets	\$ 6,423,418	\$ 7,269,869	\$ 84,328	\$ 39,336
Capital Assets	3,621,500	3,214,532	4,607,858	4,851,108
Total Assets	\$ 10,044,918	\$ 10,484,401	\$ 4,692,186	\$ 4,890,444
Liabilities:				
Current Liabilities	\$ 4,907,226	\$ 6,269,723	\$ 495,330	\$ 614,136
Long-term Debt Outstanding	806,543	985,903	4,942,914	5,533,185
Total Liabilities	\$ 5,713,769	\$ 7,255,626	\$ 5,438,244	\$ 6,147,321
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 2,535,167	\$ 1,980,720	\$ 1,594,674	\$ 1,260,152
Restricted: General Fund	-	47,421	-	-
Special Revenue Funds	10	10	-	-
Capital Project Funds	82,418	511,878	-	-
Permanent Funds	61,509	61,509	-	-
Unrestricted (deficit)	1,652,045	627,237	(2,340,732)	(2,517,029)
Total Net Assets	\$ 4,331,149	\$ 3,228,775	\$ (746,058)	\$ (1,256,877)

Table 2
Town of Killington, Vermont
Change in Net Assets
For the Years Ended December 31,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 136,490	\$ 143,005	\$ 1,426,348	\$ 1,180,062
Operating grants and contributions	62,399	135,324	-	-
Capital grants and contributions	1,662,634	-	-	-
<i>General Revenues:</i>				
Taxes	13,888,387	14,553,388	-	-
Grants and contributions not restricted to specific programs	159,285	129,900	-	-
Miscellaneous	423,059	371,473	54,769	17,059
Total Revenues	<u>16,332,254</u>	<u>15,333,090</u>	<u>1,481,117</u>	<u>1,197,121</u>
Expenses				
General government	824,763	795,376	-	-
Public safety	432,588	408,049	-	-
Highways	843,929	696,245	-	-
Health and sanitation	48,100	40,015	-	-
Culture and recreation	319,227	302,337	-	-
Social services	10,905	9,680	-	-
Education	10,905,306	11,466,406	-	-
County tax	53,460	50,671	-	-
Interest on long-term debt	31,100	33,634	284,433	223,504
Capital outlay	658,129	196,148	-	-
Sewer	-	-	71,202	78,176
Golf course	-	-	1,278,230	1,222,619
Unclassified	438,806	811,028	-	-
Total Expenses	<u>14,566,313</u>	<u>14,809,589</u>	<u>1,633,865</u>	<u>1,524,299</u>
Change in Net Assets	1,765,941	523,501	(152,748)	(327,178)
Transfers	(663,567)	(302,000)	663,567	302,000
Net Assets - January 1	<u>3,228,775</u>	<u>3,007,274</u>	<u>(1,256,877)</u>	<u>(1,231,699)</u>
Net Assets - December 31	<u>\$ 4,331,149</u>	<u>\$ 3,228,775</u>	<u>\$ (746,058)</u>	<u>\$ (1,256,877)</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 6.52%, while total expenses decreased by 1.64%. Most of the Town's increase in revenues and decrease in expenditures was due to receipt of federal disaster relief funding and subsequent capital costs, partially offset by a reduction in the overall cost of education.

Proprietary fund revenues and expenses were consistent with the previous year with minor increases or decreases.

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town'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 Town'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
Town of Killington, Vermont
Fund Balances - Governmental Funds
December 31,

	2012	2011
General Fund:		
Nonspendable	\$ 14,678	\$ 11,193
Restricted	-	47,421
Unassigned	769,179	711,864
Total General Fund	\$ 783,857	\$ 770,478
 FEMA Irene Storm:		
Unassigned	\$ (341,343)	\$ (1,244,744)
Total FEMA Irene Storm	\$ (341,343)	\$ (1,244,744)
 Shelburne Village Cemetery Fund		
Restricted	\$ 61,509	\$ 61,509
Total Shelburne Village Cemetery Fund	\$ 61,509	\$ 61,509
 Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 10	\$ 10
Committed	-	185,080
Capital Projects Funds:		
Restricted	82,418	511,878
Committed	672,405	350,897
Assigned	7,415	22,162
Unassigned	(7,097)	-
Total Nonmajor Funds	\$ 755,151	\$ 1,070,027

The general fund total fund balance increased by \$13,379 from the prior fiscal year. The FEMA Irene Storm increased by \$903,401 from the prior fiscal year. The

Shelburne Village Cemetery Fund remained the same. The non-major fund balances decreased by \$314,876 from the prior fiscal year.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Alpine Drive Sewer Fund had an increase in the net assets for the year of \$864 versus last year of \$1,167. The Route 4 Sewer Fund also had an increase in net assets this year of \$45,490 versus last year of \$27,440. Likewise, the Golf Course had an increase in net assets this year of \$464,465. Last year, the Golf Course had a reduction in net assets of \$53,785.

Budgetary Highlights

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

The general fund actual revenues exceeded the budget by \$849,665. This was primarily the result of the property taxes.

The general fund actual expenditures exceeded the budget by \$829,370. Most of the unfavourable variance is the result of greater than anticipated education expense.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2012, the net book value of capital assets recorded by the Town increased by \$163,718 from the prior year. The increase is the result of capital additions of \$577,731 less current year depreciation of \$414,013.

**Table 4
Town of Killington, Vermont
Capital Assets (Net of Depreciation)
December 31,**

	2012	2011
Construction in progress	\$ 1,425,641	\$ 1,425,641
Land improvements	2,877,334	3,075,333
Buildings	981,264	924,000
Equipment	2,065,003	1,831,737
Vehicles	760,155	808,929
Infrastructure	119,961	-
Total	\$ 8,229,358	\$ 8,065,640

Debt

At December 31, 2012, the Town had \$6.62 million in bonds, notes and capital leases outstanding versus \$7.35 million last year, a decrease of 10.00%. Refer to Note 5 of the Notes to the Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance continues to rise as it has in the past few years, bringing it above the level of a sufficient fund balance to sustain operations while also maintaining significant reserves for future operations, capital and program needs. The current year's increase was due to revenues received in excess of budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at P.O. Box 429, Killington, Vermont 05751.

TOWN OF KILLINGTON, VERMONT

STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,306,808	\$ 23,587	\$ 5,330,395
Investments	363,136	-	363,136
Accounts receivable (net of allowance for uncollectibles):			
Taxes	686,486	-	686,486
Other	147,250	60,741	207,991
Prepaid items	14,678	-	14,678
Internal balances	(94,940)	94,940	-
Total current assets	<u>6,423,418</u>	<u>179,268</u>	<u>6,602,686</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	1,425,641	-	1,425,641
Buildings and vehicles net of accumulated depreciation	2,195,859	4,607,858	6,803,717
Total noncurrent assets	<u>3,621,500</u>	<u>4,607,858</u>	<u>8,229,358</u>
TOTAL ASSETS	<u>\$ 10,044,918</u>	<u>\$ 4,787,126</u>	<u>\$ 14,832,044</u>
LIABILITIES			
Current liabilities:			
Due to other governments	\$ 4,594,814	\$ -	\$ 4,594,814
Accrued expenses	32,622	-	32,622
Current portion of long-term obligations	279,790	590,270	870,060
Total current liabilities	<u>4,907,226</u>	<u>590,270</u>	<u>5,497,496</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	544,500	4,895,000	5,439,500
Notes payable	75,322	-	75,322
Capital leases payable	186,721	47,914	234,635
Total noncurrent liabilities	<u>806,543</u>	<u>4,942,914</u>	<u>5,749,457</u>
TOTAL LIABILITIES	<u>5,713,769</u>	<u>5,533,184</u>	<u>11,246,953</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,535,167	1,594,674	4,129,841
Restricted	143,937	-	143,937
Unrestricted	1,652,045	(2,340,732)	(688,687)
TOTAL NET ASSETS	<u>4,331,149</u>	<u>(746,058)</u>	<u>3,585,091</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,044,918</u>	<u>\$ 4,787,126</u>	<u>\$ 14,832,044</u>

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

TOWN OF KILLINGTON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Totals
Governmental activities:							
General government	\$ 824,763	\$ 74,740	\$ -	\$ -	\$ (750,023)	\$ -	\$ (750,023)
Public safety	432,588	-	-	-	(432,588)	-	(432,588)
Highways	843,929	-	62,399	1,662,634	881,104	-	881,104
Health and sanitation	48,100	23,776	-	-	(24,324)	-	(24,324)
Culture and recreation	319,227	37,974	-	-	(281,253)	-	(281,253)
Social services	10,905	-	-	-	(10,905)	-	(10,905)
Education	10,905,306	-	-	-	(10,905,306)	-	(10,905,306)
County tax	53,460	-	-	-	(53,460)	-	(53,460)
Interest on long-term debt	31,100	-	-	-	(31,100)	-	(31,100)
Capital outlay	658,129	-	-	-	(658,129)	-	(658,129)
Unclassified	438,806	-	-	-	(438,806)	-	(438,806)
Total governmental activities	<u>14,566,313</u>	<u>136,490</u>	<u>62,399</u>	<u>1,662,634</u>	<u>(12,704,790)</u>	<u>-</u>	<u>(12,704,790)</u>
Business-type activities:							
Alpine Drive Sewer Fund	3,882	4,746	-	-	-	864	864
Rt. 4 Sewer Fund	137,724	183,214	-	-	-	45,490	45,490
Golf Course	1,492,259	1,238,388	-	-	-	(253,871)	(253,871)
Total business-type activities	<u>1,633,865</u>	<u>1,426,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(207,517)</u>	<u>(207,517)</u>
Total government	<u>\$ 16,200,178</u>	<u>\$ 1,562,838</u>	<u>\$ 62,399</u>	<u>\$ 1,662,634</u>	<u>(12,704,790)</u>	<u>(207,517)</u>	<u>(12,912,307)</u>

STATEMENT B (CONTINUED)

TOWN OF KILLINGTON, VERMONT

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Totals</u>
Changes in net assets:			
Net (expense) revenue	<u>(12,704,790)</u>	<u>(207,517)</u>	<u>(12,912,307)</u>
General revenues:			
Taxes, levied for general purposes	13,888,387	-	13,888,387
Grants and contributions not restricted to specific programs	159,285	-	159,285
Miscellaneous	423,059	54,769	477,828
Transfers	<u>(663,567)</u>	<u>663,567</u>	-
Total general revenues and transfers	<u>13,807,164</u>	<u>718,336</u>	<u>14,525,500</u>
Change in net assets	1,102,374	510,819	1,613,193
NET ASSETS - JANUARY 1	<u>3,228,775</u>	<u>(1,256,877)</u>	<u>1,971,898</u>
NET ASSETS - DECEMBER 31	<u>\$ 4,331,149</u>	<u>\$ (746,058)</u>	<u>\$ 3,585,091</u>

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

TOWN OF KILLINGTON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General Fund	FEMA Irene Storm	Sherburne Village Cemetery Fund	All Nonmajor Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 5,188,719	\$ -	\$ 13,732	\$ 104,357	\$ 5,306,808
Investments	-	-	47,777	315,359	363,136
Receivables (net of allowance for uncollectibles):					
Taxes	686,486	-	-	-	686,486
Other	147,250	-	-	-	147,250
Prepaid items	14,678	-	-	-	14,678
Due from other funds	348,440	-	-	342,532	690,972
TOTAL ASSETS	\$ 6,385,573	\$ -	\$ 61,509	\$ 762,248	\$ 7,209,330
LIABILITIES					
Due to other funds	\$ 437,472	\$ 341,343	\$ -	\$ 7,097	\$ 785,912
Accrued expenses	32,622	-	-	-	32,622
Due to other governments	4,594,814	-	-	-	4,594,814
Deferred tax revenues	536,808	-	-	-	536,808
TOTAL LIABILITIES	5,601,716	341,343	-	7,097	5,950,156
FUND BALANCES					
Nonspendable	14,678	-	-	-	14,678
Restricted	-	-	61,509	82,428	143,937
Committed	-	-	-	672,405	672,405
Assigned	-	-	-	7,415	7,415
Unassigned	769,179	(341,343)	-	(7,097)	420,739
TOTAL FUND BALANCES	783,857	(341,343)	61,509	755,151	1,259,174
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,385,573	\$ -	\$ 61,509	\$ 762,248	\$ 7,209,330

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

TOWN OF KILLINGTON, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,259,174
Amounts reported for governmental activities in the statement 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	3,621,500
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	536,808
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(619,500)
Notes payable	(100,430)
Capital leases payable	<u>(366,403)</u>
Net assets of governmental activities	<u><u>\$ 4,331,149</u></u>

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

TOWN OF KILLINGTON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	FEMA Irene Storm	Sherburne Village Cemetery Fund	All Nonmajor Funds	Totals Governmental Funds
REVENUES					
Taxes	\$ 13,942,362	\$ -	\$ -	\$ 2	\$ 13,942,364
Intergovernmental	221,684	1,662,634	-	-	1,884,318
Charges for services	136,490	-	-	-	136,490
Miscellaneous revenues	326,956	8,672	-	87,431	423,059
TOTAL REVENUES	<u>14,627,492</u>	<u>1,671,306</u>	<u>-</u>	<u>87,433</u>	<u>16,386,231</u>
EXPENDITURES					
Current:					
General government	824,763	-	-	-	824,763
Public safety	360,467	-	-	-	360,467
Highways	797,840	-	-	-	797,840
Health and sanitation	48,100	-	-	-	48,100
Culture and recreation	300,894	-	-	-	300,894
Social services	10,905	-	-	-	10,905
Education	10,905,306	-	-	-	10,905,306
County tax	53,460	-	-	-	53,460
Debt service:					
Principal	75,000	-	-	-	75,000
Interest	31,100	-	-	-	31,100
Capital outlay	18,164	917,905	-	265,571	1,201,640
Unclassified	434,123	-	-	177,592	611,715
TOTAL EXPENDITURES	<u>13,860,122</u>	<u>917,905</u>	<u>-</u>	<u>443,163</u>	<u>15,221,190</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>767,370</u>	<u>753,401</u>	<u>-</u>	<u>(355,730)</u>	<u>1,165,041</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	100,430	100,430
Operating transfers in	198,576	150,000	-	139,000	487,576
Operating transfers (out)	(952,567)	-	-	(198,576)	(1,151,143)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(753,991)</u>	<u>150,000</u>	<u>-</u>	<u>40,854</u>	<u>(563,137)</u>
NET CHANGE IN FUND BALANCES	13,379	903,401	-	(314,876)	601,904
FUND BALANCES - JANUARY 1	<u>770,478</u>	<u>(1,244,744)</u>	<u>61,509</u>	<u>1,070,027</u>	<u>657,270</u>
FUND BALANCES - DECEMBER 31	<u>\$ 783,857</u>	<u>\$ (341,343)</u>	<u>\$ 61,509</u>	<u>\$ 755,151</u>	<u>\$ 1,259,174</u>

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

TOWN OF KILLINGTON, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 601,904</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 allocated to those expenditures over the life of the assets:	
Capital asset purchases	543,511
Capital asset disposals	-
Depreciation expense	<u>(136,543)</u>
	<u>406,968</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(53,977)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	<u>247,909</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets	
	<u>(100,430)</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 1,102,374</u></u>

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

TOWN OF KILLINGTON, VERMONT

BALANCE SHEET – PROPRIETARY FUNDS
DECEMBER 31, 2012

	Enterprise Funds			
	Alpine Drive Sewer Fund	Route 4 Sewer Fund	Golf Course	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 23,587	\$ 23,587
Accounts receivable (net of allowance for uncollectibles)	234	42,728	17,779	60,741
Due from other funds	23,626	26,525	44,789	94,940
Total current assets	<u>23,860</u>	<u>69,253</u>	<u>86,155</u>	<u>179,268</u>
Noncurrent assets:				
Capital assets:				
Land improvements	-	-	5,940,000	5,940,000
Equipment	-	1,710,000	224,720	1,934,720
Vehicles	-	-	34,220	34,220
Less: accumulated depreciation	-	(171,000)	(3,130,082)	(3,301,082)
Total noncurrent assets	<u>-</u>	<u>1,539,000</u>	<u>3,068,858</u>	<u>4,607,858</u>
TOTAL ASSETS	<u><u>\$ 23,860</u></u>	<u><u>\$ 1,608,253</u></u>	<u><u>\$ 3,155,013</u></u>	<u><u>\$ 4,787,126</u></u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Current portion of long-term liabilities	-	145,000	445,270	590,270
Total current liabilities	<u>-</u>	<u>145,000</u>	<u>445,270</u>	<u>590,270</u>
Long-term liabilities:				
Bonds payable	-	1,045,000	3,850,000	4,895,000
Capital leases payable	-	-	47,914	47,914
Total long-term liabilities	<u>-</u>	<u>1,045,000</u>	<u>3,897,914</u>	<u>4,942,914</u>
Total liabilities	<u>-</u>	<u>1,190,000</u>	<u>4,343,184</u>	<u>5,533,184</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	349,000	1,245,674	1,594,674
Unrestricted (deficit)	23,860	69,253	(2,433,845)	(2,340,732)
TOTAL NET ASSETS	<u>23,860</u>	<u>418,253</u>	<u>(1,188,171)</u>	<u>(746,058)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,860</u></u>	<u><u>\$ 1,608,253</u></u>	<u><u>\$ 3,155,013</u></u>	<u><u>\$ 4,787,126</u></u>

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

TOWN OF KILLINGTON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Enterprise Funds			Total
	Alpine Drive Sewer Fund	Route 4 Sewer Fund	Golf Course	
OPERATING REVENUES				
Charges for services	\$ 4,746	\$ 183,214	\$ 1,238,388	\$ 1,426,348
Other	-	-	54,595	54,595
TOTAL OPERATING REVENUES	<u>4,746</u>	<u>183,214</u>	<u>1,292,983</u>	<u>1,480,943</u>
OPERATING EXPENSES				
Sewer	3,882	10,320	-	14,202
Golf course	-	-	1,057,760	1,057,760
Depreciation	-	57,000	220,470	277,470
TOTAL OPERATING EXPENSES	<u>3,882</u>	<u>67,320</u>	<u>1,278,230</u>	<u>1,349,432</u>
OPERATING INCOME (LOSS)	<u>864</u>	<u>115,894</u>	<u>14,753</u>	<u>131,511</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	-	-	174	174
Interest expense	-	(70,404)	(214,029)	(284,433)
Operating transfers in	-	-	663,567	663,567
NET NON-OPERATING INCOME (EXPENSE)	<u>-</u>	<u>(70,404)</u>	<u>449,712</u>	<u>379,308</u>
CHANGE IN NET ASSETS	864	45,490	464,465	510,819
NET ASSETS - JANUARY 1	<u>22,996</u>	<u>372,763</u>	<u>(1,652,636)</u>	<u>(1,256,877)</u>
NET ASSETS - DECEMBER 31	<u>\$ 23,860</u>	<u>\$ 418,253</u>	<u>\$ (1,188,171)</u>	<u>\$ (746,058)</u>

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

TOWN OF KILLINGTON, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Enterprise Funds			Total
	Alpine Drive Sewer Fund	Route 4 Sewer Fund	Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 4,732	\$ 179,089	\$ 1,275,204	\$ 1,459,025
Internal activity - receipts (payments) from/to other funds	(850)	41,635	(162,090)	(121,305)
Payments to suppliers	(3,882)	(10,320)	(1,057,760)	(1,071,962)
Net cash provided (used) by operating activities	<u>-</u>	<u>210,404</u>	<u>55,354</u>	<u>265,758</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest paid on long-term debt	-	(70,404)	(214,029)	(284,433)
Capital asset additions	-	-	(34,220)	(34,220)
Principal payments on long-term debt	-	(140,000)	(447,772)	(587,772)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(210,404)</u>	<u>(696,021)</u>	<u>(906,425)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer in from general fund	-	-	663,567	663,567
Interest income	-	-	174	174
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>663,741</u>	<u>663,741</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>	<u>23,074</u>	<u>23,074</u>
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>-</u>	<u>-</u>	<u>513</u>	<u>513</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,587</u>	<u>\$ 23,587</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 864	\$ 115,894	\$ 14,753	\$ 131,511
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	-	57,000	220,470	277,470
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(14)	(4,125)	(17,779)	(21,918)
(Increase) decrease in due from other funds	(850)	41,635	(44,789)	(4,004)
Increase (decrease) in due to other funds	-	-	(117,301)	(117,301)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 210,404</u>	<u>\$ 55,354</u>	<u>\$ 265,758</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	<u>\$ -</u>	<u>\$ 70,404</u>	<u>\$ 214,029</u>	<u>\$ 284,433</u>

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

TOWN OF KILLINGTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Killington was incorporated under the laws of the State of Vermont. The Town operates under the selectmen-manager form of government and provides the following services: general government, public safety, highways, health and sanitation, culture and recreation, social services, education, and other unclassified.

The Town'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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

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

Government – Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Alpine Drive Sewer Fund, Route 4 Sewer Fund and Golf Course are categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Assets, both the governmental and business-type 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 Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, protection, 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 or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the 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 Town 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 Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town 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 Town:

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 Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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 Town:

- 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.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major 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.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 proprietary 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 Town'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. In the second half of the year the Town prepares a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town 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 Town.

TOWN OF KILLINGTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

The Town'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 Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by 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
- Money market mutual funds

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

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.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts for the accounts receivable is estimated to be \$0 as of December 31, 2012.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. 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.

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 Town. The Town is currently working on completing its fixed asset inventory.

Estimated useful lives are as follows:

Buildings and improvements	10 - 70 years
Infrastructure	20 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 30 years

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, notes and capital leases payable.

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.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 Town 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 Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town 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 Selectmen.

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.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town is in the process of adopting a set of financial policies to guide the financial operation of the Town. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied May 17, 2012 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due in two installments on August 1, 2012 and November 1, 2012. Interest and penalties commenced on November 11, 2012, at 1% per month for the first three months and 1½% per month for each month thereafter.

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.

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.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Town'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 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 Town's investment policies, which follow state statutes, authorize the Town 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 within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At December 31, 2012, the Town's cash balance of \$5,330,395 was comprised of deposits amounting to \$5,483,029. Of these deposits, \$143,024 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining deposits of \$5,340,005 were collateralized with a pool of securities held by the financial institution not in the Town's name and therefore were exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 124,977
Repurchase agreements	5,240,005
Money market accounts	104,347
Savings accounts	13,699
	<u>\$ 5,483,029</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments:

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

At December 31, 2012, the Town's investments of \$363,136 were comprised of certificates of deposit. Of this amount, \$363,136 was insured by federal depository insurance or an irrevocable standby letter of credit and consequently was not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Bank Balance</u>	<u>N/A</u>	<u>< 1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	<u>\$ 363,136</u>	<u>\$ -</u>	<u>\$ 314,182</u>	<u>\$ 48,954</u>

Credit risk – Statutes for the State of Vermont authorize the Town 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 within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a policy related to interest rate risk.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2012 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 348,440	\$ 437,472
FEMA Irene Storm	-	341,343
Capital Project Funds	342,532	7,097
Alpine Drive Sewer Fund	23,626	-
Route 4 Sewer Fund	26,525	-
Golf Course	44,789	-
	<u>\$ 785,912</u>	<u>\$ 785,912</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at December 31, 2012:

	Balance, 1/1/12	Additions	Disposals	Balance, 12/31/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Construction in progress	\$ 1,425,641	\$ -	\$ -	\$ 1,425,641
	<u>1,425,641</u>	<u>-</u>	<u>-</u>	<u>1,425,641</u>
Depreciated assets:				
Buildings	1,160,000	95,931	-	1,255,931
Vehicles	898,810	41,107	-	939,917
Machinery & equipment	55,961	286,512	-	342,473
Infrastructure	-	119,961	-	119,961
	<u>2,114,771</u>	<u>543,511</u>	<u>-</u>	<u>2,658,282</u>
Less: accumulated depreciation	<u>(325,880)</u>	<u>(136,543)</u>	<u>-</u>	<u>(462,423)</u>
	<u>1,788,891</u>	<u>406,968</u>	<u>-</u>	<u>2,195,859</u>
Net governmental capital assets	<u>\$ 3,214,532</u>	<u>\$ 406,968</u>	<u>\$ -</u>	<u>\$ 3,621,500</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciated assets:				
Land improvements	5,940,000	-	-	5,940,000
Equipment	1,710,000	-	-	1,710,000
Vehicles	224,720	34,220	-	258,940
	<u>7,874,720</u>	<u>34,220</u>	<u>-</u>	<u>7,908,940</u>
Less: accumulated depreciation	<u>(3,023,612)</u>	<u>(277,470)</u>	<u>-</u>	<u>(3,301,082)</u>
	<u>4,851,108</u>	<u>(243,250)</u>	<u>-</u>	<u>4,607,858</u>
Net business-type capital assets	<u>\$ 4,851,108</u>	<u>\$ (243,250)</u>	<u>\$ -</u>	<u>\$ 4,607,858</u>
Public safety				\$ 72,121
Highway				46,089
Library				18,333
Route 4 Sewer				57,000
Golf Course				220,470
Total depreciation expense				<u>\$ 414,013</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 – SHORT-TERM DEBT

The Town issued and repaid a tax revenue anticipation note during the year ended December 31, 2012. The purpose of this short-term debt was to provide liquidity for governmental operations financed by property taxes which are collected in semiannual payments due August 1 and November 1. Short-term debt activity for the year was as follows:

	Balance, 1/1/12	Additions	Repayments	Balance, 12/31/12
Tax anticipation note	\$ -	\$ 2,200,000	\$ (2,200,000)	\$ -
Totals	<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$ (2,200,000)</u>	<u>\$ -</u>

The note was repaid on August 5, 2012. Interest expense on the note was \$7,333

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended December 31, 2012:

	Balance, 1/1/12	Additions	Deletions	Balance, 12/31/12	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 694,500	\$ -	\$ (75,000)	\$ 619,500	\$ 75,000
Notes payable	-	100,430	-	100,430	25,108
Capital leases payable	539,312	-	(172,909)	366,403	179,682
Totals	<u>\$ 1,233,812</u>	<u>\$ 100,430</u>	<u>\$ (247,909)</u>	<u>\$ 1,086,333</u>	<u>\$ 279,790</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 5,985,000	\$ -	\$ (545,000)	\$ 5,440,000	\$ 545,000
Capital leases payable	135,956	-	(42,772)	93,184	45,270
Totals	<u>\$ 6,120,956</u>	<u>\$ -</u>	<u>\$ (587,772)</u>	<u>\$ 5,533,184</u>	<u>\$ 590,270</u>

TOWN OF KILLINGTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

Governmental activities debt:

\$550,000, 2007 General Obligation Bonds due in annual principal payments of \$45,000 to \$50,000, through December of 2018. Interest is charged at a rate varying from 4.455% to 5.155% per annum.	\$ 270,000
\$610,000, 2003 General Obligation Bonds due in annual principal payments varying from \$30,000 to \$35,000, through December of 2023. Interest is charged at a rate varying from 1.19% to 4.69% per annum.	330,000
\$19,500, 2011 General Obligation Bonds due in annual principal payments of \$3,900, through May of 2021. Interest is charged at a rate of 0.00% per annum.	19,500
\$100,430, Note payable to People's United Bank due in annual principal payments of \$25,108 through August of 2016. Interest is charged at a rate of 2.75% per annum.	<u>100,430</u>
Total governmental activities debt	<u><u>\$ 719,930</u></u>

Business-type activities debt:

\$5,000,000, 1995 General Obligation Bonds due in annual principal payments of \$20,000 to \$320,000, through December of 2025. Interest is charged at a rate varying from 3.55% to 5.95% per annum.	\$ 1,160,000
\$395,000, 2007 General Obligation Bonds due in annual principal payments varying from \$30,000 to \$35,000, through December of 2018. Interest is charged at a rate varying from 4.455% to 5.155% per annum.	185,000
\$545,000, 2003 General Obligation Bonds due in annual principal payments varying from \$35,000 to \$40,000, through December of 2023. Interest is charged at a rate varying from 2.83% to 4.69% per annum.	385,000
\$1,710,000, 2009 General Obligation Bonds due in annual principal payments varying from \$120,000 to \$195,000, through December of 2019. Interest is charged at a rate varying from 4.875% to 5.415% per annum.	1,190,000
\$2,530,000, 2011 General Obligation Bonds due in annual principal payments varying from \$10,000 to \$290,000, through May of 2021. Interest is charged at a rate of 3.75% per annum.	<u>2,520,000</u>
Total business-type activities debt	<u><u>\$ 5,440,000</u></u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the next five fiscal years ending December 31:

Governmental activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 100,108	\$ 30,570	\$ 130,678
2014	100,108	26,526	126,634
2015	100,107	22,421	122,528
2016	104,007	18,248	122,255
2017	78,900	14,012	92,912
2018-2022	206,700	29,713	236,413
2023-2027	30,000	1,407	31,407
	<u>\$ 719,930</u>	<u>\$ 142,897</u>	<u>\$ 862,827</u>

Business-type activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 545,000	\$ 251,616	\$ 796,616
2014	550,000	221,977	771,977
2015	625,000	191,932	816,932
2016	445,000	158,854	603,854
2017	435,000	139,254	574,254
2018-2022	1,905,000	404,767	2,309,767
2023-2027	935,000	71,782	1,006,782
	<u>\$ 5,440,000</u>	<u>\$ 1,440,182</u>	<u>\$ 6,880,182</u>

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

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable for governmental activities:

The Town leases fire trucks under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in February of 2015. Annual payments are \$155,569.

The Town leases a grader under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in May of 2015. Annual payments are \$38,466.

Future minimum payments by year and in the aggregate under these leases are as follows:

Year Ending	
<u>December 31:</u>	
2013	\$ 194,035
2014	194,035
2015	1
2016	<u>-</u>
Total minimum lease payment	388,071
Less amount representing interest	<u>(21,668)</u>
Present value of future minimum lease payments	<u><u>\$ 366,403</u></u>

The following is a summary of the outstanding capital lease payable for business-type activities:

The Town leases golf carts under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in November of 2014. Annual payments are \$49,643.

TOWN OF KILLINGTON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012

NOTE 6 - LONG TERM DEBT (CONTINUED)

Future minimum payments by year and in the aggregate under this lease is as follows:

Year Ending December 31:	
2013	\$ 49,643
2014	49,643
2015	<u>-</u>
Total minimum lease payment	99,286
Less amount representing interest	<u>(6,102)</u>
Present value of future minimum lease payments	<u><u>\$ 93,184</u></u>

NOTE 7 – NONSPENDABLE FUND BALANCES

At December 31, 2012, the Town had the following nonspendable fund balances:

Prepaid items	<u><u>\$ 14,678</u></u>
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NOTE 8 – RESTRICTED FUND BALANCES

At December 31, 2012, the Town had the following restricted fund balances:

Special revenue funds (Schedule E)	\$ 10
Capital project funds (Schedule G)	82,418
Shelburne Village Cemetery Fund	<u>61,509</u>
	<u><u>\$ 143,937</u></u>

NOTE 9 – COMMITTED FUND BALANCES

At December 31, 2012, the Town had the following committed fund balances:

Capital project funds (Schedule G)	<u><u>\$ 672,405</u></u>
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NOTE 10 – ASSIGNED FUND BALANCES

At December 31, 2012, the Town had the following assigned fund balances:

Capital project funds (Schedule G)	<u><u>\$ 7,415</u></u>
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TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

In addition, the Town is a member of the Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, VLCTHT and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with CIGNA. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11 - RISK MANAGEMENT (CONTINUED)

financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town'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 – DEFICIT FUND BALANCES

At December 31, 2012, the Town had the following deficit fund balances:

Water Study	\$ 7,097
FEMA Irene Storm	<u>341,343</u>
	<u>\$ 348,440</u>

NOTE 14 – LETTER OF CREDIT

At December 31, 2012, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh serving as collateral for its deposits held at TD, Bank, N.A. This letter of credit, which expires at the close of business on January 30, 2013, authorizes one draw only up to the amount of \$100,000.00. There were no draws for the year ended December 31, 2012.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 15 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Town contracted with a vendor to perform culvert repair. The individual hired is related to a highway department employee. For the 2012 year, payments for these services totaled \$21,500.

NOTE 16 - PENSION PLANS

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

The Town participates in the Vermont Municipal Employees' Retirement System (VMERS), a cost sharing multi-employer public employee retirement system with defined benefit and defined contribution pension plans administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The State statutory provisions, found in Section 5062 of Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-8901 or by calling (802) 828-2305.

B. Funding Policy

Defined benefit plan members are required to contribute 4.5% of their annual covered salary, and the Town is required to contribute 5.0% of the employees' compensation. Defined contribution plan members are required to contribute 5% of their annual covered salary, and the Town is required to contribute 5.125%. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended December 31, 2012, 2011, and 2010 were \$30,076, \$36,010 and \$31,401 for the defined benefit plan and \$57,223, \$54,666 and \$52,304 for the defined contribution plan, respectively. The amounts contributed were equal to the required contributions for each year.

TOWN OF KILLINGTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 17 – EXPENDITURES OVER APPROPRIATIONS

At December 31, 2012, the Town had the following overspent appropriations:

Health and Sanitation	\$ 2,570
Highways	51,232
Education	760,476
County tax	2,760
Debt service interest	667
Capital outlay	9,164
Transfers to other funds	55,418
	<u>\$ 882,287</u>

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

TOWN OF KILLINGTON, VERMONT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, January 1,	\$ 770,478	\$ 770,478	\$ 770,478	\$ -
Resources (Inflows):				
Property taxes	13,102,949	13,102,949	13,942,362	839,413
Intergovernmental	316,500	316,500	221,684	(94,816)
Charges for services	111,150	111,150	136,490	25,340
Miscellaneous revenues	262,500	262,500	326,956	64,456
Transfers from other funds	183,304	183,304	198,576	15,272
Amounts Available for Appropriation	<u>14,746,881</u>	<u>14,746,881</u>	<u>15,596,546</u>	<u>849,665</u>
Charges to Appropriations (Outflows):				
General government	847,839	847,839	824,763	23,076
Public safety	377,167	377,167	360,467	16,700
Highways	746,608	746,608	797,840	(51,232)
Health and sanitation	45,530	45,530	48,100	(2,570)
Culture and recreation	307,661	307,661	300,894	6,767
Social services	11,280	11,280	10,905	375
Education	10,144,830	10,144,830	10,905,306	(760,476)
County tax	50,700	50,700	53,460	(2,760)
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	30,433	30,433	31,100	(667)
Capital outlay	28,000	9,000	18,164	(9,164)
Unclassified	440,122	440,122	434,123	5,999
Transfers to other funds	878,149	897,149	952,567	(55,418)
Total Charges to Appropriations	<u>13,983,319</u>	<u>13,983,319</u>	<u>14,812,689</u>	<u>(829,370)</u>
Budgetary Fund Balance, December 31	<u>\$ 763,562</u>	<u>\$ 763,562</u>	<u>\$ 783,857</u>	<u>\$ 20,295</u>
Utilization of Unassigned Fund Balance	<u>\$ 6,916</u>	<u>\$ 6,916</u>	<u>\$ -</u>	<u>\$ (6,916)</u>
	<u>\$ 6,916</u>	<u>\$ 6,916</u>	<u>\$ -</u>	<u>\$ (6,916)</u>

See accompanying independent auditors' report.

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.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- 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 Capital Projects 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

TOWN OF KILLINGTON, VERMONT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 13,102,949	\$ 13,102,949	\$ 13,942,362	\$ 839,413
Intergovernmental revenues:				
Federal and State payments	100,000	100,000	134,447	34,447
State Aid - Highways	56,000	56,000	62,399	6,399
Tax collection fee from state	24,500	24,500	24,838	338
Other	136,000	136,000	-	(136,000)
Charges for services:				
Fees and fines	18,450	18,450	17,785	(665)
Lister revenue	-	-	414	414
Clerk revenue	35,000	35,000	49,357	14,357
Zoning revenue	7,000	7,000	7,184	184
Recreation revenue	27,700	27,700	37,974	10,274
Solid waste revenue	23,000	23,000	23,776	776
Other income:				
Killington agreement payment	21,000	21,000	31,106	10,106
Interest and penalties	115,000	115,000	145,736	30,736
Other income	126,500	126,500	150,114	23,614
Transfers in	183,304	183,304	198,576	15,272
TOTAL REVENUES	<u>\$ 13,976,403</u>	<u>\$ 13,976,403</u>	<u>\$ 14,826,068</u>	<u>\$ 849,665</u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
EXPENDITURES					
General government:					
Legislating	\$ 4,650	\$ -	\$ 4,650	\$ 3,316	\$ 1,334
Managing municipality	104,050	-	104,050	101,655	2,395
Town meeting & elections	6,000	-	6,000	4,358	1,642
Town/school treasurer	6,000	-	6,000	6,000	-
Bookkeeping & secretarial	43,918	-	43,918	41,891	2,027
Auditing	31,850	-	31,850	17,305	14,545
Listing	42,450	-	42,450	31,192	11,258
Tax collecting	8,175	-	8,175	11,216	(3,041)
Town clerk	44,150	-	44,150	46,296	(2,146)
Legal services	6,500	-	6,500	3,413	3,087
Insurance	53,000	-	53,000	48,573	4,427
Planning comm. & Board of Adj.	12,400	-	12,400	7,833	4,567
Town planner & zoning	59,607	-	59,607	55,202	4,405
Town buildings	19,700	-	19,700	19,347	353
Office equipment	17,500	-	17,500	19,622	(2,122)
Employee benefits	387,889	-	387,889	407,544	(19,655)
	<u>847,839</u>	<u>-</u>	<u>847,839</u>	<u>824,763</u>	<u>23,076</u>
Public safety:					
Constables	65,450	-	65,450	62,039	3,411
Fire department	276,637	-	276,637	245,754	30,883
Traffic control devices	7,000	-	7,000	4,751	2,249
Fire warden	200	-	200	200	-
Ambulance service	4,380	-	4,380	3,244	1,136
Street lights	23,500	-	23,500	44,479	(20,979)
	<u>377,167</u>	<u>-</u>	<u>377,167</u>	<u>360,467</u>	<u>16,700</u>

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Highways:					
Summer roads	158,420	-	158,420	148,945	9,475
Winter roads	254,574	-	254,574	285,363	(30,789)
Bridge & large culvert	10,000	-	10,000	17,181	(7,181)
Alpine drive culvert	-	-	-	119,961	(119,961)
Walkway, welcome signs, roadway	29,300	-	29,300	29,050	250
Town garage	36,500	-	36,500	36,746	(246)
Vehicles	175,200	-	175,200	160,594	14,606
Flood expenses	80,000	-	80,000	-	80,000
FEMA	2,614	-	2,614	-	2,614
	<u>746,608</u>	<u>-</u>	<u>746,608</u>	<u>797,840</u>	<u>(51,232)</u>
Health and sanitation:					
Solid waste	45,530	-	45,530	48,100	(2,570)
	<u>45,530</u>	<u>-</u>	<u>45,530</u>	<u>48,100</u>	<u>(2,570)</u>
Culture and recreation:					
Library	182,061	-	182,061	180,139	1,922
Recreation	122,300	-	122,300	120,392	1,908
Teen center	3,300	-	3,300	363	2,937
	<u>307,661</u>	<u>-</u>	<u>307,661</u>	<u>300,894</u>	<u>6,767</u>
Social services	<u>11,280</u>	<u>-</u>	<u>11,280</u>	<u>10,905</u>	<u>375</u>
Education	<u>10,144,830</u>	<u>-</u>	<u>10,144,830</u>	<u>10,905,306</u>	<u>(760,476)</u>

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
County tax	50,700	-	50,700	53,460	(2,760)
Debt service:					
Principal	75,000	-	75,000	75,000	-
Interest	30,433	-	30,433	31,100	(667)
	<u>105,433</u>	<u>-</u>	<u>105,433</u>	<u>106,100</u>	<u>(667)</u>
Capital outlay					
Recreation	20,000	(19,000)	1,000	10,164	(9,164)
Killington Road Walkway	8,000	-	8,000	8,000	-
	<u>28,000</u>	<u>(19,000)</u>	<u>9,000</u>	<u>18,164</u>	<u>(9,164)</u>
Unclassified:					
Economic Development & Tourism	440,122	-	440,122	427,158	12,964
SFD #1	-	-	-	6,965	(6,965)
	<u>440,122</u>	<u>-</u>	<u>440,122</u>	<u>434,123</u>	<u>5,999</u>

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Transfers out:					
Town office capital fund	4,000	-	4,000	4,000	-
Recreation capital fund	-	19,000	19,000	19,000	-
Library capital fund	5,000	-	5,000	5,000	-
Bituminous resurfacing capital fund	150,000	-	150,000	150,000	-
Equipment replacement capital fund	100,000	-	100,000	100,000	-
Cemeteries	4,000	-	4,000	4,000	-
Golf course	82,000	-	82,000	82,000	-
Golf course debt refunding	533,149	-	533,149	588,567	(55,418)
	<u>878,149</u>	<u>19,000</u>	<u>897,149</u>	<u>952,567</u>	<u>(55,418)</u>
 Total Expenditures	 <u>\$ 13,983,319</u>	 <u>\$ -</u>	 <u>\$ 13,983,319</u>	 <u>\$ 14,812,689</u>	 <u>\$ (829,370)</u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 10	\$ 104,347	\$ 104,357
Investments	-	315,359	315,359
Due from other funds	-	342,532	342,532
TOTAL ASSETS	<u>\$ 10</u>	<u>\$ 762,238</u>	<u>\$ 762,248</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	7,097	7,097
TOTAL LIABILITIES	<u>-</u>	<u>7,097</u>	<u>7,097</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	10	82,418	82,428
Committed	-	672,405	672,405
Assigned	-	7,415	7,415
Unassigned	-	(7,097)	(7,097)
TOTAL FUND BALANCES	<u>10</u>	<u>755,141</u>	<u>755,151</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10</u>	<u>\$ 762,238</u>	<u>\$ 762,248</u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ 2	\$ -	\$ 2
Other	350	87,081	87,431
TOTAL REVENUES	<u>352</u>	<u>87,081</u>	<u>87,433</u>
EXPENDITURES			
Capital outlay	-	265,571	265,571
Program expenses	2,128	175,464	177,592
TOTAL EXPENDITURES	<u>2,128</u>	<u>441,035</u>	<u>443,163</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,776)</u>	<u>(353,954)</u>	<u>(355,730)</u>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	100,430	100,430
Operating Transfers In	-	139,000	139,000
Operating Transfers (Out)	(183,304)	(15,272)	(198,576)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(183,304)</u>	<u>224,158</u>	<u>40,854</u>
NET CHANGE IN FUND BALANCES	(185,080)	(129,796)	(314,876)
FUND BALANCES - JANUARY 1	<u>185,090</u>	<u>884,937</u>	<u>1,070,027</u>
FUND BALANCES - DECEMBER 31	<u>\$ 10</u>	<u>\$ 755,141</u>	<u>\$ 755,151</u>

See accompanying independent auditors' report.

Special Revenue Funds Description

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

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012

	Economic Development and Tourism Fund	Fireworks Fund	Perry Film Restoration	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 10	\$ 10
Due from other funds	-	-	-	-
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 10</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	10	10
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>10</u></u>	<u><u>10</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 10</u></u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Economic Development and Tourism Fund	Fireworks Fund	Perry Film Restoration	Totals
REVENUES				
Interest income	\$ -	\$ 2	\$ -	\$ 2
Other income	-	350	-	350
TOTAL REVENUES	-	352	-	352
EXPENDITURES				
Program Expenses	-	2,128	-	2,128
TOTAL EXPENDITURES	-	2,128	-	2,128
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,776)	-	(1,776)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(183,304)	-	-	(183,304)
TOTAL OTHER FINANCING SOURCES (USES)	(183,304)	-	-	(183,304)
NET CHANGE IN FUND BALANCES	(183,304)	(1,776)	-	(185,080)
FUND BALANCES - JANUARY 1	183,304	1,776	10	185,090
FUND BALANCES - DECEMBER 31	\$ -	\$ -	\$ 10	\$ 10

See accompanying independent auditors' report.

Capital Project 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.

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2012

	<u>Gateway Beautification</u>	<u>Recreation Donations</u>	<u>Record Restoration</u>	<u>State Reappraisal Grants</u>	<u>Golf Course Promotion Reserve</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Due from other funds	-	-	40,257	50,910	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,257</u>	<u>\$ 50,910</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	50,910	-
Committed	-	-	40,257	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>40,257</u>	<u>50,910</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,257</u>	<u>\$ 50,910</u>	<u>\$ -</u>

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2012

	Killington Road Walkway	Equipment Replacement	Water Study	Winter Swim	Winter Sand Pile Building	SVFD Capital Account	Town Office Capital Fund
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,347	\$ -
Investments	-	-	-	-	-	315,359	-
Due from other funds	24,561	78,925	-	3,880	70,000	-	10,480
TOTAL ASSETS	\$ 24,561	\$ 78,925	\$ -	\$ 3,880	\$ 70,000	\$ 419,706	\$ 10,480
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	7,097	-	-	-	-
TOTAL LIABILITIES	-	-	7,097	-	-	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	24,561	78,925	-	-	70,000	419,706	10,480
Assigned	-	-	-	3,880	-	-	-
Unassigned	-	-	(7,097)	-	-	-	-
TOTAL FUND BALANCES	24,561	78,925	(7,097)	3,880	70,000	419,706	10,480
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,561	\$ 78,925	\$ -	\$ 3,880	\$ 70,000	\$ 419,706	\$ 10,480

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2012

	Library Capital Fund	Recreation Capital Improvement	Bridge Capital Fund	Traffic Control Devices	Planning Technical Services	Teen Center
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from other funds	18,378	-	10,000	6,150	4,907	5,269
TOTAL ASSETS	\$ 18,378	\$ -	\$ 10,000	\$ 6,150	\$ 4,907	\$ 5,269
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	6,150	4,907	5,269
Committed	18,378	-	10,000	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	18,378	-	10,000	6,150	4,907	5,269
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,378	\$ -	\$ 10,000	\$ 6,150	\$ 4,907	\$ 5,269

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2012

	Health Insurance Reserve	Wellness	Extra Tax Sale Receipts	Zoning Deposits	Swim Team Donations	Library Leggett Donation Fund	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,347
Investments	-	-	-	-	-	-	315,359
Due from other funds	98	6,395	-	1,903	3,535	6,884	342,532
TOTAL ASSETS	<u>\$ 98</u>	<u>\$ 6,395</u>	<u>\$ -</u>	<u>\$ 1,903</u>	<u>\$ 3,535</u>	<u>\$ 6,884</u>	<u>\$ 762,238</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	7,097
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,097</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	6,395	-	1,903	-	6,884	82,418
Committed	98	-	-	-	-	-	672,405
Assigned	-	-	-	-	3,535	-	7,415
Unassigned	-	-	-	-	-	-	(7,097)
TOTAL FUND BALANCES	<u>98</u>	<u>6,395</u>	<u>-</u>	<u>1,903</u>	<u>3,535</u>	<u>6,884</u>	<u>755,141</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 98</u>	<u>\$ 6,395</u>	<u>\$ -</u>	<u>\$ 1,903</u>	<u>\$ 3,535</u>	<u>\$ 6,884</u>	<u>\$ 762,238</u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Gateway Beautification	Recreation Donations	Record Restoration	State Reappraisal Grants	Golf Course Promotion Reserve
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	190	11,157	29,108	-
TOTAL REVENUES	<u>-</u>	<u>190</u>	<u>11,157</u>	<u>29,108</u>	<u>-</u>
EXPENDITURES					
Capital outlay	-	-	-	-	-
Program Expenses	-	13,093	18,039	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>13,093</u>	<u>18,039</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(12,903)</u>	<u>(6,882)</u>	<u>29,108</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Operating Transfers In	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	(15,272)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,272)</u>
NET CHANGE IN FUND BALANCES	-	(12,903)	(6,882)	29,108	(15,272)
FUND BALANCES - JANUARY 1	<u>-</u>	<u>12,903</u>	<u>47,139</u>	<u>21,802</u>	<u>15,272</u>
FUND BALANCES - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,257</u>	<u>\$ 50,910</u>	<u>\$ -</u>

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Killington Road Walkway	Equipment Replacement	Water Study	Winter Swim	Winter Sand Pile Building	SVFD Capital Account	Town Office Capital Fund
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	8,000	-	6,539	3,880	-	1,401	-
TOTAL REVENUES	<u>8,000</u>	<u>-</u>	<u>6,539</u>	<u>3,880</u>	<u>-</u>	<u>1,401</u>	<u>-</u>
EXPENDITURES							
Capital outlay	-	210,002	-	-	-	55,569	-
Program Expenses	16,975	-	13,636	-	-	-	-
TOTAL EXPENDITURES	<u>16,975</u>	<u>210,002</u>	<u>13,636</u>	<u>-</u>	<u>-</u>	<u>55,569</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,975)</u>	<u>(210,002)</u>	<u>(7,097)</u>	<u>3,880</u>	<u>-</u>	<u>(54,168)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	100,430	-	-	-	-	-
Operating Transfers In	-	100,000	-	-	-	-	4,000
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>200,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
NET CHANGE IN FUND BALANCES	(8,975)	(9,572)	(7,097)	3,880	-	(54,168)	4,000
FUND BALANCES - JANUARY 1	<u>33,536</u>	<u>88,497</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>473,874</u>	<u>6,480</u>
FUND BALANCES - DECEMBER 31	<u>\$ 24,561</u>	<u>\$ 78,925</u>	<u>\$ (7,097)</u>	<u>\$ 3,880</u>	<u>\$ 70,000</u>	<u>\$ 419,706</u>	<u>\$ 10,480</u>

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Library Capital Fund	Recreation Capital Improvement	Bridge Capital Fund	Traffic Control Devices	Planning Technical Services	Teen Center
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	17,176	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>17,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Capital outlay	-	-	-	-	-	-
Program Expenses	-	102,714	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>102,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(85,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	-	-	-
Operating Transfers In	5,000	20,000	10,000	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	5,000	(65,538)	10,000	-	-	-
FUND BALANCES - JANUARY 1	<u>13,378</u>	<u>65,538</u>	<u>-</u>	<u>6,150</u>	<u>4,907</u>	<u>5,269</u>
FUND BALANCES - DECEMBER 31	<u>\$ 18,378</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 6,150</u>	<u>\$ 4,907</u>	<u>\$ 5,269</u>

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Health Insurance Reserve	Wellness	Extra Tax Sale Receipts	Zoning Deposits	Swim Team Donations	Library Leggett Donation Fund	Totals
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	98	-	-	505	3,022	6,005	87,081
TOTAL REVENUES	<u>98</u>	<u>-</u>	<u>-</u>	<u>505</u>	<u>3,022</u>	<u>6,005</u>	<u>87,081</u>
EXPENDITURES							
Capital outlay	-	-	-	-	-	-	265,571
Program Expenses	-	278	168	150	3,309	7,102	175,464
TOTAL EXPENDITURES	<u>-</u>	<u>278</u>	<u>168</u>	<u>150</u>	<u>3,309</u>	<u>7,102</u>	<u>441,035</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>98</u>	<u>(278)</u>	<u>(168)</u>	<u>355</u>	<u>(287)</u>	<u>(1,097)</u>	<u>(353,954)</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	100,430
Operating Transfers In	-	-	-	-	-	-	139,000
Operating Transfers (Out)	-	-	-	-	-	-	(15,272)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,158</u>
NET CHANGE IN FUND BALANCES	98	(278)	(168)	355	(287)	(1,097)	(129,796)
FUND BALANCES - JANUARY 1	<u>-</u>	<u>6,673</u>	<u>168</u>	<u>1,548</u>	<u>3,822</u>	<u>7,981</u>	<u>884,937</u>
FUND BALANCES - DECEMBER 31	<u>\$ 98</u>	<u>\$ 6,395</u>	<u>\$ -</u>	<u>\$ 1,903</u>	<u>\$ 3,535</u>	<u>\$ 6,884</u>	<u>\$ 755,141</u>

See accompanying independent auditors' report.

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 assets.

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
DECEMBER 31, 2012

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Public safety	\$ -	\$ -	\$ 721,210	\$ -	\$ 721,210
Highways	1,425,641	610,000	543,169	119,961	2,698,771
Library	-	565,336	-	-	565,336
Recreation	-	80,595	18,011	-	98,606
Golf course	-	5,940,000	258,940	-	6,198,940
Sewer fund	-	-	1,710,000	-	1,710,000
Total General Capital Assets	1,425,641	7,195,931	3,251,330	119,961	11,992,863
Less: Accumulated Depreciation	-	(3,337,333)	(426,172)	-	(3,763,505)
Net General Capital Assets	<u>\$ 1,425,641</u>	<u>\$ 3,858,598</u>	<u>\$ 2,825,158</u>	<u>\$ 119,961</u>	<u>\$ 8,229,358</u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Capital Assets 1/1/12	Additions	Deletions	General Capital Assets 12/31/12
Public safety	\$ 721,210	\$ -	\$ -	\$ 721,210
Highways	2,269,202	429,569	-	2,698,771
Library	550,000	15,336	-	565,336
Recreation	-	98,606	-	98,606
Golf course	6,164,720	34,220	-	6,198,940
Sewer fund	1,710,000	-	-	1,710,000
Total General Capital Assets	11,415,132	577,731	-	11,992,863
Less: Accumulated Depreciation	<u>(3,349,492)</u>	<u>(414,013)</u>	<u>-</u>	<u>(3,763,505)</u>
Net General Capital Assets	<u>\$ 8,065,640</u>	<u>\$ 163,718</u>	<u>\$ -</u>	<u>\$ 8,229,358</u>

See accompanying independent auditors' report.

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
Department of Homeland Security Pass through State of Vermont Disaster Grants - Public Assistance	97.036	N/A	\$ 688,429
Total Department of Homeland Security			<u>688,429</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 688,429</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Killington, Vermont. 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) 97.036 – Public assistance grants



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

January 25, 2013

Board of Selectmen
Town of Killington
Killington, Maine

We have audited the financial statements of the Town of Killington, Vermont, as of and for the year ended December 31, 2012, and have issued our report thereon dated January 25, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Killington, Vermont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Killington, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Killington, Vermont'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*.

We noted certain other matters that we reported to management of the Town of Killington, Vermont in a separate letter dated February 8, 2013.

This report is intended solely for the information of the Board of Selectmen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Certified Public Accountants



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

January 25, 2013

Board of Selectmen
Town of Killington
Killington, Maine

Compliance

We have audited the compliance of Town of Killington, Vermont, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2012. Town of Killington, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Killington, Vermont's management. Our responsibility is to express an opinion on Town of Killington, Vermont's compliance based on our audit.

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 Town of Killington, Vermont'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. Our audit does not provide a legal determination on Town of Killington, Vermont's compliance with those requirements.

In our opinion, Town of Killington, Vermont, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2012.

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Internal Control Over Compliance

The management of Town of Killington, Vermont is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Killington, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Town of Killington, Vermont'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 a material with a type of compliance requirement of a federal program will not be prevented or detected and correct, 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Certified Public Accountants

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public assistance grants

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

Auditee qualified as low-risk auditee? ___yes X no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None