

TOWN OF MANCHESTER, VERMONT

Financial Statements and Schedules

June 30, 2015

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

TABLE OF CONTENTS

SECTION I - FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplemental Information)....	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds.....	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23
Required Supplemental Information Other Than MD&A:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	42
Schedule of Funding Progress for Health Care Benefits.....	53
Other Supplemental Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	55

SECTION II - COMPLIANCE AND INTERNAL CONTROL

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56
---	----



Independent Auditor's Report

The Select Board
Town of Manchester, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Manchester, Vermont as of and for the year ended June 30, 2015, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manchester, Vermont, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11, the budgetary comparison information on pages 38 - 50, and the schedule of funding progress on page 51 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 Manchester, Vermont's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 29, 2016, on our consideration of the Town of Manchester, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Manchester, Vermont's internal control over financial reporting and compliance.

Love, Cody & Company, CPAs, P.C.

February 29, 2016

Vt. Reg. #357

Love, Cody & Company, CPAs

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

The following is Management's Discussion and Analysis of the Town of Manchester, Vermont's financial performance. It provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. It focuses on the year-end results and provides an objective analysis of the various funds the Town operates in the conduct of its business from a management perspective. It discusses both the government-wide and fund-based financial statements. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

Government-wide financial statements:

- ❖ The assets of the Town of Manchester exceeded its liabilities at the close of the most recent fiscal year by \$20,962,608 (net assets). Of this amount, \$1,164,384 (unrestricted net assets) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.
- ❖ The Town's total net assets stand at \$20,962,608. Of this amount, net assets attributable to governmental activities are \$15,734,936 while net assets attributable to business-type activities are \$5,227,672.

Fund financial statements:

- ❖ As of the close of the 2015 fiscal year, the Town of Manchester's governmental funds reported combined ending fund balances of \$3,409,763, an increase of \$62,613, in comparison with the prior year. Of this total amount, \$283,025 in the General Fund is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

The financial section of this report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and additional required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements for governmental activities report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of the Town of Manchester's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town of Manchester's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Manchester is improving or deteriorating.

The statement of activities presents information showing how the government's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town of Manchester that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Manchester include general government, public safety, public works, health and social services, recreation and parks, conservation and development, and public improvements. The business-type activities of the Town of Manchester include water and wastewater treatment operations.

Government-wide financial statements are designed to include the primary government unit as well as any legally separate entities for which the primary government is financially accountable. These separate entities are known as component units. The Town of Manchester has no such entities that qualify as component units.

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 Manchester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Manchester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

can be spent in the near future to finance the Town's programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled in the schedules following each of the governmental fund financial statements.

Proprietary Funds

When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. The Town of Manchester uses two proprietary funds: the Water Fund and Sewer Fund (also known as Wastewater Treatment). Proprietary funds use the accrual basis of accounting. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds

The Town is Trustee, or fiduciary, for assets that belong to others, such as the private-purpose trust and agency funds. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Town excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Notes

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. The notes to financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget with actual General Fund revenues and expenditures. Other supplementary information consists of combining statements for the non-major governmental funds.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

The following table summarizes the major features of the Town's financial statements, including the portion of the Town's activities covered and the types of information within.

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary. Includes general fund and special revenue funds.	The activities of the Town for which a fee is charged to external users (such as water and wastewater treatment activities).	Instances in which the Town administers resources on behalf of another, such as trust accounts.
Required financial statements	-Statement of net assets -Statement of activities	-Balance Sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net assets or balance sheet -Statement of revenues, expenses and changes in fund net assets -Statement of cash flows	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual basis of accounting and economic resources measurement focus	Modified accrual basis of accounting and current financial resources measurement focus	Accrual basis of accounting and economic resources measurement focus	Accrual basis of accounting and economic resources measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; including capital assets	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they may
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

This section summarizes information and data as related to the Statements of Net Assets as of June 30, 2015 and the Statement of Activities for the Year Ended June 30, 2015.

Government-wide Statements

The Town's combined net assets remained at approximately \$21 million at June 30, 2015. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities including a 2014 comparative analysis of government-wide data.

**Table 1
Net Position (in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,074	3,947	1,283	1,310	5,357	5,257
Capital assets	14,216	14,573	8,498	8,811	22,714	23,384
Deferred outflows	48	-	-	-	48	-
Total assets	18,338	18,520	9,781	10,121	28,119	28,641
Current liabilities	(808)	(491)	(311)	(99)	(1,119)	(590)
Long-term liabilities	(1,694)	(2,087)	(4,243)	(4,610)	(5,937)	(6,697)
Deferred inflows	(101)	-	-	-	(101)	-
Total liabilities	(2,603)	(2,578)	(4,554)	(4,709)	(7,157)	(7,287)
Net assets:						
Invested in capital assets, net of debt	12,361	12,529	4,057	4,201	16,418	16,730
Restricted	3,335	3,169	45	40	3,380	3,209
Unrestricted	39	244	1,125	1,171	1,164	1,415
Total net assets	\$ 15,735	15,942	5,227	5,412	20,962	21,354

The Town's liquidity – the ability to pay for its most immediate obligations – is measured by comparing current assets to current liabilities. The Town has current assets approximately 5 times greater than it does current liabilities.

The Town's solvency – the ability to fulfill its total obligations – is measured by comparing debt-to-assets ratio and debt-to-net assets ratio. Debt-to-assets ratio, which equals 14.2%, computes the percent of assets financed with debt. Debt-to-net assets ratio, which equals 16.5%, computes the amount that is owed for debt on every dollar that the Town has available for use providing programs.

The Town's capital assets, such as infrastructure, buildings and equipment, less outstanding debt used to acquire them, amount to \$12.4 million. These assets represent the largest portion of the Town's net assets. Although the Town's investment in its capital assets is reported net of

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of \$3.4 million have been restricted by the voters or sources external to the Town to be used for specific purposes. The unrestricted net assets of \$1.2 million may be used to meet the Town's ongoing activities.

**Table 2
Changes in Net Position (in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues: \$						
Charges for services	552	500	1,055	1,086	1,607	1,586
Grants and contributions	356	1,092	-	-	356	1,092
General revenues:						
Property taxes	2,816	2,655	-	-	2,816	2,655
Other general revenues	1,301	1,446	43	127	1,344	1,573
Total revenues	5,025	5,693	1,098	1,213	6,123	6,906
Program expenses:						
General government	5,218	4,737	-	-	5,218	4,737
Water	-	-	806	730	806	730
Wastewater treatment	-	-	402	415	402	415
Total expenses	5,218	4,737	1,208	1,145	6,426	5,882
Excess before transfers	(193)	956	(110)	68	(303)	1,024
Transfers	74	130	(74)	(130)	-	-
Prior period adjustment	(89)	-	-	-	(89)	-
Change in net assets	\$ (208)	1,086	(184)	(62)	(392)	1,024

Net position of the Town's governmental activities decreased by \$207 thousand, including net operating transfers from business-type activities of \$74 thousand.

The net assets related to business-type activities decreased by approximately \$184 thousand.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

**Table 3
Cost of Services -
Governmental Activities (in Thousands)**

	Total		Net	
	Cost of Services		Cost of Services	
	2015	2014	2015	2014
General government	\$ 2,135	1,934	1,779	896
Public safety	1,261	1,086	1,087	1,050
Public works	1,342	1,233	1,168	901
Parks and recreation	346	332	152	155
Public health	4	4	4	4
Cemetery	4	5	(6)	(6)
Capital Outlay	41	47	41	47
Emergency	5	8	4	9
Interest on long-term debt	80	88	80	88
	\$ 5,218	4,737	4,309	3,144

The costs of providing governmental services amounted to approximately \$5.2 million for the year ended June 30, 2015. The cost of providing services is offset by charges for services and program-specific operating and capital grants, resulting in net cost of services of approximately \$4.3 million.

**Table 4
Capital Assets at Year-end
Net of depreciation (in Thousands)**

	Governmental	Business-Type	Total
	Activities	Activities	Primary
			Government
Land and improvements	\$ 1,526	139	1,665
Buildings	3,308	405	3,713
Infrastructure	7,869	1,076	8,945
System and improvements	-	6,691	6,691
Machinery and equipment	265	79	344
Vehicles	1,248	-	1,248
Construction in progress	-	108	108
Totals	\$ 14,216	8,498	22,714

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

**Table 5
Outstanding Debt, at Year-end
(in Thousands)**

	Governmental Activities	Business-Type Activities	Total Primary Government
General obligation bonds:			
Principal	\$ 1,855	4,440	6,295
Accrued interest	-	15	15
Totals	\$ 1,855	4,455	6,310

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

This section summarizes the significant changes in the Town's governmental and business-type funds. As noted earlier, the governmental funds account only for current activities. Therefore, this section does not discuss the long-term financial health of the Town's governmental funds. The FY14 Roundabout financial statements reported a fund balance of \$123,510, with some \$6,275 spent during FY15, leaving \$117,236 available for final aesthetic improvements that were designed pending availability of funds. Management plans to complete these enhancements by June 30, 2016, to fully retire the Junction Improvement (aka Roundabout) Fund. On an unrelated matter, the Bicenquingenary Fund (in Celebration of Manchester's 250 anniversary in August of 2011) was retired, by using a \$6,226 general fund tax write-off/repayment for expenses incurred during that time.

FY2015 included an extraordinarily harsh winter, with significant overspending in the Highway Department as well as Sewer and Water Departments in their need to properly care for infrastructure and public safety. As winter began to take its toll, other departments willingly underspent their budgets, so that management was able to report an overall good year-end position.

Additional Financial Information

Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Town of Manchester, Finance Office, 6039 Main Street in Manchester, VT 05255. Please contact Ruth Woodard at (802) 362-1313 X4.

TOWN OF MANCHESTER, VERMONT
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 772,703	595,822	1,368,525
Investments	2,611,707	693,512	3,305,219
Accounts and notes receivable	16,235	279,402	295,637
Delinquent taxes receivable, net	314,913	-	314,913
Internal balances	292,104	(292,104)	-
Due from fiduciary funds	58	-	58
Due from other governments	42,089	-	42,089
Prepaid expenses	2,006	306	2,312
Tax sale land acquisition	22,451	-	22,451
Deferred charges	-	6,641	6,641
Capital assets:			
Land	1,216,500	139,076	1,355,576
Other capital assets, net of accumulated depreciation	12,999,064	8,358,519	21,357,583
Total assets	18,289,830	9,781,174	28,071,004
Deferred Outflows of Financial Resources:			
Contributions to VMERS pension plan	48,071	-	48,071
Total assets and deferred outflows of financial resources	\$ 18,337,901	9,781,174	28,119,075
Liabilities:			
Accounts payable	\$ 149,496	66,746	216,242
Accrued liabilities	333,130	46,757	379,887
Unearned revenue	114,072	-	114,072
Bonds payable:			
Due within one year	190,000	197,447	387,447
Due in more than one year	1,665,000	4,242,552	5,907,552
Capital lease payable:			
Due within one year	21,084	-	21,084
Net pension liability - VMERS	29,265	-	29,265
Total liabilities	2,502,047	4,553,502	7,055,549
Deferred Inflows of Financial Resources:			
VMERS investment earnings projection	100,918	-	100,918
Net position:			
Net investment in capital assets	12,360,564	4,057,596	16,418,160
Restricted	3,335,064	45,000	3,380,064
Unrestricted	39,308	1,125,076	1,164,384
Total net position	\$ 15,734,936	5,227,672	20,962,608

See accompanying notes to financial statements.

Statement of Activities
June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	
						Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,134,740	293,945	62,179	-	(1,778,616)	-	(1,778,616)
Public safety:							
Police and civil defense	1,105,240	53,192	121,359	-	(930,689)	-	(930,689)
Fire	155,863	-	-	-	(155,863)	-	(155,863)
Public works	1,341,702	19,368	-	154,581	(1,167,753)	-	(1,167,753)
Parks and recreation	346,439	176,057	18,019	-	(152,363)	-	(152,363)
Public health	4,015	-	-	-	(4,015)	-	(4,015)
Cemetery	3,633	9,865	-	-	6,232	-	6,232
Capital outlay	41,484	-	-	-	(41,484)	-	(41,484)
Emergency management	4,663	-	-	-	(4,663)	-	(4,663)
Interest	80,083	-	-	-	(80,083)	-	(80,083)
Total governmental activities	5,217,862	552,427	201,557	154,581	(4,309,297)	-	(4,309,297)
Business-type activities:							
Water	806,308	635,212	-	-	-	(171,096)	(171,096)
Sewer	401,504	419,782	-	-	-	18,278	18,278
Total business-type activities	1,207,812	1,054,994	-	-	-	(152,818)	(152,818)
Total primary government	\$ 6,425,674	1,607,421	201,557	154,581	(4,309,297)	(152,818)	(4,462,115)
General revenues:							
Property taxes					2,815,714	-	2,815,714
Sales tax					1,068,366	-	1,068,366
Investment earnings					90,284	37,838	128,122
Miscellaneous					142,112	5,276	147,388
Transfers					74,496	(74,496)	-
Total general revenues and transfers					4,190,972	(31,382)	4,159,590
Change in net position					(118,325)	(184,200)	(302,525)
Net position - beginning					15,941,988	5,411,872	21,353,860
Prior period adjustment - GASB 68 pension reporting					(88,727)	-	(88,727)
Net position - ending					\$ 15,734,936	5,227,672	20,962,608

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	CIRC Fund	Junction Development Fund	Other Governmental Funds	Total
Assets:					
Cash	\$ 616,946	-	-	155,757	772,703
Investments	-	1,024,309	-	1,587,398	2,611,707
Delinquent taxes receivable, net of allowance for uncollectible accounts of \$16,889	314,913	-	-	-	314,913
Accounts and notes receivables	16,235	-	-	-	16,235
Prepaid expenses	2,006	-	-	-	2,006
Tax sale land acquisition	22,451	-	-	-	22,451
Due from other governments	42,089	-	-	-	42,089
Due from other funds	5,319	414,072	117,236	129,496	666,123
Total assets	\$ 1,019,959	1,438,381	117,236	1,872,651	4,448,227
Liabilities:					
Accounts payable	\$ 149,496	-	-	-	149,496
Accrued liabilities	115,006	-	-	1,028	116,034
Due to other funds	-	-	-	373,961	373,961
Unearned revenue	114,072	-	-	-	114,072
	378,574	-	-	374,989	753,563
Deferred Inflows of Resources:					
Unavailable revenue - delinquent property taxes	284,901	-	-	-	284,901
Fund balance:					
Nonspendable	2,006	-	-	-	2,006
Restricted	71,453	1,438,381	117,236	1,707,994	3,335,064
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	283,025	-	-	(210,332)	72,693
	356,484	1,438,381	117,236	1,497,662	3,409,763
Total liabilities, deferred inflows of resources and fund balances	\$ 1,019,959	1,438,381	117,236	1,872,651	4,448,227

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances - governmental funds, page 14 \$ 3,409,763

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.

Governmental capital assets	\$ 19,555,581	
Less accumulated depreciation	<u>(5,340,017)</u>	14,215,564

Deferred outflows of financial resources related to pension activities are not recognized in the funds		48,071
--	--	--------

Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.		284,901
--	--	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(2,122,445)
--	--	-------------

Deferred inflows of financial resources related to pension activities are not recognized in the funds		(100,918)
---	--	-----------

Net position - governmental activities, page 12		<u>\$ 15,734,936</u>
---	--	----------------------

TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General Fund	CIRC Fund	Junction Development Fund	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 2,694,546	-	-	-	2,694,546
Sales tax revenue	1,068,366	-	-	-	1,068,366
Penalties and interest on delinquent accounts	123,640	-	-	-	123,640
Charges for services	238,036	-	-	-	238,036
Intergovernmental revenue	191,987	-	-	-	191,987
Licenses, permits and fines	74,489	-	-	-	74,489
Investment income	4,523	24,464	-	61,297	90,284
Grant income	98,760	-	-	24,676	123,436
Donations	-	-	-	13,210	13,210
Other	360,545	26,156	-	22,819	409,520
	4,854,892	50,620	-	122,002	5,027,514
Expenditures:					
General government	1,886,337	-	-	-	1,886,337
Public safety - police	981,698	-	-	34,823	1,016,521
Public safety - fire	56,980	-	-	-	56,980
Public works	905,851	-	-	-	905,851
Parks and recreation	270,293	-	-	4,153	274,446
Public health	4,015	-	-	-	4,015
Cemetery	-	-	-	3,633	3,633
Capital outlay	240,228	124,080	6,274	-	370,582
Debt management	270,083	-	-	-	270,083
Emergency management	4,663	-	-	-	4,663
Other	246,286	-	-	-	246,286
	4,866,434	124,080	6,274	42,609	5,039,397
Excess (deficiency) of revenues over expenditures	(11,542)	(73,460)	(6,274)	79,393	(11,883)
Other financing sources (uses):					
Operating transfers in (out)	29,839	(66,218)	-	110,875	74,496
	29,839	(66,218)	-	110,875	74,496
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	18,297	(139,678)	(6,274)	190,268	62,613
Fund balance, July 1, 2014	338,187	1,578,059	123,510	1,307,394	3,347,150
Fund balance, June 30, 2015	\$ 356,484	1,438,381	117,236	1,497,662	3,409,763

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - governmental funds, page 16	\$	62,613
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	\$ 329,098	
Less: current year depreciation and amortization	<u>(686,988)</u>	(357,890)
<p>Deferred inflows, deferred outflows and changes in the net pension liability are not recognized in the governmental funds.</p>		
		6,614
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Repayment of bond and capital lease principal		210,554
<p>Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the funds. This amount represents a decrease in deferred property taxes.</p>		
		(2,472)
<p>Non-current accrued compensated absences are not recorded as an expenditure in the governmental funds. This amount represents the increase in accrued vacation and other post-retirement employee benefits pay in the governmental funds.</p>		
		(37,744)
Change in net assets - governmental activities, page 13	\$	<u><u>(118,325)</u></u>

TOWN OF MANCHESTER, VERMONT
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash	\$ 493,249	102,573	595,822
Investments	693,512	-	693,512
Accounts receivable	174,342	105,060	279,402
Prepaid expenses	153	153	306
Deferred charges	4,945	1,696	6,641
Total current assets	1,366,201	209,482	1,575,683
Capital assets:			
Distribution and collection systems	10,436,145	2,089,623	12,525,768
Land	139,076	-	139,076
Buildings and equipment	199,600	3,787,333	3,986,933
Less accumulated depreciation	(3,880,578)	(4,273,604)	(8,154,182)
Total non-current assets	6,894,243	1,603,352	8,497,595
Total assets	\$ 8,260,444	1,812,834	10,073,278
Liabilities:			
Current liabilities:			
Accounts payable	\$ 17,872	48,874	66,746
Accrued liabilities	26,636	20,121	46,757
Due to other funds	198,917	93,187	292,104
Bonds payable, current portion	174,319	23,128	197,447
Total current liabilities	417,744	185,310	603,054
Bonds payable, less current portion	3,015,296	1,227,256	4,242,552
Total liabilities	3,433,040	1,412,566	4,845,606
Net Assets:			
Invested in capital assets, net of related debt	3,704,628	352,968	4,057,596
Restricted	25,000	20,000	45,000
Unrestricted - designated	1,097,776	27,300	1,125,076
Total net position	4,827,404	400,268	5,227,672
Total liabilities and net position	\$ 8,260,444	1,812,834	10,073,278

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 629,018	416,190	1,045,208
Interest on delinquent accounts	6,194	3,592	9,786
Sale of equipment	1,970	3,306	5,276
Total operating revenues	637,182	423,088	1,060,270
Operating expenses:			
Personnel services	195,114	190,563	385,677
Materials and supplies	6,555	5,008	11,563
Repairs and maintenance	99,049	36,204	135,253
Professional services	9,171	11,684	20,855
Utilities	52,370	35,219	87,589
Depreciation and amortization	268,132	45,787	313,919
Other	35,352	21,421	56,773
Total operating expenses	665,743	345,886	1,011,629
Operating income (loss)	(28,561)	77,202	48,641
Nonoperating revenues (expenses):			
Investment income	37,423	415	37,838
Interest expense	(140,565)	(55,618)	(196,183)
	(103,142)	(55,203)	(158,345)
Income (loss) before operating transfers	(131,703)	21,999	(109,704)
Operating transfers out	(16,900)	(57,596)	(74,496)
	(16,900)	(57,596)	(74,496)
Change in net position	(148,603)	(35,597)	(184,200)
Total net position - beginning	4,976,007	435,865	5,411,872
Total net position - ending	\$ 4,827,404	400,268	5,227,672

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activites - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash receipts from customers	\$ 639,855	416,501	1,056,356
Cash from sale of equipment	1,970	3,306	5,276
Cash payments to suppliers of goods or services	(190,614)	(104,504)	(295,118)
Cash payments to employees for services	(195,114)	(190,563)	(385,677)
Net cash provided by (used in) operating activities	256,097	124,740	380,837
Cash flows from non-capital financing activities:			
Operating transfers to other funds	(16,900)	(57,596)	(74,496)
Advances from (to) other funds	63,663	(144,609)	(80,946)
Net cash provided by (used in) non-capital financing activities	46,763	(202,205)	(155,442)
Cash flows from capital and related financing activities:			
Principal payments on bonds	(152,693)	(17,308)	(170,001)
Interest on bonds	(140,565)	(55,618)	(196,183)
Net cash used in capital and related financing activities	(293,258)	(72,926)	(366,184)
Cash flows from investing activities:			
Interest on cash investments	14,417	415	14,832
Purchase of investments	(13,003)	-	(13,003)
Net cash provided by investing activities	1,414	415	1,829
Net increase (decrease) in cash	11,016	(149,976)	(138,960)
Cash, beginning	482,233	252,549	734,782
Cash, ending	\$ 493,249	102,573	595,822
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (28,561)	77,202	48,641
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	268,132	45,787	313,919
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	4,643	(3,281)	1,362
(Increase) decrease in prepaid expenses	970	1,080	2,050
Increase (decrease) in accounts payable and accrued liabilities	10,913	3,952	14,865
Net cash provided by operating activities	\$ 256,097	124,740	380,837

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private-Purpose Trust Funds				Total
	Madeline Warner Cemetery Fund	Otto Conderman Fund	Joseph Burr Fund	Yetta Isaacs Fund	
Assets					
Cash	\$ -	-	7,024	-	7,024
Investments	57,217	32,855	-	17,296	107,368
Total assets	\$ 57,217	32,855	7,024	17,296	114,392
Liabilities					
Due to other funds	\$ 58	-	-	-	58
	58	-	-	-	58
Net Position					
Net position:					
Restricted	57,159	32,855	7,024	17,296	114,334
	57,159	32,855	7,024	17,296	114,334
Total liabilities and net position	\$ 57,217	32,855	7,024	17,296	114,392

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Private-Purpose Trust Funds				Total
	Madeline Warner Cemetery Fund	Otto Conderman Fund	Joseph Burr Fund	Yetta Isaacs Fund	
Revenues:					
Investment income	\$ 2,955	1,380	14	2	4,351
	2,955	1,380	14	2	4,351
Operating expenses					
Other	58	-	-	-	58
	58	-	-	-	58
Excess of revenues over expenditures	2,897	1,380	14	2	4,293
Net position, July 1, 2014	54,262	31,475	7,010	17,294	110,041
Net position, June 30, 2015	\$ 57,159	32,855	7,024	17,296	114,334

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies*

(a) *Introduction*

The Town of Manchester, Vermont (the "Town") is a unit of local government chartered in 1761. The Town operates under a Select Board - Manager form of government and provides services as outlined in its charter.

The financial statements of the Town of Manchester, Vermont include all of the financial activity of the general fund, special revenue funds, proprietary funds, and trust funds. All these components are included because they are under the direct control of the Select Board and the Town Manager, with the exception of the water department which is overseen by the Board of Water Commissioners. The Town exercises significant oversight and financial interdependence exists.

The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

(b) *Basis of Presentation*

Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Adjustments have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

The financial activities of the Town that are reported in the accompanying financial statements have been classified in the funds listed below. In addition, descriptions of the fiduciary funds are listed below.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(b) *Basis of Presentation - (continued)*

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of the governmental agencies of the Town. All general operating revenues which are not restricted as to use by sources external to the Town are recorded in the General Fund, except for local sales tax revenue as described in Note 12.

Special Revenue Funds - The Special Revenue Funds are operating funds for which the use of revenues is restricted, generally by Federal and State governments. The Town has ten Special Revenue Funds; the CIRC Fund, Property Tax Reserve Fund, Recreation Committee Fund, Service Officer's Fund, Factory Point Cemetery Fund, Police Benevolent Fund, Junction Development Project Fund, Reappraisal Reserve Fund, Police Department Shared Funds, and the Bicenquingenary Celebration Fund.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by Proprietary Funds or Trust Funds). The Town has three Capital Projects Funds, the Fire Department Equipment Fund, the Water Capital Improvement Fund, and the Sewer Capital Improvement Fund.

Permanent Funds - Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the programs. The Town has one permanent fund, the Factory Point Cemetery Trust Fund.

Proprietary Fund Type

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town uses two Enterprise Funds: the Water Fund and the Sewer Fund.

Fiduciary Fund Types

Private-purpose Trust Funds - Private-purpose Trust Funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town has four Private-purpose trust funds; the Madeline Warner Cemetery Fund, Otto Conderman Fund, Joseph Burr Fund and the Yetta Isaacs Fund.

(c) *Measurement Focus and Basis of Accounting*

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(c) Measurement Focus and Basis of Accounting (continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for property taxes which are recognized if collected within 60 days of year-end.

(d) Budgets and Budgetary Accounting

The Town Manager prepares the annual operating budget for the General Fund and submits the budget to the Select Board for approval. After the budget is approved, the Select Board publishes a warning in the Town newspaper for the annual Town meeting to discuss the budget. The budget is legally enacted by a general Town vote by floor vote on the Saturday prior to the first Tuesday in March prior to the new fiscal year. Once adopted, budget revisions are not made. Appropriations lapse at the end of the Town's fiscal year if not encumbered. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on the modified accrual basis.

Budgets for the Sewer Fund and the Water Fund are approved annually by the Boards of Sewer and Water Commissioners. Rate changes, if required, are approved by the Commissioners.

(e) Cash

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town, except for the cash equivalents in the investment accounts which are reported as investments.

(f) Allowance for Uncollectible Accounts

The Town provides an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

(g) Investments

Investments are reported at fair value. Unrealized gains and losses in the value of investments are included in revenue.

(h) Capital Assets

Property and equipment is stated at known or estimated historical cost. Net interest costs are capitalized on projects during the construction period. Depreciation is computed using the straight-line method over estimated useful lives as follows: office furniture and equipment – 5 to 10 years, motor vehicles and heavy equipment – 5 to 15 years, buildings and building improvements – 20 to 40 years, and infrastructure – 25 to 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(h) *Capital Assets*

GASBS No. 34 requires the Town to report and depreciate new infrastructure assets effective for the fiscal year ending June 30, 2006. Infrastructure assets include roads, bridges, sidewalks, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure assets is optional for the Town of Manchester, and the Town has chosen not to incur the costs of retroactive reporting.

(i) *Long-term Debt and Deferred Charges*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Accumulated unpaid vacation pay and compensatory leave is accrued when incurred in proprietary funds (using the accrual basis of accounting). The current portion of accumulated unpaid vacation pay is accrued when incurred in governmental funds (using the modified accrual basis of accounting). Accumulated unpaid sick pay is paid to Town employees only while employed and is not recorded as the ultimate liability is not subject to reasonable estimation.

(j) *Net Position/Governmental Fund Balance*

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance is either not in spendable form (such as inventory), or is required to be maintained intact legally or contractually.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Selectboard). To be reported as committed, amounts cannot be used for any other purpose unless the Selectboard takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Selectboard or by an official or body to which the Selectboard delegates the authority.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued) **(j) Net Position/Governmental Fund Balance (continued)**

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

In the government-wide financial statements, net positions are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category includes both designated and undesignated net position of the Town. Designated net position includes reserves that were established by the Board, which are considered internally designated. Undesignated net positions are not restricted for any project or other purpose.

(k) Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditure or expense (transfers out) in the reimbursing fund and as reductions of the expenditure or expense (transfers in) in the fund that is reimbursed.

(l) Encumbrance Accounting

Encumbrances outstanding at year-end are recorded as a reservation of fund balance in the Town's governmental funds, since they do not constitute expenditures or liabilities.

(m) Use of Accounting Estimates

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 assets 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.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(2) Explanation of Certain Differences Between Governmental Fund Statements and the Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

The total of fund balances of the Town's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the categories listed below.

1. Long-Term Revenue and Expense Differences - Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
2. Long-Term Debt Transaction Differences - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
3. Capital Assets - Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(3) Cash

At June 30, 2015, the carrying amount of the Town's cash was \$1,375,549 and the bank balance was \$1,434,864. Of the bank balance, \$302,500 was covered by Federal depository insurance and \$1,082,648 was covered by additional private insurance.

(4) Investments

The Town is not restricted by state statute as to the type of investments that it is authorized to hold except for public funds under the control of the Trustees of Public Funds. The Town has adopted an investment policy for all non-operational dedicated funds which provides investment guidelines for the Town Treasurer, the Trustees of Public Funds and the Investment Advisory Committee. The Town's investments are insured or registered securities held by the Town or its agent in the Town's name.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(4) Investments (continued)

At June 30, 2015, the Town had the following investments:

	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Cash equivalents	\$ 556,748	556,748	-	-
Mutual funds - equities	2,751,830	2,751,830	-	-
U.S. Government bonds	53,497	53,497	-	-
Corporate bonds	50,512	50,512	-	-
	<u>\$ 3,412,587</u>	<u>3,412,587</u>	<u>-</u>	<u>-</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments. At year end, none of the Town's investments were subject to custodial credit risk.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The Town's investment policy minimizes credit risk by diversifying the investment portfolio so that potential losses on individual securities will be minimized. The credit quality rating of the Town's investments in bonds is as follows: AA - \$53,497 and A - \$50,512.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy reduces this risk by structuring the investment portfolio so that the securities mature to meet cash needs for ongoing operations, thus avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in short-term securities or similar investment pools.

Investments by fund at June 30, 2015 are as follows:

Governmental Funds

Special Revenue Funds:

CIRC Fund	\$ 1,024,309
Property Tax Reserve Fund	315,722
Reappraisal Reserve Fund	150,710
Recreation Committee Fund	53,047
Police Benevolent Fund	84,616
Subtotal	<u>1,628,404</u>

Capital Projects Funds:

Fire Department Equipment Fund	392
Sewer Capital Improvement Fund	798,186
Subtotal	<u>798,578</u>

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(4) Investments (continued)

Permanent Fund:

Factory Point Cemetery Trust Fund	184,725
Subtotal for Governmental Funds	2,611,707

Enterprise Funds:

Water Fund	693,512
Subtotal for Enterprise Funds	693,512

Fiduciary Funds - Private-Purpose Trust:

Madeline Warner Cemetery Fund	57,217
Otto Conderman Fund	32,855
Yetta Isaacs Fund	17,296
Subtotal for Fiduciary Funds	107,368

Total investments	\$ 3,412,587
--------------------------	---------------------

(5) Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2014	Additions	Transfers and Disposals	Balance June 30, 2015
Governmental activities:				
Land and improvements	\$ 1,808,118	-	-	1,808,118
Buildings	4,586,281	155,231	-	4,741,512
Machinery and equipment	1,082,363	135,631	-	1,217,994
Vehicles	2,619,337	38,236	(77,973)	2,579,600
Infrastructure	9,208,357	-	-	9,208,357
Totals at historical cost	19,304,456	329,098	(77,973)	19,555,581
Less accumulated depreciation for:				
Land and improvements	(259,963)	(22,189)	-	(282,152)
Buildings	(1,319,294)	(114,431)	-	(1,433,725)
Machinery and equipment	(908,190)	(44,896)	-	(953,086)
Vehicles	(1,250,428)	(159,292)	77,973	(1,331,747)
Infrastructure	(993,127)	(346,180)	-	(1,339,307)
	(4,731,002)	(686,988)	77,973	(5,340,017)
Governmental capital assets, net	\$ 14,573,454	(357,890)	-	14,215,564

Depreciation expense was charged to governmental functions as follows:

Public safety	\$ 164,677
Public works	435,851
General government	14,467
Recreation	71,993
	\$ 686,988

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(5) Capital Assets (continued)

Capital asset activity for the year was as follows:

	Balance June 30, 2014	Additions	Transfers and Disposals	Balance June 30, 2015
Business-type activities:				
Building	\$ 3,640,496	-	-	3,640,496
Land	139,076	-	-	139,076
Water system and improvements	10,436,145	-	-	10,436,145
Infrastructure	2,089,623	-	-	2,089,623
Machinery and equipment	238,707	-	-	238,707
Construction in progress	107,730	-	-	107,730
Totals at historical cost	16,651,777	-	-	16,651,777
Less accumulated depreciation for:				
Buildings	(3,223,195)	(12,550)	-	(3,235,745)
Water system and improvements	(3,488,498)	(256,558)	-	(3,745,056)
Infrastructure	(984,664)	(28,878)	-	(1,013,542)
Machinery and equipment	(144,218)	(15,622)	-	(159,840)
	(7,840,575)	(313,608)	-	(8,154,183)
Business-type capital assets, net	\$ 8,811,202	(313,608)	-	8,497,594

(6) Deferred Inflows of Resources and Unearned Income

Deferred inflows of resources in the General Fund consists of \$284,901 in delinquent taxes receivable and related penalties and interest not collected within 60 days of year-end. Unearned revenue in the General Fund consists of \$38,472 of recreation fees, \$13,100 of grant revenue and \$62,500 of rental income collected in advance for the 2016 fiscal year.

(7) Accrued Compensated Absences

The Town permits employees to accumulate earned but unused vacation benefits and compensatory time off. No liability is reported for unpaid accumulated sick leave because it is not a vested benefit. No expenditure is reported for these amounts in the governmental funds until paid.

(8) Bonds Payable

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable	\$ 2,045,000	-	(190,000)	1,855,000	190,000
Capital lease obligations	41,638	-	(20,554)	21,084	21,084
Other liabilities:					
Compensated absences	69,455	10,072		79,527	-
OPEB obligation	109,897	27,672		137,569	-
	\$ 2,265,990	37,744	(210,554)	2,093,180	211,084
Business-type Activities:					
Bonds payable	\$ 4,610,000	-	(170,000)	4,440,000	175,000
	\$ 4,610,000	-	(170,000)	4,440,000	175,000

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(8) Bonds Payable (continued)

Bonds payable consisted of:

Description	Interest Rate	Maturity Date	Balance June 30, 2015
Public safety facility bond	3.874%	12/01/15	95,000
Highway garage expansion bond	4.756%	12/01/34	180,000
Infrastructure improvements	4.901%	12/01/40	230,000
Parkhouse construction	3.340%	11/15/32	1,350,000
Sewer improvements bond	4.724%	12/01/39	490,385
Sewer infrastructure improvements	4.901%	12/01/40	760,000
Water improvements bond refinancing	5.159%	12/01/17	295,000
Water improvements bond	4.756%	12/01/34	800,000
Water improvements bond	4.901%	12/01/39	784,615
Water infrastructure improvements	4.901%	12/01/40	1,310,000
			\$ 6,295,000

All bonds payable are secured by the general revenue raising powers of the Town.

Maturities of bonds payable are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 190,000	69,867	259,867	175,000	188,542	363,542
2017	111,100	67,028	178,128	273,900	178,182	452,082
2018	110,333	64,390	174,723	274,667	166,537	441,204
2019	110,333	62,413	172,746	169,667	156,624	326,291
2020	110,333	59,482	169,815	169,667	148,549	318,216
2021-2025	531,667	241,390	773,057	848,333	631,170	1,479,503
2026-2030	451,667	123,916	575,583	898,333	472,460	1,370,793
2031-2035	239,567	19,900	259,467	875,433	306,854	1,182,287
2036-2040	-	-	-	675,000	111,479	786,479
2041-2045	-	-	-	80,000	2,124	82,124
	\$ 1,855,000	708,386	2,563,386	4,440,000	2,362,521	6,802,521

(9) Leases

The Town leases certain equipment under an agreement which is classified as a capital lease. At June 30, 2015 equipment recorded under this capital lease in the Government-wide financial statements amounted to \$101,750. Accumulated amortization amounted to \$23,742.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(9) Leases (continued)

Future minimum payments required under the capital lease are as follows:

Year ending June 30, 2016	\$	21,400
Less amount representing interest		(316)
<u>Present value of minimum lease payments</u>	<u>\$</u>	<u>21,084</u>

(10) Internal Balances

Internal balances at June 30, 2015 consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Factory Point Cemetery	\$ 48,822
General	Sewer	35,591
General	Factory Pont Cemetery Trust	53,191
General	Water	182,017
General	Madeline Warner Cemetery	58
General	Junction Development	117,236
CIRC	General	142,124
CIRC	Recreation Committee	156,070
CIRC	Fire Department Equipment	115,878
Property Tax Relief	General	55,000
Sewer Capital Improvement	Sewer	57,596
Water Capital Improvement	Water	16,900
		<u>\$ 980,483</u>

Internal transfers for the year ended June 30, 2015 were as follows:

Transfer From	Transfer To	Amount	Purpose
CIRC	General	\$ 100,000	Fund Capital Outlay
CIRC	General	11,490	Fund Capital Outlay
CIRC	General	4,728	Fund Capital Outlay
General	Fire Department Equipment	75,000	Operating Transfer
General	Factory Point Cemetery	5,000	Operating Transfer
General	Bicenquinquagenary	6,129	Operating Transfer
General	Town Service Officer	250	Operating Transfer
Factory Pont Cemetery Trust	Factory Point Cemetery	65	Operating Transfer
Fire Department Equipment	CIRC	35,000	Operating Transfer
Recreation Committee	CIRC	15,000	Operating Transfer
Sewer	Sewer Capital Improvement	57,596	Operating Transfer
Water	Water Capital Improvement	16,900	Operating Transfer
		<u>\$ 327,158</u>	

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(11) Fund Balance

The Town's fund balance classifications at year-end are as follows:

	General Fund	Special Revenue Funds	Permanent Funds	Total
<i>Nonspendable</i>	\$ 2,006	-	-	2,006
<i>Restricted for:</i>				
Employee benefits and insurance	29,324	-	-	29,324
Marketing initiative	19,100	-	-	19,100
CIRC	-	1,438,381	-	1,438,381
Property tax relief	-	370,722	-	370,722
Junction development project	-	117,236	-	117,236
Public safety	-	92,794	-	92,794
Police vehicle	23,029	-	-	23,029
Reappraisal	-	150,710	-	150,710
Water capital improvements	-	69,139	-	69,139
Sewer capital improvements	-	855,782	-	855,782
Cemetery	-	-	168,847	168,847
<i>Unassigned</i>	283,025	(210,332)	-	72,693

(12) Property Taxes

Property taxes attach as an enforceable lien on property as of the first day of April. Property taxes for fiscal year 2015 were levied July 20, 2014 and were payable in installments due on September 5, 2014 and February 6, 2015.

(13) Sales Tax

Local sales tax revenues in excess (or deficiency) of the amount budgeted in the General Fund are reported in the Property Tax Reserve Fund.

(14) Risk Management

The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Town obtains coverage for the risks of losses to which it is exposed through participation in Property and Casualty Intermunicipal Fund, Inc. (PACIF), a self-insurance program sponsored by the Vermont League of Cities and Towns. PACIF is a non-profit corporation owned by the participating municipalities.

(15) Contingencies

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of such audits is not believed to be material.

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(16) Deferred Compensation and Pension Plans

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by the International City Manager's Association Retirement Corporation. The plan permits participating employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees until termination, retirement, or death.

Defined Contribution Plan

The Town participates in a defined contribution retirement plan administered by Metropolitan Insurance Company. All full-time employees who have completed 18 months of continuous service by the plan anniversary date of May 1st are eligible to participate. The Town contributes 6% of covered payroll for participating employees. Plan investments are self-directed by participants. Pursuant to collective bargaining agreements, the Town's union employees and police management participate in the Vermont Municipal Employees Retirement System (VMERS) in lieu of the defined contribution plan.

The Town's total payroll for the year ended June 30, 2015 was \$2,124,640 and covered payroll amounted to \$684,106. Town contributions to the plan amounted to \$41,046.

Defined Benefit Plan

The Town contributes to the Vermont Municipal Employees Retirement System (VMERS), a cost-sharing multiple-employer defined benefit pension plan 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 Retirement System Division of the Vermont State Treasurer's Office issues a publicly available financial report that includes financial statements and required supplementary information for VMERS. That report may be obtained by writing to Retirement System Division, Vermont State Treasurer's Office, 133 State Street, Montpelier, Vermont 05602.

Plan members are required to contribute 9.625-9.75% of their annual covered compensation and the Town is required to contribute at an actuarially determined rate. The rate applicable to the fiscal year ended June 30, 2015 was 6.875-7.0% of annual covered payroll. The contribution requirements of plan members and the Town of Manchester are established and may be amended by the Retirement Board, Vermont Municipal Employees Retirement System. Covered compensation for the year ended June 30, 2015 amounted to \$692,987.

The Town's contributions to VMERS amounted to \$48,071. The Town made contributions to VMERS for the years ended June 30, 2014, 2013, 2012 and 2011 in the amounts of \$41,364, \$42,876, \$43,416 and \$37,949, respectively.

(17) Other Post Employment Benefits

Plan Description

The Town of Manchester provides under the "Combined Agreement by and Between The Town of Manchester and AFSCME Council 93, Local #490, Manchester Police Chapter" through June 30, 2015, post-retirement health care benefits for police union employees who retire from the Town employment after attaining age 55 and have at minimum 20 years of service. The Town will pay 55% of a single premium in effect provided that the employee does not have access to an equivalent health plan until the employees reach age 65. The Town's portion of the benefits is funded on a pay-as-you-go basis and included in health care expenditures.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(17) Other Post Employment Benefits (continued)

Plan Description

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Funding Policy

The Town's portion of the benefits is funded on a pay-as-you-go basis and included in health care expenditures. Currently no employees are eligible to participate and the Town did not make any contributions.

The following shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for post-retirement health care benefits:

Annual required contribution	\$	27,672
Interest on net OPEB obligation		-
Annual OPEB cost		<u>27,672</u>
Contributions made		-
Increase in net OPEB obligation		<u>27,672</u>
Net OPEB obligation, beginning of year		109,897
Net OPEB obligation, end of year	\$	<u>137,569</u>

Funded Status and Funding Progress

As of June 30, 2014, the actuarial accrued liability for benefits was \$142,790, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$506,365, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.2 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information in subsequent years about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive agreement (the agreement as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(17) Other Post Employment Benefits (continued)

The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Mortality—Life expectancies were based on mortality tables from Internal Revenue Service regulations and based on the “RP-2000 Mortality Tables Report” issued by the Society of Actuaries.

Turnover—Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services and in conjunction with experience of premium increases obtained by the Town. A rate of 5.6 percent was used.

Health insurance premiums—2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate—The expected long-term inflation assumption was assumed to equal the increase in healthcare costs.

Payroll growth rate—The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 1 percent was used. In addition, a simplified version of the unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was thirty years.

(18) Pension Reporting for Assets/Liabilities and Deferred Outflows/Inflows of Financial Resources

Pension Plan Description and Benefits Provided

A detailed description of the Vermont Municipal Employees Retirement System (VMERS) is included in Note 16 to the financial statements.

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

At June 30, 2015, the Town reported the following liability for its proportionate share of the net pension liability for VMERS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportion of the net liability was based on a projection of the Town's long-term share of contributions to VMERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by VMERS reports provided to the Town.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

**(18) Pension Reporting for Assets/Liabilities and Deferred Outflows/Inflows of Financial Resources
(continued)**

Actuarial valuation date	June 30, 2014
Town of Manchester's portion of the Plan's Total net pension liability	\$ 29,265

For the year ended June 30, 2015, the Town recognized pension expense of \$41,456. At June 30, 2015 the Town reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments:		
Union Plan	\$ -	\$ 70,921
Non-Union Plan	-	19,323
Changes in proportion and differences between Town contributions and proportionate share of contributions		
Union Plan	-	9,713
Non-Union Plan	-	961
Town contributions subsequent to the measurement date	<u>48,071</u>	<u>-</u>
	<u>\$ 48,071</u>	<u>\$ 100,918</u>

The Town's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Union Plan</u>	<u>Non-Union Plan</u>	<u>Total</u>
June 30, 2016	\$ (22,504)	(5,303)	(27,807)
June 30, 2017	(22,504)	(5,303)	(27,807)
June 30, 2018	(22,504)	(5,303)	(27,807)
June 30, 2019			-
Thereafter			-
	<u>\$ (67,512)</u>	<u>(15,909)</u>	<u>(83,421)</u>

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(18) Pension Reporting for Assets/Liabilities and Deferred Outflows/Inflows of Financial Resources (continued)

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified below. The interest rate set 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	
Year 9	8.50%	and later	9.00%

Salary Increases: 5% per year

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females
Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females
Disabled retirees – RP-2000 Disabled Life Tables
Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants:

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.

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Note - For funding purposes - A smoothing method is used, 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%. (Not for GASB 68)

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

**(18) Pension Reporting for Assets/Liabilities and Deferred Outflows/Inflows of Financial Resources
(continued)
Significant Actuarial Assumptions and Methods (continued)**

Long-Term Expected Rate of Return:

The long-term expected rate of return on System 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 market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

Discount Rate

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

The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%):

	1% Decrease (7.23%)	Discount Rate (8.23%)	1% Increase (9.23%)
Union Plan	\$ 193,757	\$ 22,999	\$ (120,261)
Non-Union Plan	\$ 52,791	\$ 6,266	\$ (32,766)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(19) Change in Accounting Principle

For the year ended June 30, 2015, the Town implemented GASB Statement No. 68 -*Accounting and Financial Reporting for Pensions - An Amendment to GASB Statement No. 27* and GASB Statement No. 71 - *Pension Transitions for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Town to report as an asset and/or liability its portion of the collective net pension asset and/or liability of the Vermont Municipal Employees' Retirement System. The implementation of the Statements also requires the Town to report a deferred outflow and/or inflow of resources for the effect of the net change in the Town's proportionate share of the collective net pension asset and/or liability and the difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension Systems not included in pension expense. Also included as a deferred outflow of resources is the Town's contributions to VMERS subsequent to the measurement date. As a result of the implementation of the new Statements, net position has been restated as follows:

Beginning pension liability	\$ (130,091)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	<u>41,364</u>
Net change in beginning net position	<u>\$ (88,727)</u>

(20) Subsequent Events

The Town has evaluated subsequent events through February 29, 2016, the date on which the financial statements were available to be issued.

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes			
Property Taxes	\$ 2,502,699	2,694,546	191,847
	2,502,699	2,694,546	191,847
Administration			
Vendors Fees	5,000	5,600	600
Town Hall User Fees	100	-	(100)
	5,100	5,600	500
Finance Department			
Miscellaneous	100	128	28
	100	128	28
Assessing Department			
Listers Education	400	-	(400)
	400	-	(400)
Planning Department			
Planning grant	-	18,325	18,325
Vermont grant - School St. sidewalk	-	7,307	7,307
Zoning Applications/Appeals	20,000	27,278	7,278
Zoning Maps/Ordinances	100	38	(62)
Sign Fees	2,500	1,763	(737)
Fines	250	-	(250)
Recording Fees	2,500	1,940	(560)
	25,350	56,651	31,301
Public Works - Facilities			
Mechanic Fees	10,000	17,100	7,100
Recording Fees	200	80	(120)
	10,200	17,180	6,980
Public Works - Highways			
Permit Fees	2,000	1,310	(690)
State Aid - Roads	152,000	154,581	2,581
Miscellaneous	100	878	778
	154,100	156,769	2,669
Police Department			
Animal Control - Owner Reimbursement	500	289	(211)
Police Wages Reimbursement	-	301	301
Ordinance Fines - Animal Control	100	-	(100)
Justice & Court Fines	15,500	8,175	(7,325)
Fingerprint Process Fee	2,000	2,640	640
Alarm Board Charges	15,000	15,717	717

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
Police Department (continued)			
Alarm Board Fines	1,000	300	(700)
Parking Fines	250	125	(125)
Ordinance Fines	300	-	(300)
Police Reports	2,000	1,930	(70)
VIN ID Fees	250	290	40
Miscellaneous	100	23,425	23,325
GHSP Grant - CIOT-1019	-	1,256	1,256
Grant - HSU 3 Tablets Cruiser	-	13,295	13,295
PD Console - VT	-	88,895	88,895
Grant- 5020 & 5126 - DUI	-	4,687	4,687
Grant-DOJ - BPVests	-	916	916
Grant-1024 - CIOT FY 15 & 16	-	4,262	4,262
	37,000	166,503	129,503
Parks & Recreation Department			
Pool Passes	15,000	11,020	(3,980)
Pool Memberships	26,000	28,283	2,283
Swim Lessons	8,000	13,426	5,426
Private Swim Lessons	4,000	3,281	(719)
Swim Team	15,000	10,854	(4,146)
Brochure Advertising	-	150	150
Applejack Field Rental	6,000	6,050	50
Applejack Field Gate Rece	15,000	11,886	(3,114)
Rental Income	1,000	10,942	9,942
Rental Income - Community Room	2,000	2,289	289
Precision Walk Sponsorship	400	328	(72)
Concession Income	250	2,602	2,352
Programs	100	74,946	74,846
	92,750	176,057	83,307
Health Department			
Fines	50	-	(50)
	50	-	(50)
Town Clerk			
Liquor Licenses	4,300	4,670	370
Photocopies	7,000	6,820	(180)
Motor Veh Reg Renewals	400	877	477
Passport Fees	1,000	-	(1,000)
Dog Licenses	5,500	5,442	(58)
Dog Fines	2,000	2,000	-
Marriage Licenses	1,200	1,290	90

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
Town Clerk (continued)			
Fish & Wildlife Licenses	400	327	(73)
Records Search Fees	1,000	1,028	28
Recording Fees	60,000	45,083	(14,917)
Town Recording Fees	2,700	1,970	(730)
UCC Filing Fees	50	25	(25)
Vital Statistics Fees	5,000	4,460	(540)
Miscellaneous	200	72	(128)
	90,750	74,064	(16,686)
Capital Revenue			
Sale of Vehicle - Highway	2,000	-	(2,000)
Rescue Squad Reimb. - Heat Fuel	12,000	12,142	142
Rescue Squad Reimb. - Water	600	483	(117)
Rescue Squad Reimb. - Grounds	2,500	3,600	1,100
	17,100	16,225	(875)
General Revenue			
MEMS - Grounds Mowing	8,400	8,400	-
Photocopy Sales	200	141	(59)
Act 68 Administrative Aid	33,000	34,503	1,503
Int Earned on Investments	15,000	4,523	(10,477)
Int on Delinquent Taxes	65,000	73,196	8,196
Penalty on Del Taxes	40,000	50,444	10,444
Reappraisal - State Aid	2,900	2,903	3
Grant - Safety Equip. - PACIF	-	3,581	3,581
Junc Proj-Information Officer-Fed	-	6,275	6,275
Current Use State Payment	62,000	63,549	1,549
Payments in Lieu of Taxes	22,000	20,789	(1,211)
Rental Income	135,000	132,736	(2,264)
Miscellaneous	500	21,763	21,263
Allocated Surplus	10,000	-	(10,000)
	394,000	422,803	28,803
Local Option Taxes Revenues			
Local Option Sales Tax	740,000	718,419	(21,581)
Local Opt-Meals/Alcohol Tax	369,000	349,947	(19,053)
	1,109,000	1,068,366	(40,634)
Total revenues	4,438,599	4,854,892	416,293

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Legislative			
Citizen Recognition	750	31	719
Miscellaneous	750	568	182
	1,500	599	901
Administration			
Dues and Subscriptions	400	839	(439)
Miscellaneous	250	303	(53)
	650	1,142	(492)
Finance Department			
Printing and Publications	1,000	70	930
Software Support	1,000	981	19
Miscellaneous	100	-	100
	2,100	1,051	1,049
Assessing Department			
Dues and Subscriptions	300	125	175
Software Support	1,000	1,355	(355)
Miscellaneous	100	26	74
	1,400	1,506	(106)
Planning Department			
Grant Expenses	-	18,325	(18,325)
School Sidewalk Grant	-	7,729	(7,729)
Dues and Subscriptions	600	541	59
Printing and Publications	500	1,280	(780)
Recording Fees	2,500	1,850	650
Software Support	1,000	400	600
Economic Development Programs	2,500	2,372	128
Marketing Initiative	15,000	-	15,000
Miscellaneous	200	-	200
	22,300	32,497	(10,197)
Department of Public Works			
Uniforms and Clothing	6,100	6,388	(288)
Electricity	3,900	4,456	(556)
Heating Fuels	10,800	11,000	(200)
Equipment Maintenance-Parts	43,000	64,105	(21,105)
Fuel-Gas	12,500	10,894	1,606
Fuel-Diesel	49,500	46,345	3,155
Oil and Lubricants	3,000	3,358	(358)
Expendable Supplies	12,000	12,074	(74)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Department of Public Works (continued):			
Equipment Maintenance-Non-Fleet	2,200	3,034	(834)
Mechanic Tools	3,000	3,058	(58)
Miscellaneous	200	1,061	(861)
Permit Fees	250	179	71
Recording Fees	200	120	80
Equipment Acquisition (non-computer)	2,500	1,481	1,019
Radios and Communications	500	50	450
	149,650	167,603	(17,953)
Department of Public Works - Facilities			
Facilities Maintenance/Improvements	40,000	37,489	2,511
Facilities - Town Hall reconfiguration	-	16,381	(16,381)
Tree Removal/Planting/Care	7,000	3,060	3,940
Parks/Grounds Maintenance	16,000	8,962	7,038
Downtown Maintenance	4,000	1,110	2,890
Waste Disposal - Facilities	6,200	4,748	1,452
	73,200	71,750	1,450
Department of Public Works - Highways			
Cutting Edges	9,000	9,589	(589)
Asphalt-Patchwork	2,100	3,294	(1,194)
Winter Sand/Salt	137,000	208,265	(71,265)
Chloride	8,000	4,870	3,130
Gravel	10,500	8,024	2,476
Signs & Posts	7,000	4,764	2,236
Culverts/Drainage Appert	4,200	15,621	(11,421)
Curb & Sidewalk Repair	1,000	-	1,000
Guard Railings	4,000	3,569	431
Bridge Repair	500	-	500
Line Painting	5,000	5,720	(720)
Traffic Signals	5,000	5,662	(662)
	193,300	269,378	(76,078)
Police Department			
Special Police/Prisoner Transport	-	1,165	(1,165)
Animal Control Officer - Boarding/Admin.	500	-	500
Animal Control Officer - Miscellaneous	200	-	200
Animal Control Officer - Veterinary Care	1,500	490	1,010
Training	7,500	10,434	(2,934)
Supplies	2,500	1,103	1,397
Dues and Subscriptions	2,000	2,629	(629)
Uniforms and Clothing	10,000	10,362	(362)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Police Department (continued)			
Uniforms - Cleaning Allowance	7,200	6,400	800
Vehicle Maintenance	12,000	11,093	907
Fuel-Gas	23,500	15,452	8,048
Equipment Maintenance	14,000	24,423	(10,423)
Criminal Investigation Cost	2,500	134	2,366
Miscellaneous	200	252	(52)
Grant-Dispatch Console	-	88,895	(88,895)
Grant-HSU 3 Tablets Cruiser	-	13,294	(13,294)
Grant-GHSP-FY15-5020-DUI	-	303	(303)
Equipment Acquisition	5,000	10,312	(5,312)
	88,600	196,741	(108,141)
Fire Department			
Training - Firefighters	1,500	-	1,500
Supplies - Fire Prevention	1,000	-	1,000
Vehicles/Equip. Maintenance/Repairs	20,000	17,253	2,747
Fuel - Gas	200	80	120
Fuel-Diesel	4,000	2,006	1,994
Communications - Acquisition/Repair	3,000	1,268	1,732
Miscellaneous	1,000	414	586
Hazardous Waste Supplies	1,000	-	1,000
Equipment Acquisition	16,000	5,759	10,241
	47,700	26,780	20,920
Emergency Management			
Equipment Maintenance	500	330	170
Miscellaneous	250	-	250
Equipment Acquisition	1,000	333	667
	1,750	663	1,087
Parks And Recreation Department			
Advertising/Printing/Publications	2,500	2,686	(186)
Supplies	750	868	(118)
Dues and Subscriptions	500	315	185
Precision Walk	400	469	(69)
Electricity	10,000	9,436	564
Electricity - Applejack Field	5,500	2,635	2,865
Heating Fuels	9,600	12,208	(2,608)
Concession Stand	-	2,448	(2,448)
Pool Maintenance/Supplies	15,000	13,196	1,804
Pool Uniforms	1,000	755	245
Pool Heater (Propane)	-	90	(90)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Parks And Recreation Department (continued)			
Applejack Field Maintenance	18,000	10,193	7,807
Applejack Field Maintenance	-	-	-
Miscellaneous	500	311	189
Credit Card Fees	3,000	3,321	(321)
Equipment Acquisition	2,500	1,399	1,101
Programs	34,000	50,297	(16,297)
Swim Team Expense	5,000	5,942	(942)
	108,250	116,569	(8,319)
Health Officer			
Supplies	100	15	85
Recording Fees	50	-	50
Miscellaneous	100	-	100
	250	15	235
Town Clerk			
Records Preservation	3,000	4,207	(1,207)
Dues and subscriptions	600	577	23
Maintenance Contracts	5,000	5,283	(283)
Miscellaneous	250	272	(22)
Equipment Acquisition	1,500	-	1,500
	10,350	10,339	11
Elections & Board of Civil Authority (BCA)			
Training	200	-	200
Contract Services	3,000	4,284	(1,284)
Printing and Publications	250	-	250
Miscellaneous	400	250	150
	3,850	4,534	(684)
Town Hall/Public Safety Buildings			
Water - Town Hall	560	328	232
Water - PSF	1,850	1,448	402
Electricity - Town Hall	12,000	12,219	(219)
Electricity - PSF	18,400	17,775	625
Heating Fuels - Town Hall	21,500	23,217	(1,717)
Heating Fuels - PSF	35,000	35,227	(227)
Consulting - Public Safety	20,000	18,240	1,760
	109,310	108,454	856
General Expenditures			
Telephone	14,000	11,221	2,779
Internet Services	3,500	3,715	(215)
Wi-Fi	3,500	2,168	1,332

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
General Expenditures (continued)			
Cell Phone	9,000	10,269	(1,269)
Photocopiers	8,000	7,398	602
Travel	1,500	573	927
General Advertising	4,500	6,243	(1,743)
Carpool Vehicle Lease	9,000	7,596	1,404
Carpool Vehicle Lease (fuel)	1,000	508	492
Carpool Vehicle Maintenance	500	10	490
Postage	10,000	7,335	2,665
Training - General	6,000	2,430	3,570
Computer & Office Supplies/Equip.	19,000	28,255	(9,255)
Pre-Employment Expenses	500	155	345
Town Report Printing/Mailing/Adv.	7,000	6,116	884
Legal/Consulting	28,000	75,190	(47,190)
Property Maps	6,000	5,242	758
Audit	10,500	10,150	350
MEMS- Shared Services Agreement	50,000	50,000	-
State Property Tax	23,000	25,453	(2,453)
Manchester Rescue Squad	5,000	5,000	-
Bennington County Regional Comm.	5,300	5,298	2
Listers E&O - Municipal Tax	5,000	-	5,000
County Taxes	82,000	78,828	3,172
Tax Appeals - Court Imposed	1,000	-	1,000
Uncollectible Taxes	3,000	4,032	(1,032)
Tax Abatements	500	2,078	(1,578)
Street Lights	31,500	31,106	394
VT League - Cities & Towns	5,517	5,517	-
Village Allocation - Highways	43,000	36,885	6,115
Village Alloc. - Street Lights/Sidewalk	4,800	3,597	1,203
Solid Waster Disposal	36,000	37,960	(1,960)
Memorial Day	1,500	2,060	(560)
Conservation Commission	100	-	100
Insurance	60,000	65,171	(5,171)
Debt - Principal & Interest	271,191	270,083	1,108
Miscellaneous	500	239	261
	770,408	807,881	(37,473)
Personnel-Salaries			
Legislative-Selectboard	6,000	6,000	-
Admin-Town Mgr Office	63,706	91,063	(27,357)
Admin-Human Resources	84,700	35,578	49,122
Finance-Full time	50,438	60,812	(10,374)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Expenditures (continued):</i>			
<i>Personnel-Salaries (continued)</i>			
Finance-Treasurer	25,195	30,591	(5,396)
Finance-Bd Tax Abatement	100	-	100
Assessing-Full time	26,279	26,287	(8)
Assessing-Listers	10,300	18,982	(8,682)
Planning/Zoning-Full time	65,000	54,052	10,948
Planning/Zoning-Econ Development	26,279	26,288	(9)
DPW-Director/Mechanic-Full time	113,290	113,464	(174)
DPW-Dir/Mechan-Overtime	39,000	21,691	17,309
DPW-Mechanic-Outside Bill	7,000	7,264	(264)
DPW-Mech-Outside Billable\Overtime	-	457	(457)
DPW-Facilities-Full time	114,700	140,831	(26,131)
DPW-Facilities-Full Time -Overtime	-	12,259	(12,259)
DPW-Facilities-Seasonal	23,800	24,113	(313)
DPW-Facilities-Seasonal -Overtime	-	193	(193)
DPW-Facilities-Maint/Imp	-	3,914	(3,914)
DPW-Highways-Full time	84,314	53,030	31,284
DPW-Highways-FT-Overtime	-	19,904	(19,904)
Police Dept-Police Chief	203,075	-	203,075
Police-Officers- FullTime	283,100	437,382	(154,282)
Police-Officers- Overtime	63,000	57,090	5,910
PD-Off-OT-Drug Interdictn	-	3,184	(3,184)
PD-OT-Criminal Investigator	2,500	-	2,500
PD-DUI Grant	-	493	(493)
PD-GHSP Grant - CIOT	-	3,138	(3,138)
Dispatcher-Full time	137,290	183,083	(45,793)
Dispatch-Overtime	25,500	22,408	3,092
Police-Part time/Prisoner Transport	30,000	58,988	(28,988)
PD-OT-Spec Officer	-	1,296	(1,296)
Dispatch-Spare	23,000	17,895	5,105
Fire Dept-Administration	7,700	7,700	-
Fire Dept-Firefighters	22,500	22,500	-
Emergency Management	4,000	4,000	-
Parks/Rec-Full time	84,494	84,369	125
Parks/Rec-Part time	15,000	14,175	825
Parks/Rec-Pool-Straight time	39,000	36,329	2,671
Parks/Rec-Pool-Overtime	-	348	(348)
Parks/Rec-Swim Team	10,000	3,761	6,239
Parks/Rec-Streetfests-OT	-	802	(802)
Parks/Rec-Camp Counselors	15,000	13,940	1,060
Parks/Rec-AJ Field Wages	-	1,608	(1,608)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Personnel-Salaries (continued)			
Health Officer-Stipend	4,000	4,000	-
Health Officer-HourlyWage	500	-	500
Town Clerk-Salary	44,164	39,116	5,048
Assistant-Salary	29,000	27,366	1,634
Contracted Serv-Assistant	500	-	500
BCA-Elections	2,600	2,365	235
BCA-Tax Appeals	1,000	275	725
Employee Performance Bonuses	21,500	24,502	(3,002)
Longevity/Sick/Holiday Wages	10,500	-	10,500
Police Dept Bonus Wages	19,000	23,822	(4,822)
	1,838,024	1,842,708	(4,684)
Allocable Expenditures			
FICA/Medicare	138,000	139,786	(1,786)
Unemployment Insurance	12,500	10,551	1,949
Health Insurance	395,000	378,263	16,737
Transfer Out- High Deductible Fund	5,000	8,153	(3,153)
Health Care Wellness	2,000	1,379	621
AD/D and Life Insurance	21,500	20,041	1,459
Worker's Compensation Insurance	50,000	54,282	(4,282)
Pension and Retirement	88,000	85,017	2,983
Dental Insurance	21,000	21,965	(965)
Section 125 Administration Fees	750	273	477
	733,750	719,710	14,040
Capital Expenditures			
Cap-Highway Equipment	35,000	35,394	(394)
Cap-DPW Salt Shed	200,000	134,475	65,525
Cap-Trans Pol Veh Reserve	38,000	35,181	2,819
Capital-Pool Safety Cover	12,000	10,756	1,244
Capital-Poolhouse Construction	-	13,419	(13,419)
Roundabout	-	11,003	(11,003)
	285,000	240,228	44,772
Town Appropriations			
RSVP	3,250	3,250	-
July 4th Voted Appropriations	6,000	6,000	-
Street Fests	4,000	4,000	-
SW VT Council on Aging	4,000	4,000	-
The Collaborative	1,000	1,000	-
Community Action SW VT (BROC)	1,811	1,811	-
PAVE-Against Violence	1,850	1,850	-

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Town Appropriations (continued)			
Benn Area Habitat for Humanity	2,400	2,400	-
Neighbor to Neighbor	1,500	1,500	-
Center for Independent Living	420	420	-
Tutorial Center	2,500	2,500	-
Benn County Court Diversion	2,000	2,000	-
Benn County Coalition/Homeless	-	-	-
GNAT (Television Access)	2,000	2,000	-
VABVI - Blind and Visually Impaired	500	500	-
Marketing Initiative	15,000	15,055	(55)
Mark Skinner Library	198,000	198,000	-
	246,231	246,286	(55)
Total expenditures	4,687,573	4,866,434	(178,861)
Excess (deficiency) of revenues over expenditures	(248,974)	(11,542)	237,432
Other financing sources (uses):			
Operating transfers in (out):			
Property Tax Relief Fund	20,000	-	(20,000)
CIRC Fund - Salt Shed	100,000	100,000	-
CIRC Fund - Parkhouse	-	11,490	11,490
Junction Fund	-	4,728	4,728
Factory Point Cemetery (Operation)	(5,000)	(5,000)	-
Fire Dept Equipment Reserve Fund	(40,000)	(40,000)	-
Bicenquingenary Fund	(6,500)	(6,129)	371
Town Service Officer	(250)	(250)	-
Trans to CIRC-Fire Dept	(35,000)	(35,000)	-
Total other financing sources (uses)	33,250	29,839	(3,411)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (215,724)	18,297	234,021

TOWN OF MANCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for Health Care Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	107,795	107,795	0.0%	649,780	16.6%
6/30/2011	-	93,367	93,367	0.0%	711,429	13.1%
6/30/2012	-	101,822	101,822	0.0%	711,880	14.3%
6/30/2013	-	128,736	128,736	0.0%	737,707	17.5%
6/30/2014	-	113,366	113,366	0.0%	439,515	25.8%
6/30/2015	-	142,790	142,790	0.0%	506,365	28.2%

TOWN OF MANCHESTER, VERMONT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds										Capital Projects Funds					Permanent Fund		Total Nonmajor Governmental Funds	
	Property Tax Reserve Fund	Recreation Committee Fund	Service Officer's Fund	Factory Point Cemetery Fund	Police Benevolent Fund	Bicenquennial Quagenary Fund	Reappraisal Reserve Fund	PD Shared Funds	Fire Department Equipment Fund	Water Capital Improvement Fund	Sewer Capital Improvement Fund	Factory Point Cemetery Trust Fund	Factory Point Cemetery Trust Fund	Factory Point Cemetery Trust Fund					
Assets																			
Cash	\$ -	-	287	56,492	7,195	-	-	696	1,535	52,239	-	-	37,313	37,313	155,757				
Investments	315,722	53,047	-	-	84,616	-	150,710	-	392	-	798,186	-	184,725	184,725	1,587,398				
Due from other funds	55,000	-	-	-	-	-	-	-	-	16,900	-	-	-	-	129,496				
	\$ 370,722	53,047	287	56,492	91,811	-	150,710	696	1,927	69,139	855,782	-	222,038	222,038	1,872,651				
Liabilities																			
Accrued liabilities	\$ -	-	-	1,028	-	-	-	-	-	-	-	-	-	-	1,028				
Due to other funds	-	156,070	-	48,822	-	-	-	-	115,878	-	-	-	53,191	53,191	373,961				
	-	156,070	-	49,850	-	-	-	-	115,878	-	-	-	53,191	53,191	374,989				
Fund Balances																			
Restricted	370,722	-	287	-	91,811	-	150,710	696	-	69,139	855,782	-	168,847	168,847	1,707,994				
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Unassigned	-	(103,023)	-	6,642	-	-	-	-	(113,951)	-	-	-	-	-	(210,332)				
	370,722	(103,023)	287	6,642	91,811	-	150,710	696	(113,951)	69,139	855,782	-	168,847	168,847	1,497,662				
	\$ 370,722	53,047	287	56,492	91,811	-	150,710	696	1,927	69,139	855,782	-	222,038	222,038	1,872,651				

TOWN OF MANCHESTER, VERMONT
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Special Revenue Funds											Capital Projects Funds				Permanent Funds		Total Nonmajor Governmental Funds
	Property Tax Reserve Fund	Recreation Committee Fund	Service Officer's Fund	Factory Point Cemetery Fund	Police Benevolent Fund	Bicenquin-Quagenary Fund	Reappraisal Reserve Fund	PD Shared Funds	Fire Department Equipment Fund	Water Capital Improvement Fund	Sewer Capital Improvement Fund	Factory Point Cemetery Trust Fund	Permanent Funds	Permanent Funds				
Revenues:																		
Investment income	\$ 7,833	1,279	-	27	3,984	-	4,789	1	5	81	38,215	5,083					61,297	
Grant income	-	-	-	-	-	-	24,676	-	-	-	-	-	-	-	-	-	24,676	
Donations	-	5,065	250	-	7,770	97	-	28	-	-	-	-	-	-	-	-	13,210	
Miscellaneous income	-	12,954	-	6,365	-	-	-	-	-	-	-	-	-	-	-	-	22,819	
	7,833	19,298	250	6,392	11,754	97	29,465	29	5	81	38,215	8,583					122,002	
Expenditures:																		
Public safety	-	-	443	-	750	-	-	-	33,630	-	-	-	-	-	-	-	34,823	
Recreation expenses	-	4,153	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,153	
Cemetery expenses	-	-	-	3,633	-	-	-	-	-	-	-	-	-	-	-	-	3,633	
	-	4,153	443	3,633	750	-	-	-	33,630	-	-	-	-	-	-	-	42,609	
Excess (deficiency) of revenues over expenditures	7,833	15,145	(193)	2,759	11,004	97	29,465	29	(33,625)	81	38,215	8,583					79,393	
Other financing sources (uses):																		
Operating transfers in	-	-	250	5,065	-	6,129	-	-	75,000	16,900	57,596	-	-	-	-	-	160,940	
Operating transfers out	-	(15,000)	-	-	-	-	-	-	(35,000)	-	-	(65)	-	-	-	-	(50,065)	
	-	(15,000)	250	5,065	-	6,129	-	-	40,000	16,900	57,596	(65)	-	-	-	-	110,875	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	7,833	145	57	7,824	11,004	6,226	29,465	29	6,375	16,981	95,811	8,518					190,268	
Total fund balances, July 1, 2014	362,889	(103,168)	230	(1,182)	80,807	(6,226)	121,245	667	(120,326)	52,158	759,971	160,329					1,307,394	
Total fund balances, June 30, 2015	\$ 370,722	(103,023)	287	6,642	91,811	-	150,710	696	(113,951)	69,139	855,782	168,847					1,497,662	



**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**

The Select Board
Town of Manchester, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Manchester, Vermont, as of and for the year ended June 30, 2015, which collectively comprise the Town of Manchester, Vermont's basic financial statements and have issued our report thereon dated February 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Love, Cody & Company, CPAs, P.C.

February 29, 2016

Vt. Reg. #357

Love, Cody & Company, CPAs