

Federal Compliance Audit

Town of Killington, Vermont

December 31, 2013



*Proven Expertise and Integrity*

TOWN OF KILLINGTON, VERMONT

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DECEMBER 31, 2013

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Killington  
Killington, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Killington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Killington as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Killington's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the Town of Killington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in considering the Town of Killington's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
February 7, 2014

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**(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, 2013. 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 Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

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

Both of the above mentioned financial statements have separate columns for the two different types of 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 position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$895,188 from \$4,334,057 to \$5,229,245. For business-type activities, the Town's total net position increased by \$187,619 from a deficit of \$746,058 to a deficit of \$558,439.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for the governmental activities to a balance of \$986,420 at the end of the fiscal year. For the business-type activities, unrestricted net position decreased to a deficit balance of \$2,459,550.

**Table 1**  
**Town of Killington, Vermont**  
**Net Position**  
**December 31,**

	Governmental Activities		Business-type Activities	
	2013	2012 (Restated)	2013	2012
<b>Assets:</b>				
Current and Other Assets	\$ 5,820,871	\$ 6,426,326	\$ 102,847	\$ 84,328
Capital Assets	4,623,541	3,621,500	4,334,025	4,607,858
Total Assets	10,444,412	10,047,826	4,436,872	4,692,186
<b>Liabilities:</b>				
Current Liabilities	4,695,451	4,907,226	650,311	495,330
Long-term Debt Outstanding	519,716	806,543	4,345,000	4,942,914
Total Liabilities	5,215,167	5,713,769	4,995,311	5,438,244
<b>Net Position:</b>				
Invested in Capital Assets, Net of Related Debt	3,816,997	2,535,167	1,901,111	1,594,674
Restricted: Special Revenue Funds	1,785	10	-	-
Capital Project Funds	358,334	82,418	-	-
Permanent Funds	65,709	64,417	-	-
Unrestricted (deficit)	986,420	1,652,045	(2,459,550)	(2,340,732)
Total Net Position	\$ 5,229,245	\$ 4,334,057	\$ (558,439)	\$ (746,058)

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2013</u>	<u>2012 (Restated)</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 139,269	\$ 136,490	\$ 1,384,771	\$ 1,426,348
Operating grants and contributions	131,231	62,399	-	-
Capital grants and contributions	186,675	1,662,634	-	-
<i>General Revenues:</i>				
Taxes	13,860,545	13,888,387	-	-
Grants and contributions not restricted to specific programs	282,209	159,285	-	-
Miscellaneous	453,020	425,967	22,668	54,769
<b>Total Revenues</b>	<u>15,052,949</u>	<u>16,335,162</u>	<u>1,407,439</u>	<u>1,481,117</u>
<b>Expenses</b>				
General government	805,920	824,763	-	-
Public safety	420,891	432,588	-	-
Highways	837,502	843,929	-	-
Health and sanitation	44,494	48,100	-	-
Culture and recreation	348,960	319,227	-	-
Social services	10,905	10,905	-	-
Education	10,724,442	10,905,306	-	-
County tax	54,185	53,460	-	-
Interest on long-term debt	26,332	31,100	216,331	284,433
Capital outlay	390,524	658,129	-	-
Sewer	-	-	83,579	71,202
Golf course	-	-	1,224,034	1,278,230
Unclassified	189,482	438,806	-	-
<b>Total Expenses</b>	<u>13,853,637</u>	<u>14,566,313</u>	<u>1,523,944</u>	<u>1,633,865</u>
<b>Change in Net Position</b>	1,199,312	1,768,849	(116,505)	(152,748)
Transfers	(304,124)	(663,567)	304,124	663,567
<b>Net Position - January 1</b>	<u>4,334,057</u>	<u>3,228,775</u>	<u>(746,058)</u>	<u>(1,256,877)</u>
<b>Net Position - December 31</b>	<u>\$ 5,229,245</u>	<u>\$ 4,334,057</u>	<u>\$ (558,439)</u>	<u>\$ (746,058)</u>

## Revenues and Expenses

Revenues for the Town's governmental activities decreased by 7.85%, while total expenses decreased by 4.89%. The Town's decrease in revenues and expenditures was primarily due to receipt of less federal disaster relief funding and subsequent capital costs than in the previous fiscal year, as projects are nearing completion. Additional expenditure declines were realized in education and economic development and tourism.

Proprietary fund revenues decreased by 4.97%, while total expenses decreased by 6.73%. Most of the proprietary fund decrease in revenues and expenditures was due to declines in golf course revenue and expenses, including reductions to interest on long-term debt.

### 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,**

	<b>2013</b>	<b>2012 (Restated)</b>
General Fund:		
Nonspendable	\$ 12,506	\$ 14,678
Unassigned	653,046	769,179
Total General Fund	\$ 665,552	\$ 783,857
FEMA Irene Storm:		
Unassigned	\$ (997,780)	\$ (341,343)
Total FEMA Irene Storm	\$ (997,780)	\$ (341,343)
Shelburne Village Cemetery Fund		
Restricted	\$ 65,709	\$ 64,417
Total Shelburne Village Cemetery Fund	\$ 65,709	\$ 64,417
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 1,785	\$ 10
Capital Projects Funds:		
Restricted	358,334	82,418
Committed	853,609	672,405
Assigned	15,880	7,415
Unassigned	(77,025)	(7,097)
Total Nonmajor Funds	\$ 1,152,583	\$ 755,151

The general fund total fund balance decreased by \$118,305 from the prior fiscal year. The FEMA Irene Storm decreased by \$656,437 from the prior fiscal year. The Shelburne Village Cemetery Fund increased by \$1,292 from the prior fiscal year. The non-major fund balances increased by \$397,432 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 \$993 versus last year of \$864. The Route 4 Sewer Fund also had an increase in net assets this year of \$90,650 versus last year of \$45,490. Likewise, the Golf Course had an increase in net assets this year of \$95,976 versus last year of \$464,465.

### **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 \$326,082. All revenue categories exceeded budget across the board.

The general fund actual expenditures were below budget by \$96,120. Most of the favorable variance was the result of lower than anticipated general government, public safety and unclassified expenses, partially offset by high than anticipated highway department costs.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of December 31, 2013, the net book value of capital assets recorded by the Town increased by \$728,208 from the prior year. The increase is the result of capital additions of \$1,197,760 less current year depreciation of \$469,552.

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

	<b>2013</b>	<b>2012</b>
Construction in progress	\$ 2,268,753	\$ 1,425,641
Buildings, building improvements and land improvements	3,632,734	3,858,598
Machinery, equipment and vehicles	2,719,306	2,825,158
Infrastructure	336,773	119,961
<b>Total</b>	<b>\$ 8,957,566</b>	<b>\$ 8,229,358</b>

## **Debt**

At December 31, 2013, the Town had \$5.75 million in bonds, notes and capital leases outstanding versus \$6.62 million last year, a decrease of 13.14%. 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 has fallen below a level sufficient to sustain government operations for a period of approximately two months. However, the Town continues to maintain 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 POSITION  
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,803,973	\$ 14,191	\$ 4,818,164
Investments	49,502	-	49,502
Accounts receivable (net of allowance for uncollectibles):			
Taxes	747,703	-	747,703
Other	154,790	88,656	243,446
Prepaid items	12,506	-	12,506
Internal balances	52,397	(52,397)	-
Total current assets	<u>5,820,871</u>	<u>50,450</u>	<u>5,871,321</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,268,753	-	2,268,753
Depreciable assets, net of accumulated depreciation	2,354,788	4,334,025	6,688,813
Total noncurrent assets	<u>4,623,541</u>	<u>4,334,025</u>	<u>8,957,566</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,444,412</u>	<u>\$ 4,384,475</u>	<u>\$ 14,828,887</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to other governments	\$ 4,405,871	\$ -	\$ 4,405,871
Accrued expenses	2,752	-	2,752
Current portion of long-term obligations	286,828	597,914	884,742
Total current liabilities	<u>4,695,451</u>	<u>597,914</u>	<u>5,293,365</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	469,500	4,345,000	4,814,500
Notes payable	50,215	-	50,215
Capital leases payable	1	-	1
Total noncurrent liabilities	<u>519,716</u>	<u>4,345,000</u>	<u>4,864,716</u>
<b>TOTAL LIABILITIES</b>	<u>5,215,167</u>	<u>4,942,914</u>	<u>10,158,081</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,816,997	1,901,111	5,718,108
Restricted	425,828	-	425,828
Unrestricted	986,420	(2,459,550)	(1,473,130)
<b>TOTAL NET POSITION</b>	<u>5,229,245</u>	<u>(558,439)</u>	<u>4,670,806</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 10,444,412</u>	<u>\$ 4,384,475</u>	<u>\$ 14,828,887</u>

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

## TOWN OF KILLINGTON, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Totals
Governmental activities:							
General government	\$ 805,920	\$ 70,752	\$ -	\$ -	\$ (735,168)	\$ -	\$ (735,168)
Public safety	420,891	-	-	-	(420,891)	-	(420,891)
Highways	837,502	-	84,225	186,675	(566,602)	-	(566,602)
Health and sanitation	44,494	24,873	-	-	(19,621)	-	(19,621)
Culture and recreation	348,960	43,644	-	-	(305,316)	-	(305,316)
Social services	10,905	-	-	-	(10,905)	-	(10,905)
Education	10,724,442	-	-	-	(10,724,442)	-	(10,724,442)
County tax	54,185	-	-	-	(54,185)	-	(54,185)
Interest on long-term debt	26,332	-	-	-	(26,332)	-	(26,332)
Capital outlay	390,524	-	-	-	(390,524)	-	(390,524)
Unclassified	189,482	-	47,006	-	(142,476)	-	(142,476)
Total governmental activities	<u>13,853,637</u>	<u>139,269</u>	<u>131,231</u>	<u>186,675</u>	<u>(13,396,462)</u>	<u>-</u>	<u>(13,396,462)</u>
Business-type activities:							
Alpine Drive Sewer Fund	3,862	4,855	-	-	-	993	993
Rt. 4 Sewer Fund	104,939	195,589	-	-	-	90,650	90,650
Golf Course	1,415,143	1,184,327	-	-	-	(230,816)	(230,816)
Total business-type activities	<u>1,523,944</u>	<u>1,384,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,173)</u>	<u>(139,173)</u>
Total government	<u>\$ 15,377,581</u>	<u>\$ 1,524,040</u>	<u>\$ 131,231</u>	<u>\$ 186,675</u>	<u>(13,396,462)</u>	<u>(139,173)</u>	<u>(13,535,635)</u>

STATEMENT B (CONTINUED)

TOWN OF KILLINGTON, VERMONT

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Totals</u>
Changes in net position:			
Net (expense) revenue	<u>(13,396,462)</u>	<u>(139,173)</u>	<u>(13,535,635)</u>
General revenues:			
Taxes, levied for general purposes	13,860,545	-	13,860,545
Grants and contributions not restricted to specific programs	282,209	-	282,209
Miscellaneous	453,020	22,668	475,688
Transfers	<u>(304,124)</u>	<u>304,124</u>	<u>-</u>
Total general revenues and transfers	<u>14,291,650</u>	<u>326,792</u>	<u>14,618,442</u>
Change in net position	895,188	187,619	1,082,807
NET POSITION - JANUARY 1, RESTATED	<u>4,334,057</u>	<u>(746,058)</u>	<u>3,587,999</u>
NET POSITION - DECEMBER 31	<u>\$ 5,229,245</u>	<u>\$ (558,439)</u>	<u>\$ 4,670,806</u>

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

## TOWN OF KILLINGTON, VERMONT

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	General Fund	FEMA Irene Storm	Sherburne Village Cemetery Fund	All Nonmajor Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,365,395	\$ -	\$ 16,207	\$ 422,371	\$ 4,803,973
Investments	-	-	49,502	-	49,502
Accounts receivable (net of allowance for uncollectibles):					
Taxes	747,703	-	-	-	747,703
Other	154,790	-	-	-	154,790
Prepaid items	12,506	-	-	-	12,506
Due from other funds	1,152,055	-	-	807,237	1,959,292
<b>TOTAL ASSETS</b>	<b>\$ 6,432,449</b>	<b>\$ -</b>	<b>\$ 65,709</b>	<b>\$ 1,229,608</b>	<b>\$ 7,727,766</b>
<b>LIABILITIES</b>					
Due to other funds	\$ 832,090	\$ 997,780	\$ -	\$ 77,025	\$ 1,906,895
Accrued expenses	2,752	-	-	-	2,752
Due to other governments	4,405,871	-	-	-	4,405,871
<b>TOTAL LIABILITIES</b>	<b>5,240,713</b>	<b>997,780</b>	<b>-</b>	<b>77,025</b>	<b>6,315,518</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred tax revenues	526,184	-	-	-	526,184
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>526,184</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526,184</b>
<b>FUND BALANCES</b>					
Nonspendable	12,506	-	-	-	12,506
Restricted	-	-	65,709	360,119	425,828
Committed	-	-	-	853,609	853,609
Assigned	-	-	-	15,880	15,880
Unassigned	653,046	(997,780)	-	(77,025)	(421,759)
<b>TOTAL FUND BALANCES</b>	<b>665,552</b>	<b>(997,780)</b>	<b>65,709</b>	<b>1,152,583</b>	<b>886,064</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,432,449</b>	<b>\$ -</b>	<b>\$ 65,709</b>	<b>\$ 1,229,608</b>	<b>\$ 7,727,766</b>

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 POSITION  
DECEMBER 31, 2013

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 886,064
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	4,623,541
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	526,184
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(544,500)
Notes payable	(75,323)
Capital leases payable	<u>(186,721)</u>
Net position of governmental activities	<u>\$ 5,229,245</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, 2013

	General Fund	FEMA Irene Storm	Sherburne Village Cemetery Fund	All Nonmajor Funds	Totals Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 13,871,169	\$ -	\$ -	\$ -	\$ 13,871,169
Intergovernmental	366,434	186,675	-	47,006	600,115
Charges for services	139,269	-	-	-	139,269
Miscellaneous revenues	338,359	-	933	113,728	453,020
<b>TOTAL REVENUES</b>	<b>14,715,231</b>	<b>186,675</b>	<b>933</b>	<b>160,734</b>	<b>15,063,573</b>
<b>EXPENDITURES</b>					
Current:					
General government	805,920	-	-	-	805,920
Public safety	348,770	-	-	-	348,770
Highways	750,694	-	-	-	750,694
Health and sanitation	44,494	-	-	-	44,494
Culture and recreation	319,232	-	-	-	319,232
Social services	10,905	-	-	-	10,905
Education	10,724,442	-	-	-	10,724,442
County tax	54,185	-	-	-	54,185
Unclassified	279,336	-	3,641	111,294	394,271
Debt service:					
Principal	75,000	-	-	-	75,000
Interest	26,332	-	-	-	26,332
Capital outlay	-	843,112	-	738,110	1,581,222
<b>TOTAL EXPENDITURES</b>	<b>13,439,310</b>	<b>843,112</b>	<b>3,641</b>	<b>849,404</b>	<b>15,135,467</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,275,921</b>	<b>(656,437)</b>	<b>(2,708)</b>	<b>(688,670)</b>	<b>(71,894)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	52,000	-	4,000	1,155,745	1,211,745
Operating transfers (out)	(1,446,226)	-	-	(69,643)	(1,515,869)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,394,226)</b>	<b>-</b>	<b>4,000</b>	<b>1,086,102</b>	<b>(304,124)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(118,305)</b>	<b>(656,437)</b>	<b>1,292</b>	<b>397,432</b>	<b>(376,018)</b>
<b>FUND BALANCES - JANUARY 1, RESTATED</b>	<b>783,857</b>	<b>(341,343)</b>	<b>64,417</b>	<b>755,151</b>	<b>1,262,082</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 665,552</b>	<b>\$ (997,780)</b>	<b>\$ 65,709</b>	<b>\$ 1,152,583</b>	<b>\$ 886,064</b>

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, 2013

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (376,018)</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	1,190,698
Capital asset disposals	-
Depreciation expense	<u>(188,657)</u>
	<u>1,002,041</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(10,624)</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 Position	
	<u>279,789</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>-</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 895,188</u></u>

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

## TOWN OF KILLINGTON, VERMONT

BALANCE SHEET – PROPRIETARY FUNDS  
DECEMBER 31, 2013

	Enterprise Funds			
	Alpine Drive Sewer Fund	Route 4 Sewer Fund	Golf Course	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 14,191	\$ 14,191
Accounts receivable (net of allowance for uncollectibles)	-	72,061	16,595	88,656
Due from other funds	24,853	-	-	24,853
Total current assets	<u>24,853</u>	<u>72,061</u>	<u>30,786</u>	<u>127,700</u>
Noncurrent assets:				
Capital assets:				
Land improvements	-	-	5,940,000	5,940,000
Equipment	-	1,710,000	231,782	1,941,782
Vehicles	-	-	34,220	34,220
Less: accumulated depreciation	-	(228,000)	(3,353,977)	(3,581,977)
Total noncurrent assets	<u>-</u>	<u>1,482,000</u>	<u>2,852,025</u>	<u>4,334,025</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,853</u>	<u>\$ 1,554,061</u>	<u>\$ 2,882,811</u>	<u>\$ 4,461,725</u>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities:				
Due to other funds	\$ -	\$ 158	\$ 77,092	\$ 77,250
Current portion of long-term liabilities	-	155,000	442,914	597,914
Total current liabilities	<u>-</u>	<u>155,158</u>	<u>520,006</u>	<u>675,164</u>
Long-term liabilities:				
Bonds payable	-	890,000	3,455,000	4,345,000
Total long-term liabilities	<u>-</u>	<u>890,000</u>	<u>3,455,000</u>	<u>4,345,000</u>
Total liabilities	<u>-</u>	<u>1,045,158</u>	<u>3,975,006</u>	<u>5,020,164</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	-	437,000	1,464,111	1,901,111
Unrestricted (deficit)	24,853	71,903	(2,556,306)	(2,459,550)
<b>TOTAL NET POSITION</b>	<u>24,853</u>	<u>508,903</u>	<u>(1,092,195)</u>	<u>(558,439)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 24,853</u>	<u>\$ 1,554,061</u>	<u>\$ 2,882,811</u>	<u>\$ 4,461,725</u>

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

## TOWN OF KILLINGTON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds			Total
	Alpine Drive Sewer Fund	Route 4 Sewer Fund	Golf Course	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,855	\$ 195,589	\$ 1,184,327	\$ 1,384,771
Other	-	-	22,204	22,204
<b>TOTAL OPERATING REVENUES</b>	<b>4,855</b>	<b>195,589</b>	<b>1,206,531</b>	<b>1,406,975</b>
<b>OPERATING EXPENSES</b>				
Sewer	3,862	22,717	-	26,579
Golf course	-	-	1,000,139	1,000,139
Depreciation	-	57,000	223,895	280,895
<b>TOTAL OPERATING EXPENSES</b>	<b>3,862</b>	<b>79,717</b>	<b>1,224,034</b>	<b>1,307,613</b>
<b>OPERATING INCOME (LOSS)</b>	<b>993</b>	<b>115,872</b>	<b>(17,503)</b>	<b>99,362</b>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Interest income	-	-	464	464
Interest expense	-	(25,222)	(191,109)	(216,331)
Operating transfers in	-	-	637,552	637,552
Operating transfers (out)	-	-	(333,428)	(333,428)
<b>NET NON-OPERATING INCOME (EXPENSE)</b>	<b>-</b>	<b>(25,222)</b>	<b>113,479</b>	<b>88,257</b>
<b>CHANGE IN NET POSITION</b>	<b>993</b>	<b>90,650</b>	<b>95,976</b>	<b>187,619</b>
<b>NET POSITION - JANUARY 1</b>	<b>23,860</b>	<b>418,253</b>	<b>(1,188,171)</b>	<b>(746,058)</b>
<b>NET POSITION - DECEMBER 31</b>	<b>\$ 24,853</b>	<b>\$ 508,903</b>	<b>\$ (1,092,195)</b>	<b>\$ (558,439)</b>

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, 2013

	Enterprise Funds			Total
	Alpine Drive Sewer Fund	Route 4 Sewer Fund	Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 5,089	\$ 166,256	\$ 1,207,715	\$ 1,379,060
Internal activity - receipts (payments) from/to other funds	(1,227)	26,683	121,881	147,337
Payments to employees	-	-	(494,949)	(494,949)
Payments to suppliers	(3,862)	(22,717)	(505,190)	(531,769)
Net cash provided (used) by operating activities	-	170,222	329,457	499,679
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in	-	-	637,552	637,552
Operating transfers (out)	-	-	(333,428)	(333,428)
Net cash provided (used) by noncapital financing activities	-	-	304,124	304,124
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Interest paid on long-term debt	-	(25,222)	(191,109)	(216,331)
Capital asset additions	-	-	(7,062)	(7,062)
Principal payments on long-term debt	-	(145,000)	(445,270)	(590,270)
Net cash provided (used) by capital and related financing activities	-	(170,222)	(643,441)	(813,663)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	-	-	464	464
Net cash provided (used) by investing activities	-	-	464	464
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	-	-	(9,396)	(9,396)
<b>CASH AND CASH EQUIVALENTS - JANUARY 1</b>	-	-	23,587	23,587
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,191</u>	<u>\$ 14,191</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
<b>OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 993	\$ 115,872	\$ (17,503)	\$ 99,362
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	-	57,000	223,895	280,895
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	234	(29,333)	1,184	(27,915)
(Increase) decrease in due from other funds	(1,227)	26,525	44,789	70,087
Increase (decrease) in due to other funds	-	158	77,092	77,250
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ 170,222</u>	<u>\$ 329,457</u>	<u>\$ 499,679</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Cash paid during the year for:				
Interest	<u>\$ -</u>	<u>\$ 25,222</u>	<u>\$ 191,109</u>	<u>\$ 216,331</u>

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

TOWN OF KILLINGTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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).

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 Position, 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 position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function 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 position 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. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these 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, 2013

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 position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the 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, 2013

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, 2013

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, 2013.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**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.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the 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 April 11, 2013 on the assessed value listed as of April 1, 2013, for all real and personal property located in the Town. Taxes were due in two installments on August 15, 2013 and November 1, 2013. Interest and penalties commenced on November 11, 2013, 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, 2013

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, 2013, the Town's cash balance of \$4,818,164 was comprised of deposits amounting to \$5,352,626. Of these deposits, \$552,768 was insured by federal depository insurance or an irrevocable standby letter of credit and consequently was not exposed to custodial credit risk. The remaining deposits of \$4,799,858 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	\$ 116,476
Repurchase agreements	4,799,858
Money market accounts	104,548
Savings accounts	15,707
Cash equivalents	316,038
	<u>\$ 5,352,626</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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, 2013, the Town's investments of \$49,502 were comprised of certificates of deposit. Of this amount, \$49,502 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Bank Balance</u>	<u>N/A</u>	<u>&lt; 1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	<u>\$ 49,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,502</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 formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2013 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 1,152,055	\$ 832,090
FEMA Irene Storm	-	997,780
Capital Project Funds	807,237	77,025
Special Revenue Funds	-	-
Alpine Drive Sewer Fund	24,853	-
Route 4 Sewer Fund	-	158
Golf Course	-	77,092
	<u>\$ 1,984,145</u>	<u>\$ 1,984,145</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at December 31, 2013:

	Balance, 1/1/13	Additions	Disposals	Balance, 12/31/13
<u>Governmental activities</u>				
Non-depreciated assets:				
Construction in progress	\$ 1,425,641	\$ 843,112	\$ -	\$ 2,268,753
	<u>1,425,641</u>	<u>843,112</u>	<u>-</u>	<u>2,268,753</u>
Depreciated assets:				
Buildings & building improvements	1,255,931	20,397	-	1,276,328
Vehicles	939,917	7,680	-	947,597
Machinery & equipment	342,473	94,700	-	437,173
Infrastructure	119,961	224,809	-	344,770
	<u>2,658,282</u>	<u>347,586</u>	<u>-</u>	<u>3,005,868</u>
Less: accumulated depreciation	<u>(462,423)</u>	<u>(188,657)</u>	<u>-</u>	<u>(651,080)</u>
	<u>2,195,859</u>	<u>158,929</u>	<u>-</u>	<u>2,354,788</u>
Net governmental capital assets	<u>\$ 3,621,500</u>	<u>\$ 1,002,041</u>	<u>\$ -</u>	<u>\$ 4,623,541</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
Machinery & equipment	1,710,000	7,062	-	1,717,062
Vehicles	258,940	-	-	258,940
	<u>7,908,940</u>	<u>7,062</u>	<u>-</u>	<u>7,916,002</u>
Less: accumulated depreciation	<u>(3,301,082)</u>	<u>(280,895)</u>	<u>-</u>	<u>(3,581,977)</u>
	<u>4,607,858</u>	<u>(273,833)</u>	<u>-</u>	<u>4,334,025</u>
Net business-type capital assets	<u>\$ 4,607,858</u>	<u>\$ (273,833)</u>	<u>\$ -</u>	<u>\$ 4,334,025</u>
<u>Current year depreciation</u>				
<u>Governmental activities</u>				
Public safety				\$ 72,121
Highway				86,808
Library				19,867
Recreation				9,861
Total governmental activities depreciation expense				<u>\$ 188,657</u>
<u>Business-type activities</u>				
Route 4 Sewer				\$ 57,000
Golf Course				223,895
Total business-type activities depreciation expense				<u>\$ 280,895</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 5 – SHORT-TERM DEBT

The Town issued and repaid a tax revenue anticipation note during the year ended December 31, 2013. 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 15 and November 1. Short-term debt activity for the year was as follows:

	Balance, 1/1/13	Additions	Repayments	Balance, 12/31/13
Tax anticipation note	\$ -	\$ 1,806,400	\$ (1,806,400)	\$ -

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended December 31, 2013:

	Balance, 1/1/13	Additions	Deletions	Balance, 12/31/13	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 619,500	\$ -	\$ (75,000)	\$ 544,500	\$ 75,000
Notes payable	100,430	-	(25,107)	75,323	25,108
Capital leases payable	366,403	-	(179,682)	186,721	186,720
Totals	<u>\$ 1,086,333</u>	<u>\$ -</u>	<u>\$ (279,789)</u>	<u>\$ 806,544</u>	<u>\$ 286,828</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 5,440,000	\$ -	\$ (545,000)	\$ 4,895,000	\$ 550,000
Capital leases payable	93,184	-	(45,270)	47,914	47,914
Totals	<u>\$ 5,533,184</u>	<u>\$ -</u>	<u>\$ (590,270)</u>	<u>\$ 4,942,914</u>	<u>\$ 597,914</u>

TOWN OF KILLINGTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

**Governmental activities bonds and notes payable:**

\$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.	\$ 225,000
\$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.	300,000
\$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.	75,323
Total governmental activities bonds and notes payable	<u>\$ 619,823</u>

**Business-type activities bonds payable:**

\$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.	\$ 840,000
\$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.	150,000
\$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.	350,000
\$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.	1,045,000
\$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.	2,510,000
Total business-type activities bonds payable	<u>\$ 4,895,000</u>

TOWN OF KILLINGTON, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

Governmental activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 100,108	\$ 26,526	\$ 126,634
2015	100,108	22,421	122,529
2016	104,007	18,248	122,255
2017	78,900	14,012	92,912
2018	78,900	10,429	89,329
2019-2023	157,800	20,691	178,491
	<u>\$ 619,823</u>	<u>\$ 112,327</u>	<u>\$ 732,150</u>

Business-type activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	460,000	119,030	579,030
2019-2023	1,780,000	322,449	2,102,449
2024-2028	600,000	35,070	635,070
	<u>\$ 4,895,000</u>	<u>\$ 1,188,566</u>	<u>\$ 6,083,566</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, 2013

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:

<u>Year Ending December 31:</u>		
2014	\$	194,035
2015		1
2016		-
2017		-
Total minimum lease payment		194,036
Less amount representing interest		(7,315)
Present value of future minimum lease payments	\$	186,721

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, 2013

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

<u>Year Ending</u>	
<u>December 31:</u>	
2014	\$ 49,643
2015	-
2016	-
Total minimum lease payment	<u>49,643</u>
Less amount representing interest	<u>(1,729)</u>
Present value of future minimum lease payments	<u><u>\$ 47,914</u></u>

NOTE 7 – NONSPENDABLE FUND BALANCES

At December 31, 2013, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	<u><u>\$ 12,506</u></u>

NOTE 8 – RESTRICTED FUND BALANCES

At December 31, 2013, the Town had the following restricted fund balances:

Special revenue funds (See Schedule E)	\$ 1,785
Capital project funds (See Schedule G)	358,334
Shelburne Village Cemetery Fund	65,709
	<u><u>\$ 425,828</u></u>

NOTE 9 – COMMITTED FUND BALANCES

At December 31, 2013, the Town had the following committed fund balances:

Capital project funds (See Schedule G)	<u><u>\$ 853,609</u></u>
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TOWN OF KILLINGTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 10 – ASSIGNED FUND BALANCES

At December 31, 2013, the Town had the following assigned fund balances:

Capital project funds (See Schedule G)	<u>\$ 15,880</u>
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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 and amounts of settlements have not exceeded insurance coverage in the past three years. 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

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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 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 / NET POSITION

At December 31, 2013, the Town had the following deficit fund balances or net position:

Bituminous Resurfacing	\$ 77,025
FEMA Irene Storm	997,780
Golf Course	1,092,195
	<u>\$ 2,167,000</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 13 – DEFICIT FUND BALANCES / NET POSITION (CONTINUED)

The Town plans to transfer funding from other road projects in fiscal 2014 to eliminate the deficit in the Bituminous Resurfacing fund. The FEMA Irene Storm deficit will be reduced by drawdowns of state and federal funding allocated to this project. Project completion is anticipated in the next fiscal year. The Golf Course fund's deficit net position continues to trend downward, as debt continues to decline, with operating revenues nearly meeting expenses. The Town will continue its efforts to close this funding gap over time.

NOTE 14 – LETTER OF CREDIT

At December 31, 2013, 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 February 12, 2014, authorizes one draw only up to the amount of \$1,250,000. There were no draws for the year ended December 31, 2013.

NOTE 15 - 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.

TOWN OF KILLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE 15 - PENSION PLANS (CONTINUED)

B. Funding Policy

Defined benefit plan members are required to contribute 4.56% of their annual covered salary, and the Town is required to contribute 5.06% of the employees' compensation. Defined contribution plan members are required to contribute 5.00% of their annual covered salary, and the Town is required to contribute 5.13%. 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, 2013, 2012, and 2011 were \$44,011, \$30,076 and \$36,010 for the defined benefit plan and \$40,805, \$57,223 and \$54,666 for the defined contribution plan, respectively. The amounts contributed were equal to the required contributions for each year.

NOTE 16 – EXPENDITURES OVER APPROPRIATIONS

At December 31, 2013, the Town had the following overspent appropriations:

Highways	\$	74,862
Social services		125
County tax		3,485
Transfers to other funds		8,317
	\$	<u>86,789</u>

NOTE 17 – RESTATEMENT

As of January 1, 2012, the Sherburne Village Cemetery Fund's fund balance has been restated by \$2,908. This adjustment was recorded to correct prior year financial statement errors.

## 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, 2013

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, January 1,	\$ 783,857	\$ 783,857	\$ 783,857	\$ -
Resources (Inflows):				
Property taxes	13,711,241	13,711,241	13,871,169	159,928
Intergovernmental	340,500	340,500	366,434	25,934
Charges for services	119,600	119,600	139,269	19,669
Miscellaneous revenues	269,808	269,808	338,359	68,551
Transfers from other funds	-	-	52,000	52,000
Amounts Available for Appropriation	<u>15,225,006</u>	<u>15,225,006</u>	<u>15,551,088</u>	<u>326,082</u>
Charges to Appropriations (Outflows):				
General government	886,346	886,346	805,920	80,426
Public safety	389,117	389,117	348,770	40,347
Highways	675,832	675,832	750,694	(74,862)
Health and sanitation	44,837	44,837	44,494	343
Culture and recreation	322,239	322,239	319,232	3,007
Social services	10,780	10,780	10,905	(125)
Education	10,724,442	10,724,442	10,724,442	-
County tax	50,700	50,700	54,185	(3,485)
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	27,154	27,154	26,332	822
Unclassified	337,300	337,300	279,336	57,964
Transfers to other funds	1,437,909	1,437,909	1,446,226	(8,317)
Total Charges to Appropriations	<u>14,981,656</u>	<u>14,981,656</u>	<u>14,885,536</u>	<u>96,120</u>
Budgetary Fund Balance, December 31	<u>\$ 243,350</u>	<u>\$ 243,350</u>	<u>\$ 665,552</u>	<u>\$ 422,202</u>
Utilization of Unassigned Fund Balance	<u>\$ 540,507</u>	<u>\$ 540,507</u>	<u>\$ -</u>	<u>\$ (540,507)</u>

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

## Other Supplementary Information

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

- 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, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 13,711,241	\$ 13,711,241	\$ 13,871,169	\$ 159,928
Intergovernmental revenues:				
Federal and State payments	120,000	120,000	123,977	3,977
State Aid - Highways	60,000	60,000	84,225	24,225
Tax collection fee from state	24,500	24,500	22,232	(2,268)
Other	136,000	136,000	136,000	-
Charges for services:				
Fees and fines	15,850	15,850	19,973	4,123
Clerk revenue	40,000	40,000	45,625	5,625
Zoning revenue	6,500	6,500	5,154	(1,346)
Recreation revenue	34,250	34,250	43,644	9,394
Solid waste revenue	23,000	23,000	24,873	1,873
Other income:				
Interest and penalties	95,000	95,000	124,450	29,450
Other income	174,808	174,808	213,909	39,101
Transfers in	-	-	52,000	52,000
TOTAL REVENUES	<u>\$ 14,441,149</u>	<u>\$ 14,441,149</u>	<u>\$ 14,767,231</u>	<u>\$ 326,082</u>

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

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>					
General government:					
Legislating	\$ 4,750	\$ -	\$ 4,750	\$ 5,932	\$ (1,182)
Managing municipality	105,550	-	105,550	98,835	6,715
Town meeting & elections	1,500	-	1,500	1,759	(259)
Town/school treasurer	6,000	-	6,000	8,312	(2,312)
Bookkeeping & secretarial	55,697	-	55,697	42,348	13,349
Auditing	34,000	-	34,000	15,367	18,633
Listing	43,594	-	43,594	20,561	23,033
Tax collecting	8,400	-	8,400	6,771	1,629
Town clerk	52,150	-	52,150	47,901	4,249
Board of Civil Authority	5,000	-	5,000	1,585	3,415
Legal services	6,500	-	6,500	9,603	(3,103)
Insurance	50,000	-	50,000	62,112	(12,112)
Planning comm. & Board of Adj.	12,350	-	12,350	3,652	8,698
Town planner & zoning	74,209	-	74,209	71,264	2,945
Town buildings	21,000	-	21,000	25,389	(4,389)
Office equipment	29,500	-	29,500	23,057	6,443
Employee benefits	376,146	-	376,146	361,472	14,674
	<u>886,346</u>	<u>-</u>	<u>886,346</u>	<u>805,920</u>	<u>80,426</u>
Public safety:					
Constables	70,500	-	70,500	52,759	17,741
Fire department	283,437	-	283,437	264,237	19,200
Traffic control devices	7,100	-	7,100	3,501	3,599
Fire warden	200	-	200	-	200
Ambulance service	4,380	-	4,380	3,244	1,136
Street lights	23,500	-	23,500	25,029	(1,529)
	<u>389,117</u>	<u>-</u>	<u>389,117</u>	<u>348,770</u>	<u>40,347</u>

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Highways:					
Summer roads	157,587	-	157,587	135,908	21,679
Winter roads	268,065	-	268,065	308,013	(39,948)
Walkway, welcome signs, roadway	42,700	-	42,700	36,908	5,792
Town garage	31,700	-	31,700	43,068	(11,368)
Vehicles	175,780	-	175,780	226,797	(51,017)
	<u>675,832</u>	<u>-</u>	<u>675,832</u>	<u>750,694</u>	<u>(74,862)</u>
Health and sanitation:					
Solid waste	44,837	-	44,837	44,494	343
	<u>44,837</u>	<u>-</u>	<u>44,837</u>	<u>44,494</u>	<u>343</u>
Culture and recreation:					
Library	189,719	-	189,719	196,318	(6,599)
Recreation	131,320	-	131,320	122,661	8,659
Teen center	1,200	-	1,200	253	947
	<u>322,239</u>	<u>-</u>	<u>322,239</u>	<u>319,232</u>	<u>3,007</u>
Social services	<u>10,780</u>	<u>-</u>	<u>10,780</u>	<u>10,905</u>	<u>(125)</u>
Education	<u>10,724,442</u>	<u>-</u>	<u>10,724,442</u>	<u>10,724,442</u>	<u>-</u>

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
County tax	50,700	-	50,700	54,185	(3,485)
Debt service:					
Principal	75,000	-	75,000	75,000	-
Interest	27,154	-	27,154	26,332	822
	102,154	-	102,154	101,332	822
Unclassified:					
Economic Development & Tourism	337,300	-	337,300	266,036	71,264
TAN interest	-	-	-	6,400	(6,400)
SFD #1	-	-	-	6,900	(6,900)
	337,300	-	337,300	279,336	57,964

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Transfers out:					
Town office capital fund	4,000	-	4,000	4,000	-
Public safety capital	9,000	-	9,000	9,000	-
Fire department capital	75,000	-	75,000	75,000	-
Recreation capital fund	20,000	-	20,000	20,000	-
Trail development	5,000	-	5,000	5,000	-
Library capital fund	5,000	-	5,000	5,000	-
Gravel resurfacing	79,000	-	79,000	79,000	-
Bituminous resurfacing capital fund	175,000	-	175,000	175,000	-
Guard rail	10,000	-	10,000	10,000	-
Bridges/culverts	56,000	-	56,000	56,000	-
Equipment replacement capital fund	110,000	-	110,000	110,000	-
Emergency generator	35,000	-	35,000	31,761	3,239
Street lights	26,000	-	26,000	26,000	-
Killington road walkway	15,000	-	15,000	15,000	-
Town garage capital	4,500	-	4,500	4,500	-
Cemeteries	4,000	-	4,000	4,000	-
SVFD capital account	-	-	-	11,556	(11,556)
Golf balloon payment	217,500	-	217,500	217,500	-
Golf course debt refunding	587,909	-	587,909	587,909	-
	<u>1,437,909</u>	<u>-</u>	<u>1,437,909</u>	<u>1,446,226</u>	<u>(8,317)</u>
Total Expenditures	<u>\$ 14,981,656</u>	<u>\$ -</u>	<u>\$ 14,981,656</u>	<u>\$ 14,885,536</u>	<u>\$ 96,120</u>

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

## TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,785	\$ 420,586	\$ 422,371
Investments	-	-	-
Due from other funds	-	807,237	807,237
<b>TOTAL ASSETS</b>	<u>\$ 1,785</u>	<u>\$ 1,227,823</u>	<u>\$ 1,229,608</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	77,025	77,025
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>77,025</u>	<u>77,025</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	1,785	358,334	360,119
Committed	-	853,609	853,609
Assigned	-	15,880	15,880
Unassigned	-	(77,025)	(77,025)
<b>TOTAL FUND BALANCES</b>	<u>1,785</u>	<u>1,150,798</u>	<u>1,152,583</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,785</u>	<u>\$ 1,227,823</u>	<u>\$ 1,229,608</u>

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

## TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 47,006	\$ 47,006
Other	1,775	111,953	113,728
TOTAL REVENUES	<u>1,775</u>	<u>158,959</u>	<u>160,734</u>
EXPENDITURES			
Capital outlay	-	738,110	738,110
Program expenses	-	111,294	111,294
TOTAL EXPENDITURES	<u>-</u>	<u>849,404</u>	<u>849,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,775</u>	<u>(690,445)</u>	<u>(688,670)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	1,155,745	1,155,745
Operating transfers (out)	-	(69,643)	(69,643)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,086,102</u>	<u>1,086,102</u>
NET CHANGE IN FUND BALANCES	1,775	395,657	397,432
FUND BALANCES - JANUARY 1	<u>10</u>	<u>755,141</u>	<u>755,151</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,785</u>	<u>\$ 1,150,798</u>	<u>\$ 1,152,583</u>

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

## 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, 2013

	Perry Film Restoration	Totals
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,785	\$ 1,785
Due from other funds	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,785</u>	<u>\$ 1,785</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	-	-
Restricted	1,785	1,785
Committed	-	-
Assigned	-	-
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,785</u>	<u>1,785</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,785</u>	<u>\$ 1,785</u>

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

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Perry Film Restoration	Totals
	<u>          </u>	<u>          </u>
REVENUES		
Interest income	\$ -	\$ -
Other income	1,775	1,775
TOTAL REVENUES	<u>1,775</u>	<u>1,775</u>
EXPENDITURES		
Program expenses	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,775</u>	<u>1,775</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,775	1,775
FUND BALANCES - JANUARY 1	<u>10</u>	<u>10</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,785</u>	<u>\$ 1,785</u>

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

## 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, 2013

	<u>Transfer Station Capital</u>	<u>Recreation Donations</u>	<u>Record Restoration</u>	<u>State Reappraisal Grants</u>	<u>Gravel Resurfacing</u>	<u>Bituminous Resurfacing</u>	<u>Municipal Planning Grant</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Due from other funds	121	862	41,462	80,009	12,679	-	3,899
<b>TOTAL ASSETS</b>	<u>\$ 121</u>	<u>\$ 862</u>	<u>\$ 41,462</u>	<u>\$ 80,009</u>	<u>\$ 12,679</u>	<u>\$ -</u>	<u>\$ 3,899</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	77,025	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,025</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	80,009	-	-	3,899
Committed	121	-	41,462	-	12,679	-	-
Assigned	-	862	-	-	-	-	-
Unassigned	-	-	-	-	-	(77,025)	-
<b>TOTAL FUND BALANCES</b>	<u>121</u>	<u>862</u>	<u>41,462</u>	<u>80,009</u>	<u>12,679</u>	<u>(77,025)</u>	<u>3,899</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 121</u>	<u>\$ 862</u>	<u>\$ 41,462</u>	<u>\$ 80,009</u>	<u>\$ 12,679</u>	<u>\$ -</u>	<u>\$ 3,899</u>

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS  
DECEMBER 31, 2013

	<u>Killington Road Walkway</u>	<u>Equipment Replacement</u>	<u>Water Study</u>	<u>Winter Swim</u>	<u>Winter Sand Pile Building</u>	<u>SVFD Capital Account</u>	<u>Town Office Capital Fund</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,586	\$ -
Investments	-	-	-	-	-	-	-
Due from other funds	50,142	21,230	3,581	3,880	70,000	23,112	12,129
<b>TOTAL ASSETS</b>	<u>\$ 50,142</u>	<u>\$ 21,230</u>	<u>\$ 3,581</u>	<u>\$ 3,880</u>	<u>\$ 70,000</u>	<u>\$ 443,698</u>	<u>\$ 12,129</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	50,142	21,230	-	-	70,000	443,698	12,129
Assigned	-	-	3,581	3,880	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>50,142</u>	<u>21,230</u>	<u>3,581</u>	<u>3,880</u>	<u>70,000</u>	<u>443,698</u>	<u>12,129</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 50,142</u>	<u>\$ 21,230</u>	<u>\$ 3,581</u>	<u>\$ 3,880</u>	<u>\$ 70,000</u>	<u>\$ 443,698</u>	<u>\$ 12,129</u>

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS  
DECEMBER 31, 2013

	Library Capital Fund	Recreation Capital Improvement	Bridge Capital Fund	Traffic Control Devices	Planning Technical Services	Police Department Capital	Golf Balloon Payment	Teen Center
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-
Due from other funds	7,132	7,131	57,229	32,150	4,907	9,000	217,500	5,269
<b>TOTAL ASSETS</b>	<u>\$ 7,132</u>	<u>\$ 7,131</u>	<u>\$ 57,229</u>	<u>\$ 32,150</u>	<u>\$ 4,907</u>	<u>\$ 9,000</u>	<u>\$ 217,500</u>	<u>\$ 5,269</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	32,150	4,907	-	217,500	5,269
Committed	7,132	7,131	57,229	-	-	9,000	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>7,132</u>	<u>7,131</u>	<u>57,229</u>	<u>32,150</u>	<u>4,907</u>	<u>9,000</u>	<u>217,500</u>	<u>5,269</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,132</u>	<u>\$ 7,131</u>	<u>\$ 57,229</u>	<u>\$ 32,150</u>	<u>\$ 4,907</u>	<u>\$ 9,000</u>	<u>\$ 217,500</u>	<u>\$ 5,269</u>

TOWN OF KILLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS  
DECEMBER 31, 2013

	Health Insurance Reserve	Wellness	Guard Rail	Zoning Deposits	Golf Capital	Swim Team Donations	Library Leggett Donation Fund	Totals
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,586
Investments	-	-	-	-	-	-	-	-
Due from other funds	98	5,850	487	1,826	121,558	7,070	6,924	807,237
<b>TOTAL ASSETS</b>	<b>\$ 98</b>	<b>\$ 5,850</b>	<b>\$ 487</b>	<b>\$ 1,826</b>	<b>\$ 121,558</b>	<b>\$ 7,070</b>	<b>\$ 6,924</b>	<b>\$ 1,227,823</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	77,025
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,025</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	5,850	-	1,826	-	-	6,924	358,334
Committed	98	-	-	-	121,558	-	-	853,609
Assigned	-	-	487	-	-	7,070	-	15,880
Unassigned	-	-	-	-	-	-	-	(77,025)
<b>TOTAL FUND BALANCES</b>	<b>98</b>	<b>5,850</b>	<b>487</b>	<b>1,826</b>	<b>121,558</b>	<b>7,070</b>	<b>6,924</b>	<b>1,150,798</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 98</b>	<b>\$ 5,850</b>	<b>\$ 487</b>	<b>\$ 1,826</b>	<b>\$ 121,558</b>	<b>\$ 7,070</b>	<b>\$ 6,924</b>	<b>\$ 1,227,823</b>

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

## TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Transfer Station Capital	Recreation Donations	Record Restoration	State Reappraisal Grants	Gravel Resurfacing	Bituminous Resurfacing	Municipal Planning Grant
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ 29,099	\$ -	\$ -	\$ 17,907
Other income	-	1,062	10,517	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>1,062</u>	<u>10,517</u>	<u>29,099</u>	<u>-</u>	<u>-</u>	<u>17,907</u>
EXPENDITURES							
Capital outlay	-	-	-	-	66,321	252,025	-
Program expenses	19,879	200	9,312	-	-	-	14,008
TOTAL EXPENDITURES	<u>19,879</u>	<u>200</u>	<u>9,312</u>	<u>-</u>	<u>66,321</u>	<u>252,025</u>	<u>14,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,879)</u>	<u>862</u>	<u>1,205</u>	<u>29,099</u>	<u>(66,321)</u>	<u>(252,025)</u>	<u>3,899</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	20,000	-	-	-	79,000	175,000	-
Operating transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,000</u>	<u>175,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	121	862	1,205	29,099	12,679	(77,025)	3,899
FUND BALANCES - JANUARY 1	<u>-</u>	<u>-</u>	<u>40,257</u>	<u>50,910</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - DECEMBER 31	<u>\$ 121</u>	<u>\$ 862</u>	<u>\$ 41,462</u>	<u>\$ 80,009</u>	<u>\$ 12,679</u>	<u>\$ (77,025)</u>	<u>\$ 3,899</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, 2013

	Killington Road Walkway	Equipment Replacement	Water Study	Winter Swim	Winter Sand Pile Building	SVFD Capital Account	Town Office Capital Fund
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	32,396	-	11,244	7,768	-	880	-
<b>TOTAL REVENUES</b>	<b>32,396</b>	<b>-</b>	<b>11,244</b>	<b>7,768</b>	<b>-</b>	<b>880</b>	<b>-</b>
EXPENDITURES							
Capital outlay	-	179,456	-	-	-	63,444	6,851
Program expenses	21,815	-	566	7,768	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>21,815</b>	<b>179,456</b>	<b>566</b>	<b>7,768</b>	<b>-</b>	<b>63,444</b>	<b>6,851</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,581	(179,456)	10,678	-	-	(62,564)	(6,851)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	15,000	141,761	-	-	-	86,556	8,500
Operating transfers (out)	-	(20,000)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>15,000</b>	<b>121,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,556</b>	<b>8,500</b>
NET CHANGE IN FUND BALANCES	25,581	(57,695)	10,678	-	-	23,992	1,649
FUND BALANCES - JANUARY 1	24,561	78,925	(7,097)	3,880	70,000	419,706	10,480
FUND BALANCES - DECEMBER 31	\$ 50,142	\$ 21,230	\$ 3,581	\$ 3,880	\$ 70,000	\$ 443,698	\$ 12,129

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Library Capital Fund	Recreation Capital Improvement	Bridge Capital Fund	Traffic Control Devices	Planning Technical Services	Police Department Capital	Golf Balloon Payment	Teen Center
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	15,000	-	-	-	-	-	500
TOTAL REVENUES	-	15,000	-	-	-	-	-	500
EXPENDITURES								
Capital outlay	16,246	32,869	8,771	-	-	-	-	-
Program expenses	-	-	-	-	-	-	-	500
TOTAL EXPENDITURES	16,246	32,869	8,771	-	-	-	-	500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,246)	(17,869)	(8,771)	-	-	-	-	-
OTHER FINANCING SOURCES (USES)								
Operating transfers in	5,000	25,000	56,000	26,000	-	9,000	217,500	-
Operating transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	25,000	56,000	26,000	-	9,000	217,500	-
NET CHANGE IN FUND BALANCES	(11,246)	7,131	47,229	26,000	-	9,000	217,500	-
FUND BALANCES - JANUARY 1	18,378	-	10,000	6,150	4,907	-	-	5,269
FUND BALANCES - DECEMBER 31	\$ 7,132	\$ 7,131	\$ 57,229	\$ 32,150	\$ 4,907	\$ 9,000	\$ 217,500	\$ 5,269

TOWN OF KILLINGTON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Health Insurance Reserve	Wellness	Guard Rail	Zoning Deposits	Golf Capital	Swim Team Donations	Library Leggett Donation Fund	Totals
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,006
Other income	-	-	-	533	1,900	16,229	13,924	111,953
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533</b>	<b>1,900</b>	<b>16,229</b>	<b>13,924</b>	<b>158,959</b>
EXPENDITURES								
Capital outlay	-	-	-	-	112,127	-	-	738,110
Program expenses	-	545	9,513	610	-	12,694	13,884	111,294
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>545</b>	<b>9,513</b>	<b>610</b>	<b>112,127</b>	<b>12,694</b>	<b>13,884</b>	<b>849,404</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(545)	(9,513)	(77)	(110,227)	3,535	40	(690,445)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	10,000	-	281,428	-	-	1,155,745
Operating transfers (out)	-	-	-	-	(49,643)	-	-	(69,643)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>231,785</b>	<b>-</b>	<b>-</b>	<b>1,086,102</b>
NET CHANGE IN FUND BALANCES	-	(545)	487	(77)	121,558	3,535	40	395,657
FUND BALANCES - JANUARY 1	98	6,395	-	1,903	-	3,535	6,884	755,141
FUND BALANCES - DECEMBER 31	\$ 98	\$ 5,850	\$ 487	\$ 1,826	\$ 121,558	\$ 7,070	\$ 6,924	\$ 1,150,798

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

## General Capital Assets

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

## TOWN OF KILLINGTON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
DECEMBER 31, 2013

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Public safety	\$ -	\$ -	\$ 743,890	\$ -	\$ 743,890
Highways	2,268,753	621,460	569,669	344,770	3,804,652
Library	-	565,336	-	-	565,336
Recreation	-	80,595	18,011	-	98,606
Golf course	-	5,940,000	266,002	-	6,206,002
Education	-	-	53,200	-	53,200
Town-wide	-	8,937	-	-	8,937
Sewer fund	-	-	1,710,000	-	1,710,000
Total General Capital Assets	2,268,753	7,216,328	3,360,772	344,770	13,190,623
Less: Accumulated Depreciation	-	(3,583,594)	(641,466)	(7,997)	(4,233,057)
Net General Capital Assets	\$ 2,268,753	\$ 3,632,734	\$ 2,719,306	\$ 336,773	\$ 8,957,566

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

## TOWN OF KILLINGTON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Capital Assets 1/1/13	Additions	Deletions	General Capital Assets 12/31/13
Public safety	\$ 721,210	\$ 22,680	\$ -	\$ 743,890
Highways	2,698,771	1,105,881	-	3,804,652
Library	565,336	-	-	565,336
Recreation	98,606	-	-	98,606
Golf course	6,198,940	7,062	-	6,206,002
Education	-	53,200	-	53,200
Town-wide	-	8,937	-	8,937
Sewer fund	<u>1,710,000</u>	<u>-</u>	<u>-</u>	<u>1,710,000</u>
Total General Capital Assets	11,992,863	1,197,760	-	13,190,623
Less: Accumulated Depreciation	<u>(3,763,505)</u>	<u>(469,552)</u>	<u>-</u>	<u>(4,233,057)</u>
Net General Capital Assets	<u>\$ 8,229,358</u>	<u>\$ 728,208</u>	<u>\$ -</u>	<u>\$ 8,957,566</u>

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

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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	\$ 632,334
Total Department of Homeland Security			<u>632,334</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 632,334</u>

TOWN OF KILLINGTON, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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



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

Board of Selectmen  
Town of Killington  
Killington, Vermont

We have audited, in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killington, Vermont as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Killington's basic financial statements, and have issued our report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
February 7, 2014



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

Board of Selectmen  
Town of Killington  
Killington, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Town of Killington, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Killington's major federal programs for the year ended December 31, 2013. The Town of Killington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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In our opinion, the Town of Killington, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### Report on Internal Control Over Compliance

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

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

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

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

*RHR Smith & Company*

Buxton, Maine  
February 7, 2014

TOWN OF KILLINGTON, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      \_\_\_yes       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: Unmodified

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