

TOWN OF MANCHESTER, VERMONT

Financial Statements and Schedules

June 30, 2012

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

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Independent Auditors' Report

The Select Board
Town of Manchester, Vermont

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, 2012, which collectively comprise the Town of Manchester's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Manchester, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the budgetary comparison information on pages 37 through 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Manchester, Vermont's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 29, 2013

Vt. Reg. #357

Love, Cody & Company, CPAs

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

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, 2012. 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 \$16,230,077 (net assets). Of this amount, \$1,657,243 (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 \$16,230,077. Of this amount, net assets attributable to governmental activities are \$10,603,846 while net assets attributable to business-type activities are \$5,626,231.

Fund financial statements:

- ❖ As of the close of the 2012 fiscal year, the Town of Manchester's governmental funds reported combined ending fund balances of \$3,183,244, a decrease of \$651,011, in comparison with the prior year. Of this total amount, \$155,084 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, 2012**

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, 2012**

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, 2012**

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	Governmental Funds	Fund Financial Statements 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, 2012**

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, 2012 and the Statement of Activities for the Year Ended June 30, 2012.

Government-wide Statements

The Town's combined net assets remained at approximately \$16.2 million at June 30, 2012. 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 2011 comparative analysis of government-wide data.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 3,925	4,428	1,859	2,772	5,784	7,200
Capital assets	8,204	7,529	8,853	9,030	17,057	16,559
Total assets	12,129	11,957	10,712	11,802	22,841	23,759
Current liabilities	(648)	(632)	(108)	(1,062)	(756)	(1,694)
Long-term liabilities	(877)	(878)	(4,978)	(4,978)	(5,855)	(5,856)
Total liabilities	(1,525)	(1,510)	(5,086)	(6,040)	(6,611)	(7,550)
Net assets:						
Invested in capital assets, net of debt	7,326	6,509	3,875	3,861	11,201	10,370
Restricted	3,351	3,711	20	10	3,371	3,721
Unrestricted	(73)	227	1,731	1,891	1,658	2,118
Total net assets	\$ 10,604	10,447	5,626	5,762	16,230	16,209

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 8 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 28.9%, computes the percent of assets financed with debt. Debt-to-net assets ratio, which equals 40.7%, 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, 2012**

The Town's capital assets, such as infrastructure, buildings and equipment, less outstanding debt used to acquire them, amount to \$11.2 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 \$3.4 million have been restricted by the voters or sources external to the Town to be used for specific purposes. The unrestricted net assets of \$1.7 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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues: \$						
Charges for services	585	311	923	920	1,508	1,231
Grants and contributions	899	430	-	-	899	430
General revenues:						
Property taxes	2,248	2,171	-	-	2,248	2,171
Other general revenues	1,065	1,857	6	112	1,071	1,969
Total revenues	4,797	4,769	929	1,032	5,726	5,801
Program expenses:						
General government	4,711	4,606	-	-	4,711	4,606
Water	-	-	691	696	691	696
Wastewater treatment	-	-	362	362	362	362
Total expenses	4,711	4,606	1,053	1,058	5,764	5,664
Excess before transfers	86	163	(124)	(26)	(38)	137
Transfers	71	11	(12)	(11)	59	-
Change in net assets \$	157	174	(136)	(37)	21	137

Net assets of the Town's governmental activities increased by \$157 thousand, including net operating transfers from business-type activities of \$12 thousand and transfers from fiduciary funds of \$59 thousand.

The net assets related to business-type activities decreased by approximately \$136 thousand.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

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

	Total		Net	
	Cost of Services		Cost of Services	
	2012	2011	2012	2011
General government	\$ 1,842	1,942	1,249	1,707
Public safety	1,197	1,096	1,160	1,015
Public works	881	964	707	672
Parks and recreation	300	293	288	166
Public health	4	1	4	1
Cemetery	3	3	(3)	(4)
Capital Outlay	201	238	(272)	239
Emergency	219	-	30	-
Interest on long-term debt	64	69	64	69
	\$ 4,711	4,606	3,227	3,865

The costs of providing governmental services amounted to approximately \$4.7 million for the year ended June 30, 2012. The cost of providing services is offset by charges for services and program-specific operating and capital grants, resulting in a net cost of services of approximately \$3.2 million. The net cost of services is funded by property and sales taxes, investment earnings, and grants and contributions not restricted to specific programs.

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

		Governmental	Business-Type	Total
		Activities	Activities	Primary Government
Land and improvements	\$	1,595	139	1,734
Buildings		1,742	434	2,176
Infrastructure		855	264	1,119
System and improvements		-	5,810	5,810
Machinery and equipment		237	89	326
Vehicles		1,637	-	1,637
Construction in progress		2,138	2,117	4,255
Totals	\$	8,204	8,853	17,057

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General obligation bonds:			
Principal	\$ 878	4,977	5,855
Accrued interest	-	18	18
Totals	\$ 878	4,995	5,873

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 2011 to FY 2012. This is not because the town was not active in FY 2012 - on the contrary, management had several large projects in the late planning stages that would be fully implemented in the summer of 2012. The related financial impacts will then be reported as part of the FY 2013 audit, but the next couple of paragraphs will describe which projects were underway.

In Fiscal 2012, the Town spent considerable time and energy in preparation for the actual construction of the Roundabout Project to be undertaken in earnest in the summer of 2012 (spanning FY 12 and FY 13). So, though consuming much staff/administrative time, the Roundabout construction project itself will be paid for by Federal Funds or the Junction Improvement Fund - not taxes, and because most of the actual construction will occur in the Summer of 2012, construction expenditures will be reported as part of the FY 13 reporting. The Town is delighted with the speed that the construction is happening, with as minimal disruption as possible to the pedestrian and motoring public.

On the public safety side, the Fire Department purchased a new fire truck, using reserve accounts dedicated to the Fire Department.

And finally, considerable staff/administrative time was also spent in preparation for razing the existing Poolhouse building, and designing/construction preparation for its replacement with a building that will be better described as a Park House, with a community meeting room.

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 Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 771,620	1,130,175	1,901,795
Investments	2,638,124	476,519	3,114,643
Accounts and notes receivable	42,158	256,605	298,763
Delinquent taxes receivable, net	317,643	-	317,643
Internal balances	13,737	(13,737)	-
Due from fiduciary funds	56	-	56
Due from other governments	88,071	-	88,071
Prepaid expenses	30,498	1,206	31,704
Tax sale land acquisition	22,451	-	22,451
Deferred charges	933	8,306	9,239
Capital assets:			
Land	1,643,309	139,076	1,782,385
Other capital assets, net of accumulated depreciation	6,560,400	8,713,675	15,274,075
Total assets	\$ 12,129,000	10,711,825	22,840,825
Liabilities:			
Accounts payable	\$ 216,132	60,897	277,029
Accrued liabilities	329,944	47,254	377,198
Deferred revenue	101,524	-	101,524
Bonds payable:			
Due within one year	142,554	197,447	340,001
Due in more than one year	735,000	4,779,996	5,514,996
Total liabilities	1,525,154	5,085,594	6,610,748
Net assets:			
Invested in capital assets, net of related debt	7,326,155	3,875,308	11,201,463
Restricted	3,351,371	20,000	3,371,371
Unrestricted	(73,680)	1,730,923	1,657,243
Total net assets	10,603,846	5,626,231	16,230,077
Total liabilities and net assets	\$ 12,129,000	10,711,825	22,840,825

TOWN OF MANCHESTER, VERMONT
Statement of Activities
June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 1,842,164	565,333	27,998	-	(1,248,833)	-	(1,248,833)
Public safety:							
Police and civil defense	967,013	-	37,681	-	(929,332)	-	(929,332)
Fire	230,335	-	-	-	(230,335)	-	(230,335)
Public works	881,101	3,203	-	171,389	(706,509)	-	(706,509)
Parks and recreation	299,818	11,340	-	-	(288,478)	-	(288,478)
Public health	3,654	-	-	-	(3,654)	-	(3,654)
Cemetery	2,410	4,909	-	-	2,499	-	2,499
Capital outlay	201,038	-	473,270	-	272,232	-	272,232
Emergency	219,322	-	189,111	-	(30,211)	-	(30,211)
Interest	64,179	-	-	-	(64,179)	-	(64,179)
Total governmental activities	4,711,034	584,785	728,060	171,389	(3,226,800)	-	(3,226,800)
Business-type activities:							
Water	690,425	577,599	-	-	-	(112,826)	(112,826)
Sewer	362,198	345,245	-	-	-	(16,953)	(16,953)
Total business-type activities	1,052,623	922,844	-	-	-	(129,779)	(129,779)
Total primary government	\$ 5,763,657	1,507,629	728,060	171,389	(3,226,800)	(129,779)	(3,356,579)
General revenues:							
Property taxes					2,248,338	-	2,248,338
Sales tax					970,045	-	970,045
Investment earnings					7,506	6,209	13,715
Miscellaneous					87,135	130	87,265
Transfers					70,664	(12,187)	58,477
Total general revenues and transfers					3,383,688	(5,848)	3,377,840
Change in net assets					156,888	(135,627)	21,261
Net assets - beginning					10,446,958	5,761,858	16,208,816
Net assets - ending					\$ 10,603,846	5,626,231	16,230,077

TOWN OF MANCHESTER, VERMONT
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	CIRC Fund	Other Governmental Funds	Total
Assets:				
Cash	\$ 158,910	-	612,710	771,620
Investments	-	1,243,474	1,394,650	2,638,124
Delinquent taxes receivable, net of allowance for uncollectible accounts of \$13,547	317,643	-	-	317,643
Accounts and notes receivables	17,653	-	24,505	42,158
Prepaid expenses	30,498	-	-	30,498
Tax sale land acquisition	22,451	-	-	22,451
Due from other governments	88,071	-	-	88,071
Due from fiduciary funds	56	-	-	56
Due from other funds	324,363	715,471	12,187	1,052,021
Total assets	\$ 959,645	1,958,945	2,044,052	4,962,642
Liabilities:				
Accounts payable	\$ 211,230	-	-	211,230
Accrued liabilities	129,874	-	47,679	177,553
Due to other funds	-	-	1,038,284	1,038,284
Deferred revenue	352,331	-	-	352,331
	693,435	-	1,085,963	1,779,398
Fund balance:				
Restricted	51,126	1,958,945	1,341,300	3,351,371
Committed	60,000	-	10,710	70,710
Unassigned	155,084	-	(393,921)	(238,837)
	266,210	1,958,945	958,089	3,183,244
Total liabilities and fund balance	\$ 959,645	1,958,945	2,044,052	4,962,642

TOWN OF MANCHESTER, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds, page 13 \$ 3,183,244

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 12,251,926	
Less accumulated depreciation	<u>(4,048,217)</u>	8,203,709

Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.	250,807
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Bond issuance costs	933
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,034,847)
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Net assets - governmental activities, page 11	<u><u>\$ 10,603,846</u></u>
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TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	CIRC Fund	Other Governmental Funds	Total
Revenues:				
Property taxes	\$ 2,215,881	-	-	2,215,881
Sales tax revenue	970,045	-	-	970,045
Penalties and interest on delinquent accounts	117,477	-	-	117,477
Charges for services	182,442	-	-	182,442
Intergovernmental revenue	415,687	-	-	415,687
Licenses, permits and fines	13,732	-	-	13,732
Investment income	18,805	88	(11,387)	7,506
Grant income	34,395	-	497,708	532,103
Donations	6,671	-	6,846	13,517
Other	310,504	-	16,249	326,753
	<u>4,285,639</u>	<u>88</u>	<u>509,416</u>	<u>4,795,143</u>
Expenditures:				
General government	1,493,418	-	-	1,493,418
Public safety	1,100,712	-	1,984	1,102,696
Public works	680,082	-	-	680,082
Parks and recreation	261,996	-	2,322	264,318
Public health	3,654	-	-	3,654
Cemetery	-	-	2,410	2,410
Capital outlay	803,590	-	512,626	1,316,216
Debt management	205,800	-	-	205,800
Emergency management	219,322	-	-	219,322
Other	189,931	8,140	30,831	228,902
	<u>4,958,505</u>	<u>8,140</u>	<u>550,173</u>	<u>5,516,818</u>
Excess (deficiency) of revenues over expenditures	<u>(672,866)</u>	<u>(8,052)</u>	<u>(40,757)</u>	<u>(721,675)</u>
Other financing sources (uses):				
Operating transfers in (out)	612,865	(33,332)	(508,869)	70,664
	<u>612,865</u>	<u>(33,332)</u>	<u>(508,869)</u>	<u>70,664</u>
Excess of revenue and other financing sources over expenditures and other financing uses	<u>(60,001)</u>	<u>(41,384)</u>	<u>(549,626)</u>	<u>(651,011)</u>
Fund balance, July 1, 2011	<u>326,211</u>	<u>2,000,329</u>	<u>1,507,715</u>	<u>3,834,255</u>
Fund balance, June 30, 2012	<u>\$ 266,210</u>	<u>1,958,945</u>	<u>958,089</u>	<u>3,183,244</u>

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, 2012

Net change in fund balances - governmental funds, page 15 \$ (651,011)

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	\$ 1,105,290	
Less: current year depreciation and amortization	<u>(400,754)</u>	704,536

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. (30,323)

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.

Repayment of bond principal	142,554
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Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the funds. This amount represents a decrease in deferred property taxes. 11,608

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. (20,476)

Change in net assets - governmental activities, page 12	\$ <u><u>156,888</u></u>
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TOWN OF MANCHESTER, VERMONT
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activites - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash	\$ 663,816	466,359	1,130,175
Investments	476,519	-	476,519
Accounts receivable	164,181	92,424	256,605
Due from other funds	(7,170)	-	(7,170)
Prepaid expenses	603	603	1,206
Deferred charges	6,215	2,091	8,306
Total current assets	1,304,164	561,477	1,865,641
Capital assets:			
Distribution and collection systems	10,186,353	1,196,580	11,382,933
Land	139,076	-	139,076
Buildings and equipment	205,753	4,420,296	4,626,049
Less accumulated depreciation	(3,127,041)	(4,168,266)	(7,295,307)
Total non-current assets	7,404,141	1,448,610	8,852,751
Total assets	\$ 8,708,305	2,010,087	10,718,392
Liabilities:			
Current liabilities:			
Accounts payable	\$ 6,957	53,940	60,897
Accrued liabilities	28,067	19,187	47,254
Due to other funds	-	6,567	6,567
Bonds payable, current portion	174,319	23,128	197,447
Total current liabilities	209,343	102,822	312,165
Bonds payable, less current portion	3,495,000	1,284,996	4,779,996
Total liabilities	3,704,343	1,387,818	5,092,161
Net Assets:			
Invested in capital assets, net of related debt	3,734,822	140,486	3,875,308
Restricted	10,000	10,000	20,000
Unrestricted - designated	1,259,140	471,783	1,730,923
Total net assets	5,003,962	622,269	5,626,231
Total liabilities and net assets	\$ 8,708,305	2,010,087	10,718,392

TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activites - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<i>Operating revenues:</i>			
Charges for services	\$ 573,071	342,344	915,415
Interest on delinquent accounts	4,528	2,901	7,429
Sale of equipment	130	-	130
Total operating revenues	577,729	345,245	922,974
<i>Operating expenses:</i>			
Personnel services	173,645	170,631	344,276
Materials and supplies	7,522	3,881	11,403
Repairs and maintenance	33,425	29,431	62,856
Professional services	11,359	9,712	21,071
Utilities	36,187	38,896	75,083
Depreciation and amortization	235,238	33,220	268,458
Other	27,630	18,881	46,511
Total operating expenses	525,006	304,652	829,658
<i>Operating income</i>	52,723	40,593	93,316
<i>Nonoperating revenues (expenses):</i>			
Investment income	2,295	3,914	6,209
Interest expense	(165,419)	(57,546)	(222,965)
	(163,124)	(53,632)	(216,756)
<i>Loss before operating transfers</i>	(110,401)	(13,039)	(123,440)
Operating transfers out	(5,128)	(7,059)	(12,187)
	(5,128)	(7,059)	(12,187)
<i>Change in net assets</i>	(115,529)	(20,098)	(135,627)
<i>Total net assets - beginning</i>	5,119,491	642,367	5,761,858
<i>Total net assets - ending</i>	\$ 5,003,962	622,269	5,626,231

TOWN OF MANCHESTER, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<i>Cash flows from operating activities:</i>			
Cash receipts from customers	\$ 572,280	339,938	912,218
Cash from sale of equipment	130	-	130
Cash payments to suppliers of goods or services	(886,480)	(91,860)	(978,340)
Cash payments to employees for services	(173,645)	(170,631)	(344,276)
<i>Net cash provided by (used in) operating activities</i>	(487,715)	77,447	(410,268)
<i>Cash flows from non-capital financing activities:</i>			
Operating transfers to other funds	(5,128)	(7,059)	(12,187)
Advances from other funds	675,726	(538,522)	137,204
<i>Net cash provided by (used in) non-capital financing activities</i>	670,598	(545,581)	125,017
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on bonds	(169,319)	(23,127)	(192,446)
Proceeds from issuance of bonds	-	-	-
Purchase of fixed assets	(68,745)	(21,893)	(90,638)
Interest on bonds	(165,419)	(57,546)	(222,965)
<i>Net cash used in capital and related financing activities</i>	(403,483)	(102,566)	(506,049)
<i>Cash flows from investing activities:</i>			
Interest on cash investments	2,295	3,914	6,209
Purchase of investments	(6,292)	-	(6,292)
Maturities and sales of investments	11,410	-	11,410
<i>Net cash provided by investing activities</i>	7,413	3,914	11,327
<i>Net decrease in cash</i>	(213,187)	(566,786)	(779,973)
<i>Cash, beginning</i>	877,003	1,033,145	1,910,148
<i>Cash, ending</i>	\$ 663,816	466,359	1,130,175
<i>Reconciliation of operating income to net cash provided by operating activities:</i>			
Operating income	\$ 52,723	40,593	93,316
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	235,238	33,220	268,458
Change in assets and liabilities:			
Increase in accounts receivable and other receivables	(5,319)	(5,307)	(10,626)
Increase (decrease) in accounts payable and accrued liabilities	(770,357)	8,941	(761,416)
<i>Net cash provided by (used in) operating activities</i>	\$ (487,715)	77,447	(410,268)

TOWN OF MANCHESTER, VERMONT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

Private-Purpose Trust Funds

	Madeline Warner Cemetery Fund	Otto Conderman Fund	Joseph Burr Fund	Yetta Isaacs Fund	Total
Assets					
Cash	\$ -	-	7,019	-	7,019
Investments	37,931	23,472	-	17,293	78,696
Total assets	\$ 37,931	23,472	7,019	17,293	85,715
Liabilities					
Due to other funds	\$ 56	-	-	-	56
	56	-	-	-	56
Net assets					
Net Assets:					
Restricted	37,875	23,472	7,019	17,293	85,659
	37,875	23,472	7,019	17,293	85,659
Total liabilities and net assets	\$ 37,931	23,472	7,019	17,293	85,715

TOWN OF MANCHESTER, VERMONT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Private-Purpose Trust Funds				Total
	Madeline Warner Cemetery Fund	Otto Conderman Fund	Joseph Burr Fund	Yetta Isaacs Fund	
Revenues:					
Investment income (loss)	\$ 1,736	(3,963)	39	250	(1,938)
	1,736	(3,963)	39	250	(1,938)
Operating expenses					
Other	56	-	-	26,000	26,056
	56	-	-	26,000	26,056
Excess (deficiency) of revenues over expenditures					
	1,680	(3,963)	39	(25,750)	(27,994)
Operating transfers out					
	-	(58,000)	(477)	-	(58,477)
	-	(58,000)	(477)	-	(58,477)
Excess (deficiency) of revenues over expenditures and operating transfers					
	1,680	(61,963)	(438)	(25,750)	(86,471)
Net assets, July 1, 2011					
	36,195	85,435	7,457	43,043	172,130
Net assets, June 30, 2012					
	\$ 37,875	23,472	7,019	17,293	85,659

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

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

Fund Financial Statements

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

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

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

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

Special Revenue Funds - The Special Revenue Funds are operating funds for which the use of revenues is restricted, generally by Federal and State governments. The Town has ten Special Revenue Funds; the CIRC Fund (formerly known as the UDAG), 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, 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

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 Assets/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 Assets/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 assets 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 assets. 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 Assets – 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 Assets – This category includes both designated and undesignated net assets of the Town. Designated net assets include reserves that were established by the Board, which are considered internally designated. Undesignated net assets 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.

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 Assets of Governmental Activities

The total of fund balances of the Town's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets 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 Assets.
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, 2012, the carrying amount of the Town's cash was \$1,908,814 and the bank balance was \$2,011,120. Of the bank balance, \$315,431 was covered by Federal depository insurance and \$1,695,689 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, 2012, the Town had the following investments:

	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Cash equivalents	\$ 516,693	516,693	-	-
Certificates of deposit	92,434	92,434	-	-
Common stock	1,013,539	1,013,539	-	-
Mutual funds - equities	933,670	933,670	-	-
U.S. Government bonds	240,130	87,835	152,295	-
Corporate bonds	396,873	155,051	178,445	63,377
	<u>\$ 3,193,339</u>	<u>2,799,222</u>	<u>330,740</u>	<u>63,377</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 counterpart 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 - \$233,827 and A - \$403,176.

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, 2012 are as follows:

Governmental Funds

Special Revenue Funds:

CIRC Fund	\$ 1,243,474
Property Tax Reserve Fund	543,007
Reappraisal Reserve Fund	102,576
Recreation Committee Fund	42,050
Police Benevolent Fund	<u>73,295</u>
Subtotal	<u>2,004,402</u>

Capital Projects Funds:

Fire Department Equipment Fund	392
Sewer Capital Improvement Fund	<u>478,132</u>
Subtotal	<u>478,524</u>

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(4) Investments (continued)

Permanent Fund:

Factory Point Cemetery Trust Fund	155,198
Subtotal for Governmental Funds	2,638,124

Enterprise Funds:

Water Fund	476,519
Subtotal for Enterprise Funds	476,519

Fiduciary Funds - Private-Purpose Trust:

Madeline Warner Cemetery Fund	37,931
Otto Conderman Fund	23,472
Yetta Isaacs Fund	17,293
Subtotal for Fiduciary Funds	78,696

Total investments	\$ 3,193,339
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(5) Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2011	Additions	Transfers and Disposals	Balance June 30, 2012
Governmental activities:				
Land and improvements	\$ 1,808,118	-	-	1,808,118
Buildings	2,963,095	-	-	2,963,095
Machinery and equipment	1,184,225	25,821	(500)	1,209,546
Vehicles	2,221,195	596,275	(64,977)	2,752,493
Infrastructure	1,381,134	-	-	1,381,134
Construction in progress	1,654,345	483,194	-	2,137,539
Totals at historical cost	11,212,112	1,105,290	(65,477)	12,251,925
Less accumulated depreciation for:				
Land and improvements	(188,667)	(23,858)	-	(212,525)
Buildings	(1,148,378)	(72,760)	-	(1,221,138)
Machinery and equipment	(918,928)	(54,227)	500	(972,655)
Vehicles	(1,005,529)	(144,490)	34,654	(1,115,365)
Infrastructure	(421,113)	(105,420)	-	(526,533)
	(3,682,615)	(400,755)	35,154	(4,048,216)
Governmental capital assets, net	\$ 7,529,497	704,535	(30,323)	8,203,709

Depreciation expense was charged to governmental functions as follows:

Public safety	\$ 153,190
Public works	197,600
General government	14,538
Recreation	35,427
	\$ 400,755

(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, 2011	Additions	Transfers and Disposals	Balance June 30, 2012
Business-type activities:				
Building	\$ 3,632,657	-	-	3,632,657
Land	139,076	-	-	139,076
Water system and improvements	8,814,381	-	-	8,814,381
Infrastructure	1,196,580	-	-	1,196,580
Machinery and equipment	248,647	-	-	248,647
Construction in progress	2,026,080	90,638	-	2,116,718
Totals at historical cost	16,057,421	90,638	-	16,148,059
Less accumulated depreciation for:				
Buildings	(3,186,131)	(12,263)	-	(3,198,394)
Water system and improvements	(2,779,726)	(224,094)	-	(3,003,820)
Infrastructure	(915,127)	(18,356)	-	(933,483)
Machinery and equipment	(145,864)	(13,747)	-	(159,611)
	(7,026,848)	(268,460)	-	(7,295,308)
Business-type capital assets, net	\$ 9,030,573	(177,822)	-	8,852,751

(6) Deferred Revenue

Deferred revenue in the General Fund consists of \$239,199 in delinquent taxes receivable and related penalties and interest not collected within 60 days of year-end, as well as \$40,347 of recreation fees, and \$62,500 of rental income collected in advance for the 2013 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, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable	\$ 1,020,108	-	(142,554)	877,554	142,554
Other liabilities:					
Compensated absences	216,157	-	-	216,157	-
	\$ 1,236,265	-	(142,554)	1,093,711	142,554
Business-type Activities:					
Bonds payable	\$ 5,169,890	-	(182,447)	4,977,443	197,447
	\$ 5,169,890	-	(182,447)	4,977,443	197,447

(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, 2012
Junction improvements bond	3.628%	12/01/12	\$ 27,554
Public safety facility bond	3.874%	12/01/15	380,000
Highway garage expansion bond	4.756%	12/01/34	240,000
Infrastructure improvements	4.901%	12/01/40	230,000
Sewer improvements bond	3.628%	12/01/12	5,819
Sewer improvements bond	4.724%	12/01/39	542,307
Sewer infrastructure improvements	4.901%	12/01/40	760,000
Water improvements bond	3.628%	12/01/12	26,626
Water improvements bond refinancing	5.159%	12/01/17	550,000
Water improvements bond	4.756%	12/01/34	920,000
Water improvements bond	5%	12/01/39	867,693
Water infrastructure improvements	4.9005%	12/01/40	1,310,000
			\$ 5,859,999

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
2013	\$ 142,554	54,461	197,015	197,447	215,635	413,082
2014	115,000	47,592	162,592	170,000	207,985	377,985
2015	115,000	40,288	155,288	170,000	198,873	368,873
2016	115,000	33,120	148,120	175,000	189,714	364,714
2017	36,100	29,139	65,239	273,900	179,910	453,810
2018-2022	171,667	121,807	293,474	953,333	763,097	1,716,430
2023-2027	121,667	71,161	192,828	862,180	596,452	1,458,632
2028-2032	60,566	31,867	92,433	889,433	419,061	1,308,494
2033-2037	-	-	-	795,000	226,164	1,021,164
2038-2042	-	-	-	491,150	47,370	538,520
	\$ 877,554	429,435	1,306,989	4,977,443	3,044,261	8,021,704

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(9) Internal Balances

Internal balances at June 30, 2012 consisted of the following:

Receivable Fund	Payable Fund	Amount
CIRC	General	\$ 366,668
CIRC	Recreation Committee	180,125
CIRC	Fire Department Equipment	168,678
General	Property Tax Relief	179,979
General	Factory Point Cemetery	78,138
General	Sewer	1,104
General	Water	446
General	Factory Point Cemetery Trust	16,110
General	Bicenquingenary	7,000
General	Madeline Warner Cemetery	56
General	Police Benevolent	148
General	Byrne Grant	60
General	Junction Development Project	369,068
General	Recreation Committee	16,117
General	Fire Department Equipment	22,861
Factory Point Cemetery	Factory Point Cemetery Trust	25,548
Sewer Capital Improvement	Sewer	7,059
Sewer	Water	1,596
Water Capital Improvement	Water	5,128
		\$ 1,445,889

Internal transfers for the year ended June 30, 2012 were as follows:

Transfer From	Transfer To	Amount	Purpose
Property Tax Reserve	General	\$ 189,979	Fund Capital Outlay
CIRC	General	33,332	Fund Capital Outlay
Fire Department Equipment	General	317,554	Fund Capital Outlay
Otto Conderman	General	58,000	Fund Capital Outlay
Factory Point Cemetery Trust	General	16,500	Operating Transfer
General	Bicenquingenary	2,500	Operating Transfer
Water	Water Capital Improvement	3,340	Operating Transfer
		\$ 621,205	

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(10) Fund Balance

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

	General Fund	Special Revenue Funds	Total
Restricted for:			
Employee benefits and insurance	\$ 18,126	-	18,126
CIRC	-	1,958,945	1,958,945
Property tax relief	-	363,028	363,028
Junction development project	-	161,970	161,970
Public safety	-	78,232	78,232
Police vehicle	33,000	-	33,000
Reappraisal	-	102,576	102,576
Water capital improvements	-	8,475	8,475
Sewer capital improvements	-	485,191	485,191
Cemetery	-	141,828	141,828
Committed for:			
Future property tax relief	60,000	-	60,000
Parks and recreation	-	10,710	10,710
Unassigned	155,084	(393,921)	(238,837)
Total fund balances	\$ 266,210	2,917,034	3,183,244

(11) Property Taxes

Property taxes attach as an enforceable lien on property as of the first day of April. Property taxes for fiscal year 2012 were levied July 09, 2011 and were payable in installments due on September 9, 2011 and February 10, 2012.

(12) 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.

(13) 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.

(14) 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

(15) 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. In addition, certain employees continue to contribute to a predecessor Section 457 plan administered by American Life and Casualty Insurance Company. Compensation deferred under these plans 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, 2012 was \$1,915,814 and covered payroll amounted to \$876,566. Town contributions to the plan amounted to \$52,594.

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 current rate is 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, 2012 amounted to \$667,934.

The Town's contributions to VMERS amounted to \$43,416. The Town made contributions to VMERS for the years ended June 30, 2011 and 2010 in the amounts of \$37,949 and \$35,233, respectively.

(16) 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, 2012, 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.

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(continued)

(16) Other Post Employment Benefits (continued)

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	\$	16,021
Interest on net OPEB obligation		-
Annual OPEB cost		<u>16,021</u>
Contributions made		-
Increase in net OPEB obligation		<u>16,021</u>
Net OPEB obligation, beginning of year		<u>51,824</u>
Net OPEB obligation, end of year	\$	<u>67,845</u>

Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$101,822, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$711,880, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13 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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(16) Other Post Employment Benefits (continued)

Methods and Assumptions (continued)

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.

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—2012 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, 2012, was thirty years.

(17) Subsequent Events

The Town has evaluated subsequent events through March 29, 2013, 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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes			
Property Taxes	\$ 2,245,683	2,215,881	(29,802)
	2,245,683	2,215,881	(29,802)
Administration			
Vendors Fees	4,800	4,800	-
Town Hall User Fees	50	165	115
	4,850	4,965	115
Finance Department			
Miscellaneous	100	124	24
	100	124	24
Assessing Department			
Listers Education	400	412	12
	400	412	12
Planning Department			
Zoning Applications/Appeals	13,000	41,755	28,755
Zoning Maps/Ordinances	100	36	(64)
Sign Fees	2,500	2,512	12
Fines	250	-	(250)
Recording Fees	2,500	2,418	(82)
	18,350	46,721	28,371
Public Works - Facilities			
Mechanic Fees	9,000	6,650	(2,350)
Recording Fees	100	170	70
	9,100	6,820	(2,280)
Public Works - Highways			
Permit Fees	1,500	2,375	875
State Aid - Roads	152,000	148,998	(3,002)
H - Grant - Signs	-	491	491
Miscellaneous	100	828	728
	153,600	152,692	(908)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
Police Department			
Animal Control - Owner Reimbursement	-	583	583
Ordinance Fines - Animal Control	100	-	(100)
Justice & Court Fines	17,000	9,480	(7,520)
Fingerprint Process Fee	3,000	1,270	(1,730)
Alarm Board Charges	14,500	14,160	(340)
Alarm Board Fines	1,000	-	(1,000)
Parking Fines	250	230	(20)
Ordinance Fines	100	-	(100)
Police Reports	1,500	1,760	260
VIN ID Fees	500	168	(332)
Miscellaneous	100	830	730
Emergency Communication Service	15,000	-	(15,000)
Grant - Community Drug Interdiction	-	880	880
PD - CDIP Grant - OT	-	1,437	1,437
Grant-Cruiser Computers-3	-	24,441	24,441
Grant - GHSP VT	-	6,264	6,264
Grant - GHSP 2118	-	1,373	1,373
	53,050	62,876	9,826
Emergency Management /Public Safety			
Federal and State reimbursements	-	189,111	189,111
	-	189,111	189,111
Parks & Recreation Department			
Pool Passes	13,000	14,585	1,585
Pool Memberships	19,000	20,734	1,734
Swim Lessons	11,000	11,673	673
Swim Team	13,000	10,450	(2,550)
Tennis - Lessons	100	1,050	950
Applejack Field Rental	4,000	3,700	(300)
Applejack Field Gate Rece	21,000	14,244	(6,756)
Rental Income	4,500	5,669	1,169
Precision Walk Sponsorship	500	244	(256)
Concession Income	1,000	1,107	107
Programs	27,000	25,164	(1,836)
Day Camp	28,100	33,146	5,046
	142,200	141,766	(434)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
Health Department			
Fines	50	-	(50)
	50	-	(50)
Town Clerk (continued)			
Liquor Licenses	3,400	4,250	850
Tobacco Licenses	-	10	10
Photocopies	6,000	5,308	(692)
Motor Veh Reg Renewals	1,300	864	(436)
Passport Fees	2,400	1,575	(825)
Dog Licenses	3,200	5,719	2,519
Dog Fines	700	2,075	1,375
Marriage Licenses	900	960	60
Fish & Wildlife Licenses	600	488	(112)
Records Search Fees	1,100	723	(377)
Recording Fees	65,000	50,952	(14,048)
Town Recording Fees	-	1,760	1,760
UCC Filing Fees	-	10	10
Vital Statistics Fees	5,000	5,700	700
Miscellaneous	1,400	105	(1,295)
	91,000	80,499	(10,501)
Capital Revenue			
Sale of Vehicle - Highway	17,000	12,400	(4,600)
Cap - Sale of Equipment Hwy	-	4,000	4,000
Cap - Sale of Veh - FD	-	5,500	5,500
Fed/State Aid-Rdbout -(Construction)	2,390,000	-	(2,390,000)
Roundabout Design	22,500	-	(22,500)
Sale of Vehicle - Police Department	4,000	-	(4,000)
Donations for Park Improvement	5,000	6,671	1,671
Efficiency VT Grant	1,000	-	(1,000)
Cap-Poolhouse-Donations	-	3,250	3,250
Rescue Squad Reimb. - Heat Fuel	4,500	5,884	1,384
Rescue Squad Reimb. - Water	400	392	(8)
Rescue Squad Reimb. - Grounds	600	517	(83)
	2,445,000	38,614	(2,406,386)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued):			
General Revenue (continued)			
MEMS - Grounds Mowing	7,500	7,500	-
Photocopy Sales	500	137	(363)
Postage Reimbursements	-	35	35
Act 68 Administrative Aid	36,500	34,633	(1,867)
Int Earned on Investments	60,000	18,805	(41,195)
Int on Delinquent Taxes	60,000	66,836	6,836
Penalty on Del Taxes	55,000	50,641	(4,359)
Reappraisal - State Aid	2,900	2,875	(25)
Current Use State Payment	39,000	40,070	1,070
Junction Proj - FedAid-Sal/Ben	26,000	-	(26,000)
Payments in Lieu of Taxes	22,000	20,839	(1,161)
Rental Income	133,000	132,502	(498)
Miscellaneous	500	240	(260)
Allocated Surplus	60,000	-	(60,000)
	502,900	375,113	(127,787)
Local Option Taxes Revenues			
Local Option Sales Tax	760,000	642,247	(117,753)
Local Opt-Meals/Alcohol Tax	300,000	327,798	27,798
	1,060,000	970,045	(89,955)
Total revenues	6,726,283	4,285,639	(2,440,644)
Expenditures:			
Legislative			
Citizen Recognition	1,000	520	480
Miscellaneous	1,000	293	707
	2,000	813	1,187
Administration			
Dues and Subscriptions	200	155	45
Miscellaneous	250	77	173
	450	232	218
Finance Department			
Printing and Publications	1,000	944	56
Software Support	1,500	803	697
Miscellaneous	100	-	100
	2,600	1,747	853

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Assessing Department			
Dues and Subscriptions	450	220	230
Software Support	1,000	973	27
Miscellaneous	100	-	100
	1,550	1,193	357
Planning Department			
Dues and Subscriptions	600	548	52
Printing and Publications	1,500	196	1,304
Recording Fees	2,500	1,560	940
Software Support	1,100	400	700
Economic Development Programs	-	2,152	(2,152)
Miscellaneous	100	-	100
	5,800	4,856	944
Department of Public Works			
Uniforms and Clothing	5,000	5,670	(670)
Electricity	3,800	3,390	410
Heating Fuels	8,500	9,262	(762)
Equipment Maintenance-Parts	46,000	50,291	(4,291)
Fuel-Gas	8,000	10,431	(2,431)
Fuel-Diesel	37,000	41,358	(4,358)
Oil and Lubricants	3,000	3,307	(307)
Expendable Supplies	10,000	12,198	(2,198)
Equipment Maintenance-Non-Fleet	1,500	1,649	(149)
Mechanic Tools	2,500	2,625	(125)
Miscellaneous	500	10	490
Permit Fees	400	188	212
Recording Fees	100	110	(10)
Equipment Acquisition (non-computer)	2,200	820	1,380
Radios and Communications	500	827	(327)
	129,000	142,136	(13,136)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Department of Public Works - Facilities			
Facilities Maintenance/Improvements	30,000	39,266	(9,266)
Facilities - Cleaning Supplies	13,500	17,579	(4,079)
Tree Removal/Planting/Care	5,000	198	4,802
Parks/Grounds Maintenance	14,000	8,482	5,518
Litter Receptacles	400	-	400
Waste Disposal - Facilities	5,500	7,395	(1,895)
	68,400	72,920	(4,520)
Department of Public Works - Highways			
Cutting Edges	9,000	5,919	3,081
Asphalt-Patchwork	2,000	1,204	796
Winter Sand/Salt	136,000	102,377	33,623
Chloride	10,000	9,362	638
Gravel	8,000	9,335	(1,335)
Signs & Posts	6,000	7,585	(1,585)
Culverts/Drainage Appert	4,000	3,150	850
Street Cleaning	1,500	309	1,191
Curb & Sidewalk Repair	1,000	-	1,000
Guard Railings	1,000	-	1,000
Bridge Repair	500	-	500
Line Painting	7,000	6,725	275
Traffic Signals	4,500	5,446	(946)
	190,500	151,412	39,088
Police Department			
Special Police/Prisoner Transport	-	1,837	(1,837)
Animal Control Officer - Mileage	500	-	500
Animal Control Officer - Boarding/Admin.	5,700	-	5,700
Animal Control Officer - Miscellaneous	250	1,140	(890)
Animal Control Officer - Veterinary Care	750	1,041	(291)
Training	5,000	2,524	2,476
Supplies	2,000	1,276	724
Dues and Subscriptions	1,400	1,005	395
Uniforms and Clothing	9,000	12,351	(3,351)
Uniforms - Cleaning Allowance	7,200	3,900	3,300
Vehicle Maintenance	9,000	8,568	432

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Police Department (continued)			
Fuel-Gas	21,000	22,181	(1,181)
Equipment Maintenance	17,000	11,824	5,176
Criminal Investigation Cost	2,500	-	2,500
Miscellaneous	200	65	135
Equipment Acquisition	4,000	28,191	(24,191)
Grant - Cruiser Computers - 3	-	814	(814)
Grant -GHSP - VT	-	4,836	(4,836)
	85,500	101,553	(16,053)
Fire Department			
Training - Firefighters	1,500	30	1,470
Supplies - Fire Prevention	1,500	25	1,475
Vehicles/Equip. Maintenance/Repairs	11,000	24,988	(13,988)
Fuel - Gas	250	361	(111)
Fuel-Diesel	3,000	2,551	449
Communications - Acquisition/Repair	2,500	2,857	(357)
Miscellaneous	1,500	770	730
Hazardous Waste Supplies	1,000	-	1,000
Equipment Acquisition	14,000	7,149	6,851
	36,250	38,731	(2,481)
Emergency Management			
Incident-Labor	-	28,016	(28,016)
Incident-Labor-Overtime	-	9,354	(9,354)
Incident-Miscellaneous	-	5,268	(5,268)
Irene-NON FEMA Eligible	-	20,750	(20,750)
Irene-Emer Prot Measures	-	2,349	(2,349)
Irene-Rootville- Water Main	-	46,569	(46,569)
Irene-Rootville-Road Repairs	-	57,927	(57,927)
Irene-Applejack-Road Repairs	-	9,533	(9,533)
Irene-Richville-Road Repairs	-	21,466	(21,466)
Irene-Union St Repairs	-	516	(516)
Irene- Glen & Benson Roads Repair	-	609	(609)
Irene-Richville-Water Main	-	11,238	(11,238)
Irene-MainSt-Water Main	-	1,103	(1,103)
Irene-EBrFarm -Water Main	-	1,014	(1,014)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Emergency Management			
Irene-Engineering Services	-	3,610	(3,610)
Equipment Maintenance	500	-	500
Miscellaneous	250	-	250
	750	219,322	(218,572)
Parks And Recreation Department			
Advertising/Printing/Publications	2,500	1,280	1,220
Advertising - Applejack Field	500	-	500
Credit Card Fees	-	2,970	(2,970)
Supplies	1,000	1,550	(550)
Dues and Subscriptions	500	120	380
Precision Walk	400	319	81
Electricity	6,200	6,718	(518)
Electricity - Applejack Field	6,000	4,541	1,459
Heating Fuels	3,000	2,738	262
Pool Maintenance/Supplies	13,000	21,283	(8,283)
Pool Uniforms	750	829	(79)
Pool Heater (Propane)	7,500	4,193	3,307
Applejack Field Maintenance	12,000	13,914	(1,914)
Maintenance Contracts	2,000	-	2,000
Miscellaneous	500	134	366
Equipment Acquisition	2,500	1,163	1,337
Programs	36,000	39,638	(3,638)
Swim Team Expense	4,000	4,606	(606)
	98,350	105,996	(7,646)
Health Officer			
Supplies	100	74	26
Recording Fees	50	-	50
Miscellaneous	100	980	(880)
	250	1,054	(804)
Town Clerk			
Records Preservation	3,000	2,893	107
Dues and subscriptions	600	432	168
Maintenance Contracts	4,000	4,434	(434)
Miscellaneous	500	365	135
	8,100	8,124	(24)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Elections & Board of Civil Authority (BCA)			
Training	300	-	300
Contract Services	1,800	1,341	459
Printing and Publications	1,000	-	1,000
Maintenance Contracts	600	-	600
Miscellaneous	400	176	224
	4,100	1,517	2,583
Town Hall/Public Safety Buildings			
Water - Town Hall	525	331	194
Water - PSF	2,100	1,570	530
Electricity - Town Hall	9,000	10,340	(1,340)
Electricity - PSF	15,500	15,967	(467)
Heating Fuels - Town Hall	14,000	13,110	890
Heating Fuels - PSF	20,000	25,017	(5,017)
	61,125	66,335	(5,210)
General Expenditures			
Telephone	9,500	6,863	2,637
Internet Services	1,700	2,050	(350)
Wi-Fi	-	1,548	(1,548)
Cell Phone	2,500	7,900	(5,400)
Photocopiers	8,000	7,467	533
Travel	2,500	442	2,058
General Advertising	4,000	2,606	1,394
Carpool Vehicle Lease (travel)	2,500	3,435	(935)
Carpool Vehicle Lease (fuel)	1,800	972	828
Carpool Vehicle Maintenance	1,000	835	165
Postage	10,000	9,132	868
Training - General	6,000	5,798	202
Computer & Office Supplies/Equip.	16,000	15,326	674
Pre-Employment Expenses	250	678	(428)
Town Report Printing/Mailing/Adv.	11,500	6,451	5,049
Legal/Consulting	35,000	17,913	17,087
Consulting - Poolhouse	-	10,234	(10,234)
Legal-Real Estate Tax Appeal	-	25,482	(25,482)
Legal -Tax Sales Real Estate	-	1,099	(1,099)
Property Maps	6,000	5,584	416
Audit	9,450	9,100	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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
General Expenditures (continued)			
MEMS- Shared Services Agreement	130,000	130,000	-
State Property Tax	28,000	-	28,000
Bennington County Regional Comm.	4,000	3,889	111
Listers E&O - Municipal Tax	5,000	-	5,000
County Taxes	88,000	85,076	2,924
Tax Appeals - Court Imposed	1,000	-	1,000
Uncollectible Taxes	3,000	212	2,788
Tax Abatements	500	824	(324)
Street Lights	38,000	31,835	6,165
VT League - Cities & Towns	5,000	4,882	118
Village Allocation - Highways	40,000	56,057	(16,057)
Village Alloc. - Street Lights/Sidewalk	4,300	3,328	972
Solid Waster Disposal	15,000	19,316	(4,316)
Recycling	15,000	12,557	2,443
Memorial Day	1,000	1,337	(337)
Conservation Commission	100	68	32
Insurance	54,000	49,271	4,729
Transfer Out- High Deductible Fund	10,000	1,874	8,126
Debt - Principal & Interest	205,801	205,800	1
VT Coalition of Municipalities	250	-	250
Miscellaneous	500	511	(11)
	776,151	747,752	28,399
Personnel-Salaries			
Legislative-Selectboard	6,000	6,000	-
Admin-Town Mgr Office	90,741	88,613	2,128
Admin-Human Resources	32,211	31,632	579
Finance-Full time	54,002	53,104	898
Finance-Treasurer	23,247	23,263	(16)
Finance-Bd Tax Abatemt	100	18	82
Assessing-Full time	24,158	23,426	732
Assessing-Listers	9,000	11,260	(2,260)
Planning/Zoning-Full time	74,072	72,369	1,703
Planning/Zoning-Econ Development	24,158	24,158	-
DPW-Director/Mechanic-Full time	102,608	104,830	(2,222)

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Personnel-Salaries (continued)			
DPW-Dir/Mechan-Overtime	12,400	9,817	2,583
DPW-Mechanic-Outside Bill	8,000	4,686	3,314
DPW-Mech-Outside Billable\ -Overtime	-	281	(281)
DPW-Facilities-Full time	77,673	76,447	1,226
DPW-Facilities-Full Time -Overtime	2,300	1,985	315
DPW-Facilities-Seasonal	30,000	29,675	325
DPW-Facilities-Seasonal -Overtime	-	17	(17)
DPW-Highways-Full time	77,461	76,198	1,263
DPW-Highways-FT-Overtime	20,000	9,678	10,322
DPW-Highways-Seas-OT	-	126	(126)
DPW-Highways-Seasonal	3,000	-	3,000
Police Dept-Police Chief	152,000	10,150	141,850
Police-Officers- FullTime	335,000	398,488	(63,488)
Police-Officers- Overtime	45,000	60,077	(15,077)
PD-OT-Criminal Investigator	5,000	-	5,000
PD-GHSP Grant	-	2,545	(2,545)
PD-CDIP Grant	-	1,277	(1,277)
Dispatcher-Full time	124,000	175,432	(51,432)
Dispatch-Overtime	25,000	19,122	5,878
Police-Part time/Prisoner Transport	19,000	23,311	(4,311)
Dispatch-Spare	19,000	21,477	(2,477)
Police-Animal Control-Hourly Wage	1,000	-	1,000
Fire Dept-Administration	7,700	7,700	-
Fire Dept-Firefighters	21,500	21,054	446
Emergency Management	1,750	1,750	-
Parks/Rec-Full time	69,600	45,368	24,232
Parks/Rec-Part time	25,000	40,192	(15,192)
Parks/Rec-Pool-Straight time	40,000	45,122	(5,122)
Parks/Rec-Pool-Overtime	-	554	(554)
Parks/Rec-Swim Team	9,000	8,723	277
Parks/Rec-Swim Team-OT	-	108	(108)
Parks/Rec-Camp Counselors	17,500	15,933	1,567
Health Officer-Stipend	2,600	2,600	-
Health Officer-HourlyWage	500	-	500
Town Clerk-Salary	40,600	38,238	2,362
Assistant-Salary	23,345	23,144	201
Contracted Serv-Assistant	1,000	-	1,000

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Personnel-Salaries (continued)			
BCA-Elections	2,500	853	1,647
BCA-Tax Appeals	1,000	427	573
Employee Performance Bonuses	20,000	16,927	3,073
Longevity/Sick/Holiday Wages	10,000	10,370	(370)
Police Dept Bonus Wages	13,500	15,700	(2,200)
	1,703,226	1,654,225	49,001
Allocable Expenditures			
FICA/Medicare	128,000	125,184	2,816
Unemployment Insurance	5,000	7,227	(2,227)
Health Insurance Premium Retiree	-	1,109	(1,109)
Health Insurance	170,000	151,897	18,103
HSA Employer Share	94,000	85,673	8,327
Health Insurance Premium - Union	88,500	78,257	10,243
HSA Union contribution	47,500	49,038	(1,538)
Health Care Wellness	3,000	-	3,000
AD/D and Life Insurance	17,000	18,709	(1,709)
Worker's Compensation Insurance	48,000	34,857	13,143
Pension and Retirement	82,000	77,051	4,949
Dental Insurance	18,000	18,416	(416)
Section 125 Administration Fees	500	509	(9)
	701,500	647,927	53,573
Capital Expenditures			
Energy Audit Implementation	10,000	2,535	7,465
WiFi Downtown	8,000	10,075	(2,075)
Cap-Roof Repair-PSF	-	39	(39)
Cap-Sprinkler Repair/Upgr-PSF	35,000	6,160	28,840
Vehicle Acquisition - Highway	145,000	142,192	2,808
Cap-Highway Equipment	26,000	21,400	4,600
Cap-Sidewalk Repair-Design	13,000	8,770	4,230
Parking Lot Reconstruction Depot St	-	112	(112)
Roundabout Design	22,500	-	22,500
Roundabout -Phase II(Storm Drains)	115,000	-	115,000
Roundabout -Phase III(Bridge Constr)	520,000	-	520,000
Roundabout -Phase IV (Roadway)	1,755,000	-	1,755,000
Beautification/Signs	2,000	-	2,000
Capital-Cruiser Cameras	18,000	15,909	2,091

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Trash Containers	-	21	(21)
Vehicle Acquisition - Police	33,000	-	33,000
Equipment Acquisition-Fire(air packs)	26,000	25,821	179
Capital-Vehicle Acquisition-Fire	-	432,683	(432,683)
Capital-Poolhouse Design	-	33,332	(33,332)
Capital-Poolhouse Construction	-	14,876	(14,876)
Capital-Park Improvements	90,000	79,147	10,853
Cemetery - Headstones Acquisitions	3,500	-	3,500
HabFHum-Engineering	-	1,178	(1,178)
Library-Cemetery Ave - Engineering	-	6,479	(6,479)
	2,822,000	800,729	2,021,271
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	-
VABVI - Blind and Visually Impaired	500	500	-
Mark Skinner Library	153,200	153,200	-
	189,931	189,931	-
Total expenditures	6,887,533	4,958,505	1,929,028

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Excess (deficiency) of revenues over expenditures</i>	(161,250)	(672,866)	(511,616)
<i>Other financing sources (uses):</i>			
<i>Operating transfers in (out)</i>			
Bicenquagenary Celebration	(2,500)	(2,500)	-
CIRC Fund	-	33,332	33,332
Factory Point Cemetery (Operation)	16,500	16,500	-
Fire Dept Equipment Reserve Fund	(49,000)	317,554	366,554
Recreation Fund	6,500	-	(6,500)
Property Tax Relief Fund	190,000	189,979	(21)
Town Service Officer	(250)	-	250
Otto Conderman - Fire Truck	-	58,000	58,000
<i>Total other financing sources (uses)</i>	161,250	612,865	451,615
<i>Excess (deficiency) of revenues over expenditures and other financing uses</i>	\$ -	(60,001)	(60,001)

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%

TOWN OF MANCHESTER, VERMONT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds											Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds				
	Property Tax Reserve Fund	Recreation Committee Fund	Junction Development Project Fund	Service Officer's Fund	Factory Point Cemetery Fund	Police Benevolent Fund	Bicenquin-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							
Assets																					
Cash	\$ -	-	549,459	409	23,362	3,191	339	-	468	2,326	1,521	3,347	-	28,288	612,710						
Investments	543,007	42,050	-	-	-	73,295	-	102,576	-	-	392	-	478,132	155,198	1,394,650						
Due from other governments	-	-	24,505	-	-	-	-	-	-	-	-	-	-	-	24,505						
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	5,128	7,059	-	12,187						
	\$ 543,007	42,050	573,964	409	23,362	76,486	339	102,576	468	2,326	1,913	8,475	485,191	183,486	2,044,052						
Liabilities																					
Accrued liabilities	\$ -	3,000	42,926	-	504	1,249	-	-	-	-	-	-	-	-	47,679						
Due to other funds	179,979	196,242	369,068	-	52,590	148	7,000	-	-	60	191,539	-	-	41,658	1,038,284						
	179,979	199,242	411,994	-	53,094	1,397	7,000	-	-	60	191,539	-	-	41,658	1,065,963						
Fund Balances																					
Restricted	363,028	-	161,970	409	-	75,089	-	102,576	468	2,266	-	8,475	485,191	141,828	1,341,300						
Committed	-	10,710	-	-	(29,732)	-	-	-	-	-	-	-	-	-	10,710						
Unassigned	363,028	(157,192)	161,970	409	(29,732)	75,089	(6,661)	102,576	468	2,266	(189,626)	-	-	-	(393,921)						
	\$ 543,007	42,050	573,964	409	23,362	76,486	339	102,576	468	2,326	1,913	8,475	485,191	183,486	2,044,052						



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Select Board
Town of Manchester, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Manchester, Vermont, as of and for the year ended June 30, 2012, which collectively comprise the Town of Manchester, Vermont's basic financial statements and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

March 29, 2013

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

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF MANCHESTER, VERMONT

SINGLE AUDIT REPORT

June 30, 2012

Love, Cody & Company, CPAs



**Independent Auditors' Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Select Board
Town of Manchester, Vermont

Compliance

We have audited Town of Manchester, Vermont's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Manchester, Vermont's management. Our responsibility is to express an opinion on Town of Manchester, Vermont's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of 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. Our audit does not provide a legal determination of Town of Manchester, Vermont's compliance with those requirements.

In our opinion, Town of Manchester, Vermont complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Town of Manchester, Vermont is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Manchester, Vermont's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose

of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of 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.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Town of Manchester, Vermont as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 29, 2013

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

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF MANCHESTER, VERMONT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grant/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<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>418,813</u>
Passed through Vermont Department of Public Safety:			
<u>National Highway Traffic Safety Administration</u>			
State and Community Highway Safety	20.600	02140-1112-2118	<u>1,373</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1111-9218	750
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1112-9218	<u>880</u>
			<u>1,630</u>
Safety Belt Performance Grants	20.609	02140-0912-3522	<u>4,836</u>
Total U.S. Department of Transportation			<u>426,652</u>
<u>United States Department of Homeland Security</u>			
Passed through Vermont Agency of Transportation:			
FEMA Disaster Relief	97.036	08131-FE0511	<u>179,158</u>
Passed through Vermont Department of Public Safety:			
US Department of Homeland Security Grant	97.067	02140-70252-004	<u>814</u>
Total U.S. Department of Homeland Security			<u>179,972</u>
Total Expenditures of Federal Awards			<u>\$ <u>606,624</u></u>

See accompanying notes to schedule of federal financial assistance.

TOWN OF MANCHESTER, VERMONT

Notes to Schedule of Expenditures of Federal Awards

(1) *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of the federal financial assistance programs administered by Town of Manchester, Vermont, (the "Town"), an entity as defined in the financial statements.

(2) *Basis of Accounting*

The basis of accounting is the same basis as that used in the financial statements.

The amounts reported as federal expenditures were obtained from the Town's records of the programs. Federal expenditures were then reconciled to the general ledger which is the source of the financial statements.

(3) *Matching Costs*

Matching costs, the Town's share of certain program costs, are not included in the reported expenditures.

TOWN OF MANCHESTER, VERMONT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Summary of Audit 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, 2012 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.