

Audited Financial Statements  
and Other Financial Information

Green Mountain National Golf Course  
Killington, Vermont

December 31, 2015



*Proven Expertise and Integrity*

GREEN MOUNTAIN NATIONAL GOLF COURSE

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DECEMBER 31, 2015

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen,  
Town of Killington  
Green Mountain National Golf Course  
Killington, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Green Mountain National Golf Course, a department of the Town of Killington, Vermont, as of and for the year ended December 31, 2015, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Green Mountain National Golf Course, a department the Town of Killington, Vermont, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages 3 through 8 and 34 through 36 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.

### Emphasis of Matter

As discussed in Note 1 of Notes to Financial Statements, the financial statements of the Green Mountain National Golf Course, a department of the Town of Killington, Vermont, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the Town that is attributable to the transactions of the Golf Course. They do not purport to, and do not present fairly the financial position of the Town of Killington, Vermont as of December 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
May 26, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**(UNAUDITED)**

The following management's discussion and analysis of Green Mountain National Golf Course's financial performance provides an overview of the Golf Course's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Golf Course's financial statements.

**Financial Statement Overview**

The Golf Course's basic financial statements include the following components: 1) government-wide financial statements and 2) notes to the financial statements. This report also includes required supplementary information which consists of pension information.

**Basic Financial Statements**

The basic financial statements include financial information from the perspective of government-wide financial statements. There are no fund financial statements as the Golf Course only has one fund. 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 Golf Course'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 Golf Course'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 Change in Net Position – 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 one column for the Golf Course's activities. The type of activity presented for the Golf Course is:

- *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. All of the Golf Course's activities are business-type.

There are no fund financial statements presented as all activity for the Golf Course is proprietary in nature. The activity of the Golf Course is presented for the following:

*Proprietary Funds:* The Green Mountain National Golf Course maintains one proprietary fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

### **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 Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, and Notes to Required Supplementary Information.

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Golf Course's business-type activities. The Golf Course's total net position improved by \$303,648, or 50.93%, bringing the deficit down to \$292,559.

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 – improved by \$51,337 or 2.01%, reducing the deficit balance to \$2,497,204 at the end of this year.

**Table 1**  
**Green Mountain National Golf Course**  
**Net Position**  
**December 31,**

	<b>2015</b>	<b>2014 (Restated)</b>
<b>Assets:</b>		
Current Assets (Statement A)	\$ 761,724	\$ 284,742
Capital Assets (Statement A, Note 4)	2,578,931	2,689,834
Total Assets	<u>3,340,655</u>	<u>2,974,576</u>
<b>Total Deferred Outflows of Resources</b>	<u>20,511</u>	<u>6,366</u>
<b>Liabilities:</b>		
Current Liabilities (Statement A, Note 5, 6)	898,647	569,658
Noncurrent Liabilities (Statement A, Note 5, 6)	2,755,078	3,007,491
Total Liabilities	<u>3,653,725</u>	<u>3,577,149</u>
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>
<b>Net Position: (Note 1)</b>		
Net Investment in Capital Assets	1,977,764	1,734,834
Restricted	226,881	217,500
Unrestricted (Deficit)	(2,497,204)	(2,548,541)
Total Net Position	<u>\$ (292,559)</u>	<u>\$ (596,207)</u>

**Table 2**  
**Green Mountain National Golf Course**  
**Change in Net Position**  
**For the Years Ended December 31,**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services (Statement B, Note 1)	\$ 1,156,880	\$ 1,141,197
<i>General Revenues:</i>		
Intergovernmental	609,298	493,332
Miscellaneous	6	39,340
Total Revenues	<u>1,766,184</u>	<u>1,673,869</u>
<b>Expenses</b>		
Salaries and wages	453,111	461,441
Insurance	62,334	70,227
Payroll taxes	56,052	48,763
Retirement plan	28,271	20,824
Employee travel, training, and dues	5,039	7,527
Uniforms	896	1,000
Audit and consulting	2,592	610
Operational supplies, repairs, and maintenance	136,989	151,725
Office supplies and postage	2,143	1,173
Tools and equipment	26,166	39,520
Utilities	45,017	35,923
Building and course improvements	38,156	42,015
Cost of goods sold	149,846	146,399
Marketing and promotions	25,096	22,738
Credit card discounts	17,335	16,637
Miscellaneous	4,761	5,067
Depreciation	286,820	225,306
Taxes	39,799	41,131
Interest on long-term debt	82,113	167,788
Total Expenses	<u>1,462,536</u>	<u>1,505,814</u>
Change in Net Position	303,648	168,055
Net Position - January 1, Restated	<u>(596,207)</u>	<u>(764,262)</u>
Net Position - December 31	<u><u>\$ (292,559)</u></u>	<u><u>\$ (596,207)</u></u>

## Revenues and Expenses

Revenues for the Golf Course's business-type activities increased by 5.52%, while total expenses decreased by 2.87%. The biggest reason for the increase in revenues was intergovernmental revenues from the Town of Killington. The biggest decreases in expenses were in interest on long-term debt, operational supplies, repairs, and maintenance and tools and equipment, partially offset by an increase in depreciation.

## Capital Asset and Long-Term Debt Activity

### Capital Assets

As of December 31, 2015, the net book value of capital assets recorded by the Golf Course decreased by \$110,903. The decrease was due to current year additions \$175,917 less current year depreciation expense of \$286,820. Refer to Note 4 of Notes to Financial Statements, page 19, for additional information.

**Table 3**  
**Green Mountain National Golf Course**  
**Capital Assets (Net of Depreciation)**  
**December 31,**

	<u>2015</u>	<u>2014</u>
Land/land improvements	\$ 2,283,334	\$ 2,374,352
Buildings and improvements	12,642	-
Machinery and equipment	262,455	315,482
Vehicles	20,500	-
Total	<u>\$ 2,578,931</u>	<u>\$ 2,689,834</u>

### Debt

At December 31, 2015, the Golf Course had \$2,990,000 in bonds outstanding versus \$3,455,000 last year. Other obligations include capital leases payable and net pension liability. Refer to Notes 5 and 6 of Notes to Financial Statements, pages 20 through 29, for more detailed information.

## Currently Known Facts, Decisions, or Conditions

### Economic Factors and Next Year's Budgets and Rates

The Golf Course is currently below a sufficient level of unrestricted net position to sustain business-type operations for a period of approximately two months. The Golf Course is working to rebuild this balance to a sufficient level.

## **Contacting the Golf Course's Financial Management**

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

## STATEMENT A

## GREEN MOUNTAIN NATIONAL GOLF COURSE

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Enterprise Funds			Total
	Golf Course	Golf Balloon Payment	Golf Capital	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents (Note 1, 2)	\$ 508,228	\$ -	\$ -	\$ 508,228
Accounts receivable (net of allowance for uncollectibles) (Note 1)	26,615	-	-	26,615
Due from other funds (Note 1, 3)	-	217,500	9,381	226,881
Total current assets	<u>534,843</u>	<u>217,500</u>	<u>9,381</u>	<u>761,724</u>
Noncurrent assets:				
Capital assets (Note 1, 4):				
Land and building improvements	5,952,642	-	-	5,952,642
Equipment	471,892	-	-	471,892
Vehicles	20,500	-	-	20,500
Less: accumulated depreciation	(3,866,103)	-	-	(3,866,103)
Total noncurrent assets	<u>2,578,931</u>	<u>-</u>	<u>-</u>	<u>2,578,931</u>
<b>TOTAL ASSETS</b>	<u>3,113,774</u>	<u>217,500</u>	<u>9,381</u>	<u>3,340,655</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions (Note 1)	20,511	-	-	20,511
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>20,511</u>	<u>-</u>	<u>-</u>	<u>20,511</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,134,285</u>	<u>\$ 217,500</u>	<u>\$ 9,381</u>	<u>\$ 3,361,166</u>
<b>LIABILITIES</b>				
Current liabilities:				
Due to other governments	\$ 366,683	\$ -	\$ -	\$ 366,683
Due to other funds (Note 1, 3)	226,881	-	-	226,881
Current portion of long-term obligations (Note 1, 5, 6)	305,083	-	-	305,083
Total current liabilities	<u>898,647</u>	<u>-</u>	<u>-</u>	<u>898,647</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations:				
Bonds payable (Note 1, 5)	2,715,000	-	-	2,715,000
Capital leases payable (Note 1, 5)	4,514	-	-	4,514
Net pension liability (Note 1, 5, 6)	35,564	-	-	35,564
Total noncurrent liabilities	<u>2,755,078</u>	<u>-</u>	<u>-</u>	<u>2,755,078</u>
<b>TOTAL LIABILITIES</b>	<u>3,653,725</u>	<u>-</u>	<u>-</u>	<u>3,653,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions (Note 1)	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION (Note 1)</b>				
Net investment in capital assets	1,977,764	-	-	1,977,764
Restricted	-	217,500	9,381	226,881
Unrestricted	(2,497,204)	-	-	(2,497,204)
<b>TOTAL NET POSITION</b>	<u>(519,440)</u>	<u>217,500</u>	<u>9,381</u>	<u>(292,559)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 3,134,285</u>	<u>\$ 217,500</u>	<u>\$ 9,381</u>	<u>\$ 3,361,166</u>

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

## STATEMENT B

## GREEN MOUNTAIN NATIONAL GOLF COURSE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds			Total
	Golf		Golf Capital	
	Golf Course	Balloon Payment		
OPERATING REVENUES (Note 1)				
Course memberships, fees, and services	\$ 823,142	\$ -	\$ -	\$ 823,142
Retail pro shop	89,143	-	-	89,143
Restaurant	229,601	-	-	229,601
Sales tax collected	14,994	-	-	14,994
TOTAL OPERATING REVENUES	<u>1,156,880</u>	<u>-</u>	<u>-</u>	<u>1,156,880</u>
OPERATING EXPENSES (Note 1)				
Salaries and wages	453,111	-	-	453,111
Insurance	62,334	-	-	62,334
Payroll taxes	56,052	-	-	56,052
Retirement plan	28,271	-	-	28,271
Employee travel, training, and dues	5,039	-	-	5,039
Uniforms	896	-	-	896
Audit and consulting	2,592	-	-	2,592
Operational supplies, repairs, and maintenance	136,989	-	-	136,989
Office supplies and postage	2,143	-	-	2,143
Tools and equipment	26,166	-	-	26,166
Utilities	45,017	-	-	45,017
Building and course improvements	38,156	-	-	38,156
Cost of goods sold	149,846	-	-	149,846
Marketing and promotions	25,096	-	-	25,096
Credit card discounts	17,335	-	-	17,335
Miscellaneous	4,761	-	-	4,761
Depreciation	286,820	-	-	286,820
Taxes	39,799	-	-	39,799
TOTAL OPERATING EXPENDITURES	<u>1,380,423</u>	<u>-</u>	<u>-</u>	<u>1,380,423</u>
OPERATING INCOME (LOSS)	<u>(223,543)</u>	<u>-</u>	<u>-</u>	<u>(223,543)</u>
NON-OPERATING REVENUES (EXPENSES) (Note 1)				
Intergovernmental revenue	609,298	-	-	609,298
Interest income	6	-	-	6
Interest expense	(82,113)	-	-	(82,113)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>527,191</u>	<u>-</u>	<u>-</u>	<u>527,191</u>
CHANGE IN NET POSITION	303,648	-	-	303,648
NET POSITION - JANUARY 1, RESTATED	<u>(823,088)</u>	<u>217,500</u>	<u>9,381</u>	<u>(596,207)</u>
NET POSITION - DECEMBER 31	<u>\$ (519,440)</u>	<u>\$ 217,500</u>	<u>\$ 9,381</u>	<u>\$ (292,559)</u>

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

## GREEN MOUNTAIN NATIONAL GOLF COURSE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds			Total
	Golf Course	Golf Balloon Payment	Golf Capital	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,156,880	\$ -	\$ -	\$ 1,156,880
Payments to employees	(453,111)	-	-	(453,111)
Payments to suppliers	(158,996)	-	-	(158,996)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>544,773</b>	<b>-</b>	<b>-</b>	<b>544,773</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenue	609,298	-	-	609,298
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>609,298</b>	<b>-</b>	<b>-</b>	<b>609,298</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	56,713	-	-	56,713
Purchase of capital assets	(175,917)	-	-	(175,917)
Principal paid on capital debt	(490,546)	-	-	(490,546)
Interest paid on capital debt	(82,113)	-	-	(82,113)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(691,863)</b>	<b>-</b>	<b>-</b>	<b>(691,863)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	6	-	-	6
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>462,214</b>	<b>-</b>	<b>-</b>	<b>462,214</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1</b>	<b>46,014</b>	<b>-</b>	<b>-</b>	<b>46,014</b>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31</b>	<b>\$ 508,228</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 508,228</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (223,543)	\$ -	\$ -	\$ (223,543)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	286,820	-	-	286,820
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(14,768)	-	-	(14,768)
(Increase) decrease in deferred outflows related to pensions	(14,145)	-	-	(14,145)
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	226,881	-	-	226,881
Increase (decrease) in due to other governments	262,025	-	-	262,025
Increase (decrease) in net pension liability	21,503	-	-	21,503
Increase (decrease) in deferred inflows of resources	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 544,773</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 544,773</b>

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Green Mountain National Golf Course was incorporated under the laws of the State of Vermont and operates as a department of the Town of Killington, Vermont, the financial statements of which have been issued in a separate report dated January 16, 2015 for the year ended December 31, 2014. Therefore, the financial statements that follow present only the operations for the Golf Course and are not intended to present fairly the financial position and results of operations of the Town of Killington, Vermont in accordance with generally accepted accounting principles (GAAP). Certain disclosures relevant to both the Town of Killington, Vermont and the Green Mountain National Golf Course have been omitted from these financial statements and have been disclosed in the Town's financial statements.

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

***Government-Wide and Fund Financial Statements***

The Golf Course's basic financial statements include government-wide (reporting the Golf Course as a whole) financial statements.

The government-wide financial statements categorize primary activities as business-type. The Golf Course's general fund, golf balloon and golf capital funds are categorized as business-type activities. The Golf Course does not utilize any other types of activities.

In the government-wide Statement of Net Position, the 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 Golf Course's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Golf Course first utilizes restricted resources to finance qualifying activities.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Change in Net Position reports both the gross and net cost of the Golf Course's business-type activities. The Statement of Change in Net Position reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Golf Course does not allocate indirect costs. All costs are charged directly to the corresponding Golf Course program or function.

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

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

1. 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 Golf Course:

- 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.

**Major Funds**

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ii. The Golf Balloon Payment Fund accounts for the accumulation of resources and payment of general obligation debt principal from proprietary resources.
- iii. The Golf Capital Fund accounts for the receipt and expenditure of funds related to major capital projects at the Golf Course.

**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

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

**Deposits and Investments**

The Golf Course'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 Golf Course's policy to value investments at fair value. None of the Golf Course'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 Golf Course 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

The Golf Course has no formal investment policy but instead follows the policies of the Town of Killington, Vermont and State of Vermont Statutes.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Accounts Receivable, Net of Allowance for Uncollectibles**

Accounts receivable include amounts due from individual and corporate members for the use of the golf course among other privileges. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2015, as management believes that all accounts are 100% collectible.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$2,000 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 buildings, infrastructure, and machinery and equipment 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.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Building improvements	10 - 25 years
Land improvements	10 - 30 years
Machinery and equipment	3 - 25 years
Vehicles	3 - 25 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 business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds, capital leases payable, and net pension liability.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term debt for business-type funds is reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of interest reported as expenditures.

**Pensions**

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

**Net Position**

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

**Deferred Outflows and Inflows of Resources**

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualify for reporting in this category. This item is reported in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

**Operating/Non-operating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Golf Course will not be able to recover its deposits. The Golf Course does not have a policy covering custodial credit risk for deposits. However, the Golf Course maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Vermont Revised Statutes. At December 31, 2015, the Golf Course's deposits amounting to \$508,228 were comprised of bank deposits of \$527,882, of which \$250,000 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining bank deposits of \$277,882 were collateralized with an irrevocable standby letter of credit in the Golf Course's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	<u>\$ 527,882</u>
	<u><u>\$ 527,882</u></u>

**Investments:**

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

At December 31, 2015, the Golf Course had \$0 in investments.

Credit risk – Statutes for the State of Vermont authorize the Golf Course 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 Golf Course does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town and the Golf Course do 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.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2015 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 226,881
Golf balloon payment	217,500	-
Golf capital	9,381	-
	\$ 226,881	\$ 226,881

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

	Balance, 1/1/15	Additions	Disposals	Balance, 12/31/15
<u>Depreciated assets:</u>				
Land improvements	\$ 5,940,000	\$ -	\$ -	\$ 5,940,000
Buildings and improvements	-	12,642	-	12,642
Machinery and equipment	329,117	142,775	-	471,892
Vehicles	-	20,500	-	20,500
	6,269,117	175,917	-	6,445,034
Less: accumulated depreciation	(3,579,283)	(286,820)	-	(3,866,103)
	2,689,834	(110,903)	-	2,578,931
Net capital assets	\$ 2,689,834	\$ (110,903)	\$ -	\$ 2,578,931

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended December 31, 2015:

	Balance, 1/1/15 (Restated)	Additions	Deletions	Balance, 12/31/15	Current Portion
Bonds payable	\$ 3,455,000	\$ -	\$ (465,000)	\$ 2,990,000	\$ 275,000
Capital leases payable	-	56,713	(25,546)	31,167	26,653
Net pension liability	17,491	48,829	(27,326)	38,994	3,430
	<u>\$ 3,472,491</u>	<u>\$ 105,542</u>	<u>\$ (517,872)</u>	<u>\$ 3,060,161</u>	<u>\$ 305,083</u>

The following is a summary of outstanding 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.	\$ 200,000
\$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.	90,000
\$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.	280,000
\$2,530,000, 2011 General Obligation Bonds due in annual principal payments varying from \$10,000 to \$290,000, through May of 2021. Interest is charged at a rate of 3.75% per annum.	<u>2,420,000</u>
	<u>\$ 2,990,000</u>

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 275,000	\$ 107,760	\$ 382,760
2017	255,000	98,402	353,402
2018	275,000	89,007	364,007
2019	285,000	78,081	363,081
2020	295,000	67,923	362,923
2021-2025	1,605,000	167,638	1,772,638
	<u>\$ 2,990,000</u>	<u>\$ 608,809</u>	<u>\$ 3,598,809</u>

All bonds payable are direct obligations of the Golf Course, for which its full faith and credit are pledged. The Golf Course is not obligated for any special assessment debt.

A summary of the outstanding capital leases payable is as follows:

The Golf Course leases mowers under a non-cancelable lease agreement. The lease agreement calls for seasonal monthly payments of \$2,822 with maturity in April of 2017.

The Golf Course leases another mower under a non-cancelable lease agreement. The lease agreement calls for seasonal monthly payments of \$1,677 with maturity in April of 2017.

The future minimum lease obligations of the leases, and the net present value of these minimum lease payments for the next five years ending December 31, are as follows:

<u>Year Ending December 31:</u>	
2016	\$ 27,561
2017	4,594
2018	-
2019	-
2020	-
Total minimum lease payment	<u>32,155</u>
Less imputed interest	<u>(988)</u>
Present value of future minimum lease payments	<u>\$ 31,167</u>

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the Golf Course other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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

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

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

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

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

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

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

Employee contributions are withheld pre income tax by the Golf Course and are remitted to the State of Vermont. Such withholdings for the years ended December 31, 2015, and 2014 totaled \$6,127 and \$6,051, respectively. The Golf Course contributed \$6,923 and \$6,771 for the years ended December 31, 2015 and 2014, respectively. The Golf Course's total payroll for the year ended December 31, 2015 for all employees covered under this plan was \$127,420.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Liabilities**

*VMERS Plan*

At December 31, 2015, the Golf Course reported a liability of \$38,994 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Golf Course's proportion of the net pension liabilities were based on a projection of the Golf Course's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the Golf Course's proportion was 0.050579% for VMERS, which was an increase of 0.001224% from its proportion measured as of June 30, 2014 for VMERS.

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

For the year ended December 31, 2015, the Golf Course recognized net pension revenue of \$7,358 for the VMERS plan. At December 31, 2015, the Golf Course reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,233	\$ -
Changes of assumptions	7,765	-
Net difference between projected and actual earnings on pension plan investments	7,533	-
Changes in proportion and differences between contributions and proportionate share of contributions	652	-
Contributions subsequent to the measurement date	3,328	-
Total	<u>\$ 20,511</u>	<u>\$ -</u>

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$3,328 reported as deferred outflows of resources related to pensions resulting from Golf Course contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>VMERS</u>
Year ended June 30:	
2016	\$ 3,430
2017	3,430
2018	3,430
2019	6,893
2020	-
Thereafter	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

*Investment Rate of Return:* 7.95% per annum. Through July 1, 2014, a select-and-ultimate interest rate set is used, specified below. The interest rate is restarted every year:

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Salary increases for the VMERS plan are 5.00% per year, including inflation.

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

The mortality assumption was chosen to recognize improved longevity experienced as well as that expected prior to the next review of assumptions.

*Inflation:* The stated assumptions for investment return, salary increases and cost of living adjustments for the plan is consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

*Spouse's Age:* For the plan, husbands are assumed to be three years older than their wives.

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

*Actuarial Cost Method:* For the plan is the projected benefit cost method. The unfunded accrued liability is amortized installments increasing by 5% per year.

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

The *long-term expected rate of return* on the plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

market conditions as well as other plausible environments that could develop in the future over economic cycles.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.61%
Fixed income	33.00%	1.91%
Alternative	15.50%	6.93%
Multi-strategy	20.00%	4.88%
Total	<u>100.00%</u>	

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.95% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Because the funding policy of the System is based on the collection of contributions that are fixed as a rate of compensation of covered members from both members themselves and their employers, these projections incorporate the excess of contributions over normal cost (determined under the System's funding method) for future new members over the time period until the payment of the last expected benefit payment for current System members. The projection of future new entrants was based on an assumption of a constant active membership and the employment of new entrants whose characteristics matched those of new entrants observed in the past five years.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

In the projection of future cash outflows of the System, it was assumed that administrative expenses payable from System assets would amount to approximately \$961,000 in fiscal 2015 and rise by about 3% per annum.

**Sensitivity of the Golf Course's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Golf Course's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VMERS plan, as well as what the Golf Course's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95% for VMERS) or 1 percentage point higher (8.95% VMERS) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
Golf Course's proportionate share of the net pension liability	\$ 77,888	\$ 38,994	\$ 6,390

**Pension Plan Fiduciary Net Position**

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VMERS or their participating employers. VMERS do not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 7 - DEFINED CONTRIBUTION PLAN

**Plan Description**

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070), a multiple employer defined contribution pension plan, was implemented by the Vermont Municipal Employees' Retirement System's (VMERS) Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

**Funding Policy**

Plan provisions and contribution requirements are established and may be amended by the VMERS Board of Trustees. Under the defined contribution pension plan, participating employees are required to contribute at the rate of 5.00% of earnable compensation and the Golf Course is required to contribute 5.125% of earnable compensation for the plan year. For the year ended December 31, 2015, employee contributions totaled \$3,883, and the Golf Course recognized pension expense of \$3,980. As of December 31, 2015, there was one participant in the plan.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Golf Course contributions and earnings on Golf Course contributions after completion of 12 months of creditable service with the Golf Course.

NOTE 8 - RISK MANAGEMENT

The Golf Course 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 Golf Course 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 Golf Course.

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 8 - RISK MANAGEMENT (CONTINUED)

In addition, the Golf Course is a member of the Vermont League of Cities and Golf Courses (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 Golf Courses Health Trust (VLCTHT) for health, life and disability coverage; and the Vermont League of Cities and Golf Courses 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 Golf Courses and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

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

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

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 8 - RISK MANAGEMENT (CONTINUED)

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 9 - LETTER OF CREDIT

At December 31, 2015, the Golf Course 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 16, 2016, authorizes one draw only up to the amount of \$750,000. There were no draws for the year ended December 31, 2015.

NOTE 10 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 11 - RESTATEMENT

The net position of the business-type activities has been restated at January 1, 2015 to account for the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (Issued 06/12)*. The beginning balance has been reduced by \$11,125.

## 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:

- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

## GREEN MOUNTAIN NATIONAL GOLF COURSE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

<u>VMERS:</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.05%	0.05%
Proportionate share of the net pension liability	\$ 38,994	\$ 4,504
Covered-employee payroll	\$ 126,492	\$ 131,120
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.83%	3.44%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

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

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

## GREEN MOUNTAIN NATIONAL GOLF COURSE

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>		
Contractually required contribution	\$ 6,809	\$ 6,720
Contributions in relation to the contractually required contribution	<u>(6,809)</u>	<u>(6,720)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 126,492	\$ 131,120
Contributions as a percentage of covered- employee payroll	5.38%	5.13%

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

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

GREEN MOUNTAIN NATIONAL GOLF COURSE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Changes of Assumptions - Pensions**

The discount rate used to measure the net pension liability was lowered from 8.15% to 7.95% due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.