

TOWN OF MANCHESTER, VERMONT

Financial Statements and Schedules

June 30, 2013

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2013, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 March 18, 2014, 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.

March 18, 2014

Vt. Reg. #357

Love, Cody & Company, CPAs

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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, 2013. 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 \$19,787,375 (net assets). Of this amount, \$1,096,678 (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 \$19,787,375. Of this amount, net assets attributable to governmental activities are \$14,313,263 while net assets attributable to business-type activities are \$5,474,112.

Fund financial statements:

- ❖ As of the close of the 2013 fiscal year, the Town of Manchester's governmental funds reported combined ending fund balances of \$2,254,092, a decrease of \$929,152, in comparison with the prior year. Of this total amount, \$83,625 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, 2013**

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, 2013**

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, 2013**

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, 2013**

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, 2013 and the Statement of Activities for the Year Ended June 30, 2013.

Government-wide Statements

The Town's combined net assets remained at approximately \$19.7 million at June 30, 2013. 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 2012 comparative analysis of government-wide data.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,567	3,925	1,274	1,859	4,841	5,784
Capital assets	14,198	8,204	9,080	8,853	23,278	17,057
Total assets	17,765	12,129	10,354	10,712	28,119	22,841
Current liabilities	(1,155)	(648)	(99)	(108)	(1,254)	(756)
Long-term liabilities	(2,297)	(877)	(4,780)	(4,978)	(7,077)	(5,855)
Total liabilities	(3,452)	(1,525)	(4,879)	(5,086)	(8,331)	(6,611)
Net assets:						
Invested in capital assets, net of debt	11,963	7,326	4,300	3,875	16,263	11,201
Restricted	2,398	3,351	30	20	2,428	3,371
Unrestricted	(48)	(73)	1,145	1,731	1,097	1,658
Total net assets	\$ 14,313	10,604	5,475	5,626	19,788	16,230

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 4 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 29.6%, computes the percent of assets financed with debt. Debt-to-net assets ratio, which equals 42.1%, computes the amount that is owed for debt on every dollar that the Town has available for use providing programs.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

The Town's capital assets, such as infrastructure, buildings and equipment, less outstanding debt used to acquire them, amount to \$16.2 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 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 \$2.4 million have been restricted by the voters or sources external to the Town to be used for specific purposes. The unrestricted net assets of \$1.1 million may be used to meet the Town's ongoing activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues: \$						
Charges for services	488	585	968	923	1,456	1,508
Grants and contributions	4,477	899	-	-	4,477	899
General revenues:						
Property taxes	2,453	2,248	-	-	2,453	2,248
Other general revenues	1,232	1,065	64	6	1,296	1,071
Total revenues	8,650	4,797	1,032	929	9,682	5,726
Program expenses:						
General government	4,956	4,711	-	-	4,956	4,711
Water	-	-	824	691	824	691
Wastewater treatment	-	-	341	362	341	362
Total expenses	4,956	4,711	1,165	1,053	6,121	5,764
Excess before transfers	3,694	86	(133)	(124)	3,561	(38)
Transfers	15	71	(15)	(12)	-	59
Change in net assets	\$ 3,709	157	(148)	(136)	3,561	21

Net assets of the Town's governmental activities increased by \$3.7 million, including net operating transfers from business-type activities of \$15 thousand.

The net assets related to business-type activities decreased by approximately \$148 thousand.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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

	Total		Net	
	Cost of Services		Cost of Services	
	2013	2012	2013	2012
General government	\$ 2,315	1,842	(2,184)	1,249
Public safety	1,093	1,197	985	1,160
Public works	988	881	802	707
Parks and recreation	352	300	188	288
Public health	4	4	4	4
Cemetery	5	3	(3)	(3)
Capital Outlay	99	201	99	(272)
Emergency	10	219	10	30
Interest on long-term debt	90	64	90	64
	\$ 4,956	4,711	(9)	3,227

The costs of providing governmental services amounted to approximately \$5 million for the year ended June 30, 2013. The cost of providing services is offset by charges for services and program-specific operating and capital grants, resulting in net revenue of services of approximately \$9 thousand.

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

		Governmental	Business-Type	Total
		Activities	Activities	Primary Government
Land and improvements	\$	1,572	139	1,711
Buildings		1,678	422	2,100
Infrastructure		1,132	781	1,913
System and improvements		-	5,599	5,599
Machinery and equipment		195	113	308
Vehicles		1,539	-	1,539
Construction in progress		8,083	2,026	10,109
Totals	\$	14,199	9,080	23,279

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General obligation bonds:			
Principal	\$ 2,235	4,780	7,015
Accrued interest	-	18	18
Totals	\$ 2,235	4,798	7,033

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. A review of the financial statements shows that the Town's combined assets were virtually unchanged from FY 2012 to FY 2013. This is not because the town was not active in FY 2013 - on the contrary, management had several large projects in the late planning stages and/or under active construction in the summer of 2013. The related financial impacts will then be reported as part of the FY 2014 audit, but the next couple of paragraphs will describe which projects were underway.

The Town finished construction work on the Roundabout in the spring of 2013. Originally slated to take three construction seasons, the construction aspect began in the spring of 2012 and finished in the spring of 2013. The aggressive construction aspect was followed by months of financial reporting. Final acceptance of the two new roundabouts did not occur by the end of FY 13, so final Financial Reporting is expected to be completed in FY 14. Of note, as part of the project, the Town sidewalks have been replaced and upgraded, new street lighting illuminates Depot Street, Main Street, and Bonnet Street, and benches, trees and other streetscape and landscape elements have been added to enhance the look and feel of the downtown core. The overhead utility lines along the project were removed, and Water and Sewer Infrastructure were upgraded at the same time.

The new Park House, with a community meeting room, at the Dana L. Thompson Memorial Park, which replaced the old pool house, opened during the spring of 2013.

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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 494,088	532,882	1,026,970
Investments	2,262,666	534,072	2,796,738
Accounts and notes receivable	275,621	242,204	517,825
Delinquent taxes receivable, net	366,404	-	366,404
Internal balances	44,124	(44,124)	-
Due from fiduciary funds	112	-	112
Due from other governments	85,629	-	85,629
Prepaid expenses	15,952	1,360	17,312
Tax sale land acquisition	22,451	-	22,451
Deferred charges	-	7,402	7,402
Capital assets:			
Land	1,643,309	139,076	1,782,385
Other capital assets, net of accumulated depreciation	12,554,966	8,940,512	21,495,478
Total assets	\$ 17,765,322	10,353,384	28,118,706
Liabilities:			
Accounts payable	\$ 781,287	48,004	829,291
Accrued liabilities	267,976	51,269	319,245
Deferred revenue	106,121	-	106,121
Bonds payable:			
Due within one year	190,000	197,447	387,447
Due in more than one year	2,045,000	4,582,552	6,627,552
Capital lease payable:			
Due within one year	20,037	-	20,037
Due in more than one year	41,638	-	41,638
Total liabilities	3,452,059	4,879,272	8,331,331
Net position:			
Invested in capital assets, net of related debt	11,963,275	4,299,589	16,262,864
Restricted	2,397,833	30,000	2,427,833
Unrestricted	(47,845)	1,144,523	1,096,678
Total net position	\$ 14,313,263	5,474,112	19,787,375

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Activities
June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 2,315,231	294,166	131,194	4,073,398	2,183,527	-	2,183,527
Public safety:							
Police and civil defense	916,389	32,277	62,375	-	(821,737)	-	(821,737)
Fire	177,105	-	14,000	-	(163,105)	-	(163,105)
Public works	988,134	21,117	-	164,902	(802,115)	-	(802,115)
Parks and recreation	351,728	132,497	26,110	4,730	(188,391)	-	(188,391)
Public health	4,099	-	-	-	(4,099)	-	(4,099)
Cemetery	4,547	7,956	-	-	3,409	-	3,409
Capital outlay	99,225	-	-	-	(99,225)	-	(99,225)
Emergency management	9,692	-	-	-	(9,692)	-	(9,692)
Interest	90,168	-	-	-	(90,168)	-	(90,168)
Total governmental activities	4,956,318	488,013	233,679	4,243,030	8,404	-	8,404
Business-type activities:							
Water	755,021	599,338	-	-	-	(155,683)	(155,683)
Sewer	413,953	365,604	-	-	-	(48,349)	(48,349)
Total business-type activities	1,168,974	964,942	-	-	-	(204,032)	(204,032)
Total primary government	\$ 6,125,292	1,452,955	233,679	4,243,030	8,404	(204,032)	(195,628)
General revenues:							
Property taxes					2,453,309	-	2,453,309
Sales tax					975,754	-	975,754
Investment earnings					256,154	64,148	320,302
Miscellaneous					311	3,250	3,561
Transfers					15,485	(15,485)	-
Total general revenues and transfers					3,701,013	51,913	3,752,926
Change in net position					3,709,417	(152,119)	3,557,298
Net position - beginning					10,603,846	5,626,231	16,230,077
Net position - ending					\$ 14,313,263	5,474,112	19,787,375

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	CIRC Fund	Junction Development Fund	Other Governmental Funds	Total
Assets:					
Cash	\$ 417,462	-	4,626	72,000	494,088
Investments	-	1,042,183	-	1,220,483	2,262,666
Delinquent taxes receivable, net of allowance for uncollectible accounts of \$16,889	366,404	-	-	-	366,404
Accounts and notes receivables	275,621	-	-	-	275,621
Prepaid expenses	15,952	-	-	-	15,952
Tax sale land acquisition	22,451	-	-	-	22,451
Due from other governments	85,629	-	-	-	85,629
Due from fiduciary funds	112	-	-	-	112
Due from other funds	-	791,502	-	45,275	836,777
Total assets	\$ 1,183,631	1,833,685	4,626	1,337,758	4,359,700
Liabilities:					
Accounts payable	\$ 249,235	-	532,052	-	781,287
Accrued liabilities	100,928	-	748	504	102,180
Due to other funds	209,229	-	167,397	416,027	792,653
Deferred revenue	429,488	-	-	-	429,488
	988,880	-	700,197	416,531	2,105,608
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	51,126	1,833,685	(695,571)	1,208,593	2,397,833
Committed	60,000	-	-	10,710	70,710
Assigned	-	-	-	-	-
Unassigned	83,625	-	-	(298,076)	(214,451)
	194,751	1,833,685	(695,571)	921,227	2,254,092
Total liabilities and fund balance	\$ 1,183,631	1,833,685	4,626	1,337,758	4,359,700

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, 2013

Total fund balances - governmental funds, page 14	\$	2,254,092
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$	18,250,498
Less accumulated depreciation		<u>(4,052,223)</u>
		14,198,275
<p>Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		323,367
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
		(2,462,471)
Net position - governmental activities, page 12	\$	<u><u>14,313,263</u></u>

TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	General Fund	CIRC Fund	Junction Development Fund	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 2,274,968	-	-	-	2,274,968
Sales tax revenue	975,754	-	-	-	975,754
Penalties and interest on delinquent accounts	105,781	-	-	-	105,781
Charges for services	178,214	-	-	-	178,214
Intergovernmental revenue	240,447	-	-	-	240,447
Licenses, permits and fines	16,320	-	-	-	16,320
Investment income	8,136	83,399	309	164,310	256,154
Grant income	59,329	-	4,073,398	24,489	4,157,216
Donations	1,230	-	-	5,582	6,812
Other	322,733	-	225	43,066	366,024
	4,182,912	83,399	4,073,932	237,447	8,577,690
Expenditures:					
General government	1,774,681	-	4,931,473	5,938	6,712,092
Public safety - police	822,485	-	-	8,097	830,582
Public safety - fire	71,594	-	-	-	71,594
Public works	779,291	-	-	-	779,291
Parks and recreation	270,712	-	-	114	270,826
Public health	4,099	-	-	-	4,099
Cemetery	-	-	-	4,265	4,265
Capital outlay	1,903,123	-	-	2,508	1,905,631
Debt management	232,722	-	-	-	232,722
Emergency management	9,429	-	-	-	9,429
Other	193,431	5,525	-	2,840	201,796
	6,061,567	5,525	4,931,473	23,762	11,022,327
Excess (deficiency) of revenues over expenditures	(1,878,655)	77,874	(857,541)	213,685	(2,444,637)
Other financing sources (uses):					
Bond proceeds	1,500,000	-	-	-	1,500,000
Operating transfers in (out)	307,196	(203,134)	-	(88,577)	15,485
	1,807,196	(203,134)	-	(88,577)	1,515,485
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(71,459)	(125,260)	(857,541)	125,108	(929,152)
Fund balance, July 1, 2012	266,210	1,958,945	161,970	796,119	3,183,244
Fund balance, June 30, 2013	\$ 194,751	1,833,685	(695,571)	921,227	2,254,092

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, 2013

Net change in fund balances - governmental funds, page 16 \$ (929,152)

Amounts reported for governmental activities in the statement of activities are different because:

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.

Expenditures for capital assets	\$ 6,405,128	
Less: current year depreciation and amortization	<u>(430,990)</u>	5,974,138

Governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Activities. This represents the net book value of assets sold or disposed during the year.

(47,952)

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.

Proceeds from issuance of bond	(1,500,000)	
Repayment of bond and capital lease principal	<u>162,087</u>	(1,337,913)

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 an increase in deferred property taxes.

72,560

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.

(22,264)

Change in net assets - governmental activities, page 13 \$ 3,709,417

TOWN OF MANCHESTER, VERMONT
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activites - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash	\$ 286,931	245,951	532,882
Investments	534,072	-	534,072
Accounts receivable	153,750	88,454	242,204
Due from other funds	48,548	-	48,548
Prepaid expenses	680	680	1,360
Deferred charges	5,527	1,875	7,402
Total current assets	1,029,508	336,960	1,366,468
Capital assets:			
Distribution and collection systems	10,417,606	1,196,580	11,614,186
Land	139,076	-	139,076
Buildings and equipment	199,600	4,660,384	4,859,984
Less accumulated depreciation	(3,350,212)	(4,183,446)	(7,533,658)
Total non-current assets	7,406,070	1,673,518	9,079,588
Total assets	\$ 8,435,578	2,010,478	10,446,056
Liabilities:			
Current liabilities:			
Accounts payable	\$ 3,705	44,299	48,004
Accrued liabilities	29,756	21,513	51,269
Due to other funds	-	92,672	92,672
Bonds payable, current portion	174,319	23,128	197,447
Total current liabilities	207,780	181,612	389,392
Bonds payable, less current portion	3,320,681	1,261,871	4,582,552
Total liabilities	3,528,461	1,443,483	4,971,944
Net Assets:			
Invested in capital assets, net of related debt	3,911,070	388,519	4,299,589
Restricted	15,000	15,000	30,000
Unrestricted - designated	981,047	163,476	1,144,523
Total net position	4,907,117	566,995	5,474,112
Total liabilities and net position	\$ 8,435,578	2,010,478	10,446,056

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, 2013

	Business-type Activites - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 594,897	362,851	957,748
Interest on delinquent accounts	4,441	2,753	7,194
Sale of equipment	1,750	1,500	3,250
Total operating revenues	601,088	367,104	968,192
Operating expenses:			
Personnel services	182,121	186,072	368,193
Materials and supplies	9,229	6,027	15,256
Repairs and maintenance	21,110	25,139	46,249
Professional services	39,036	39,123	78,159
Utilities	40,181	40,725	80,906
Depreciation and amortization	250,561	39,969	290,530
Other	55,489	20,126	75,615
Total operating expenses	597,727	357,181	954,908
Operating income	3,361	9,923	13,284
Nonoperating revenues (expenses):			
Investment income	62,676	1,472	64,148
Interest expense	(157,294)	(56,772)	(214,066)
	(94,618)	(55,300)	(149,918)
Loss before operating transfers	(91,257)	(45,377)	(136,634)
Operating transfers out	(5,588)	(9,897)	(15,485)
	(5,588)	(9,897)	(15,485)
Change in net position	(96,845)	(55,274)	(152,119)
Total net position - beginning	5,003,962	622,269	5,626,231
Total net position - ending	\$ 4,907,117	566,995	5,474,112

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activites - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<i>Cash flows from operating activities:</i>			
Cash receipts from customers	\$ 610,382	369,713	980,095
Cash from sale of equipment	1,750	1,500	3,250
Cash payments to suppliers of goods or services	(166,608)	(138,455)	(305,063)
Cash payments to employees for services	(182,121)	(186,072)	(368,193)
<i>Net cash provided by (used in) operating activities</i>	263,403	46,686	310,089
<i>Cash flows from non-capital financing activities:</i>			
Operating transfers to other funds	(5,588)	(9,897)	(15,485)
Advances from other funds	(55,718)	86,105	30,387
<i>Net cash provided by (used in) non-capital financing activities</i>	(61,306)	76,208	14,902
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on bonds	(174,319)	(23,125)	(197,444)
Purchase of fixed assets	(252,490)	(264,877)	(517,367)
Interest on bonds	(157,294)	(56,772)	(214,066)
<i>Net cash used in capital and related financing activities</i>	(584,103)	(344,774)	(928,877)
<i>Cash flows from investing activities:</i>			
Interest on cash investments	13,676	1,472	15,148
Purchase of investments	(8,555)	-	(8,555)
<i>Net cash provided by investing activities</i>	5,121	1,472	6,593
<i>Net decrease in cash</i>	(376,885)	(220,408)	(597,293)
<i>Cash, beginning</i>	663,816	466,359	1,130,175
<i>Cash, ending</i>	\$ 286,931	245,951	532,882
<i>Reconciliation of operating income to net cash provided by operating activities:</i>			
Operating income	\$ 3,361	9,923	13,284
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	250,561	39,969	290,530
Change in assets and liabilities:			
Decrease in accounts receivable and other receivables	11,044	4,109	15,153
Decrease in accounts payable and accrued liabilities	(1,563)	(7,315)	(8,878)
<i>Net cash provided by (used in) operating activities</i>	\$ 263,403	46,686	310,089

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private-Purpose Trust Funds				Total
	Madeline Warner Cemetery Fund	Otto Conderman Fund	Joseph Burr Fund	Yetta Isaacs Fund	
Assets					
Cash	\$ -	-	7,042	-	7,042
Investments	44,328	26,522	-	17,293	88,143
Total assets	\$ 44,328	26,522	7,042	17,293	95,185
Liabilities					
Due to other funds	\$ 112	-	-	-	112
	112	-	-	-	112
Net Position					
Net position:					
Restricted	44,216	26,522	7,042	17,293	95,073
	44,216	26,522	7,042	17,293	95,073
Total liabilities and net position	\$ 44,328	26,522	7,042	17,293	95,185

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Private-Purpose Trust Funds				Total
	Madeline Warner Cemetery Fund	Otto Conderman Fund	Joseph Burr Fund	Yetta Isaacs Fund	
Revenues:					
Investment income (loss)	\$ 6,397	3,050	23	-	9,470
	6,397	3,050	23	-	9,470
Operating expenses					
Other	56	-	-	-	56
	56	-	-	-	56
Excess (deficiency) of revenues over expenditures					
	6,341	3,050	23	-	9,414
Operating transfers out					
	-	-	-	-	-
	-	-	-	-	-
Excess of revenues over expenditures and operating transfers					
	6,341	3,050	23	-	9,414
Net position, July 1, 2012	37,875	23,472	7,019	17,293	85,659
Net position, June 30, 2013	\$ 44,216	26,522	7,042	17,293	95,073

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 eleven 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, Byrne Grant Fund, 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, 2013, the carrying amount of the Town's cash was \$1,034,012 and the bank balance was \$1,147,817. Of the bank balance, \$295,227 was covered by Federal depository insurance and \$852,590 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, 2013, the Town had the following investments:

	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Cash equivalents	\$ 97,610	97,610	-	-
Certificates of deposit	78,207	78,207	-	-
Common stock	-	-	-	-
Mutual funds - equities	2,496,782	2,496,782	-	-
U.S. Government bonds	110,298	-	110,298	-
Corporate bonds	101,982	50,333	51,649	-
	<u>\$ 2,884,879</u>	<u>2,722,932</u>	<u>161,947</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 - \$110,298, A - \$51,649 and BBB - \$50,333.

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, 2013 are as follows:

Governmental Funds

Special Revenue Funds:

CIRC Fund	\$ 1,042,183
Property Tax Reserve Fund	313,063
Reappraisal Reserve Fund	83,382
Recreation Committee Fund	46,207
Police Benevolent Fund	71,747
Subtotal	<u>1,556,582</u>

Capital Projects Funds:

Fire Department Equipment Fund	392
Sewer Capital Improvement Fund	534,541
Subtotal	<u>534,933</u>

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(4) Investments (continued)

Permanent Fund:

Factory Point Cemetery Trust Fund	171,149
Subtotal for Governmental Funds	2,262,664

Enterprise Funds:

Water Fund	534,072
Subtotal for Enterprise Funds	534,072

Fiduciary Funds - Private-Purpose Trust:

Madeline Warner Cemetery Fund	44,328
Otto Conderman Fund	26,522
Yetta Isaacs Fund	17,293
Subtotal for Fiduciary Funds	88,143

Total investments	\$ 2,884,879
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(5) Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2012	Additions	Transfers and Disposals	Balance June 30, 2013
Governmental activities:				
Land and improvements	\$ 1,808,118	-	-	1,808,118
Buildings	2,963,095	56,077	(127,238)	2,891,934
Machinery and equipment	1,209,546	12,396	(167,419)	1,054,523
Vehicles	2,708,358	17,754	(84,060)	2,642,052
Infrastructure	1,381,134	116,473	273,607	1,771,214
Construction in progress	2,137,539	6,218,725	(273,607)	8,082,657
Totals at historical cost	12,207,790	6,421,425	(378,717)	18,250,498
Less accumulated depreciation for:				
Land and improvements	(212,525)	(23,858)	-	(236,383)
Buildings	(1,221,138)	(71,689)	79,287	(1,213,540)
Machinery and equipment	(972,655)	(54,202)	167,417	(859,440)
Vehicles	(1,019,147)	(168,329)	84,060	(1,103,416)
Infrastructure	(526,533)	(112,911)	-	(639,444)
	(3,951,998)	(430,989)	330,764	(4,052,223)
Governmental capital assets, net	\$ 8,255,792	5,990,436	(47,953)	14,198,275

Depreciation expense was charged to governmental functions as follows:

Public safety	\$ 173,657
Public works	208,842
General government	15,540
Recreation	32,950
	\$ 430,989

(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, 2012	Additions	Transfers and Disposals	Balance June 30, 2013
Business-type activities:				
Building	\$ 3,632,657	-	-	3,632,657
Land	139,076	-	-	139,076
Water system and improvements	8,814,381	24,444	-	8,838,825
Infrastructure	1,196,580	16,256	524,983	1,737,819
Machinery and equipment	248,647	41,788	(51,727)	238,708
Construction in progress	2,116,718	433,886	(524,983)	2,025,621
Totals at historical cost	16,148,059	516,374	(51,727)	16,612,706
Less accumulated depreciation for:				
Buildings	(3,198,394)	(12,263)	-	(3,210,657)
Water system and improvements	(3,003,820)	(236,336)	-	(3,240,156)
Infrastructure	(933,483)	(23,561)	-	(957,044)
Machinery and equipment	(159,611)	(17,918)	51,727	(125,802)
	(7,295,308)	(290,078)	51,727	(7,533,659)
Business-type capital assets, net	\$ 8,852,751	226,296	-	9,079,047

(6) Deferred Revenue

Deferred revenue in the General Fund consists of \$323,367 in delinquent taxes receivable and related penalties and interest not collected within 60 days of year-end, as well as \$43,621 of recreation fees, and \$62,500 of rental income collected in advance for the 2014 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, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable	\$ 877,554	1,500,000	(142,554)	2,235,000	190,000
Capital lease obligations	81,208	-	(19,533)	61,675	20,037
Other liabilities:					
Compensated absences	72,066	4,055	-	76,121	-
OPEB obligation	67,845	19,000	-	86,845	-
	\$ 1,098,673	1,523,055	(162,087)	2,459,641	210,037
Business-type Activities:					
Bonds payable	\$ 4,977,444	-	(197,444)	4,780,000	170,000
	\$ 4,977,444	-	(197,444)	4,780,000	170,000

(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, 2013
Public safety facility bond	3.874%	12/01/15	285,000
Highway garage expansion bond	4.756%	12/01/34	220,000
Infrastructure improvements	4.901%	12/01/40	230,000
Parkhouse construction	3.340%	11/15/32	1,500,000
Sewer improvements bond	4.724%	12/01/39	525,000
Sewer infrastructure improvements	4.901%	12/01/40	760,000
Water improvements bond refinancing	5.159%	12/01/17	465,000
Water improvements bond	4.756%	12/01/34	880,000
Water improvements bond	4.901%	12/01/39	840,001
Water infrastructure improvements	4.901%	12/01/40	1,310,000
			\$ 7,015,001

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
2014	\$ 190,000	90,030	280,030	170,000	207,983	377,983
2015	190,000	81,838	271,838	170,000	198,871	368,871
2016	190,000	73,640	263,640	175,000	189,713	364,713
2017	111,100	68,495	179,595	273,900	179,909	453,809
2018	110,333	65,754	176,087	274,667	168,143	442,810
2019-2023	541,667	279,124	820,791	848,334	723,412	1,571,746
2024-2028	481,667	169,653	651,320	878,334	544,815	1,423,149
2029-2033	420,233	58,679	478,912	884,766	381,755	1,266,521
2034-2038	-	-	-	755,000	187,535	942,535
2039-2043	-	-	-	350,000	291,209	641,209
	\$ 2,235,000	887,213	3,122,213	4,780,001	3,073,345	7,853,346

(9) Leases

The Town leases certain equipment under an agreement which is classified as a capital lease. At June 30, 2013 equipment recorded under this capital lease in the Government-wide financial statements amounted to \$101,750. Accumulated amortization amounted to \$10,175.

(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,		
2014	\$	21,400
2015		21,400
2016		21,400
Total minimum lease payments		64,200
Less amount representing interest		(2,525)
Present value of minimum lease payments	\$	61,675

(10) Internal Balances

Internal balances at June 30, 2013 consisted of the following:

Receivable Fund	Payable Fund	Amount
CIRC	General	\$ 453,534
CIRC	Recreation Committee	169,290
CIRC	Fire Department Equipment	168,678
General	Factory Point Cemetery	98,513
General	Sewer	1,207
General	Water	5,619
General	Bicenquingenary	6,500
General	Madeline Warner Cemetery	112
General	Police Benevolent	1,537
General	Junction Development Project	171,920
General	Recreation Committee	6,457
Property Tax Relief	General	10,000
Fire Department Equipment	General	37,461
Sewer Capital Improvement	Sewer	22,059
Sewer	Water	188
Water Capital Improvement	Water	10,716
		\$ 1,163,791

Internal transfers for the year ended June 30, 2013 were as follows:

Transfer From	Transfer To	Amount	Purpose
Property Tax Reserve	General	\$ 100,000	Fund Capital Outlay
CIRC	General	203,134	Fund Capital Outlay
Reappraisal Reserve	General	47,884	Operating Transfer
Police Benevolent	General	2,500	Operating Transfer
General	Fire Department Equipment	46,322	Fund Capital Outlay
Cemetery Trust	Cemetery Operating	3,151	Operating Transfer
Sewer	Sewer Capital Improvement	9,897	Operating Transfer
Water	Water Capital Improvement	5,588	Operating Transfer
		\$ 418,476	

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	Total
<i>Nonspendable</i>	\$ 15,952	-	15,952
<i>Restricted for:</i>			
Employee benefits and insurance	27,477	-	27,477
CIRC	-	1,833,685	1,833,685
Property tax relief	-	323,063	323,063
Junction development project	-	-	-
Public safety	-	74,898	74,898
Police vehicle	40,246	-	40,246
Reappraisal	-	83,383	83,383
Water capital improvements	-	14,071	14,071
Sewer capital improvements	-	556,600	556,600
Cemetery	-	156,578	156,578
<i>Committed for:</i>			
Future property tax relief	15,000	-	15,000
Parks and recreation	-	10,710	10,710
<i>Unassigned</i>	96,076	(993,647)	(897,571)
Total fund balances	\$ 194,751	2,059,341	2,254,092

(12) Property Taxes

Property taxes attach as an enforceable lien on property as of the first day of April. Property taxes for fiscal year 2013 were levied July 10, 2012 and were payable in installments due on September 7, 2012 and February 8, 2013.

(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, 2013 was \$1,966,746 and covered payroll amounted to \$872,955. Town contributions to the plan amounted to \$52,317.

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 9.25% 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, 2013 was 6.5% 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, 2013 amounted to \$666,357.

The Town's contributions to VMERS amounted to \$42,876. The Town made contributions to VMERS for the years ended June 30, 2012 and 2011 in the amounts of \$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, 2013, 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	\$	19,000
Interest on net OPEB obligation		-
Annual OPEB cost		<u>19,000</u>
Contributions made		-
Increase in net OPEB obligation		<u>19,000</u>
Net OPEB obligation, beginning of year		<u>67,845</u>
Net OPEB obligation, end of year	\$	<u>86,845</u>

Funded Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$128,736, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$737,707, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.5 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—2013 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, 2013, was thirty years.

(18) Subsequent Events

The Town has evaluated subsequent events through March 18, 2014, 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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes			
Property Taxes	\$ 2,309,903	2,274,968	(34,935)
	2,309,903	2,274,968	(34,935)
Administration			
Vendors Fees	5,000	6,800	1,800
Town Hall User Fees	100	190	90
	5,100	6,990	1,890
Finance Department			
Miscellaneous	100	235	135
	100	235	135
Assessing Department			
Listers Education	400	412	12
	400	412	12
Planning Department			
Zoning Applications/Appeals	16,000	16,834	834
Zoning Maps/Ordinances	100	107	7
Sign Fees	2,500	2,006	(494)
Fines	250	-	(250)
Recording Fees	2,500	2,380	(120)
	21,350	21,327	(23)
Public Works - Facilities			
Mechanic Fees	9,000	10,080	1,080
Recording Fees	100	90	(10)
	9,100	10,170	1,070
Public Works - Highways			
Radios & Communications	-	10,077	10,077
Permit Fees	2,000	1,775	(225)
State Aid - Roads	152,000	154,825	2,825
RA - Hwy Dept reimbursement	-	2,420	2,420
H - Grant - Paving	175,000	-	(175,000)
Miscellaneous	100	6,752	6,652
	329,100	175,849	(153,251)
Police Department			
Animal Control - Owner Reimbursement	-	517	517
Police Wages Reimbursement	-	1,988	1,988

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
Police Department (continued)			
Ordinance Fines - Animal Control	100	-	(100)
Justice & Court Fines	18,000	12,130	(5,870)
Fingerprint Process Fee	3,000	1,190	(1,810)
Alarm Board Charges	16,000	14,240	(1,760)
Alarm Board Fines	1,000	-	(1,000)
Parking Fines	250	105	(145)
Ordinance Fines	100	-	(100)
Police Reports	1,500	1,705	205
VIN ID Fees	250	160	(90)
Miscellaneous	100	242	142
Emergency Communication Service	15,000	-	(15,000)
CDIP-FY 13	-	45,188	45,188
Grant-Bullet Proof Vests - 2013	-	2,751	2,751
Grant - GHSP VT	-	164	164
Grant - GHSP 2118	-	1,627	1,627
Grant-GHSP-5018	-	2,790	2,790
Grant-GHSP-2117	-	4,560	4,560
Grant-GHSP-2224	-	5,000	5,000
	55,300	94,357	39,057
Parks & Recreation Department			
Pool Passes	13,000	17,537	4,537
Pool Memberships	20,000	21,047	1,047
Swim Lessons	11,000	12,166	1,166
Private Swim Lessons	750	440	(310)
Swim Team	17,000	14,586	(2,414)
Tennis - Lessons	-	100	100
Applejack Field Rental	4,000	4,000	-
Applejack Field Gate Rece	15,000	12,360	(2,640)
Rental Income	2,000	3,110	1,110
Precision Walk Sponsorship	400	557	157
Concession Income	1,000	572	(428)
Programs	40,100	46,022	5,922
	124,250	132,497	8,247
Health Department			
Fines	50	-	(50)
	50	-	(50)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
Town Clerk			
Liquor Licenses	4,000	3,800	(200)
Tobacco Licenses	10	10	-
Photocopies	6,000	8,612	2,612
Motor Veh Reg Renewals	1,000	660	(340)
Passport Fees	2,400	225	(2,175)
Dog Licenses	5,000	6,511	1,511
Dog Fines	1,000	4,375	3,375
Marriage Licenses	1,200	1,000	(200)
Fish & Wildlife Licenses	600	519	(81)
Records Search Fees	1,000	1,302	302
Recording Fees	55,000	75,049	20,049
Town Recording Fees	2,000	1,790	(210)
UCC Filing Fees	500	50	(450)
Vital Statistics Fees	5,000	4,360	(640)
Miscellaneous	1,000	237	(763)
	85,710	108,500	22,790
Capital Revenue			
Efficiency VT Grant	500	-	(500)
Sale of Vehicle - Highway	2,000	-	(2,000)
Donations for Park Improvement	-	1,230	1,230
Cap-Parkhse-Misc	-	3,500	3,500
Rescue Squad Reimb. - Heat Fuel	7,500	12,804	5,304
Rescue Squad Reimb. - Water	400	614	214
Rescue Squad Reimb. - Grounds	600	2,292	1,692
	11,000	20,440	9,440
General Revenue			
MEMS - Grounds Mowing	7,800	7,800	-
Photocopy Sales	250	183	(67)
Postage Reimbursements	-	7	7
Act 68 Administrative Aid	36,500	33,011	(3,489)
Int Earned on Investments	55,000	8,136	(46,864)
Int on Delinquent Taxes	70,000	66,298	(3,702)
Penalty on Del Taxes	55,000	39,483	(15,517)
Reappraisal - State Aid	2,900	2,881	(19)
WiFi Revenues	3,000	-	(3,000)
Junc Proj-CIRC Fund	100,350	-	(100,350)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
General Revenue (continued)			
Junc Proj - FedAid-Sal/Ben	25,000	-	(25,000)
Junc Proj-Information Officer-Fed	35,000	-	(35,000)
Junc Proj-Federal Aid	2,386,293	-	(2,386,293)
Junc Proj-Sewer Fund	90,000	-	(90,000)
Junc Proj-Water Fund	62,000	-	(62,000)
Current Use State Payment	40,000	49,730	9,730
Payments in Lieu of Taxes	22,000	20,796	(1,204)
Rental Income	135,000	133,002	(1,998)
Miscellaneous	500	86	(414)
Allocated Surplus	40,000	-	(40,000)
	3,166,593	361,413	(2,805,180)
Local Option Taxes Revenues			
Local Option Sales Tax	715,000	643,687	(71,313)
Local Opt-Meals/Alcohol Tax	350,000	332,067	(17,933)
	1,065,000	975,754	(89,246)
Total revenues	7,182,956	4,182,912	(3,000,044)
Expenditures:			
Legislative			
Citizen Recognition	1,000	282	718
Miscellaneous	1,000	458	542
	2,000	740	1,260
Administration			
Dues and Subscriptions	200	435	(235)
Miscellaneous	250	202	48
	450	637	(187)
Finance Department			
Printing and Publications	1,200	20	1,180
Software Support	1,200	876	324
Miscellaneous	100	57	43
	2,500	953	1,547
Assessing Department			
Dues and Subscriptions	400	225	175
Software Support	1,200	795	405

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Assessing Department (continued)			
Miscellaneous	100	-	100
	1,700	1,020	680
Planning Department			
Dues and Subscriptions	625	530	95
Printing and Publications	500	1,489	(989)
Recording Fees	2,500	1,720	780
Software Support	1,200	400	800
Economic Development Programs	7,000	5,877	1,123
Marketing Initiative	16,000	616	15,384
Miscellaneous	200	-	200
	28,025	10,632	17,393
Department of Public Works			
Uniforms and Clothing	5,000	5,760	(760)
Electricity	4,100	3,604	496
Heating Fuels	10,000	10,853	(853)
Equipment Maintenance-Parts	40,000	38,287	1,713
Fuel-Gas	9,250	11,987	(2,737)
Fuel-Diesel	39,000	47,923	(8,923)
Oil and Lubricants	3,000	1,900	1,100
Expendable Supplies	11,000	9,335	1,665
Equipment Maintenance-Non-Fleet	1,500	1,480	20
Mechanic Tools	3,000	1,853	1,147
Miscellaneous	500	129	371
Permit Fees	400	179	221
Recording Fees	100	60	40
Equipment Acquisition (non-computer)	2,500	1,095	1,405
Radios and Communications	750	10,218	(9,468)
	130,100	144,663	(14,563)
Department of Public Works - Facilities			
Facilities Maintenance/Improvements	40,000	41,288	(1,288)
Facilities - Cleaning Supplies	14,000	11,639	2,361
Tree Removal/Planting/Care	5,000	8,970	(3,970)
Parks/Grounds Maintenance	16,000	15,581	419
Litter Receptacles	400	-	400

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Department of Public Works - Facilities (continued)			
Waste Disposal - Facilities	6,250	7,252	(1,002)
	81,650	84,730	(3,080)
Department of Public Works - Highways			
Cutting Edges	9,000	5,598	3,402
Asphalt-Patchwork	2,000	4,755	(2,755)
Winter Sand/Salt	140,000	142,157	(2,157)
Chloride	10,000	12,323	(2,323)
Gravel	9,000	9,230	(230)
Signs & Posts	8,000	6,625	1,375
Culverts/Drainage Appert	4,000	5,788	(1,788)
Street Cleaning	1,500	907	593
Curb & Sidewalk Repair	1,000	109	891
Guard Railings	1,000	-	1,000
Bridge Repair	500	-	500
Line Painting	7,000	5,910	1,090
Traffic Signals	6,000	4,420	1,580
	199,000	197,822	1,178
Police Department			
Special Police/Prisoner Transport	-	296	(296)
Animal Control Officer - Boarding/Admin.	750	-	750
Animal Control Officer - Miscellaneous	250	-	250
Animal Control Officer - Veterinary Care	2,000	648	1,352
Training	6,000	6,725	(725)
Supplies	3,000	1,138	1,862
Dues and Subscriptions	1,400	1,659	(259)
Uniforms and Clothing	7,000	8,159	(1,159)
Uniforms - Cleaning Allowance	7,200	6,067	1,133
Vehicle Maintenance	9,500	13,175	(3,675)
Fuel-Gas	24,000	22,107	1,893
Equipment Maintenance	17,500	13,648	3,852
Criminal Investigation Cost	2,500	708	1,792
Miscellaneous	200	127	73
Grant -GHSP - VT	-	190	(190)
Grant-GHSP-2224	-	3,001	(3,001)
Equipment Acquisition	4,000	7,130	(3,130)
	85,300	84,778	522

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Fire Department			
Training - Firefighters	1,500	165	1,335
Supplies - Fire Prevention	1,000	-	1,000
Vehicles/Equip. Maintenance/Repairs	14,500	19,972	(5,472)
Fuel - Gas	300	468	(168)
Fuel-Diesel	3,250	3,969	(719)
Communications - Acquisition/Repair	4,000	2,528	1,472
Miscellaneous	1,500	826	674
Hazardous Waste Supplies	1,000	48	952
Equipment Acquisition	23,000	13,613	9,387
	50,050	41,589	8,461
Emergency Management			
Search & Rescue Team	5,000	200	4,800
Incident-Labor	-	623	(623)
Incident-Supplies	-	1,171	(1,171)
Equipment Maintenance	500	-	500
Miscellaneous	250	-	250
Equipment Acquisition	2,000	3,435	(1,435)
	7,750	5,429	2,321
Parks And Recreation Department			
Advertising/Printing/Publications	2,500	2,644	(144)
Advertising - Applejack Field	500	-	500
Supplies	1,500	1,258	242
Dues and Subscriptions	600	150	450
Precision Walk	400	463	(63)
Electricity	7,000	9,638	(2,638)
Electricity - Applejack Field	6,000	4,414	1,586
Heating Fuels	5,000	6,758	(1,758)
Pool Maintenance/Supplies	20,000	21,367	(1,367)
Pool Uniforms	800	1,354	(554)
Pool Heater (Propane)	6,000	-	6,000
Applejack Field Maintenance	16,000	14,271	1,729
Maintenance Contracts	1,000	-	1,000
Miscellaneous	500	204	296
Credit Card Fees	2,750	2,265	485
Equipment Acquisition	5,000	2,143	2,857
Programs	40,000	39,260	740

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Parks And Recreation Department (continued)			
Swim Team Expense	10,000	1,646	8,354
	125,550	107,835	17,715
Health Officer			
Supplies	100	61	39
Recording Fees	50	-	50
Miscellaneous	100	-	100
	250	61	189
Town Clerk			
Records Preservation	3,000	3,613	(613)
Dues and subscriptions	600	501	99
Maintenance Contracts	4,000	5,964	(1,964)
Miscellaneous	500	-	500
	8,100	10,078	(1,978)
Elections & Board of Civil Authority (BCA)			
Training	250	-	250
Contract Services	5,000	2,758	2,242
Printing and Publications	1,000	-	1,000
Miscellaneous	750	245	505
	7,000	3,003	3,997
Town Hall/Public Safety Buildings			
Water - Town Hall	525	342	183
Water - PSF	2,000	1,959	41
Electricity - Town Hall	11,000	10,657	343
Electricity - PSF	16,800	16,921	(121)
Heating Fuels - Town Hall	21,000	19,395	1,605
Heating Fuels - PSF	33,000	40,326	(7,326)
	84,325	89,600	(5,275)
General Expenditures			
Telephone	6,000	5,462	538
Internet Services	3,500	2,862	638
Wi-Fi	5,000	1,972	3,028
Cell Phone	6,000	9,156	(3,156)
Photocopiers	8,500	7,912	588
Travel	2,500	627	1,873
General Advertising	5,000	4,174	826

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
General Expenditures (continued)			
Carpool Vehicle Lease (fuel)	1,500	694	806
Carpool Vehicle Maintenance	500	-	500
Postage	10,500	8,717	1,783
Training - General	6,000	5,110	890
Computer & Office Supplies/Equip.	17,000	30,681	(13,681)
Pre-Employment Expenses	500	145	355
Junc Proj-Information Officer Expense	4,900	-	4,900
Town Report Printing/Mailing/Adv.	9,000	5,562	3,438
Legal/Consulting	38,000	45,837	(7,837)
Legal-Real Estate Tax Appeal	-	864	(864)
Legal -Tax Sales Real Estate	-	146	(146)
Property Maps	6,000	5,584	416
Audit	10,000	9,450	550
MEMS- Shared Services Agreement	100,000	100,000	-
State Property Tax	29,000	20,187	8,813
Bennington County Regional Comm.	5,100	5,043	57
Listers E&O - Municipal Tax	5,000	-	5,000
County Taxes	90,000	78,034	11,966
Tax Appeals - Court Imposed	1,000	21,000	(20,000)
Uncollectible Taxes	3,000	3,130	(130)
Tax Abatements	500	-	500
Street Lights	30,000	29,860	140
VT League - Cities & Towns	5,125	5,125	-
Village Allocation - Highways	41,000	44,117	(3,117)
Village Alloc. - Street Lights/Sidewalk	4,400	3,343	1,057
Solid Waster Disposal	17,000	30,175	(13,175)
Recycling	16,000	5,941	10,059
Memorial Day	1,500	1,377	123
Conservation Commission	100	18	82
Insurance	45,000	46,853	(1,853)
Transfer Out- High Deductible Fund	10,000	649	9,351
Debt - Principal & Interest	197,643	232,722	(35,079)
VT Coalition of Municipalities	250	-	250
Miscellaneous	500	-	500
	742,518	772,529	(30,011)
Personnel-Salaries			
Legislative-Selectboard	6,000	6,000	-

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Personnel-Salaries (continued)			
Admin-Town Mgr Office	93,125	87,079	6,046
Admin-Human Resources	33,050	21,350	11,700
Finance-Full time	55,410	53,254	2,156
Finance-Treasurer	23,945	23,944	1
Finance-Bd Tax Abatemt	100	-	100
Assessing-Full time	24,788	37,324	(12,536)
Assessing-Listers	9,250	16,746	(7,496)
Planning/Zoning-Full time	76,000	73,303	2,697
Planning/Zoning-Econ Development	24,788	12,441	12,347
DPW-Director/Mechanic-Full time	106,500	109,297	(2,797)
DPW-Dir/Mechan-Overtime	40,000	18,271	21,729
DPW-Mechanic-Outside Bill	7,000	4,925	2,075
DPW-Mech-Outside Billable\Overtime	-	290	(290)
DPW-Facilities-Full time	80,407	88,912	(8,505)
DPW-Facilities-Full Time -Overtime	-	1,711	(1,711)
DPW-Facilities-Seasonal	30,000	30,087	(87)
DPW-Facilities-Seasonal -Overtime	-	499	(499)
DPW-Highways-Full time	79,550	79,851	(301)
DPW-Highways-FT-Overtime	-	18,035	(18,035)
DPW-Highways-Seasonal	1,000	-	1,000
DPW-Highways-Seas-OT	-	198	(198)
Police Dept-Police Chief	192,000	530	191,470
Police-Officers- FullTime	258,000	406,532	(148,532)
Police-Officers- Overtime	60,000	62,046	(2,046)
PD-Off-OT-Drug Interdictn	-	48	(48)
PD-OT-Criminal Investigator	5,000	-	5,000
PD-GHSP Grant	-	5,571	(5,571)
PD-CDIP Grant	-	2,915	(2,915)
Dispatcher-Full time	135,200	153,669	(18,469)
Dispatch-Overtime	25,000	21,080	3,920
Police-Part time/Prisoner Transport	23,000	43,532	(20,532)
PD-OT-Spec Officer	-	3,345	(3,345)
Dispatch-Spare	19,000	38,439	(19,439)
Fire Dept-Administration	7,700	7,700	-
Fire Dept-Firefighters	22,200	22,305	(105)
Public Safety-Director	25,000	-	25,000
Emergency Management	4,000	4,000	-

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Personnel-Salaries (continued)			
Parks/Rec-Full time	47,500	56,775	(9,275)
Parks/Rec-Part time	46,000	34,743	11,257
Parks/Rec-Pool-Straight time	41,000	44,074	(3,074)
Parks/Rec-Pool-Overtime	-	204	(204)
Parks/Rec-Swim Team	7,000	11,079	(4,079)
Parks/Rec-Swim Team-OT	-	37	(37)
Parks/Rec-Camp Counselors	18,000	15,965	2,035
Health Officer-Stipend	4,000	4,000	-
Health Officer-HourlyWage	500	38	462
Town Clerk-Salary	42,500	41,818	682
Assistant-Salary	26,000	26,000	-
Contracted Serv-Assistant	600	-	600
BCA-Elections	3,500	2,328	1,172
BCA-Tax Appeals	2,000	210	1,790
Junc Proj-InfoOfficerFed	35,000	-	35,000
Employee Performance Bonuses	19,000	16,000	3,000
Longevity/Sick/Holiday Wages	8,000	6,860	1,140
Police Dept Bonus Wages	12,000	1,375	10,625
	1,779,613	1,716,735	62,878
Allocable Expenditures			
FICA/Medicare	135,000	130,169	4,831
Unemployment Insurance	6,000	10,168	(4,168)
Health Insurance Premium Retiree	2,800	2,843	(43)
Health Insurance	263,000	248,700	14,300
HSA Employer Share	133,000	137,030	(4,030)
Health Care Wellness	3,000	653	2,347
AD/D and Life Insurance	19,500	18,595	905
Worker's Compensation Insurance	35,500	38,348	(2,848)
Pension and Retirement	92,000	86,384	5,616
Dental Insurance	17,000	19,057	(2,057)
Section 125 Administration Fees	750	232	518
	707,550	692,179	15,371
Capital Expenditures			
WiFi Downtown	-	1,350	(1,350)
Cap-Roof Repair-PSF	60,000	56,077	3,923
Cap-Highway Equipment	40,000	36,795	3,205

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Capital Expenditures (continued)			
Cap-Sidewalk Replace-Cons	115,000	116,473	(1,473)
Cap-Road Paving-West Rd	230,000	55,121	174,879
Cap-Junc-Construc (Fed)	2,214,927	-	2,214,927
Cap-Junc-Mgmt (Fed)	171,366	-	171,366
Cap-Junc-Non Participatin	205,278	-	205,278
Cap-Junc-Sewer Portion	90,000	-	90,000
Cap-Junc-Water Portion	62,000	-	62,000
Beautification/Signs	2,000	-	2,000
Cap-Trans Pol Veh Reserve	25,000	17,754	7,246
Equipment Acquisition-Fire(air packs)	40,000	-	40,000
Cap-Emer Operations Ctr	10,000	12,392	(2,392)
Capital-Poolhouse Design	-	83,633	(83,633)
Capital-Poolhouse Construction	-	1,520,073	(1,520,073)
Cemetery - Headstones Acquisitions	3,500	-	3,500
Cap-Commun/Radio Upgrades	10,000	3,455	6,545
	3,279,071	1,903,123	1,375,948
Town Appropriations			
RSVP	3,250	3,250	-
SW VT Council on Aging	4,000	4,000	-
Manchester Rescue Squad	15,000	15,000	-
Community Action SW VT (BROC)	1,811	1,811	-
PAVE-Against Violence	1,850	1,850	-
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	1,500	-	1,500
GNAT (Television Access)	5,000	5,000	-
VABVI - Blind and Visually Impaired	500	500	-
Mark Skinner Library	153,200	153,200	-
	194,931	193,431	1,500
Total expenditures	7,517,433	6,061,567	1,455,866

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Excess (deficiency) of revenues over expenditures</i>	(334,477)	(1,878,655)	(1,544,178)
<i>Other financing sources (uses):</i>			
Proceeds from issuance of bonds	-	1,500,000	1,500,000
Operating transfers in (out):			
Reappraisal Reserve Fund	-	47,884	47,884
CIRC Fund - Parkhouse	-	116,812	116,812
CIRC Fund - Sidewalks	115,000	115,000	-
Police Benevolent Fund	-	2,500	2,500
Junction Fund	109,828	-	(109,828)
Factory Point Cemetery (Operation)	16,500	-	(16,500)
Fire Dept Equipment Reserve Fund	(6,000)	(46,322)	(40,322)
Recreation Fund	6,500	-	(6,500)
Property Tax Relief Fund	141,000	100,000	(41,000)
Town Service Officer	(250)	-	250
Trans to CIRC-Fire Dept	(29,000)	(28,678)	322
<i>Total other financing sources (uses)</i>	353,578	1,807,196	1,453,618
<i>Excess (deficiency) of revenues over expenditures and other financing uses</i>	\$ 19,101	(71,459)	(90,560)

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%

TOWN OF MANCHESTER, VERMONT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	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	Bicentennial Quagenary Fund	Reappraisal Reserve Fund	PD Shared Funds	Byrne Grant Fund	Fire Department Equipment Fund	Water Capital Improvement Fund	Sewer Capital Improvement Fund	Factory Point Cemetery Trust Fund	Permanent Fund	Permanent Fund			
Assets																		
Cash	\$ -	-	410	29,689	6,322	128	-	470	-	1,526	3,355	-	30,100	-	-	72,000		
Investments	313,063	46,208	-	-	71,747	-	-	-	-	392	-	534,541	171,149	-	-	1,220,483		
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Due from other funds	10,000	2,500	-	-	-	-	-	-	-	10,716	-	22,059	-	-	-	45,275		
	\$ 323,063	48,708	410	29,689	78,069	128	83,383	470	-	1,918	14,071	556,600	201,249	-	-	1,337,758		
Liabilities																		
Accrued liabilities	\$ -	-	-	504	0	-	-	-	-	-	-	-	-	-	-	504		
Due to other funds	-	175,747	14	53,841	4,037	6,500	-	-	131,217	-	-	-	44,671	-	-	416,027		
	-	175,747	14	54,345	4,037	6,500	-	-	131,217	-	-	-	44,671	-	-	416,531		
Fund Balances																		
Restricted	323,063	-	396	-	74,032	-	83,383	470	-	-	14,071	556,600	156,578	-	-	1,208,593		
Committed	-	10,710	-	-	-	-	-	-	-	-	-	-	-	-	-	10,710		
Unassigned	-	(137,749)	-	(24,656)	-	(6,372)	-	-	(129,299)	-	-	-	-	-	(298,076)	-		
	323,063	(127,039)	396	(24,656)	74,032	(6,372)	83,383	470	(129,299)	-	14,071	556,600	156,578	-	-	921,227		
	\$ 323,063	48,708	410	29,689	78,069	128	83,383	470	-	1,918	14,071	556,600	201,249	-	-	1,337,758		

TOWN OF MANCHESTER, VERMONT
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2013

	Special Revenue Funds											Capital Projects Funds				Permanent Funds	
	Property Tax Reserve Fund	Recreation Committee Fund	Service Officer's Fund	Factory Point Cemetery Fund	Police Benevolent Fund	Bicenquennial Quasenary	Reappraisal Reserve Fund	PD Shared Funds	Byrne Grant Fund	Fire Department Equipment Fund	Water Capital Improvement Fund	Sewer Capital Improvement Fund	Factory Point Cemetery Trust Fund	Total Nonmajor Governmental Funds			
Revenues:																	
Investment income	\$ 62,875	4,157	1	35	6,965	2	10,140	2	5	8	64,020	16,100	164,310				
Grant income	-	-	-	-	-	-	24,489	-	-	-	-	-	24,489				
Donations	-	5,000	-	-	295	287	-	-	-	-	-	-	5,582				
Miscellaneous income	-	21,110	-	6,155	-	-	-	-	14,000	-	-	1,801	43,066				
	62,875	30,267	1	6,190	7,260	289	34,629	2	14,005	8	64,020	17,901	237,447				
Expenditures:																	
General government	-	-	-	-	-	-	5,938	-	-	-	-	-	5,938				
Public safety	-	-	14	-	5,817	-	-	-	2,266	-	-	-	8,097				
Recreation expenses	-	114	-	-	-	-	-	-	-	-	-	-	114				
Cemetery expenses	-	-	-	4,265	-	-	-	-	-	-	-	-	4,265				
Other	2,840	-	-	-	-	-	-	-	-	-	2,508	-	5,348				
	2,840	114	14	4,265	5,817	-	5,938	-	2,266	-	2,508	-	23,762				
Excess (deficiency) of revenues over expenditures	60,035	30,153	(13)	1,925	1,443	289	28,691	2	14,005	8	61,512	17,901	213,685				
Other financing sources (uses):																	
Operating transfers in	-	-	-	3,151	-	-	-	-	46,322	5,588	9,897	-	64,958				
Operating transfers out	(100,000)	-	-	-	(2,500)	-	(47,864)	-	-	-	-	(3,151)	(153,535)				
	(100,000)	-	-	3,151	(2,500)	-	(47,864)	-	46,322	5,588	9,897	(3,151)	(88,577)				
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(39,965)	30,153	(13)	5,076	(1,057)	289	(19,193)	2	(2,266)	5,596	71,409	14,750	125,108				
Total fund balances, July 1, 2012	363,028	(157,192)	409	(29,732)	75,089	(6,661)	102,576	468	(189,626)	8,475	485,191	141,828	796,119				
Total fund balances, June 30, 2013	\$ 323,063	(127,039)	396	(24,656)	74,032	(6,372)	83,383	470	(129,299)	14,071	556,600	156,578	921,227				

TOWN OF MANCHESTER, VERMONT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grant/Program Title	CFDA Number	Grant Number	Expenditures
<u>United States Department of Transportation</u>			
Passed through Vermont Agency of Transportation:			
<u>Federal Highway Administration</u>			
Highway Planning and Construction	20.205	08126-CA0078	\$ <u>4,513,017</u>
Passed through Vermont Department of Public Safety:			
<u>National Highway Traffic Safety Administration</u>			
State and Community Highway Safety	20.600	02140-1213-2117	4,560
State and Community Highway Safety	20.600	02140-1213-2224	<u>5,000</u>
			<u>9,560</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1112-9218	987
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1113-5018	<u>2,790</u>
			<u>3,777</u>
Safety Belt Performance Grants	20.609	02140-0912-3522	<u>164</u>
Total U.S. Department of Transportation			<u>4,526,518</u>
<u>United States Department of Homeland Security</u>			
Passed through Vermont Department of Public Safety:			
US Department of Homeland Security Grant	97.067	02140-79152-551	<u>10,077</u>
Total U.S. Department of Homeland Security			<u>10,077</u>
<u>United States Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607	2012BUBX12061806	<u>2,751</u>
Total U.S. Department of Justice			<u>2,751</u>
Total Expenditures of Federal Awards			<u>\$ 4,539,346</u>



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

To the Select Board
Town of Manchester, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Manchester, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Manchester, Vermont's basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

March 18, 2014

Vt. Reg. #357

Love, Cody & Company, CPAs



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

To the Select Board
Town of Manchester, Vermont

Report on Compliance for Each Major Federal Program

We have audited Town of Manchester, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Manchester, Vermont's major federal programs for the year ended June 30, 2013. Town of Manchester, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Manchester, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Manchester, Vermont, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

March 18, 2014

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF MANCHESTER, VERMONT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Summary of Auditor's Results:

1. The auditors' report expresses an unqualified opinion on the financial statements of Town of Manchester, Vermont.
2. No instances of noncompliance material to the financial statements of Town of Manchester, Vermont, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. The auditors' report on compliance for the major federal award programs for Town of Manchester, Vermont expresses an unqualified opinion on the major federal programs.
4. No reportable conditions relating to the audit of the major federal award program are reported in the *Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
6. The program tested as a major program for the year ended June 30, 2013 was:

Highway Planning and Construction (CFDA 20.205)
7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. Town of Manchester, Vermont did not qualify as a low-risk auditee.