

TOWN OF MANCHESTER, VERMONT

Financial Statements and Schedules

June 30, 2018

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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Independent Auditor's Report

The Select Board
Town of Manchester, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Manchester, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manchester, Vermont, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11, the budgetary comparison information on pages 41 - 53, and the schedule of pension liabilities and contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Manchester, Vermont's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019, on our consideration of the Town of Manchester, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Manchester, Vermont's internal control over financial reporting and compliance.

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

February 7, 2019

Vt. Reg. #357

Love, Cody & Company, CPAs

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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, 2018. 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 and deferred outflows of the Town of Manchester exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$21,930,474 (net position). Of this amount, \$3,519,190 (unrestricted net position) 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 position stands at \$21,930,474. Of this amount, net position attributable to governmental activities is \$15,324,904 while net position attributable to business-type activities is \$6,605,570.

Fund financial statements:

- ❖ As of the close of the 2018 fiscal year, the Town of Manchester's governmental funds reported combined ending fund balances of \$2,695,218, an increase of \$159,133, in comparison with the prior year. Within the General Fund, \$107,294 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 Position 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, 2018**

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 position presents information on all of the Town of Manchester's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position has changed during the most recent fiscal year. All changes in net position 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, 2018**

can be spent in the near future to finance the Town's programs. The differences between governmental activities (reported in the Statement of Net Position 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 Position 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, 2018**

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

Major Features of the Government-Wide and Fund Financial Statements

| | Government-Wide Statements | Fund Financial Statements | | |
|--|--|---|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire Town (except fiduciary funds) | The activities of the Town that are not proprietary or fiduciary. Includes general fund and special revenue funds. | The activities of the Town for which a fee is charged to external users (such as water and wastewater treatment activities). | Instances in which the Town administers resources on behalf of another, such as trust accounts. |
| Required financial statements | -Statement of net position -Statement of activities | -Balance Sheet -Statement of revenues, expenditures, and changes in fund balances | -Statement of net position or balance sheet -Statement of revenues, expenses and changes in fund net position -Statement of cash flows | -Statement of fiduciary net position -Statement of changes in fiduciary net position |
| 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, 2018**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

This section summarizes information and data as related to the Statements of Net Position as of June 30, 2018 and the Statement of Activities for the Year Ended June 30, 2018.

Government-wide Statements

The Town's combined net position was approximately \$22 million at June 30, 2018. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities including a 2017 comparative analysis of government-wide data.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 3,365 | 3,139 | 4,736 | 2,157 | 8,101 | 5,296 |
| Capital assets | 14,501 | 14,514 | 9,001 | 8,124 | 23,502 | 22,638 |
| Deferred outflows | 239 | 278 | - | - | 239 | 278 |
| Total assets and deferred outflows | 18,105 | 17,931 | 13,737 | 10,281 | 31,842 | 28,212 |
| Current liabilities | (678) | (791) | (684) | (424) | (1,362) | (1,215) |
| Long-term liabilities | (1,818) | (1,964) | (6,447) | (3,717) | (8,265) | (5,681) |
| Deferred inflows | (284) | (12) | - | - | (284) | (12) |
| Total liabilities and deferred inflows | (2,780) | (2,767) | (7,131) | (4,141) | (9,911) | (6,908) |
| Net position: | | | | | | |
| Invested in capital assets, net of debt | 12,946 | 12,828 | 2,284 | 4,133 | 15,230 | 16,961 |
| Restricted | 2,477 | 2,293 | 705 | 45 | 3,182 | 2,338 |
| Unrestricted | (98) | 43 | 3,617 | 1,962 | 3,519 | 2,005 |
| Total net position | \$ 15,325 | 15,164 | 6,606 | 6,140 | 21,931 | 21,304 |

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 6 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 30.5%, computes the percent of assets financed with debt. Debt-to-net assets ratio, which equals 43.9%, 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, 2018**

The Town's capital assets, such as infrastructure, buildings and equipment, less outstanding debt used to acquire them, amount to \$15.2 million. These assets represent the largest portion of the Town's net position. 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 position of \$3.2 million has been restricted by the voters or sources external to the Town to be used for specific purposes. The unrestricted net position of \$3.5 million may be used to meet the Town's ongoing activities.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: \$ | | | | | | |
| Charges for services | 556 | 538 | 1,382 | 1,123 | 1,938 | 1,661 |
| Grants and contributions | 636 | 570 | - | 31 | 636 | 601 |
| General revenues: | | | | | | |
| Property taxes | 3,318 | 3,169 | - | - | 3,318 | 3,169 |
| Other general revenues | 1,478 | 1,529 | 233 | 249 | 1,711 | 1,778 |
| Total revenues | 5,988 | 5,806 | 1,615 | 1,403 | 7,603 | 7,209 |
| | | | | | | |
| Program expenses: | | | | | | |
| General government | 5,827 | 5,633 | - | - | 5,827 | 5,633 |
| Water | - | - | 723 | 745 | 723 | 745 |
| Wastewater treatment | - | - | 426 | 423 | 426 | 423 |
| Total expenses | 5,827 | 5,633 | 1,149 | 1,168 | 6,976 | 6,801 |
| | | | | | | |
| Excess before transfers | 161 | 173 | 466 | 235 | 627 | 408 |
| | | | | | | |
| Transfers | - | (1,001) | - | 1,001 | - | - |
| | | | | | | |
| Change in net position \$ | 161 | (828) | 466 | 1,236 | 627 | 408 |

Net position of the Town's governmental activities increased by \$161 thousand. The net position related to business-type activities increased by approximately \$466 thousand.

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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

| | Total | | Net | |
|----------------------------|------------------|--------------|------------------|--------------|
| | Cost of Services | | Cost of Services | |
| | 2018 | 2017 | 2018 | 2017 |
| General government | \$ 2,481 | 2,383 | 2,139 | 2,020 |
| Public safety | 1,362 | 1,366 | 1,169 | 1,248 |
| Public works | 1,444 | 1,355 | 1,046 | 954 |
| Parks and recreation | 459 | 390 | 207 | 178 |
| Public health | 5 | 4 | 5 | 4 |
| Cemetery | 2 | 5 | (5) | (9) |
| Capital Outlay | 9 | 52 | 9 | 52 |
| Emergency | 4 | 4 | 4 | 4 |
| Interest on long-term debt | 61 | 74 | 61 | 74 |
| | \$ 5,827 | 5,633 | 4,635 | 4,525 |

The costs of providing governmental services amounted to approximately \$5.8 million for the year ended June 30, 2018. The cost of providing services is offset by charges for services and program-specific operating and capital grants, resulting in net cost of services of approximately \$4.6 million.

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

| | | Governmental | Business-Type | Total |
|--------------------------|-----------|---------------|---------------|--------------------|
| | | Activities | Activities | Primary Government |
| Land and improvements | \$ | 1,906 | 139 | 2,045 |
| Buildings | | 3,065 | 418 | 3,483 |
| Infrastructure | | 7,859 | 1,189 | 9,048 |
| System and improvements | | - | 6,578 | 6,578 |
| Machinery and equipment | | 474 | 87 | 561 |
| Vehicles | | 1,197 | - | 1,197 |
| Construction in progress | | - | 108 | 108 |
| Totals | \$ | 14,501 | 8,519 | 23,020 |

**TOWN OF MANCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---------------------------|------------------------------------|-------------------------------------|---|
| General obligation bonds: | | | |
| Principal | \$ 1,443 | 3,712 | 5,155 |
| Accrued interest | 7 | 35 | 42 |
| Capital lease obligations | 109 | - | 109 |
| Totals | \$ 1,559 | 3,747 | 5,306 |

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 for only current activities. Therefore, this section does not discuss the long-term financial health of the Town's governmental funds. In 2018 the town reorganized the Skatepark Committee, which included appointment of additional members and setting goals, including fundraising and finalizing the design of the new skatepark. Phase One of Three resulted in the project set to break ground in the spring of 2019.

Also in 2018 the Selectboard approved a complete overhaul of the Town's zoning bylaw, as well as approved the new Downtown Master Plan. As part of the Zoning overhaul, the Board repealed the portion of ordinance which had designated Manchester as a "1-Acre Town" for the purposes of Act 250, thereby reverting to the State standard of 10-acres.

The Town Department of Public Works paved North Road in 2018 and constructed a new sidewalk across Main Street (Route 7A); Bonnet Street and Main Street were also paved in 2018. Finally, the Board-acting as the Board of Sewer Commissioners-approved numerous improvements to the Town's Sewer system, including a new sewer main along Main Street and Park Street, which resulted in the widening of Park Street, and sewer main lining on Main Street and Bonnet Street.

Additional Financial Information

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

TOWN OF MANCHESTER, VERMONT
Statement of Net Position
June 30, 2018

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets: | | | |
| Cash | \$ 699,763 | 346,094 | 1,045,857 |
| Investments | 2,261,553 | 1,676,853 | 3,938,406 |
| Accounts and notes receivable | 26,319 | 543,181 | 569,500 |
| Delinquent taxes receivable, net | 254,339 | - | 254,339 |
| Bond proceeds receivable | - | 2,184,514 | 2,184,514 |
| Internal balances | 27,650 | (27,650) | - |
| Due from fiduciary funds | 10,315 | - | 10,315 |
| Due from other governments | 23,114 | - | 23,114 |
| Prepaid expenses | 39,181 | 420 | 39,601 |
| Tax sale land acquisition | 22,451 | - | 22,451 |
| Deferred charges | - | 12,924 | 12,924 |
| Capital assets: | | | |
| Land | 1,222,951 | 139,076 | 1,362,027 |
| Other capital assets, net of accumulated depreciation | 13,278,257 | 8,861,474 | 22,139,731 |
| Total assets | 17,865,893 | 13,736,886 | 31,602,779 |
| Deferred Outflows of Financial Resources: | | | |
| VMERS pension plan | 239,449 | - | 239,449 |
| Total assets and deferred outflows | \$ 18,105,342 | 13,736,886 | 31,842,228 |
| Liabilities: | | | |
| Accounts payable | \$ 55,672 | 357,676 | 413,348 |
| Accrued liabilities | 422,915 | 57,206 | 480,121 |
| Deferred revenue | 43,958 | - | 43,958 |
| Bonds payable: | | | |
| Due within one year | 110,333 | 269,667 | 380,000 |
| Due in more than one year | 1,332,467 | 6,446,767 | 7,779,234 |
| Capital lease payable: | | | |
| Due within one year | 44,788 | - | 44,788 |
| Due in more than one year | 67,279 | - | 67,279 |
| Net pension liability - VMERS | 418,694 | - | 418,694 |
| Total liabilities | 2,496,106 | 7,131,316 | 9,627,422 |
| Deferred Inflows of Financial Resources: | | | |
| Taxes collected in advance | 266,559 | - | 266,559 |
| VMERS pension plan | 17,773 | - | 17,773 |
| Total liabilities and deferred inflows | 284,332 | - | 284,332 |
| Net Position: | | | |
| Net investment in capital assets | 12,946,341 | 2,284,116 | 15,230,457 |
| Restricted | 2,476,568 | 704,259 | 3,180,827 |
| Unrestricted | (98,005) | 3,617,195 | 3,519,190 |
| Total net position | \$ 15,324,904 | 6,605,570 | 21,930,474 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Activities
June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government | |
| | | | | | | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,481,132 | 276,539 | 65,677 | - | (2,138,916) | - | (2,138,916) |
| Public safety: | | | | | | | |
| Police and civil defense | 1,188,282 | 92,256 | 100,844 | - | (995,182) | - | (995,182) |
| Fire | 173,744 | - | - | - | (173,744) | - | (173,744) |
| Public works | 1,443,801 | 1,889 | - | 396,374 | (1,045,538) | - | (1,045,538) |
| Parks and recreation | 458,322 | 178,486 | 72,722 | - | (207,114) | - | (207,114) |
| Public health | 4,460 | - | - | - | (4,460) | - | (4,460) |
| Cemetery | 2,406 | 6,930 | - | - | 4,524 | - | 4,524 |
| Capital outlay | 9,015 | - | - | - | (9,015) | - | (9,015) |
| Emergency management | 4,294 | - | - | - | (4,294) | - | (4,294) |
| Interest | 61,357 | - | - | - | (61,357) | - | (61,357) |
| Total governmental activities | 5,826,813 | 556,100 | 239,243 | 396,374 | (4,635,096) | - | (4,635,096) |
| Business-type activities: | | | | | | | |
| Water | 723,482 | 778,933 | 165 | - | - | 55,616 | 55,616 |
| Sewer | 426,248 | 603,066 | 165 | - | - | 176,983 | 176,983 |
| Total business-type activities | 1,149,730 | 1,381,999 | 330 | - | - | 232,599 | 232,599 |
| Total primary government | \$ 6,976,543 | 1,938,099 | 239,573 | 396,374 | (4,635,096) | 232,599 | (4,402,497) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 3,317,905 | - | 3,317,905 |
| Sales tax | | | | | 1,186,865 | - | 1,186,865 |
| Investment earnings | | | | | 185,511 | 231,775 | 417,286 |
| Miscellaneous | | | | | 105,896 | 1,232 | 107,128 |
| Total general revenues and transfers | | | | | 4,796,177 | 233,007 | 5,029,184 |
| Change in net position | | | | | 161,081 | 465,606 | 626,687 |
| Net position - beginning | | | | | 15,163,823 | 6,139,964 | 21,303,787 |
| Net position - ending | | | | | \$ 15,324,904 | 6,605,570 | 21,930,474 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Balance Sheet
Governmental Funds
June 30, 2018

| | General Fund | CIRC Fund | Other Governmental Funds | Total |
|--|---------------------|------------------|--------------------------------|------------------|
| Assets: | | | | |
| Cash | \$ 680,268 | - | 19,495 | 699,763 |
| Investments | 35,695 | 1,137,160 | 1,088,698 | 2,261,553 |
| Delinquent taxes receivable, net of allowance for uncollectible accounts of \$11,768 | 254,339 | - | - | 254,339 |
| Accounts and notes receivables | 26,319 | - | - | 26,319 |
| Prepaid expenses | 41,456 | - | 9,941 | 51,397 |
| Tax sale land acquisition | 22,451 | - | - | 22,451 |
| Due from other governments | 23,114 | - | - | 23,114 |
| Due from other funds | - | 268,852 | 135,993 | 404,845 |
| Total assets | \$ 1,083,642 | 1,406,012 | 1,254,127 | 3,743,781 |
| Liabilities: | | | | |
| Accounts payable | \$ 48,851 | - | 6,821 | 55,672 |
| Accrued liabilities | 94,068 | - | 3,055 | 97,123 |
| Due to other funds | 140,616 | - | 226,264 | 366,880 |
| Deferred revenue | 43,958 | - | - | 43,958 |
| Total liabilities | 327,493 | - | 236,140 | 563,633 |
| Deferred inflows of resources: | | | | |
| Taxes collected in advance | 266,559 | - | - | 266,559 |
| Unavailable revenue - delinquent property taxes | 218,371 | - | - | 218,371 |
| Total deferred inflows | 484,930 | - | - | 484,930 |
| Fund balance: | | | | |
| Nonspendable | 63,907 | - | - | 63,907 |
| Restricted | 99,388 | 1,406,012 | 1,108,083 | 2,613,483 |
| Unassigned | 107,924 | - | (90,096) | 17,828 |
| | 271,219 | 1,406,012 | 1,017,987 | 2,695,218 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,083,642 | 1,406,012 | 1,254,127 | 3,743,781 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds, page 14 \$ 2,695,218

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

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

| | | |
|-------------------------------|--------------------|------------|
| Governmental capital assets | \$ 21,944,881 | |
| Less accumulated depreciation | <u>(7,443,673)</u> | 14,501,208 |

| | | |
|--|--|---------|
| Deferred outflows of financial resources related to pension activities are not recognized in the funds | | 239,449 |
|--|--|---------|

| | | |
|--|--|---------|
| Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and therefore are deferred in the funds. | | 218,371 |
|--|--|---------|

| | | |
|--|--|-------------|
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | (2,311,569) |
|--|--|-------------|

| | | |
|---|--|----------|
| Deferred inflows of financial resources related to pension activities are not recognized in the funds | | (17,773) |
|---|--|----------|

| | | |
|---|--|----------------------|
| Net position - governmental activities, page 12 | | <u>\$ 15,324,904</u> |
|---|--|----------------------|

TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

| | General Fund | CIRC Fund | Other Governmental Funds | Total |
|--|-----------------|--------------|--------------------------------|-----------|
| Revenues: | | | | |
| Property taxes | \$ 3,221,480 | - | - | 3,221,480 |
| Sales tax revenue | 1,186,865 | - | - | 1,186,865 |
| Penalties and interest on delinquent accounts | 134,814 | - | - | 134,814 |
| Charges for services | 196,362 | - | - | 196,362 |
| Intergovernmental revenue | 371,551 | - | - | 371,551 |
| Licenses, permits and fines | 79,836 | - | - | 79,836 |
| Investment income | 7,102 | 89,206 | 89,203 | 185,511 |
| Grant income | 38,244 | - | 24,710 | 62,954 |
| Donations | - | - | 39,580 | 39,580 |
| Other | 522,157 | - | 40,672 | 562,829 |
| | 5,758,411 | 89,206 | 194,165 | 6,041,782 |
| Expenditures: | | | | |
| General government | 2,191,905 | - | - | 2,191,905 |
| Public safety - police | 1,104,787 | - | 3,689 | 1,108,476 |
| Public safety - fire | 82,077 | - | - | 82,077 |
| Public works | 889,420 | - | - | 889,420 |
| Parks and recreation | 323,906 | - | 38,917 | 362,823 |
| Public health | 4,460 | - | - | 4,460 |
| Cemetery | - | - | 2,406 | 2,406 |
| Capital outlay | 811,054 | 6,451 | - | 817,505 |
| Debt management | 172,377 | - | - | 172,377 |
| Emergency management | 4,294 | - | - | 4,294 |
| Other | 243,381 | 3,525 | - | 246,906 |
| | 5,827,661 | 9,976 | 45,012 | 5,882,649 |
| Excess (deficiency) of revenues over expenditures | (69,250) | 79,230 | 149,153 | 159,133 |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | (20,456) | 34,678 | (14,222) | - |
| | (20,456) | 34,678 | (14,222) | - |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | (89,706) | 113,908 | 134,931 | 159,133 |
| Fund balance, July 1, 2017 | 360,925 | 1,292,104 | 883,056 | 2,536,085 |
| Fund balance, June 30, 2018 | \$ 271,219 | 1,406,012 | 1,017,987 | 2,695,218 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances - governmental funds, page 16 \$ 159,133

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 | \$ 800,065 | |
| Less: current year depreciation and amortization | <u>(809,135)</u> | (9,070) |

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. (39,925)

Deferred inflows, deferred outflows and changes in the net pension liability are not recognized in the governmental funds. (38,870)

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 and capital lease principal | 155,172 |
|---|---------|

Interest accrued on long-term debt is not recognized as an expenditure in the funds, This amount represents a decrease in accrued interest on long-term debt 2,884

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. (38,389)

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. (29,854)

Change in net assets - governmental activities, page 13 \$ 161,081

TOWN OF MANCHESTER, VERMONT
Statement of Net Position
Proprietary Funds
June 30, 2018

| | Business-type Activities - Enterprise Funds | | |
|--|--|-----------------------|-------------------|
| | Water Fund | Sewer Fund | Totals |
| Assets: | | | |
| Current assets: | | | |
| Cash | \$ 291,623 | 54,471 | 346,094 |
| Investments | 659,507 | 1,017,346 | 1,676,853 |
| Accounts receivable | 283,357 | 259,824 | 543,181 |
| Bond proceeds receivable | 2,184,514 | - | 2,184,514 |
| Prepaid expenses | 160 | 260 | 420 |
| Deferred charges | 11,372 | 1,552 | 12,924 |
| Total current assets | 3,430,533 | 1,333,453 | 4,763,986 |
| Capital assets: | | | |
| Distribution and collection systems | 11,043,396 | 983,308 | 12,026,704 |
| Land | 139,076 | - | 139,076 |
| Buildings and equipment | 682,725 | 5,161,428 | 5,844,153 |
| Less accumulated depreciation | (4,612,830) | (4,396,553) | (9,009,383) |
| Total non-current assets | 7,252,367 | 1,748,183 | 9,000,550 |
| Total assets | \$ 10,682,900 | 3,081,636 | 13,764,536 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 202,737 | 154,939 | 357,676 |
| Accrued liabilities | 39,912 | 17,294 | 57,206 |
| Due to other funds | 24,017 | 3,633 | 27,650 |
| Bonds payable, current portion | 221,274 | 48,393 | 269,667 |
| Total current liabilities | 487,940 | 224,259 | 712,199 |
| Bonds payable, less current portion | 5,360,422 | 1,086,345 | 6,446,767 |
| Total liabilities | 5,848,362 | 1,310,604 | 7,158,966 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 1,670,671 | 613,445 | 2,284,116 |
| Restricted | 684,383 | 19,876 | 704,259 |
| Unrestricted - designated | 2,479,484 | 1,137,711 | 3,617,195 |
| Total net position | 4,834,538 | 1,771,032 | 6,605,570 |
| Total liabilities and net position | \$ 10,682,900 | 3,081,636 | 13,764,536 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2018

| | Business-type Activities - Enterprise Funds | | |
|---|--|-----------------------|------------------|
| | Water Fund | Sewer Fund | Totals |
| <i>Operating revenues:</i> | | | |
| Charges for services | \$ 763,146 | 583,195 | 1,346,341 |
| Interest on delinquent accounts | 15,787 | 19,871 | 35,658 |
| Sale of equipment | 1,232 | - | 1,232 |
| Grants | 165 | 165 | 330 |
| Total operating revenues | 780,330 | 603,231 | 1,383,561 |
| <i>Operating expenses:</i> | | | |
| Personnel services | 191,076 | 192,076 | 383,152 |
| Materials and supplies | 2,971 | 3,389 | 6,360 |
| Repairs and maintenance | 17,944 | 39,924 | 57,868 |
| Professional services | 11,414 | 9,835 | 21,249 |
| Utilities | 41,158 | 39,845 | 81,003 |
| Depreciation and amortization | 217,930 | 50,787 | 268,717 |
| Other | 53,955 | 43,466 | 97,421 |
| Total operating expenses | 536,448 | 379,322 | 915,770 |
| <i>Operating income (loss)</i> | 243,882 | 223,909 | 467,791 |
| <i>Nonoperating revenues (expenses):</i> | | | |
| Investment income | 100,200 | 131,575 | 231,775 |
| Interest expense | (187,034) | (46,926) | (233,960) |
| | (86,834) | 84,649 | (2,185) |
| <i>Change in net position</i> | 157,048 | 308,558 | 465,606 |
| <i>Total net position - beginning</i> | 4,677,490 | 1,462,474 | 6,139,964 |
| <i>Total net position - ending</i> | \$ 4,834,538 | 1,771,032 | 6,605,570 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

| | Business-type Activites - Enterprise Funds | | |
|--|---|-----------------------|------------------|
| | Water Fund | Sewer Fund | Totals |
| Cash flows from operating activities: | | | |
| Cash receipts from customers | \$ 702,589 | 478,675 | 1,181,264 |
| Cash receipts from operating grants | 165 | 165 | 330 |
| Proceeds from sale of equipment | 1,232 | - | 1,232 |
| Cash payments to suppliers of goods or services | (149,691) | (147,071) | (296,762) |
| Cash payments to employees for services | (192,717) | (194,325) | (387,042) |
| Net cash provided by (used in) operating activities | 361,578 | 137,444 | 499,022 |
| Cash flows from non-capital financing activities: | | | |
| Advances from (to) other funds | (7,632) | (15,973) | (23,605) |
| Net cash provided by (used in) non-capital financing activities | (7,632) | (15,973) | (23,605) |
| Cash flows from capital and related financing activities: | | | |
| Principal payments on bonds | (226,273) | (48,393) | (274,666) |
| Proceeds from issuance of bonds | 815,486 | - | 815,486 |
| Purchase of fixed assets | (763,154) | (74,706) | (837,860) |
| Interest paid on bonds | (185,335) | (47,314) | (232,649) |
| Net cash used in capital and related financing activities | (359,276) | (170,413) | (529,689) |
| Cash flows from investing activities: | | | |
| Interest on investments | 28,011 | 13,879 | 41,890 |
| Proceeds from sale of investments | - | 80,406 | 80,406 |
| Purchase of investments | (9,745) | (13,898) | (23,643) |
| Net cash provided by investing activities | 18,266 | 80,387 | 98,653 |
| Net increase (decrease) in cash | 12,936 | 31,445 | 44,381 |
| Cash, beginning | 278,687 | 23,026 | 301,713 |
| Cash, ending | \$ 291,623 | 54,471 | 346,094 |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 243,882 | 223,909 | 467,791 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 217,930 | 50,787 | 268,717 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (76,344) | (124,391) | (200,735) |
| (Increase) decrease in prepaid expenses and deferred charges | (87) | 6,656 | 6,569 |
| Increase (decrease) in accounts payable and accrued liabilities | 176,448 | 87,484 | 263,932 |
| Capital improvements included in accounts payable | (200,251) | (107,001) | (307,252) |
| Net cash provided by operating activities | \$ 361,578 | 137,444 | 499,022 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

| | Private-Purpose Trust Funds | | | | Total |
|---|--|------------------------------------|---------------------------------|----------------------------------|----------------|
| | Madeline Warner Cemetery Fund | Otto Conderman Fund | Joseph Burr Fund | Yetta Isaacs Fund | |
| Assets | | | | | |
| Cash | \$ - | - | 7,052 | - | 7,052 |
| Investments | 78,667 | 45,130 | - | 17,287 | 141,084 |
| Total assets | \$ 78,667 | 45,130 | 7,052 | 17,287 | 148,136 |
| Liabilities | | | | | |
| Due to other funds | \$ - | - | - | 10,315 | 10,315 |
| | - | - | - | 10,315 | 10,315 |
| Net Position | | | | | |
| Net position: | | | | | |
| Restricted | 78,667 | 45,130 | 7,052 | 6,972 | 137,821 |
| | 78,667 | 45,130 | 7,052 | 6,972 | 137,821 |
| Total liabilities and net position | \$ 78,667 | 45,130 | 7,052 | 17,287 | 148,136 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

| | Private-Purpose Trust Funds | | | | Total |
|---|--|------------------------------------|---------------------------------|----------------------------------|--------------|
| | Madeline Warner Cemetery Fund | Otto Conderman Fund | Joseph Burr Fund | Yetta Isaacs Fund | |
| Revenues: | | | | | |
| Investment income | \$ 9,808 | 5,590 | 1 | 186 | 15,585 |
| | 9,808 | 5,590 | 1 | 186 | 15,585 |
| Operating expenses | | | | | |
| Other | 58 | - | - | 10,315 | 10,373 |
| | 58 | - | - | 10,315 | 10,373 |
| Excess of revenues over expenditures | 9,750 | 5,590 | 1 | (10,129) | 5,212 |
| Net position, July 1, 2017 | 68,917 | 39,540 | 7,051 | 17,101 | 132,609 |
| Net position, June 30, 2018 | \$ 78,667 | 45,130 | 7,052 | 6,972 | 137,821 |

See accompanying notes to financial statements.

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

(a) **Introduction**

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

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

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

(b) **Basis of Presentation**

Government-wide Statements

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

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

Fund Financial Statements

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

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

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

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

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

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

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

Proprietary Fund Type

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

Fiduciary Fund Types

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

(c) *Measurement Focus and Basis of Accounting*

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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

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

(d) Budgets and Budgetary Accounting

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

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

(e) Cash

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

(f) Allowance for Uncollectible Accounts

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

(g) Investments

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

(h) Capital Assets

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(h) Capital Assets (continued)

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

(i) Long-term Debt and Deferred Charges

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

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

(j) Net Position/Governmental Fund Balance

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

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

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

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

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(j) Net Position/Governmental Fund Balance (continued)

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

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

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

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

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

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

(k) Interfund Receivables and Payables

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

(l) Encumbrance Accounting

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

(m) Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

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

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

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

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

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

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

(3) Cash

At June 30, 2018, the carrying amount of the Town's cash was \$1,052,909 and the bank balance was \$1,088,635. Of the bank balance, \$279,966 was covered by Federal depository insurance and the balance 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, 2018, the Town had the following investments:

| | Fair Value | Investments Maturities (In Years) | | |
|-------------------------|---------------------|-----------------------------------|---------------|----------|
| | | Less Than 1 | 1 - 5 | 6 - 10 |
| Cash equivalents | \$ 514,386 | 514,386 | - | - |
| Certificates of deposit | 829,357 | 829,357 | - | - |
| Mutual funds - equities | 2,517,166 | 2,517,166 | - | - |
| Corporate bonds | 218,581 | 154,607 | 63,974 | - |
| | <u>\$ 4,079,490</u> | <u>4,015,516</u> | <u>63,974</u> | <u>-</u> |

Custodial Credit Risk

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

Credit Risk

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

Interest rate risk

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

Investments by fund at June 30, 2018 are as follows:

Governmental Funds:

General Fund \$ 35,695

Special Revenue Funds:

CIRC Fund \$ 1,137,160
 Property Tax Reserve Fund 432,272
 Reappraisal Reserve Fund 247,005
 Recreation Committee Fund 66,210
 Police Benevolent Fund 116,115
 Subtotal 1,998,762

Capital Projects Funds:

Fire Department Equipment Fund 1,936

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(4) Investments (continued)

Permanent Fund:

| | |
|--|------------------|
| Factory Point Cemetery Trust Fund | 225,160 |
| Subtotal for Governmental Funds | 2,261,553 |

Enterprise Funds:

| | |
|--------------------------------------|------------------|
| Water Fund | 659,507 |
| Sewer Fund | 1,017,346 |
| Subtotal for Enterprise Funds | 1,676,853 |

Fiduciary Funds - Private-Purpose Trust:

| | |
|-------------------------------------|----------------|
| Madeline Warner Cemetery Fund | 78,667 |
| Otto Conderman Fund | 45,130 |
| Yetta Isaacs Fund | 17,287 |
| Subtotal for Fiduciary Funds | 141,084 |

Total investments **\$ 4,079,490**

(5) Capital Assets

Capital asset activity for the year was as follows:

| | Balance June 30, 2017 | Additions | Transfers and Disposals | Balance June 30, 2018 |
|---|--------------------------|------------------|----------------------------|--------------------------|
| Governmental activities: | | | | |
| Land and improvements | \$ 2,213,219 | 78,434 | - | 2,291,653 |
| Buildings | 4,814,596 | 55,125 | (12,799) | 4,856,922 |
| Machinery and equipment | 1,384,530 | 96,896 | - | 1,481,426 |
| Vehicles | 2,910,413 | 188,402 | (101,219) | 2,997,596 |
| Infrastructure | 9,899,426 | 417,858 | - | 10,317,284 |
| Totals at historical cost | 21,222,184 | 836,715 | (114,018) | 21,944,881 |
| Less accumulated depreciation for: | | | | |
| Land and improvements | (340,263) | (45,353) | - | (385,616) |
| Buildings | (1,679,098) | (124,990) | 12,799 | (1,791,289) |
| Machinery and equipment | (949,892) | (58,176) | - | (1,008,068) |
| Vehicles | (1,678,758) | (182,651) | 61,294 | (1,800,115) |
| Infrastructure | (2,060,620) | (397,965) | - | (2,458,585) |
| | (6,708,631) | (809,135) | 74,093 | (7,443,673) |
| Governmental capital assets, net | \$ 14,513,553 | 27,580 | (39,925) | 14,501,208 |

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------|-------------------|
| Public safety | \$ 169,263 |
| Public works | 529,956 |
| General government | 14,417 |
| Recreation | 95,499 |
| | \$ 809,135 |

(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, 2017 | Additions | Transfers and Disposals | Balance June 30, 2018 |
|--|--------------------------|------------------|----------------------------|--------------------------|
| Business-type activities: | | | | |
| Building | \$ 3,677,582 | 6,167 | 22,938 | 3,706,687 |
| Land | 139,076 | - | - | 139,076 |
| Water system and improvements | 10,556,715 | 936,864 | (450,183) | 11,043,396 |
| Infrastructure | 2,132,208 | 161,333 | (22,938) | 2,270,603 |
| Machinery and equipment | 251,509 | 40,748 | 450,183 | 742,440 |
| Construction in progress | 107,730 | - | - | 107,730 |
| Totals at historical cost | 16,864,820 | 1,145,112 | - | 18,009,932 |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,260,844) | (13,905) | (14,056) | (3,288,805) |
| Water system and improvements | (4,259,369) | (206,500) | - | (4,465,869) |
| Infrastructure | (1,066,947) | (28,364) | 14,056 | (1,081,255) |
| Machinery and equipment | (154,057) | (19,396) | (481,813) | (655,266) |
| | (8,741,217) | (268,165) | (481,813) | (9,491,195) |
| Business-type capital assets, net | \$ 8,123,603 | 876,947 | (481,813) | 8,518,737 |

(6) Deferred Revenue and Deferred Inflows of Financial Resources

Deferred revenue in the General Fund consists of \$42,158 of recreation fees and \$1,800 of rental income collected in advance for the 2019 fiscal year.

Deferred inflows of financial resources in the General Fund consists of \$266,559 of advance tax collections as well as \$172,469 in delinquent taxes receivable and related penalties and interest not collected within 60 days of year-end

(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 and Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---------------------------------|----------------------|---------------|------------------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds payable | \$ 1,553,900 | - | (111,100) | 1,442,800 | 110,333 |
| Capital lease obligations | 131,707 | 36,648 | (56,288) | 112,067 | - |
| Other liabilities: | | | | | |
| Compensated absences | 84,023 | 10,903 | - | 94,926 | - |
| OPEB obligation | 204,071 | 19,581 | - | 223,652 | - |
| | \$ 1,973,701 | 67,132 | (167,388) | 1,873,445 | 110,333 |

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(8) Bonds Payable and Long-term Liabilities (continued)

| | | | | | | |
|---------------------------|----|-----------|-----------|-----------|-----------|---------|
| Business-type Activities: | | | | | | |
| Bonds payable | \$ | 3,991,100 | 3,000,000 | (274,666) | 6,716,434 | 269,667 |
| | \$ | 3,991,100 | 3,000,000 | (274,666) | 6,716,434 | 269,667 |

Bonds payable consisted of:

| Description | Interest Rate | Maturity Date | Balance June 30, 2018 |
|-------------------------------------|---------------|---------------|--------------------------|
| Highway garage expansion bond | 4.756% | 12/01/34 | 120,000 |
| Infrastructure improvements | 4.901% | 12/01/40 | 197,800 |
| Parkhouse construction | 3.340% | 11/15/32 | 1,125,000 |
| Sewer improvements bond | 4.724% | 12/01/39 | 438,462 |
| Sewer infrastructure improvements | 4.901% | 12/01/40 | 696,276 |
| Water improvements bond refinancing | 5.132% | 12/01/17 | - |
| Water improvements bond | 4.756% | 12/01/34 | 680,000 |
| Water improvements bond | 4.724% | 12/01/39 | 701,540 |
| Water infrastructure improvements | 4.901% | 12/01/40 | 1,200,156 |
| Water infrastructure improvements | 3.620% | 11/01/48 | 3,000,000 |
| | | | \$ 8,159,234 |

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 |
| 2019 | \$ 110,333 | 59,935 | 170,268 | 269,667 | 238,450 | 508,117 |
| 2020 | 110,333 | 59,482 | 169,815 | 269,667 | 424,175 | 693,842 |
| 2021 | 110,333 | 56,072 | 166,405 | 269,667 | 229,516 | 499,183 |
| 2022 | 110,333 | 52,384 | 162,717 | 269,667 | 219,651 | 489,318 |
| 2023 | 105,334 | 48,419 | 153,753 | 269,667 | 210,522 | 480,189 |
| 2024-2028 | 481,667 | 169,653 | 651,320 | 1,378,334 | 899,154 | 2,277,488 |
| 2029-2033 | 414,467 | 58,679 | 473,146 | 1,355,395 | 648,368 | 2,003,763 |
| 2034-2038 | - | - | - | 1,255,000 | 293,735 | 1,548,735 |
| 2039-2043 | - | - | - | 879,370 | 141,533 | 1,020,903 |
| 2044-2048 | - | - | - | 500,000 | 48,375 | 548,375 |
| 2049-2053 | - | - | - | - | - | - |
| | \$ 1,442,800 | 504,624 | 1,947,424 | 6,716,434 | 3,353,479 | 10,069,913 |

(9) Leases

The Town leases certain equipment under an agreement which is classified as a capital lease. At June 30, 2018 equipment recorded under this capital lease in the Government-wide financial statements amounted to \$186,465. Accumulated amortization amounted to \$10,359.

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(10) Internal Balances

Internal balances at June 30, 2018 consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|---------------------------|------------------------------|-------------------|
| General | Factory Point Cemetery | \$ 6,749 |
| General | Sewer | 14,034 |
| General | Water | 13,616 |
| General | Yetta Isaacs | 10,315 |
| General | Recreation Committee | 39,720 |
| General | Service Officer's | 5 |
| General | Police Benevolent | 60 |
| General | Property Tax Reserve | 28,134 |
| Fire Department Equipment | General | 102,299 |
| CIRC | General | 150,950 |
| CIRC | Recreation Committee | 117,902 |
| Factory Point Cemetery | Factory Piont Cemetery Trust | 40,443 |
| Sewer | Water | 10,401 |
| | | \$ 534,628 |

Internal transfers for the year ended June 30, 2018 were as follows:

| Transfer From | Transfer To | Amount | Purpose |
|-----------------------------|---------------------------|------------------|---------------------|
| Property Tax Reserve | General | \$ 28,134 | Operating Transfer |
| General | Fire Department Equipment | 13,912 | Fund Capital Outlay |
| General | CIRC | 34,678 | Operating Transfer |
| Factory Pont Cemetery Trust | Factory Point Cemetery | 17,443 | Operating Transfer |
| | | \$ 94,167 | |

(11) Property Taxes

Property taxes attach as an enforceable lien on property as of the first day of April. Property taxes for fiscal year 2018 were levied July 11, 2017 and were payable in installments due on September 8, 2017 and February 9, 2018.

(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.

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(13) Fund Balance

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total |
|-----------------------------------|-------------------|-----------------------------|------------------------------|--------------------|------------------|
| <i>Nonspendable</i> | \$ 63,907 | - | - | - | 63,907 |
| <i>Restricted for:</i> | | | | | |
| Insurance-High Deductible Reserve | 26,022 | - | - | - | 26,022 |
| CIRC | - | 1,406,012 | - | - | 1,406,012 |
| Parking mitigation | 32,418 | - | - | - | 32,418 |
| Property tax relief | - | 404,138 | - | - | 404,138 |
| Public safety | - | 118,885 | - | - | 118,885 |
| Police vehicle | 40,948 | - | - | - | 40,948 |
| Reappraisal | - | 247,005 | - | - | 247,005 |
| Fire Department Equipment | - | - | 104,235 | - | 104,235 |
| Cemetery | - | 32,680 | - | 201,140 | 233,820 |
| <i>Unassigned</i> | 107,924 | (90,096) | - | - | 17,828 |
| Total fund balances | \$ 271,219 | 2,118,624 | 104,235 | 201,140 | 2,695,218 |

(14) Risk Management

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

(15) Contingencies

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

(16) Deferred Compensation and Pension Plans

Deferred Compensation Plan

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

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(16) Deferred Compensation and Pension Plans (continued)

Defined Contribution Plan

The Town participates in ICMA 401A pension program. All full-time employees are eligible to participate. The Town contributes 6% of covered payroll for participating employees. Plan investments are self-directed by participants, using individual contracts; contributions vest 20% per year for five years at which time they are 100% vested.

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 401A Pension Program.

The Town's total payroll for the year ended June 30, 2018 was \$2,368,193 and covered payroll for the defined contribution retirement plan amounted to \$1,125,917. Town contributions to the plan amounted to \$67,555.

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 10.0% of their annual covered compensation and the Town is required to contribute at an actuarially determined rate. The rate applicable to the fiscal year ended June 30, 2018 was 7.25% 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, 2018 amounted to \$864,608.

Town contributions to the plan amounted to \$62,684 for the fiscal year ended June 30, 2018.

(17) Other Post Employment Benefits

Plan Description

The Town of Manchester provides under the "Agreement Between the Town of Manchester and AFSCME Council 92, Local #490, Manchester Police Chapter" through June 30, 2020, post-retirement health care benefits for police union employees who retire from Town employment after attaining age 55 and have at minimum 20 years of service. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Town will pay 55% of a single premium in effect until the employees reach age 65, provided that the employee does not have access to an equivalent health plan. The Town's portion of the benefits is funded on a pay-as-you-go basis and included in health care expenditures.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(17) Other Post Employment Benefits (continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|---|---|
| Active employees | 7 |
| Inactive Inactive employees or beneficiaries currently receiving benefit payments | 0 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| | 7 |
| | 7 |

Total OPEB Liability

The Town's total OPEB liability of \$223,652 was measured as of June 30, 2018, and was determined by the alternative measurement method permitted by GASB Statement 75 for employers with plans having fewer than one hundred total plan members.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.4 percent |
| Discount rate | 3.62 percent |
| Healthcare cost trend rates | 5.7 percent |
| Retirees' share of benefit-related costs | 55 percent of projected health insurance |

The discount rate was based on the yield for 20-year AA rated municipal bonds.

Healthcare cost trend rates were based on National Health Expenditure Projections 2017-2016.

Mortality rates were based on *Life expectancy per Appendix B, IRS Publication 590-B (2017)*.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

| 1% Decrease (2.62%) | Discount Rate (3.62%) | 1% Increase (4.62%) |
|---------------------|-----------------------|---------------------|
| \$ 276,041 | \$ 223,652 | \$ 182,982 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.7 percent) or 1-percentage-point higher (6.7 percent) than the current healthcare cost trend rates:

| Healthcare Cost Trend Rates | | |
|-----------------------------|---------------------|--------------------|
| 1% Decrease (4.7%) | Current Rate (5.7%) | 1% Increase (6.7%) |
| \$ 185,105 | \$ 223,652 | \$ 271,761 |

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

(17) Other Post Employment Benefits (continued)

Funding Policy and OPEB Expense

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 receiving benefits under the plan. For the year ended June 30, 2018 the Town recognized OPEB expense of \$18,951.

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

Pension Plan Description and Benefits Provided

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

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

At June 30, 2018, the Town reported the following liability for its proportionate share of the net pension liability for VMERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportion of the net liability was based on a projection of the Town's long-term share of contributions to VMERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by VMERS reports provided to the Town.

| | |
|--|---------------|
| Actuarial valuation date | June 30, 2017 |
| Town of Manchester's portion of the Plan's | |
| Total net pension liability | \$ 418,694 |

For the year ended June 30, 2018, the Town recognized pension expense of \$101,554 in the government-wide statement of activities. At June 30, 2018 the Town reported deferred outflows/inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on pension plan investments: | | |
| Union Plan | \$ 50,474 | \$ - |
| Non-Union Plan | 19,262 | - |
| Changes in assumptions: | | |
| Union Plan | 63,442 | - |
| Non-Union Plan | 24,211 | - |
| Difference between expected and actual experience: | | |
| Union Plan | 4,409 | 7,502 |
| Non-Union Plan | 1,682 | 2,863 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | | |
| Union Plan | 6,464 | 4,942 |
| Non-Union Plan | 6,821 | 2,466 |
| Town contributions subsequent to the measurement date | 62,684 | - |
| | \$ 239,449 | \$ 17,773 |

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | Union Plan | Non-Union Plan | Total |
|---------------|----|---------------|-------------------|---------|
| June 30, 2019 | \$ | 37,915 | 16,654 | 54,569 |
| June 30, 2020 | | 57,941 | 23,801 | 81,742 |
| June 30, 2021 | | 17,249 | 6,437 | 23,686 |
| June 30, 2022 | | (760) | (245) | (1,005) |
| | \$ | 112,345 | 46,647 | 158,992 |

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary Increases: 5% per year

Mortality:

Death in Active Service:

Groups A, B, C - 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Group D - RP-2014 Blue Collar Annuitant Table with generation projection using Scale SSA-2017.

Healthy Post-retirement:

Groups A, B, C - 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Group D - 100% of RP-2014 Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled Post-retirement:

All Groups - RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups A, B, and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75% for all groups.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

Significant Actuarial Assumptions and Methods (continued)

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: 2.5%.

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, is summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------------|---|
| US Equity | 16.00% | 6.07% |
| Non-US Equity | 16.00% | 7.42% |
| Global Equity | 9.00% | 6.85% |
| Fixed Income | 24.00% | 2.41% |
| Real Estate | 8.00% | 4.62% |
| Private Markets | 15.00% | 7.80% |
| Hedge Funds | 8.00% | 3.95% |
| Risk Parity | 4.00% | 4.84% |

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(continued)

TOWN OF MANCHESTER, VERMONT

Notes to Financial Statements

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

Significant Actuarial Assumptions and Methods (continued)

The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%):

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|----------------|--------------------|----------------------|--------------------|
| Union Plan | \$ 541,070 | \$ 303,047 | \$ 105,645 |
| Non-Union Plan | \$ 206,480 | \$ 115,647 | \$ 40,316 |

(19) Subsequent Events

The Town has evaluated subsequent events through February 7, 2019, 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, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|--------------|-----------|--|
| Revenues: | | | |
| <i>Taxes</i> | | | |
| Property Taxes | \$ 3,190,395 | 3,221,480 | 31,085 |
| | 3,190,395 | 3,221,480 | 31,085 |
| <i>Administration</i> | | | |
| Vendors Fees | 4,500 | 3,200 | (1,300) |
| Town Hall User Fees | 50 | - | (50) |
| | 4,550 | 3,200 | (1,350) |
| <i>Finance Department</i> | | | |
| Miscellaneous | - | 465 | 465 |
| Marketing and fundraising | 150 | - | (150) |
| | 150 | 465 | 315 |
| <i>Assessing Department</i> | | | |
| Listers Education | - | 270 | 270 |
| | - | 270 | 270 |
| <i>Planning Department</i> | | | |
| Planning grant | 22,000 | 23,333 | 1,333 |
| Zoning Applications/Appeals | 25,000 | 17,747 | (7,253) |
| Zoning Maps/Ordinances | 500 | 24 | (476) |
| Fines | 250 | - | (250) |
| Recording Fees | 2,500 | 1,870 | (630) |
| | 50,250 | 42,974 | (7,276) |
| <i>Public Works - Facilities</i> | | | |
| Recording Fees | 200 | - | (200) |
| | 200 | - | (200) |
| <i>Public Works - Highways</i> | | | |
| Permit Fees | 1,200 | 975 | (225) |
| H - Grant - Paving | 175,000 | 175,000 | - |
| H-Grant-PACIF-Equipment | - | 682 | 682 |
| Grant in Aid-BCRC Admin | - | 14,200 | 14,200 |
| State Aid - Roads | 157,000 | 155,584 | (1,416) |
| Miscellaneous | 250 | 914 | 664 |
| | 333,450 | 347,355 | 13,905 |
| <i>Police Department</i> | | | |
| Animal Control - Owner Reimbursement | 500 | 242 | (258) |
| Police Wages Reimbursement | - | 10,793 | 10,793 |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------|----------------|--|
| Revenues (continued): | | | |
| Police Department (continued) | | | |
| PD Event Reimbursement | - | 3,543 | 3,543 |
| Justice & Court Fines | 12,000 | 7,065 | (4,935) |
| Emer Comm Srvc | 62,000 | 62,000 | - |
| Fingerprint Process Fee | 3,000 | 4,560 | 1,560 |
| Alarm Board Charges | 16,000 | 19,580 | 3,580 |
| Alarm Board Fines | 1,000 | 500 | (500) |
| Parking Fines | 250 | 130 | (120) |
| Ordinance Fines | 1,000 | - | (1,000) |
| Police Reports | 2,500 | 2,623 | 123 |
| VIN ID Fees | 300 | 220 | (80) |
| Miscellaneous | 200 | - | (200) |
| Grant-Equipment | 8,000 | 30,821 | 22,821 |
| Grant- 5020 & 5126 - DUI | 5,000 | 4,116 | (884) |
| Grant-DOJ - BPVests | 300 | - | (300) |
| Grant-1024 - CIOT FY 15 & 16 | - | 3,307 | 3,307 |
| | 112,050 | 149,500 | 37,450 |
| Parks & Recreation Department | | | |
| Pool Passes | 14,000 | 9,471 | (4,529) |
| Pool Memberships | 23,000 | 18,783 | (4,217) |
| Swim Lessons | 10,000 | 7,221 | (2,779) |
| Private Swim Lessons | 5,000 | 2,135 | (2,865) |
| McClellan/Eckhardt Fi | 4,000 | 2,457 | (1,543) |
| Swim Team | 15,000 | 12,258 | (2,742) |
| Lifeguard Course | - | 1,010 | 1,010 |
| Applejack Field Rental | 4,000 | 1,500 | (2,500) |
| Applejack Field Gate Rece | 12,000 | 12,120 | 120 |
| Rental Income | 8,000 | 6,600 | (1,400) |
| Rental Income - Community Room | 2,000 | 1,708 | (292) |
| Precision Walk Sponsorship | 400 | 460 | 60 |
| Concession Income | 19,500 | 19,424 | (76) |
| Programs | 82,000 | 82,994 | 994 |
| Miscellaneous | 100 | 345 | 245 |
| | 199,000 | 178,486 | (20,514) |
| Health Department | | | |
| Fines | 50 | - | (50) |
| | 50 | - | (50) |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|---------|--------|--|
| Revenues (continued): | | | |
| <i>Town Clerk</i> | | | |
| Liquor Licenses | 4,000 | 4,620 | 620 |
| Photocopies | 8,000 | 9,393 | 1,393 |
| Motor Veh Reg Renewals | 750 | 732 | (18) |
| Dog Licenses | 5,500 | 5,351 | (149) |
| Dog Fines | 1,500 | 916 | (584) |
| Marriage Licenses | 1,000 | 1,480 | 480 |
| Fish & Wildlife Licenses | 400 | 289 | (111) |
| Records Search Fees | 1,500 | 1,100 | (400) |
| Recording Fees | 50,000 | 46,240 | (3,760) |
| Town Recording Fees | 2,500 | 1,900 | (600) |
| Vital Statistics Fees | 5,000 | 6,480 | 1,480 |
| Miscellaneous | 150 | 705 | 555 |
| | 80,300 | 79,206 | (1,094) |
| <i>Capital Revenue</i> | | | |
| Cap-Sale of Vehicle-Hwy | 30,000 | 15,500 | (14,500) |
| Cap-Culvert-Gr Beech St | - | 15,660 | 15,660 |
| Cap-Depot St-Grant VT | 54,000 | 31,723 | (22,277) |
| Cap-Depot St-CIRC Fund | 6,000 | 3,525 | (2,475) |
| Rescue Squad Reimb. - Heat Fuel | 9,000 | 5,875 | (3,125) |
| Rescue Squad Reimb. - Water | 600 | 684 | 84 |
| Rescue Squad Reimb. - Grounds | 3,600 | 2,500 | (1,100) |
| | 103,200 | 75,467 | (27,733) |
| <i>General Revenue</i> | | | |
| MEMS - Grounds Mowing | 8,900 | 8,900 | - |
| Photocopy Sales | 200 | 88 | (112) |
| Act 68 Administrative Aid | 36,000 | 38,060 | 2,060 |
| Int Earned on Investments | 5,000 | 3,407 | (1,593) |
| Int on Restricted Inv | - | 417 | 417 |
| MV Earned on Rest Inv | - | 3,278 | 3,278 |
| Int on Delinquent Taxes | 60,000 | 77,332 | 17,332 |
| Penalty on Del Taxes | 53,000 | 57,482 | 4,482 |
| Reappraisal - State Aid | 2,900 | 2,907 | 7 |
| Current Use State Payment | 74,000 | 81,381 | 7,381 |
| Payments in Lieu of Taxes | 24,000 | 23,055 | (945) |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|-----------|-----------|--|
| Revenues (continued): | | | |
| General Revenue (continued): | | | |
| Rental Income | 133,000 | 132,377 | (623) |
| Rental Income - MRS | 43,000 | 43,000 | - |
| Miscellaneous | 500 | 1,459 | 959 |
| Allocated Surplus | 75,000 | - | (75,000) |
| | 515,500 | 473,143 | (42,357) |
| Local Option Taxes Revenues | | | |
| Local Option Sales Tax | 785,000 | 733,131 | (51,869) |
| Local Opt-Meals/Alcohol Tax | 410,000 | 453,734 | 43,734 |
| | 1,195,000 | 1,186,865 | (8,135) |
| Total revenues | 5,784,095 | 5,758,411 | (25,684) |
| Expenditures: | | | |
| Legislative | | | |
| Citizen Recognition | 1,000 | 136 | 864 |
| Miscellaneous | 1,000 | 959 | 41 |
| | 2,000 | 1,095 | 905 |
| Administration | | | |
| Dues and Subscriptions | 600 | 1,668 | (1,068) |
| Miscellaneous | 300 | 46 | 254 |
| | 900 | 1,714 | (814) |
| Finance Department | | | |
| Printing and Publications | 600 | - | 600 |
| Software Support | 1,200 | 1,088 | 112 |
| Miscellaneous | 100 | 192 | (92) |
| | 1,900 | 1,280 | 620 |
| Assessing Department | | | |
| Education | - | 270 | (270) |
| Dues and Subscriptions | 350 | 365 | (15) |
| Software Support | 1,100 | 1,434 | (334) |
| Miscellaneous | 100 | - | 100 |
| | 1,550 | 2,069 | (519) |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------|---------|--|
| Expenditures (continued): | | | |
| Planning Department | | | |
| Grant Expenses | 25,000 | 25,000 | - |
| Dues and Subscriptions | 400 | 300 | 100 |
| Printing and Publications | 500 | 96 | 404 |
| Recording Fees | 2,500 | 1,870 | 630 |
| Software Support | 1,000 | 479 | 521 |
| Economic Development Programs | 2,500 | 10 | 2,490 |
| Marketing Initiative | - | 19,782 | (19,782) |
| Miscellaneous | 200 | 90 | 110 |
| | 32,100 | 47,627 | (15,527) |
| Department of Public Works | | | |
| Uniforms and Clothing | 5,500 | 4,233 | 1,267 |
| Electricity | 4,400 | 3,805 | 595 |
| Heating Fuels | 8,000 | 7,366 | 634 |
| Equipment Maintenance-Parts | 53,000 | 37,198 | 15,802 |
| Fuel-Gas | 9,100 | 6,993 | 2,107 |
| Fuel-Diesel | 37,500 | 39,917 | (2,417) |
| Oil and Lubricants | 3,600 | 2,062 | 1,538 |
| Expendable Supplies | 12,600 | 13,102 | (502) |
| Equipment Maintenance-Non-Fleet | 3,200 | 4,859 | (1,659) |
| Mechanic Tools | 3,500 | 3,458 | 42 |
| Miscellaneous | 200 | 114 | 86 |
| Permit Fees | 400 | 358 | 42 |
| Recording Fees | 200 | 30 | 170 |
| Equipment Acquisition (non-computer) | 3,000 | 40 | 2,960 |
| Radios and Communications | 700 | 1,274 | (574) |
| | 144,900 | 124,809 | 20,091 |
| Department of Public Works - Facilities | | | |
| Facilities Maintenance/Improvements | 47,000 | 48,763 | (1,763) |
| Tree Removal/Planting/Care | 3,500 | - | 3,500 |
| Parks/Grounds Maintenance | 21,000 | 18,740 | 2,260 |
| Downtown Maintenance | 3,200 | 601 | 2,599 |
| Downtown Seasonal Decor | 10,000 | 7,008 | 2,992 |
| Waste Disposal - Facilities | 4,500 | 3,564 | 936 |
| | 89,200 | 78,676 | 10,524 |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------|----------------|--|
| Expenditures (continued): | | | |
| Department of Public Works - Highways | | | |
| Grant-PACIF-Equip | - | 1,734 | (1,734) |
| Grant in Aid-BCRC Admin | - | 5,972 | (5,972) |
| Cutting Edges | 9,500 | 8,651 | 849 |
| Asphalt-Patchwork | 3,200 | 1,711 | 1,489 |
| Winter Sand/Salt | 170,000 | 202,060 | (32,060) |
| Chloride | 9,000 | 6,749 | 2,251 |
| Gravel | 11,000 | 5,444 | 5,556 |
| Signs & Posts | 7,500 | 8,418 | (918) |
| Culverts/Drainage Appert | 7,000 | 5,002 | 1,998 |
| Curb & Sidewalk Repair | 1,250 | 5 | 1,245 |
| Guard Railings | 4,250 | 3,985 | 265 |
| Bridge Repair | 500 | - | 500 |
| Line Painting | 8,000 | 9,489 | (1,489) |
| Traffic Signals | 5,100 | 1,583 | 3,517 |
| | 236,300 | 260,803 | (24,503) |
| Police Department | | | |
| Special Police/Prisoner Transport | - | 2,069 | (2,069) |
| Animal Control Officer - Boarding/Admin. | 250 | - | 250 |
| Animal Control Officer - Miscellaneous | 200 | - | 200 |
| Animal Control Officer - Veterinary Care | 1,500 | 531 | 969 |
| Training | 10,500 | 13,997 | (3,497) |
| Supplies | 2,500 | 1,919 | 581 |
| Dues and Subscriptions | 2,500 | 4,860 | (2,360) |
| Uniforms and Clothing | 9,000 | 5,617 | 3,383 |
| Uniforms - Cleaning Allowance | 7,200 | 6,400 | 800 |
| Vehicle Maintenance | 9,000 | 17,726 | (8,726) |
| Fuel-Gas | 15,500 | 12,202 | 3,298 |
| Equipment Maintenance | 20,000 | 13,922 | 6,078 |
| Criminal Investigation Cost | 1,000 | 2,112 | (1,112) |
| Miscellaneous | 300 | 3,715 | (3,415) |
| Grant-GHSP-Equipmt | - | 35,522 | (35,522) |
| Equipment Acquisition | 8,000 | 15,232 | (7,232) |
| | 87,450 | 135,824 | (48,374) |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------|--------|--|
| <i>Fire Department</i> | | | |
| Training - Firefighters | 1,000 | 425 | 575 |
| Supplies - Fire Prevention | 1,000 | 763 | 237 |
| FD-Supplies-Office | - | 452 | (452) |
| Vehicles/Equip. Maintenance/Repairs | 18,000 | 16,455 | 1,545 |
| Fuel - Gas | 200 | 36 | 164 |
| Fuel-Diesel | 2,800 | 1,508 | 1,292 |
| Communications - Acquisition/Repair | 6,000 | 10,907 | (4,907) |
| Miscellaneous | 1,000 | 1,696 | (696) |
| Hazardous Waste Supplies | 1,000 | - | 1,000 |
| Equipment Acquisition | 16,000 | 9,167 | 6,833 |
| Equipment - Incentive | 2,000 | 1,668 | 332 |
| | 49,000 | 43,077 | 5,923 |
| <i>Emergency Management</i> | | | |
| Equipment Maintenance | 250 | - | 250 |
| Miscellaneous | 250 | - | 250 |
| Equipment Acquisition | 1,000 | - | 1,000 |
| | 1,500 | - | 1,500 |
| <i>Parks And Recreation Department</i> | | | |
| Advertising/Printing/Publications | 2,800 | 2,003 | 797 |
| Advertising-ApplejackFI | - | 61 | (61) |
| Lifeguard Course | - | 662 | (662) |
| Supplies | 1,000 | 1,352 | (352) |
| Dues and Subscriptions | 500 | 427 | 73 |
| Precision Walk | 400 | 388 | 12 |
| Electricity | 9,750 | 8,587 | 1,163 |
| Electricity - Applejack Field | 2,750 | 1,337 | 1,413 |
| Elec-MaintShed/Irrig/Conc | 2,250 | 2,820 | (570) |
| Heating Fuels | 11,500 | 8,107 | 3,393 |
| Concession Stand | 3,500 | 2,020 | 1,480 |
| Applejack Cons Maint/Rep/ | 1,000 | 2,023 | (1,023) |
| Pool Maintenance/Supplies | 15,000 | 15,256 | (256) |
| Pool Uniforms | 1,200 | 1,127 | 73 |
| Applejack Field Maintenance | 15,000 | 17,071 | (2,071) |
| R-AJ Supplies/Equipmt | - | 1,330 | (1,330) |
| Applejack Concession Stand | 6,000 | 13,506 | (7,506) |
| R-Concession-Merchandise | - | 4,785 | (4,785) |
| Miscellaneous | 500 | 353 | 147 |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------|---------|--|
| Expenditures (continued): | | | |
| <i>Parks And Recreation Department</i> | | | |
| Credit Card Fees | 5,000 | 4,515 | 485 |
| Equipment Acquisition | 3,000 | 2,093 | 907 |
| Programs | 53,000 | 59,591 | (6,591) |
| Swim Team Expense | 2,500 | 7,925 | (5,425) |
| | 136,650 | 157,339 | (20,689) |
| <i>Health Officer</i> | | | |
| Supplies | 100 | - | 100 |
| Recording Fees | 50 | - | 50 |
| Miscellaneous | 100 | 100 | - |
| | 250 | 100 | 150 |
| <i>Town Clerk</i> | | | |
| Records Preservation | 3,000 | 1,884 | 1,116 |
| Dues and subscriptions | 500 | 381 | 119 |
| Maintenance Contracts | 7,500 | 6,960 | 540 |
| Miscellaneous | 400 | 633 | (233) |
| Equipment Acquisition | 1,000 | - | 1,000 |
| | 12,400 | 9,858 | 2,542 |
| <i>Elections & Board of Civil Authority (BCA)</i> | | | |
| Training | 200 | - | 200 |
| Contract Services | 2,500 | 1,269 | 1,231 |
| Miscellaneous | 200 | 89 | 111 |
| | 2,900 | 1,358 | 1,542 |
| <i>Town Hall/Public Safety Buildings</i> | | | |
| Water - Town Hall | 400 | 285 | 115 |
| Water - PSF | 1,750 | 2,052 | (302) |
| Electricity - Town Hall | 11,000 | 9,819 | 1,181 |
| Electricity - PSF | 14,500 | 16,452 | (1,952) |
| Heating Fuels - Town Hall | 20,500 | 11,799 | 8,701 |
| Heating Fuels - PSF | 26,000 | 22,000 | 4,000 |
| | 74,150 | 62,407 | 11,743 |
| <i>General Expenditures</i> | | | |
| Telephone | 6,000 | 9,225 | (3,225) |
| Internet Services | 8,000 | 7,976 | 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, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------|---------|--|
| Expenditures (continued): | | | |
| General Expenditures (continued) | | | |
| Cell Phone | 10,000 | 10,368 | (368) |
| Photocopiers | 8,000 | 8,680 | (680) |
| General-Dues & Subscriptions | - | 225 | (225) |
| Travel | 1,500 | 532 | 968 |
| General Advertising | 5,000 | 4,934 | 66 |
| Carpool Vehicle Lease | 9,000 | 9,732 | (732) |
| Carpool Vehicle Lease (fuel) | 650 | 390 | 260 |
| Carpool Vehicle Maintenance | 250 | - | 250 |
| Postage | 9,500 | 8,474 | 1,026 |
| Training - General | 5,000 | 2,193 | 2,807 |
| Computer & Office Supplies/Equip. | 19,000 | 22,322 | (3,322) |
| Pre-Employment Expenses | 250 | 180 | 70 |
| Town Report Printing/Mailing/Adv. | 6,500 | 5,121 | 1,379 |
| Legal/Consulting | 42,000 | 36,570 | 5,430 |
| Property Maps | 5,500 | 5,318 | 182 |
| Audit | 11,130 | 11,130 | - |
| MEMS- Shared Services Agreement | 50,000 | 49,705 | 295 |
| State Property Tax | 26,000 | 25,767 | 233 |
| Manchester Rescue Squad | 120,000 | 119,637 | 363 |
| Bennington County Regional Comm. | 5,700 | 5,650 | 50 |
| Listers E&O - Municipal Tax | 2,000 | 154 | 1,846 |
| County Taxes | 86,000 | 88,154 | (2,154) |
| Tax Appeals - Court Imposed | 1,000 | - | 1,000 |
| Uncollectible Taxes | 3,000 | (2,827) | 5,827 |
| Tax Abatements | 500 | - | 500 |
| Street Lights | 33,500 | 32,679 | 821 |
| VT League - Cities & Towns | 5,986 | 5,986 | - |
| Village Allocation - Highways | 47,500 | 51,009 | (3,509) |
| Village Alloc. - Street Lights/Sidewalk | 5,000 | 4,579 | 421 |
| Solid Waster Disposal | 39,000 | 36,538 | 2,462 |
| Memorial Day | 1,500 | 196 | 1,304 |
| Insurance | 76,500 | 75,788 | 712 |
| Debt - Principal & Interest | 172,376 | 172,377 | (1) |
| Miscellaneous | 2,500 | 393 | 2,107 |
| | 825,342 | 809,155 | 16,187 |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|---------|---------|--|
| Expenditures (continued): | | | |
| Personnel-Salaries | | | |
| Legislative-Selectboard | 6,000 | 6,000 | - |
| Admin-Town Mgr Office | 102,440 | 102,440 | - |
| Admin-Human Resources | 51,305 | 51,303 | 2 |
| Finance-Full time | 65,145 | 65,145 | - |
| Finance-Treasurer | 27,265 | 27,262 | 3 |
| Finance-Bd Tax Abatement | 100 | - | 100 |
| Assessing-Full time | 59,225 | 59,225 | - |
| Assessing-Listers | 10,500 | 10,815 | (315) |
| Planning/Zoning-Full time | 59,225 | 59,225 | - |
| Planning/Zoning-Admin Assistant | 10,500 | 10,813 | (313) |
| Planning/Zoning-Econ Development | 15,500 | 17,903 | (2,403) |
| DPW-Director/Mechanic-Full time | 120,875 | 117,491 | 3,384 |
| DPW-Dir/Mechan-Overtime | 43,000 | 10,453 | 32,547 |
| DPW-Facilities-Full time | 118,350 | 128,662 | (10,312) |
| DPW-Facilities-Full Time -Overtime | - | 9,070 | (9,070) |
| DPW-Facilities-Seasonal | 26,000 | 21,363 | 4,637 |
| DPW-Facilities-Seasonal -Overtime | - | 1,791 | (1,791) |
| DPW-Facilities-Maint/Imp | - | 673 | (673) |
| DPW-Highways-Full time | 90,925 | 91,594 | (669) |
| DPW-Highways-FT-Overtime | - | 44,035 | (44,035) |
| Police Dept- Police Management | 214,930 | 217,864 | (2,934) |
| Police-Officers- FullTime | 360,420 | 389,858 | (29,438) |
| Police-Officers- Overtime | 66,000 | 77,307 | (11,307) |
| PD-Off-OT-Drug Interdictn | - | 919 | (919) |
| PD-OT-Criminal Investigator | 1,500 | - | 1,500 |
| PD-DUI Grant | - | 1,700 | (1,700) |
| PD-PT-Village | - | 2,775 | (2,775) |
| PD-GHSP Grant - CIOT | - | 3,150 | (3,150) |
| Dispatcher-Full time | 142,525 | 146,713 | (4,188) |
| Dispatch-Overtime | 25,000 | 24,478 | 522 |
| Police-Part time/Prisoner Transport | 44,000 | 66,738 | (22,738) |
| PD-OT-Spec Officer | - | 927 | (927) |
| Dispatch-Spare | 25,625 | 36,534 | (10,909) |
| Fire Dept-Chief | 5,000 | 5,000 | - |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|------------------|------------------|--|
| Expenditures (continued): | | | |
| Personnel-Salaries (continued) | | | |
| Fire Dept-Administration | 4,000 | 4,000 | - |
| Fire Dept-Firefighters | 30,000 | 30,000 | - |
| Emergency Management | 4,200 | 4,294 | (94) |
| Parks/Rec-Full time | 95,190 | 95,187 | 3 |
| Parks/Rec-Part time | 15,500 | 11,926 | 3,574 |
| Parks/Rec-Pool-Straight time | 43,000 | 29,503 | 13,497 |
| Parks/Rec-Pool-Overtime | - | 314 | (314) |
| Parks/Rec-Swim Team | 10,000 | 4,780 | 5,220 |
| Parks/Rec-Streetfests-OT | - | 1,590 | (1,590) |
| Parks/Rec-AJ Field Wages | - | 630 | (630) |
| Parks/Rec- AJ Concession | 6,000 | 5,416 | 584 |
| Parks/Rec-Camp Counselors | 15,500 | 17,221 | (1,721) |
| Health Officer-Stipend | 4,200 | 4,294 | (94) |
| Health Officer-HourlyWage | 500 | 66 | 434 |
| Public Safety Inspector - Stipend | 3,000 | - | 3,000 |
| Town Clerk-Salary | 45,320 | 46,320 | (1,000) |
| Assistant-Salary | 32,465 | 30,994 | 1,471 |
| BCA-Elections | 1,500 | 1,053 | 447 |
| BCA-Tax Appeals | 1,000 | 384 | 616 |
| Employee Performance Bonuses | 21,500 | - | 21,500 |
| Longevity/Sick/Holiday Wages | 8,600 | - | 8,600 |
| Police Dept Bonus Wages | 26,000 | 31,876 | (5,876) |
| | 2,058,830 | 2,129,074 | (70,244) |
| Allocable Expenditures | | | |
| FICA/Medicare | 152,000 | 162,825 | (10,825) |
| Unemployment Insurance | 12,600 | 4,743 | 7,857 |
| Health Insurance | 468,000 | 475,850 | (7,850) |
| High Deductible Fund | - | 3,302 | (3,302) |
| Health Care Wellness | 1,500 | - | 1,500 |
| AD/D and Life Insurance | 21,000 | 23,353 | (2,353) |
| Worker's Compensation Insurance | 60,000 | 92,738 | (32,738) |
| Pension and Retirement | 98,000 | 118,985 | (20,985) |
| Dental Insurance | 26,000 | 25,134 | 866 |
| Section 125 Administration Fees | 300 | 31 | 269 |
| | 839,400 | 906,961 | (67,561) |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------------|------------------|--|
| Expenditures (continued): | | | |
| Capital Expenditures | | | |
| Cap-Depot St-Design PZ | 60,000 | 35,248 | 24,752 |
| TH Parking Lot Lighting | 14,000 | - | 14,000 |
| PSF Boiler Replacement | 12,000 | 15,780 | (3,780) |
| Cap-Roof Repair-Town Hall | - | 16,652 | (16,652) |
| Vehicle Acquisition - Highway | 205,000 | 188,402 | 16,598 |
| Cap-Highway Equipment | 48,000 | 47,035 | 965 |
| Cap-Rd Paving-Richville | 395,000 | 383,038 | 11,962 |
| Cap-Paving-Center Hill | - | 837 | (837) |
| Cap-Culvert-Beech St | - | 6,458 | (6,458) |
| Cap-Culverts-Gr-3Maple Dr | - | 368 | (368) |
| Cap-Culvert-Richville Rd | - | 924 | (924) |
| Cap-Pool Resurfacing-Rec | 75,000 | 71,981 | 3,019 |
| Cap-TC-Records Preservati | 18,000 | 17,920 | 80 |
| Cap-Trans Pol Veh Reserve | 30,000 | - | 30,000 |
| Equipment Acquisition-Fire (air packs) | 12,000 | 26,411 | (14,411) |
| | 869,000 | 811,054 | 57,946 |
| Town Appropriations | | | |
| RSVP | 3,250 | 1,500 | 1,750 |
| SW VT Council on Aging | 4,000 | 4,000 | - |
| The Collaborative | 1,000 | 1,000 | - |
| Community Action SW VT (BROC) | 1,811 | 1,811 | - |
| PAVE-Against Violence | 1,850 | 1,850 | - |
| 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 | - |
| GNAT (Television Access) | 2,000 | 2,000 | - |
| VABVI - Blind and Visually Impaired | 500 | 500 | - |
| Mark Skinner Library | 221,900 | 221,900 | - |
| | 245,131 | 243,381 | 1,750 |
| Total expenditures | 5,710,853 | 5,827,661 | (116,808) |

(continued)

TOWN OF MANCHESTER, VERMONT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------|---------------|---|
| <i>Excess (deficiency) of revenues over expenditures</i> | 73,242 | (69,250) | (142,492) |
| <i>Other financing sources (uses):</i> | | | |
| Property Tax Reserve Fund | 20,000 | 28,134 | 8,134 |
| Fire Dept Equipment Reserve Fund | (28,322) | (13,912) | 14,410 |
| Town Service Officer | (500) | - | 500 |
| Trans to CIRC-Fire Dept | (34,678) | (34,678) | - |
| <i>Total other financing sources (uses)</i> | (43,500) | (20,456) | 23,044 |
| <i>Excess (deficiency) of revenues over expenditures and other financing uses</i> | \$ 29,742 | (89,706) | (119,448) |

TOWN OF MANCHESTER, VERMONT
Schedule of the Town's Proportionate Share of the Net Pension Liability
and Town Contributions
Vermont Municipal Employees Retirement Plan

| | 2018 | 2017 | 2016 | 2015 |
|--|------------|----------|----------|----------|
| Proportion of the net pension liability | 0.3456% | 0.3292% | 0.3439% | 0.3207% |
| Proportionate share of the net pension liability | \$ 418,694 | 423,656 | 265,129 | 29,265 |
| Covered-employee payroll | \$ 864,608 | 778,437 | 692,106 | 692,987 |
| Proportionate share of the net pension liability as a percentage of its covered employee payroll | 48.43% | 54.42% | 38.31% | 4.22% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.60% | 80.95% | 87.42% | 98.32% |
| Contractually required contribution | \$ 62,684 | 56,437 | 50,032 | 48,071 |
| Contributions in relation to the contractually required contribution | (62,684) | (56,437) | (50,032) | (48,071) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| Contributions as a percentage of covered-employee payroll | 7.25% | 7.25% | 7.23% | 6.94% |

TOWN OF MANCHESTER, VERMONT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

| | Special Revenue Funds | | | | | | | | | | Capital Projects Fund | | | Permanent Fund | Total Nonmajor Governmental Funds |
|----------------------|---------------------------|---------------------------|------------------------|-----------------------------|------------------------|--------------------------|-----------------|--------------------------------|-----------------------|-----------------------------------|-----------------------|---|---|----------------|-----------------------------------|
| | Property Tax Reserve Fund | Recreation Committee Fund | Service Officer's Fund | Factory Point Cemetery Fund | Police Benevolent Fund | Reappraisal Reserve Fund | PD Shared Funds | Fire Department Equipment Fund | Capital Projects Fund | Factory Point Cemetery Trust Fund | Permanent Fund | | | | |
| Assets | | | | | | | | | | | | | | | |
| Cash | \$ - | - | 480 | 237 | 1,445 | - | 910 | - | - | 16,423 | - | - | - | 19,495 | |
| Investments | 432,272 | 66,210 | - | - | 116,115 | 247,005 | - | 1,936 | - | 225,160 | - | - | - | 1,088,698 | |
| Prepaid expenses | - | 9,941 | - | - | - | - | - | - | - | - | - | - | - | 9,941 | |
| Due from other funds | - | - | - | 33,694 | - | - | - | 102,299 | - | - | - | - | - | 135,993 | |
| | \$ 432,272 | 76,151 | 480 | 33,931 | 117,560 | 247,005 | 910 | 104,235 | - | 241,583 | - | - | - | 1,254,127 | |
| Liabilities | | | | | | | | | | | | | | | |
| Accounts payable | \$ - | 6,821 | - | - | - | - | - | - | - | - | - | - | - | 6,821 | |
| Accrued liabilities | - | 1,804 | - | 1,251 | - | - | - | - | - | - | - | - | - | 3,055 | |
| Due to other funds | 28,134 | 157,622 | 5 | - | 60 | - | - | - | - | 40,443 | - | - | - | 226,264 | |
| | 28,134 | 166,247 | 5 | 1,251 | 60 | - | - | - | - | 40,443 | - | - | - | 236,140 | |
| Fund Balances | | | | | | | | | | | | | | | |
| Restricted | 404,138 | - | 475 | 32,680 | 117,500 | 247,005 | 910 | 104,235 | - | 201,140 | - | - | - | 1,108,083 | |
| Unassigned | - | (90,096) | - | - | - | - | - | - | - | - | - | - | - | (90,096) | |
| | 404,138 | (90,096) | 475 | 32,680 | 117,500 | 247,005 | 910 | 104,235 | - | 201,140 | - | - | - | 1,017,987 | |
| | \$ 432,272 | 76,151 | 480 | 33,931 | 117,560 | 247,005 | 910 | 104,235 | - | 241,583 | - | - | - | 1,254,127 | |

TOWN OF MANCHESTER, VERMONT
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

| | Special Revenue Funds | | | | | | | | | | Capital Projects Fund | | | Permanent Fund | | Total Nonmajor Governmental Funds |
|---|---------------------------|---------------------------|------------------------|-----------------------------|------------------------|--------------------------|-----------------|--------------------------------|--------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Property Tax Reserve Fund | Recreation Committee Fund | Service Officer's Fund | Factory Point Cemetery Fund | Police Benevolent Fund | Reappraisal Reserve Fund | PD Shared Funds | Fire Department Equipment Fund | Fire Department Equipment Fund | Cemetery Trust Fund | Factory Point Cemetery Trust Fund | |
| Revenues: | | | | | | | | | | | | | | | | |
| Investment income | \$ 34,030 | 5,792 | - | 1 | 14,188 | 17,833 | - | 1 | - | 17,358 | - | - | - | - | - | 89,203 |
| Grant income | - | - | - | - | - | 24,710 | - | - | - | - | - | - | - | - | - | 24,710 |
| Donations | - | 38,980 | - | - | 600 | - | - | - | - | - | - | - | - | - | - | 39,580 |
| Miscellaneous income | - | 33,742 | - | 4,130 | - | - | - | - | - | - | - | - | - | 2,800 | - | 40,672 |
| | 34,030 | 78,514 | - | 4,131 | 14,788 | 42,543 | - | 1 | - | 20,158 | - | - | - | - | - | 194,165 |
| Expenditures: | | | | | | | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public safety | - | - | 310 | - | 3,379 | - | - | - | - | - | - | - | - | - | - | 3,689 |
| Recreation expenses | - | 38,917 | - | - | - | - | - | - | - | - | - | - | - | - | - | 38,917 |
| Cemetery expenses | - | - | - | 2,406 | - | - | - | - | - | - | - | - | - | - | - | 2,406 |
| | - | 38,917 | 310 | 2,406 | 3,379 | - | - | - | - | - | - | - | - | - | - | 45,012 |
| Excess (deficiency) of revenues over expenditures | 34,030 | 39,597 | (310) | 1,725 | 11,409 | 42,543 | - | 1 | - | 20,158 | - | - | - | - | - | 149,153 |
| Other financing sources (uses): | | | | | | | | | | | | | | | | |
| Operating transfers in | - | - | - | 17,443 | - | - | - | - | - | 48,590 | - | - | - | - | - | 66,033 |
| Operating transfers out | (28,134) | - | - | - | - | - | - | - | (34,678) | (17,443) | - | - | - | - | (80,255) | |
| | (28,134) | - | - | 17,443 | - | - | - | - | 13,912 | (17,443) | - | - | - | - | (14,222) | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | 5,896 | 39,597 | (310) | 19,168 | 11,409 | 42,543 | - | 13,913 | - | 2,715 | - | - | - | - | 134,931 | |
| Total fund balances, July 1, 2017 | 398,242 | (129,693) | 785 | 13,512 | 106,091 | 204,462 | 910 | 90,322 | 198,425 | 883,056 | - | - | - | - | - | |
| Total fund balances, June 30, 2018 | \$ 404,138 | (90,096) | 475 | 32,680 | 117,500 | 247,005 | 910 | 104,235 | 201,140 | 1,017,987 | - | - | - | - | - | |



**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Select Board
Town of Manchester, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Manchester, Vermont, as of and for the year ended June 30, 2018 and the related notes to the financial statements which collectively comprise the Town of Manchester, Vermont's basic financial statements and have issued our report thereon dated February 9, 2019.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Manchester, Vermont's financial statements are free 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*.

Purpose of this Report

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

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

February 9, 2019

Vt. Reg. #357

Love, Cody & Company, CPAs