

Comprehensive Annual Financial Report

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2016



Office of the Director of Finance

Comprehensive Annual Financial Report

of the

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2016

Department of Finance
Gregory R. Simmons
Director of Finance

TOWN OF MANCHESTER, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

December 20, 2016

Mr. Scott Shanley, General Manager
Town of Manchester
41 Center Street
Manchester, Connecticut

Dear Mr. Shanley:

The Comprehensive Annual Financial Report for the Town of Manchester for the fiscal year ended June 30, 2016 is submitted herewith.

The Town's Finance Department prepared this Comprehensive Annual Financial Report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the Town. The Town believes that the presented data are accurate in all material aspects, that the data fairly set forth the financial position and the results of operations of the Town as measured by financial activity of its various funds, and that all disclosures necessary to enable the reader to understand the Town's financial affairs have been included.

The Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as the Connecticut Single Audit Act. Information related to these single audits, including the schedule of expenditures of federal awards and State financial assistance, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations are issued under separate cover and are not included in this report. A copy of the reports are on file in the Town Clerk's office.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Town of Manchester Government

The Town of Manchester is an independent full-service town. The Town is a political subdivision of the State of Connecticut and is autonomous from any county, town or other political subdivision of the State of Connecticut. The Town was incorporated in 1823, and in 1947 adopted a Council-Manager form of government. The legislative function is performed by the nine-member Board of Directors, which is elected biennially. The Board of Directors formulates policies for the administration of the Town. The General Manager is appointed by the Board of Directors to serve as the Town's Chief Executive Officer with appointive and removal authority over department directors and other employees of the Town. The General Manager is responsible for the implementation of policies established by the Board of Directors. An elected nine member Board of Education appoints a Superintendent of Schools, who administers the education system of the Town.

The Town is located in central Connecticut and is approximately 10 miles east of the City of Hartford, the State capital. The Town is also bordered by the towns of East Hartford, South Windsor, Vernon, Bolton and Glastonbury. It is approximately 85 miles southwest of Boston and 115 miles northeast of New York City. The Town encompasses 27.2 square miles and has a population of 58,007 people.

The Town provides a comprehensive range of municipal services including education, human services, public safety (including full-time paid fire and emergency medical rescue services), public works, recreation, library, landfill, water and sewer, cultural and historic activities, transportation, environmental, and planning.

Local Economic Condition and Outlook

Manchester continues to maintain a relatively strong and diverse local economy during this period of economic difficulty. The healthcare, aerospace, retail, wholesale trade and finance and insurance industries each have a major regional presence here. Historically an industrial center, Manchester's roughly 100 manufacturing firms include precision machining, plastics molding, metals fabricating and coating, and commercial printing operations. The location of Manchester Memorial Hospital in central Manchester provides a hub for almost 200 of our health care and social service establishments. Because of our exceptional location relative to I-84, I-384, and I-91, all of which converge here, Manchester is a preferred location for warehouse and distribution businesses and for regional retail and service establishments. Manchester's warehouse/ distribution tenants include the J. C. Penney Northeast Warehouse Fulfillment Center, Raymour and Flanigan and Hartford Distributors, as well as many smaller materials handling or freight forwarding businesses. In its historic central business district, and throughout the community, there is a strong finance, insurance, and real estate sector. The business services sector includes accountants, attorneys and other business consulting services.

Manchester's major employers include the Town and Board of Education at 1,669 employees; Manchester Memorial Hospital at 1,500 employees; J.C. Penney Company at 750 employees; Manchester Community College at 725 employees; Target at 400 employees; GE Aviation at 400 employees; Super Stop & Shop at 381 employees; J.C. Penny at 350 employees; Allied Printing at 330 employees and Big Y World Class Market at 300 employees. Overall, approximately 29,410 people are employed in Manchester.

The Buckland Hills area lies at the merge of I-84 and I-291 and is a regional center for retail, service, and industrial business. The Buckland Industrial Park is home to J. C. Penney and other industrial and manufacturing firms. Over 3.7 million square feet of retail space makes Buckland Hills one of the largest retail centers in New England. The area serves a market of approximately 20 miles and a market population of over 300,000 people. Major retailers in the area include the Shoppes at Buckland Hills regional mall, anchored by Macy's, Sears, Dick's Sporting Goods, Barnes and Noble, and J. C. Penney. Other retailers include Wal-Mart; Home Depot; BJ's Wholesale Club; and Best Buy, to name but a few. Buckland Hills is also home to over 15 full service restaurants, approximately 400 hotel rooms, a multi-screen movie theater, and roughly 2,000 apartment units.

Manchester is a leader in the region with 8 million square feet of rentable industrial space. The 333 acre Manchester Business Park and 340 acre Buckland Industrial Park anchor a mature and diverse industrial market. Some industrial land remains available near I-291 and opportunities for building expansion exist as well. Manchester's available land and buildings, highway access, full complement of municipal services and utilities, and availability of public transportation will continue to make us a strong location for new business locations and expansions.

Major Initiatives

The Town of Manchester conducted a Downtown Parking Study, below are excerpts from that study:

Downtown Manchester, Connecticut, has been defined and represented since 1991 as the Downtown Special Services District (SSD). The geographic extent of this area is the stretch of Main Street in Manchester between Center Street (Routes 6 and 44) in the North to Hartford Road/Charter Oak Street in the South, with immediately surrounding streets to the East and West of Main Street. Though regional development patterns over several decades have reduced commercial and retail activity in the Downtown area, the Town of Manchester and the SSD have worked to retain and revive this area as a vibrant center of business, cultural activity, residential opportunities, and civic life.

Though Downtown Manchester developed much of its current form in the pre-automobile era, the reality of accommodating vehicles is central to the long-term success of downtown business, commerce, and residential life. Ensuring an adequate supply of parking and its efficient management in turn supports this success. This study was commissioned by the Town of Manchester, through a grant from the Connecticut Main Street Center and the Connecticut Commission on Culture and Tourism, to better help analyze current parking conditions, develop an understanding of likely future parking demand, and to make recommendations for improving supply and/or management of parking spaces in the Downtown area.

It is understood that Downtown Manchester as a commercial entity exists in competition with other areas of the region for tenants, visitors, and customers. The classic, walkable Main Street atmosphere, architectural integrity, and mix of uses are all key to its distinct character and success. The goal of this study, and the long-term goal of Downtown Manchester, is to improve public amenities and customer service while enhancing, or at least not compromising, the sense of place that defines the uniqueness of Downtown Manchester.

The result of this study was a 1.5 million dollar investment into the parking, pedestrian enhancements, sidewalks, lighting, signage and landscaping of the downtown parking area.

Long-Term Financial Planning and Policies

During FY16, the Town continued to provide emphasis on its policy of having undesignated general fund balance equal 5-7% of General Fund revenues. Undesignated fund balance increased to just over 12% of General Fund revenue this fiscal year. This increase is due to positive tax collections as a result of new delinquent tax collection policies, and savings in various departments from vacancies.

The Town continued the practice of using fund balance to support, among other items, funding for property tax appeals and agreements, payments for accrued leave to employees and various capital related items that could potentially require funding.

For the next several years, the Town is concerned with the current financial conditions of the State of Connecticut. The State is projecting several years of budget deficits. The impact on Manchester, although not known at this point, could result in a reduction of assistance received from the State. If that happens we will take appropriate action as we have in the past to reduce expenditures.

Budgeting and Accounting

The Board of Directors adopts both an annual operating and a six-year capital budget in accordance with Chapter V of the Town Charter. Chapter V sets out the procedures and practices used during consideration of both the capital and operating budgets.

The operating budget is legally enacted at the category level, but as a management tool budgeting control is maintained at the object of expenditure level. This is achieved through the use of a full encumbrance system which encumbers appropriations upon the issuance of a purchase order. Encumbrances outstanding at year-end are recorded as budgetary expenditures and reported as a reservation of fund balance.

The Town's accounting system is organized on a fund basis. Each fund is a distinct self-balancing accounting entity. The various funds utilized by the Town of Manchester are further described in Note 1 of the Notes to the financial statements.

The budget is integrated into the accounting system, and as presented in the financial statements for all funds with annual budgets compares expenditures with amended budgets. The Town's accounting records for governmental and expendable trust funds are maintained on a modified accrual basis with revenues being recorded when measurable and available, and expenditures being recorded when the services or goods are received and accepted and the liability is incurred. The accrual basis of accounting is used for proprietary, and certain fiduciary funds. Encumbrances outstanding at year-end are not recorded as expenditures as defined by generally accepted accounting principles (GAAP) and are excluded from liabilities.

Accounting and Internal Control

The accounting system of the Town of Manchester is dependent on a strong foundation of internal accounting controls to ensure that financial information generated is both accurate and reliable. As such, the Town places a great deal of emphasis on the continuing development and monitoring of its system of internal control.

In conjunction with this goal, internal controls are designed to reasonably safeguard the Town's assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The concept of reasonable assurance recognizes the fact that the cost of controls should not exceed the benefits derived and the evaluation of costs and benefits requires management to make estimates and judgments.

All internal control evaluations operate within the above framework. The relationship of internal control to basic management responsibilities emphasizes the interaction of the accounting system with all other management control systems. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

General Fund Undesignated and Unreserved Fund Balance

General Fund Undesignated Unreserved Fund Balance (budgetary non-GAAP basis) represents that portion of fund balance which is available for appropriation. When evaluating an entity's credit, the rating agencies generally look for this amount to be 2% to 10% of locally generated revenues. In the 06-07 fiscal year, the Board of Directors indicated to the Town staff that it wishes the Town's Unreserved and Undesignated Fund Balance expressed as a percentage of Revenues to increase to fall within the range of 5-7%. The following table shows the Town's operating results and unreserved fund balance position for the past five years:

	FY12	FY13	FY14	FY15	FY16
Revenue (ooo's)	\$163,160	\$164,960	\$173,056	\$176,628	\$181,412
Expenditures	164,021	163,992	169,630	174,128	177,799
Operating Results	(861)	968	3,426	2,500	3,613
Unassigned FB	10,636	11,823	13,887	17,820	21,892
Percent of Revenue	6.52	7.17	8.02	10.09	12.07

Other Information

The Town Charter requires in Chapter V, Section 5-26:

Independent auditor. Within ninety (90) days after taking office after each biennial election, the Board of Directors shall, by majority vote of all of its members, designate an auditor or auditors, who shall be a certified public accountant or accountants, to audit the books and financial affairs of the Town government in accordance with the provisions of the General Statutes. The auditor or auditors so designated shall be designated based on their qualifications and experience in municipal audits, and shall serve until the third Monday in November in the next odd-numbered year following their appointment.

During FY16, the Town solicited proposals from qualified auditing firms to provide audit services for the two-year period FY2016 to FY2017 with the option to renew for two additional two year terms, FY2018-FY2019 and FY2020-FY2021. The firm of Blum Shapiro, Certified Public Accountants, was selected as the Town's independent auditors for the initial two year period.

The Town's audit includes an audit of all federal grants in accordance with the Single Audit Act and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which provides that all state and local governments which receive more than \$750,000 in federal financial assistance must have a federal single audit for the fiscal year. The federal single audit consists of a financial audit, an internal control review, and a compliance audit. The federal single audit is in lieu of any financial and compliance audit requirement by any federal agency. The auditors' reports for the internal control review and compliance audit have been furnished separately to the Town.

The Town's FY16 audit includes an audit of all state financial assistance in compliance with the State Single Audit Act pursuant to CGS Section 4-230 to 236, inclusive (Chapter 55b). Each municipality receiving more than \$100,000 in combined state and federal financial assistance must have a state single audit. An audit conducted in accordance with sections 4-230 to 4-236 inclusive shall be in lieu of any financial or financial and compliance audit of an individual state assistance program. The auditors' reports for the internal control review and compliance audit have been furnished separately to the Town.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Manchester for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of Manchester has received the Certificate of Achievement each fiscal year since FY1995. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of this report could not be accomplished without the effort and dedicated services of the entire staff of the Finance Department. The preparation of the Comprehensive Annual Financial Report though requires a particularly intense effort from all of the Accounting Division staff. I would like to express my appreciation to each of the following staff members:

Susan Alaimo, Accountant
Heather Boudreaux, Accountant
Laura LaBrecque, Payroll Coordinator

While this CAFR is the result of the diligent efforts of Town staff, it would not be possible without the ongoing support of the Board of Directors, Board of Education and General Manager.

Respectfully submitted,

Gregory R. Simmons C.P.A.
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

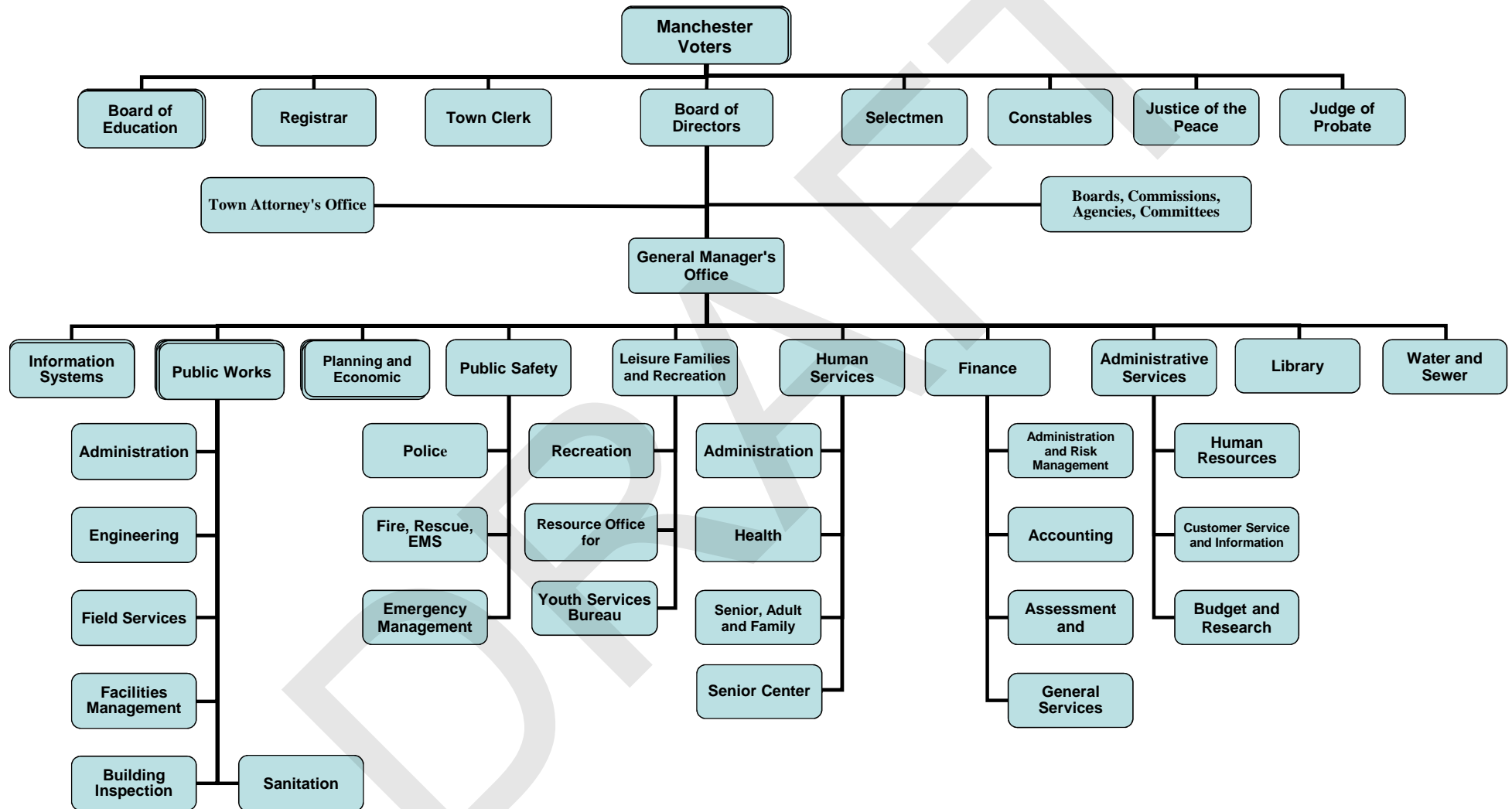
**Town of Manchester
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Town of Manchester Organization Chart



TOWN OF MANCHESTER, CONNECTICUT

LISTING OF PRINCIPAL OFFICIALS

Board of Directors

Jay Moran, Mayor
Timothy Devanney
Steven Gates
Sarah L. Jones
Patrick Greene

Rudy C. Kissmann
Cheri Eckbreth
Margaret Hackett
Matthew S. Galligan

Town Clerk
General Manager
Town Attorney
Director of Finance
Director of Assessment/Collection
Director of Planning and Economic
Development
Chief of Police
Fire Chief
Budget and Research Officer

Joseph V. Camposeo
Scott Shanley
Ryan Barry
Gregory R. Simmons
John Rainaldi

Mark Pellegrini
Chief Marc Montminy
Chief David Billings
Brian Wolverton

Board of Education

Christopher Pattacini, Chairperson
Susan Jacobson
Melanie Stefanovicz
Deborah Hagenow

Mary-Jane Pazda
Neal S. Leon
Carl Stafford
Jason P. Scappaticci
Darryl Thames, Sr.

Superintendent of Schools

Matthew Geary

Financial Section

Independent Auditors' Report

To the Board of Directors
Town of Manchester, Connecticut

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 the Town of Manchester, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Manchester, Connecticut'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 auditors consider 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, Connecticut, as of June 30, 2016 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.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, during the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 17 to the financial statements, during the fiscal year ended June 30, 2016, a prior period adjustment was made to the State of Connecticut Municipal Employees Retirement System to change the method of accounting for receivables. Our opinion is not modified with respect to this matter.

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 through 11, the budgetary comparison information on pages 62 and 63 and the pension and OPEB schedules on pages 64 through 69 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, which 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, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Town of Manchester, Connecticut, as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 28, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2015 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016 on our consideration of the Town of Manchester, Connecticut'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 the Town of Manchester, Connecticut's internal control over financial reporting and compliance.

West Hartford, Connecticut
December 20, 2016

**TOWN OF MANCHESTER, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

This discussion and analysis of the Town of Manchester, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read this Management Discussion & Analysis (MD&A) in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town's net position decreased by \$1.6 million as a result of this year's operations. Net position of the business-type activities increased by \$6.5 million, or (12.18%). Net position of the governmental activities decreased by \$8.4 million, or (10.16%).
- During the year, the Town's governmental activities had expenses that were \$9.7 million more than the \$228 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues decreased by \$726 thousand (or 2.4%) while expenses decreased by \$3.5 million (or 14.1%).
- Total cost of all of the Town's programs increased by \$14.5 million (or 5.9%) to \$260 million. Of the \$14.5 million increase, \$12 million is included in the Public Safety category and is due to contract negotiation settlements and retroactive payroll.
- The General Fund reported a fund balance this year of \$24 million, an increase of \$3.4 million (or 16.5%).
- Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) 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 are presented in Exhibits III to IX. For governmental activities, these statements tell 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.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, human services, leisure services, employee benefits and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water Fund, Sewer Fund and Sanitation Fund are reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Directors establishes many other funds to help control and manage financial activities for particular purposes (such as the Special Taxing District - Fire and Police Special Services Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as grants received and recorded in the Education Special Grants Fund and the Community Development Block Grant Fund). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - 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. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities, such as the Town's Information Systems Fund and risk management internal service funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position decreased from \$136.2 million to \$134.4 million. 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.

TABLE 1
NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 (as Restated)	2016	2015	2016	2015 (as Restated)
Current and other assets	\$ 108,621	\$ 83,987	\$ 59,663	\$ 50,194	\$ 168,284	\$ 134,181
Capital assets	187,856	189,269	78,050	81,698	265,906	270,967
Total assets	296,477	273,256	137,713	131,892	434,190	405,148
Differences between expected and actual experience	1,631	755	165	75	1,796	830
Changes of assumptions	2,743	1,457	277	145	3,020	1,602
Net difference between projected and actual earning on pension plan investments	13,783	5,570	1,343	554	15,126	6,124
Change in employer proportional share	128				128	
Contributions made after valuation date	1,169	1,199			1,169	1,199
Deferred charge on refunding	2,317	415			2,317	415
Total deferred outflows of resources	21,771	9,396	1,785	774	23,556	10,170
Long-term debt outstanding	217,579	182,397	22,998	20,729	240,577	203,126
Other liabilities	18,242	9,221	56,239	58,221	74,481	67,442
Total liabilities	235,821	191,618	79,237	78,950	315,058	270,568
Advance property tax collections	8,269	7,507			8,269	7,507
Differences between expected and actual experience	-	979			-	979
Total deferred inflows of resources	8,269	8,486	-	-	8,269	8,486
Net Position:						
Net investment in capital assets	89,755	102,486	24,080	27,721	113,835	130,207
Restricted	2,485	2,598			2,485	2,598
Unrestricted	(18,082)	(22,536)	36,181	25,995	18,099	3,459
Total Net Position	\$ 74,158	\$ 82,548	\$ 60,261	\$ 53,716	\$ 134,419	\$ 136,264

Net position of the Town's governmental activities decreased by 10.16%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$23 million at June 30, 2015 to \$18 million at the end of this year.

More specific elements of the change in unrestricted governmental net position resulted from an increase in projected versus actual earnings on pension investments and more long term debt. In the General Fund most of the revenue side of the budget had positive results caused primarily from the adoption of strengthened tax collection policies. On the expenditure side, continued delays in filling vacancies in all functions played a large role in providing favorable results. In the Capital Projects Fund, \$11.8 million was expended for improvements; a majority of these improvements were for roads/sidewalks as well as bridge/culvert repairs and school infrastructure repairs. These capital expenses were partially funded through intergovernmental grants \$1.0 million and transfers in of \$3.2 million. The net position of business-type activities increased by 12.18% (\$53.7 million compared to \$60.3 million in 2016). This net position cannot be used for the governmental activities. The Town generally can only use this net position to finance the continuing operations of the Water, Sewer and Sanitation Funds. Sanitation experienced an increase in net position of \$4.2 million in the current year due primarily to increases in commercial tipping activity at the Towns operational landfill. Water and Sewer experienced a net decrease in net position of 2.4 million. The governmental activities Internal Service net position increased \$1.8 million mainly due to continued positive experience in insurance claims costs.

TABLE 2
CHANGES IN NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 (as Restated)	2016	2015 (as Restated)	2016	2015 (as Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 8,105	\$ 7,123	\$ 27,920	\$ 26,843	\$ 36,025	\$ 33,966
Operating grants and contributions	64,083	61,633			64,083	61,633
Capital grants and contributions	1,229	2,157	1,066	927	2,295	3,084
General revenues:						
Property taxes	150,594	146,468			150,594	146,468
Grants and contributions not restricted to specific purposes	3,705	3,996			3,705	3,996
Unrestricted investment earnings	567	160	529	402	1,096	562
Other general revenues	124	425	(154)	1,915	(30)	2,340
Total revenues	228,407	221,962	29,361	30,087	257,768	252,049
Program expenses:						
General government	10,809	7,292			10,809	7,292
Public safety	43,086	31,099			43,086	31,099
Public works	20,310	21,410			20,310	21,410
Human services	4,934	4,450			4,934	4,450
Leisure services	7,314	6,889			7,314	6,889
Education	148,446	145,615			148,446	145,615
Interest on long-term debt	3,231	3,322			3,231	3,322
Water			7,439	9,290	7,439	9,290
Sewer			7,824	8,686	7,824	8,686
Sanitation			6,220	7,027	6,220	7,027
Total program expenses	238,130	220,077	21,483	25,003	259,613	245,080
Excess (deficiency) before transfers	(9,723)	1,885	7,878	5,084	(1,845)	6,969
Transfers	1,333	1,449	(1,333)	(1,449)	-	-
Change in Net Position	(8,390)	3,334	6,545	3,635	(1,845)	6,969
Beginning Net Position	82,548	79,214	53,716	50,081	136,264	129,295
Ending Net Position	\$ 74,158	\$ 82,548	\$ 60,261	\$ 53,716	\$ 134,419	\$ 136,264

The Town's total revenues (Governmental and Business-Type) were \$257.8 million. The total cost of all programs and services (Governmental and Business-Type) was \$259.6 million. The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The decrease in Governmental Activities net position was \$8.4 million. The amount of net investment in capital assets decreased by \$12.7 million. Operating grants and contributions increased by \$2.5 million while capital grants and contributions decreased by \$928 thousand. Property taxes increased \$4.1 million over the prior year due primarily by the increase in mill rate.

Business-Type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 2.41% (\$30.1 million in 2015 compared to \$29.4 million in 2016) and expenses decreased by 14.1% (\$25 million in 2015 compared to \$21.5 million in 2016). The decrease in revenue was predominantly the result of a decrease in usage compared to anticipated usage. The decrease in expenditures is due primarily to costs in the Water division being lower.

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

Table 3 presents the cost of each of the Town's five largest programs - public safety, general government, public works, education and leisure services - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Education	\$ 148,446	\$ 145,615	\$ 85,545	\$ 83,484
Public safety	43,086	38,626	39,589	36,357
Public works	20,310	21,410	18,080	19,020
Leisure services	7,314	6,889	6,116	5,449
General government	10,809	7,292	8,141	5,555
All others	8,165	7,772	7,242	6,826
Totals	<u>\$ 238,130</u>	<u>\$ 227,604</u>	<u>\$ 164,713</u>	<u>\$ 156,691</u>

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$38.2 million, which is an increase of \$15.1 million from last year's total. Included in this year's total change in fund balance is an increase of \$3.4 million in the Town's General Fund. The primary reason for the General Fund's increase is the adoption of a delinquent tax collection policy. For the Capital Projects fund the positive change in the fund balance of \$12 million is due to debt issuance that anticipated future costs.

The Town experienced a variety of significant General Fund budgetary events that affected the year ending equity balances. The major impacts include:

- 1) Property tax collection above anticipated budget by \$2 million, due to the implementation of delinquent tax collection policies and holding annual tax sales.
- 2) General operating expenses were kept under budget in all functional areas primarily due to vacancies in certain positions. Total expenses were under budget by \$2.4 million.

The Town's General Fund balance of \$24 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$22.9 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$1.2 million of outstanding encumbrances at year-end that are reported as expenditures for budgetary purposes.

Fire District fund balance decreased by \$351 thousand from \$2 million due to planned fund balance utilization.

Proprietary Funds

As the Town completed the year, its proprietary funds (as presented in the statement of net position - Exhibit V) reported combined net position of \$60.3 million, which is an increase of \$6.6 million from last year's total of \$53.7 million. Included in this year's total change in net position is an increase of \$4.2 million in the Sanitation Fund, due primarily to an increase in commercial tipping activity.

In the internal service funds, the self-insurance funds experienced a combined net increase of \$1.8 million. Net position in the employee health benefits fund increased by \$1.4 million due to claims finishing below estimates. The net position in the non-health insurance fund increased by \$569 thousand. The Information Systems Fund's loss amounted to \$239 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Town had \$265.7 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net decrease (including additions and deductions) of \$5.2 million, or 1.9%, over last year, primarily due to completion of the Water Pollution Control Facility Plant Upgrade Project.

TABLE 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 16.2	\$ 15.0	\$ 1.2	\$ 1.2	\$ 17.4	\$ 16.2
Buildings and improvements	92.9	94.5	61.4	64.6	154.3	159.1
Equipment	8.2	8.4	12.0	13.1	20.2	21.5
Infrastructure	64.9	65.8			64.9	65.8
Construction in progress	5.7	5.5	3.2	2.8	8.9	8.3
Total	\$ 187.9	\$ 189.2	\$ 77.8	\$ 81.7	\$ 265.7	\$ 270.9

This year's major additions included (in millions):

Cheney Bennet \$ 1.8

The Town's fiscal-year 2016-17 capital budget plans for the continued construction on Phase 1 of the School Renovation Project as well as continuation of the public infrastructure program improvements and continuation of Broad Street Redevelopment (\$11 million).

More detailed information about the Town's capital assets is presented in Note 1 and Note 6 to the financial statements.

Long-Term Debt

At June 30, 2016 the Town had \$92.1 million in bonds outstanding from governmental activities versus \$84.9 million last year – an increase of 8.5% - as shown in Table 5. The increase of 2 million in Business-Type activities is due to the issuance of clean water fund notes to fund the construction of the plant.

TABLE 5
OUTSTANDING DEBT, AT YEAR-END
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds (Backed by the Town)	\$ <u>92.1</u>	\$ <u>84.9</u>	\$ <u>36.8</u>	\$ <u>34.8</u>	\$ <u>128.9</u>	\$ <u>119.7</u>

The Town's general obligation bond rating is AA+ (S&P) and AAA (Fitch), a rating that has been assigned by national rating agencies. The State limits the amount of general obligation debt that towns can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$1,012.5 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year budget 2016-2017, General Fund appropriations total \$183.6 million. This is an increase of \$3.8 million or 2.11% over 2015-2016. The increase in General Fund appropriations is being funded by a combination of an increase in the property tax levy as well as additional anticipated state and federal grants.

For the business-type activities, the Town has set related fees to offset the cost of operations. For the Water fund, as part of an adopted long-term rate setting plan, the Town has reduced the working capital in the Water Fund to 180 days of operating costs. Rate increases to cover the cost of operations and related debt service are in place for several years and reviewed annually against actual results.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 39.68 and business-type fees for the 2016-2017 fiscal year. The 39.68 mill rate represents an increase of .28 mills (.71%) from the previous year. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery.

The Town also sees continued difficulty in matching annual Grand List increases with salary increases that are directly or indirectly affected by binding arbitration. Along with this salary structural difficulty is the inability to fund continued double digit or high single digit annual increases in employee health benefits. Also, accounting requirements are now in effect that require the Town to have a plan to fund future post-employment benefits incrementally over time; this will present a significant challenge to the Town in the years to come.

The most immediate challenge faced by the Town is the budgetary instability occurring at the State level. The Town receives \$37 million of grants in and from the State or approximately 20% of the General Fund budget. As the budgetary difficulties of the State force the review of the State's commitment to municipalities, a drastically reduced level of support from the State will prove difficult to overcome without drastic tax increases or service reductions.

Overall, financial results were as planned for the 2016 fiscal year. Over the previous years, the Town had strengthened its position by continuing to add to General Fund balance each year. The resulting relatively strong fund balance position is assisting the Town in addressing issues created by the current unfavorable economic climate. The current statewide and national economic down-turns have resulted in lower investment returns, as well as decreases in state and federal funding. In particular, the State of Connecticut's 2016/17 budget and beyond may include significant reductions in funding to municipalities, as the State attempts to manage its budget deficit. The Town's management and elected officials will have to work together to devise strategies to mitigate the impacts of the national and state economy on the Town's financial position.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Manchester, 494 Main Street, Manchester, Connecticut 06040.

DRAFT

Basic Financial Statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2016
(In Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 63,056	\$ 37,484	\$ 100,540
Investments	18,733	16,188	34,921
Receivables, net	19,378	5,200	24,578
Due from special services district	2		2
Due from fiduciary funds	2,612		2,612
Inventories	63	783	846
Prepaid items	135	8	143
Net pension asset	4,642		4,642
Capital assets:			
Assets not being depreciated	21,867	4,389	26,256
Assets being depreciated, net	165,989	73,661	239,650
Total assets	<u>296,477</u>	<u>137,713</u>	<u>434,190</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	1,631	165	1,796
Changes of assumptions	2,743	277	3,020
Net difference between projected and actual earnings on pension plan investments	13,783	1,343	15,126
Change in employer proportional share	128		128
Contributions made after measurement date	1,169		1,169
Deferred charge on refunding	2,317		2,317
Total deferred outflows of resources	<u>21,771</u>	<u>1,785</u>	<u>23,556</u>
Liabilities:			
Accounts and other payables	10,434	1,449	11,883
Accrued liabilities	2,372	73	2,445
Bond anticipation notes		17,132	17,132
Clean water fund loans		36,838	36,838
Unearned revenue	5,436	747	6,183
Noncurrent liabilities:			
Due within one year	16,889	386	17,275
Due in more than one year	200,690	22,612	223,302
Total liabilities	<u>235,821</u>	<u>79,237</u>	<u>315,058</u>
Deferred Inflows of Resources:			
Advance property tax collections	<u>8,269</u>		<u>8,269</u>
Net Position:			
Net investment in capital assets	89,755	24,080	113,835
Restricted for:			
Trust purposes:			
Expendable	2,485		2,485
Nonexpendable			-
Unrestricted	<u>(18,082)</u>	<u>36,181</u>	<u>18,099</u>
Total Net Position	<u>\$ 74,158</u>	<u>\$ 60,261</u>	<u>\$ 134,419</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

					Net (Expense) Revenue And Changes In Net Position		
Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 10,809	\$ 1,277	\$ 810	\$ 581	\$ (8,141)	\$	\$ (8,141)
Public safety	43,086	1,990	1,507		(39,589)		(39,589)
Public works	20,310	1,515	678	37	(18,080)		(18,080)
Leisure services	7,314	603	512	83	(6,116)		(6,116)
Human services	4,934	87	836		(4,011)		(4,011)
Education	148,446	2,633	59,740	528	(85,545)		(85,545)
Interest on long-term debt	3,231				(3,231)		(3,231)
Total governmental activities	<u>238,130</u>	<u>8,105</u>	<u>64,083</u>	<u>1,229</u>	<u>(164,713)</u>	<u>-</u>	<u>(164,713)</u>
Business-type activities:							
Water	7,439	9,000				1,561	1,561
Sewer	7,824	8,418		1,066		1,660	1,660
Sanitation	6,220	10,502				4,282	4,282
Total business-type activities	<u>21,483</u>	<u>27,920</u>	<u>-</u>	<u>1,066</u>	<u>-</u>	<u>7,503</u>	<u>7,503</u>
Total primary governmental activities	<u>\$ 259,613</u>	<u>\$ 36,025</u>	<u>\$ 64,083</u>	<u>\$ 2,295</u>	<u>(164,713)</u>	<u>7,503</u>	<u>(157,210)</u>
General revenues:							
Property taxes					150,594		150,594
Grants and contributions not restricted to specific programs					3,705		3,705
Unrestricted investment earnings					567	529	1,096
Miscellaneous					124	(154)	(30)
Transfers					1,333	(1,333)	
Total general revenues and transfers					<u>156,323</u>	<u>(958)</u>	<u>155,365</u>
Change in Net Position					(8,390)	6,545	(1,845)
Net Position at Beginning of Year, as restated					<u>82,548</u>	<u>53,716</u>	<u>136,264</u>
Net Position at End of Year					<u>\$ 74,158</u>	<u>\$ 60,261</u>	<u>\$ 134,419</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(In Thousands)

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 9,136	\$ 1,258	\$ 16,430	\$ 5,827	\$ 32,651
Investments	6,697			5,171	11,868
Receivables, net	4,985	595	9,533	1,883	16,996
Due from special services district	2				2
Inventories				63	63
Interfund receivables	21,266				21,266
Other assets	22			1	23
Total Assets	<u>\$ 42,108</u>	<u>\$ 1,853</u>	<u>\$ 25,963</u>	<u>\$ 12,945</u>	<u>\$ 82,869</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 2,984	\$ 141	\$ 5,303	\$ 364	\$ 8,792
Accrued liabilities	2,337	28		7	2,372
Intergovernmental payables	52				52
Interfund payables			14,940	341	15,281
Unearned revenue	36		3,659	1,741	5,436
Total liabilities	<u>5,409</u>	<u>169</u>	<u>23,902</u>	<u>2,453</u>	<u>31,933</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	4,424				4,424
Unavailable revenue - loans receivable				24	24
Advance property tax collections	8,269				8,269
Total deferred inflows of resources	<u>12,693</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>12,717</u>
Fund Balances:					
Nonspendable	22			63	85
Restricted	910			8,429	9,339
Committed	2	1,609	2,061	1,976	5,648
Assigned	1,180	75			1,255
Unassigned	21,892				21,892
Total fund balances	<u>24,006</u>	<u>1,684</u>	<u>2,061</u>	<u>10,468</u>	<u>38,219</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 42,108</u>	<u>\$ 1,853</u>	<u>\$ 25,963</u>	<u>\$ 12,945</u>	<u>\$ 82,869</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016
(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are
different because of the following:

Fund balances - total governmental funds	\$ 38,219
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 335,333	
Less accumulated depreciation	<u>(147,866)</u>	
Net capital assets		187,467

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	3,521
Interest receivable on property taxes	903
Net pension asset	4,642
Housing rehabilitation loans	24
Deferred outflows related to pension investment experience	1,631
Deferred outflows related to changes of pension assumptions	2,743
Deferred outflows related to difference in projected and actual earnings on pension plan investments	13,783
Deferred outflows from changes in the employer's proportional share	128
Deferred outflows related to contributions made after the valuation date	1,169

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net position.

26,482

Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Net OPEB obligation	(37,234)
Net pension liability	(57,040)
Bonds and notes payable	(92,090)
Bond premiums	(8,328)
Interest payable on bonds and notes	(1,477)
Compensated absences	(12,702)
Deferred charge on refunding	<u>2,317</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 74,158</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 138,988	\$ 12,392	\$ 27	\$	\$ 151,407
Intergovernmental	47,039		1,013	19,459	67,511
Investment earnings	352	8	8	147	515
Investment gains (losses)				(258)	(258)
Licenses, permits and fines	2,514				2,514
Charges for goods and services	1,876	791	64	2,657	5,388
Other	213	3	178	1,363	1,757
Total revenues	<u>190,982</u>	<u>13,194</u>	<u>1,290</u>	<u>23,368</u>	<u>228,834</u>
Expenditures:					
Current:					
General government	5,650		10	141	5,801
Public works	13,042			190	13,232
Public safety	19,099	13,566		1,992	34,657
Human services	2,894			1,687	4,581
Leisure services	5,694			696	6,390
Employee benefits	2,845				2,845
Education	122,400			18,128	140,528
Internal service fund charges	2,613				2,613
Other	207	431		8	646
Debt service	10,272	153	329		10,754
Capital outlay		155	11,825	338	12,318
Total expenditures	<u>184,716</u>	<u>14,305</u>	<u>12,164</u>	<u>23,180</u>	<u>234,365</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,266</u>	<u>(1,111)</u>	<u>(10,874)</u>	<u>188</u>	<u>(5,531)</u>
Other Financing Sources (Uses):					
Transfers in	1,569	2,166	3,249	287	7,271
Transfers out	(4,524)	(1,406)		(8)	(5,938)
Issuance of debt			17,190		17,190
Issuance of bond refunding	27,680				27,680
Premium on bond refunding	4,491				4,491
Payments to escrow agents	(32,087)				(32,087)
Bond premium			2,003		2,003
Total other financing sources (uses)	<u>(2,871)</u>	<u>760</u>	<u>22,442</u>	<u>279</u>	<u>20,610</u>
Net Change in Fund Balances	3,395	(351)	11,568	467	15,079
Fund Balances at Beginning of Year	<u>20,611</u>	<u>2,035</u>	<u>(9,507)</u>	<u>10,001</u>	<u>23,140</u>
Fund Balances at End of Year	<u>\$ 24,006</u>	<u>\$ 1,684</u>	<u>\$ 2,061</u>	<u>\$ 10,468</u>	<u>\$ 38,219</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 15,079
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	9,364
Depreciation expense	(10,527)

The statement of activities reports losses arising from the disposal of existing capital assets.

Conversely, governmental funds do not report any gain or loss on disposal of capital assets. This amount represents the disposal of capital assets.

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(812)
Housing loan repayment	24
Net pension asset	(822)
Change in deferred outflows related to pension investment experience	876
Change in deferred outflows related to changes of pension assumptions	1,286
Change in deferred outflows related to difference in projected and actual earnings on pension plan investments	9,192
Change in deferred outflows from changes in the employer's proportional share	128
Changes in deferred outflows related to contributions made after the valuation date	(30)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	5,568
Issuance of bonds and notes	(17,190)
Bond premium	(2,003)
Deferred charges on refunding	2,122
Refunding bonds issued	(27,680)
Payments to bond refunding agent	32,087
Premium on refunding	(4,491)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	277
Accrued interest	(439)
Amortization of deferred charge on refunding	(220)
Amortization of bond premiums	489
Net OPEB expense	(6,479)
Change in net pension liability	(15,864)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

1,752

Change in Net Position of Governmental Activities (Exhibit II)

\$ (8,390)

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016
(In Thousands)

	Business-Type Activities					Total Business-Type Activities	Governmental Activities Internal Service Fund
	Water	Sewer	Operations	Sanitation Fund Landfill Closure	Total		
Assets:							
Current assets:							
Cash and cash equivalents	\$ 4,914	\$ 9,983	\$ 20,794	\$ 1,793	\$ 22,587	\$ 37,484	\$ 30,404
Investments				16,188	16,188	16,188	6,864
Receivables, net	2,083	2,362	674		674	5,119	2,380
Assessment receivable		81			-	81	
Inventories	665	118			-	783	
Interfund receivable					-	-	
Prepaid expenses	4	4			-	8	113
Total current assets	7,666	12,548	21,468	17,981	39,449	59,663	39,761
Noncurrent assets:							
Capital assets, net	19,953	56,399	1,698		1,698	78,050	389
Total assets	27,619	68,947	23,166	17,981	41,147	137,713	40,150
Deferred outflows of resources:							
Difference between expected and actual experience	107	43	15		15	165	-
Changes in assumptions	180	72	25		25	277	-
Net difference between projected and actual earnings on pension plan investments	875	348	120		120	1,343	-
Total deferred outflows of resources	1,162	463	160	-	160	1,785	-
Liabilities:							
Current liabilities:							
Accounts and other payables	461	359	629		629	1,449	110
Accrued liabilities	39	27	7		7	73	
Interfund payables					-	-	3,373
Claims payable					-	-	4,732
Unearned revenue		81	17		17	98	
Customer deposits		280	369		369	649	
Bond anticipation notes	13,034	4,098			-	17,132	
Clean water fund notes	74	36,764			-	36,838	
Compensated absences	188	161	37		37	386	104
Total current liabilities	13,796	41,770	1,059	-	1,059	56,625	8,319
Noncurrent liabilities:							
Accrued liabilities				16,037	16,037	16,037	
Compensated absences	388	330	104		104	822	229
Claims payable					-	-	5,120
Net pension liability	3,747	1,493	513		513	5,753	
Total noncurrent liabilities	4,135	1,823	617	16,037	16,654	22,612	5,349
Total liabilities	17,931	43,593	1,676	16,037	17,713	79,237	13,668
Net Position:							
Net investment in capital assets	6,845	15,537	1,698		1,698	24,080	389
Unrestricted	4,005	10,280	19,952	1,944	21,896	36,181	26,093
Total Net Position	\$ 10,850	\$ 25,817	\$ 21,650	\$ 1,944	\$ 23,594	\$ 60,261	\$ 26,482

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Business-Type Activities					Total Business-Type Activities	Governmental Activities Internal Service Fund
	Sanitation Fund						
	Water	Sewer	Operations	Closure	Total		
Operating Revenues:							
Charges for services	\$ 9,000	\$ 8,418	\$ 10,502	\$ -	\$ 10,502	\$ 27,920	\$ 33,037
Intergovernmental revenue					-	-	
Other	8	180	132		132	320	55
Total operating revenues	9,008	8,598	10,634	-	10,634	28,240	33,092
Operating Expenses:							
Administrative	729	667	681	35	716	2,112	
General operating	4,616	4,097	5,260		5,260	13,973	3,193
Claims expense					-	-	28,284
Depreciation	1,684	2,878	191		191	4,753	173
Pension expense	410	182	53		53	645	
Total operating expenses	7,439	7,824	6,185	35	6,220	21,483	31,650
Operating Income (Loss)	1,569	774	4,449	(35)	4,414	6,757	1,442
Nonoperating Revenue (Expense):							
Gain (loss) on disposal of capital			(19)		(19)	(19)	
Income on investments	8	17	43	649	692	717	310
Interest expense	(127)	(61)			-	(188)	
Change in estimate for closure/ post closure costs				(787)	(787)	(787)	
Premiums on debt issuance						-	
Premiums on debt issuance	255	77			-	332	
Total nonoperating revenues (expenses)	136	33	24	(138)	(114)	55	310
Income (Loss) Before Capital Grants and Transfers	1,705	807	4,473	(173)	4,300	6,812	1,752
Capital Grants		1,066			-	1,066	
Transfers In	50				-	50	
Transfers Out	(691)	(585)	(107)		(107)	(1,383)	
Change in Net Position	1,064	1,288	4,366	(173)	4,193	6,545	1,752
Net Position at Beginning of Year	9,786	24,529	17,284	2,117	19,401	53,716	24,730
Net Position at End of Year	\$ 10,850	\$ 25,817	\$ 21,650	\$ 1,944	\$ 23,594	\$ 60,261	\$ 26,482

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Business-Type Activities					Total Business-Type Activities	Governmental Activities Internal Service Fund
	Water	Sewer	Operations	Sanitation Fund Landfill Closure	Total		
Cash Flows from Operating Activities:							
Cash received from customers and users	\$ 9,026	\$ 8,794	\$ 10,615	\$ -	\$ 10,615	\$ 28,435	\$ 30,549
Cash received from insurance proceeds					-	-	55
Other operating receipts	8	180	132		132	320	
Cash deposits returned to customers		(12)	6		6	(6)	
Cash paid to suppliers for goods and services	(2,296)	(3,439)	(4,424)	(35)	(4,459)	(10,194)	468
Cash paid for interfund services provided	(220)	(174)	(320)		(320)	(714)	
Cash paid to employees	(3,216)	(2,741)	(1,258)		(1,258)	(7,215)	(1,496)
Cash paid for insurance claims and premiums					-	-	(28,388)
Net cash provided by (used in) operating activities	3,302	2,608	4,751	(35)	4,716	10,626	1,188
Cash Flows from Noncapital Financing Activities:							
Transfers in	50				-	50	
Transfers out	(691)	(585)	(107)		(107)	(1,383)	
Net cash provided by (used in) noncapital financing activities	(641)	(585)	(107)	-	(107)	(1,333)	-
Cash Flows from Capital and Related Financing Activities:							
Principal payment - long-term obligations	(3)				-	(3)	
Principal payment - bond anticipation notes	(27,808)	(8,533)			-	(36,341)	
Interest paid	(127)	(61)			-	(188)	
Debt issuance costs	(8)				-	(8)	
Purchase of capital assets and construction	(393)	(618)	(114)		(114)	(1,125)	
Proceeds from bond anticipation notes	26,068	8,196			-	34,264	
Proceeds from clean water fund notes		2,073			-	2,073	
Premium on bond anticipation note sale	263	77			-	340	
Capital grants		1,066			-	1,066	
Net cash provided by (used in) capital and related financing activities	(2,008)	2,200	(114)	-	(114)	78	-
Cash Flows from Investing Activities:							
Interest received	8	17	43	649	692	717	310
Proceeds from sale of investments				1,828	1,828	1,828	32
Purchase of investments				(649)	(649)	(649)	
Net cash provided by (used in) investing activities	8	17	43	1,828	1,871	1,896	342
Net Increase (Decrease) in Cash and Cash Equivalents	661	4,240	4,573	1,793	6,366	11,267	1,530
Cash and Cash Equivalents at Beginning of Year	4,253	5,743	16,221	-	16,221	26,217	28,874
Cash and Cash Equivalents at End of Year	\$ 4,914	\$ 9,983	\$ 20,794	\$ 1,793	\$ 22,587	\$ 37,484	\$ 30,404
Reconciliation of Operating Income (Loss) to Net Cash							
Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ 1,569	\$ 774	\$ 4,449	\$ (35)	\$ 4,414	\$ 6,757	\$ 1,442
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	1,684	2,878	191		191	4,753	173
Change in asset and liabilities:							
(Increase) decrease in accounts receivable	26	376	113		113	515	(2,488)
(Increase) decrease in inventory and prepaid items	(8)	112			-	104	
(Increase) decrease in interfunds receivable							(73)
(Increase) decrease in deferred outflows of resources	(655)	(266)	(90)		(90)	(1,011)	
Increase (decrease) in accounts payable	(178)	(1,633)	1		1	(1,810)	(109)
Increase (decrease) in accrued expenses	(126)	(35)	3		3	(158)	2,347
Increase (decrease) in customer deposits		(12)	6		6	(6)	
Increase (decrease) in compensated absences payable	(73)	(35)	(65)		(65)	(173)	
Increase (decrease) in claims payable					-	-	(104)
Increase (decrease) in net pension liability	1,063	449	143		143	1,655	
Total adjustments	1,733	1,834	302		302	3,869	(254)
Net Cash Provided by (Used in) Operating Activities	\$ 3,302	\$ 2,608	\$ 4,751	\$ (35)	\$ 4,716	\$ 10,626	\$ 1,188

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 1,350	\$ 1,165
Investments	150,100	
Accounts receivable	125	
Total assets	151,575	\$ 1,165
Liabilities:		
Accounts and other payables		
Interfund payable	2,612	
Deposits held for others		\$ 1,165
Total liabilities	2,612	\$ 1,165
Net Position:		
Restricted for OPEB Benefits	(1,339)	
Restricted for Pension Benefits	150,302	
Total Net Position	\$ 148,963	

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Pension and Other Employee Trust Funds
Additions:	
Contributions:	
Employer	\$ 14,500
Plan members	2,860
Total contributions	<u>17,360</u>
Investment income:	
Net change in fair value of investments	(3,803)
Interest and dividends	1,987
Income from real estate investments	462
Total investment income	<u>(1,354)</u>
Total additions	<u>16,006</u>
Deductions:	
Benefits	22,973
Administration	491
Total deductions	<u>23,464</u>
Change in Net Position	(7,458)
Net Position at Beginning of Year	<u>156,421</u>
Net Position at End of Year	<u>\$ 148,963</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Manchester, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town operates under the provisions of its Charter and the General Statutes of the State of Connecticut. The Town was incorporated in May of 1823. Its legal authority is derived from a charter granted in 1947 that has subsequently been revised, most recently in 2008. The Town operates under a council-manager form of government. Services provided include water, sewer, refuse removal, parks and recreation, police and fire, education, planning and zoning, community development and human services.

The Town is a political subdivision of the State of Connecticut. It is governed by an elected board of nine directors. As required by accounting principles generally accepted in the United States of America, these financial statements present all activities of the Town.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Amounts Expressed in Thousands)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Fire District fund accounts for the financial activity of the South Manchester Fire District. The major source of revenue for this fund is tax collections.

The Capital Projects Fund accounts for the major capital improvement projects, which are primarily funded by bond authorizations and capital grants along with Town contributions. The major source of revenue for this fund is governmental grants.

The Town reports the following major proprietary funds:

The Water Fund accounts for the Town-owned water supply system.

The Sewer Fund controls the financial activity of the sanitary sewer system.

The Sanitation Fund accounts for the Town-owned sanitary landfill.

Additionally, the Town reports the following fund types:

The internal service funds:

The Information Systems Fund accounts for the financial operations of the central information systems facility.

The Manchester Self-Insurance Program (MSIP) accounts for the costs associated with the Town's risk management system.

The Town of Manchester Medical Insurance Fund (TOMMIF) accounts for the Town's self-insured employee health benefit program.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

Trust Funds:

The Pension and Other Employee Benefit Trust Funds account for the activities of the Public Employees' Retirement System, which accumulates resources for pension benefit payments to qualified Town employees and the activities of the Other Postemployment Benefits (OPEB) Trust, as required by GASB Statement 45, to irrevocably segregate assets to fund the liability associated with postemployment benefits.

Agency Funds - The Town maintains five agency funds for senior center activities, student activities, maintenance bonds, redevelopment agency and plan deposits.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds, and of the Town's internal service funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3 and Note 4.

Investments for the Town are reported at fair value.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. An amount of \$881 has been established as an allowance for uncollectible taxes.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate taxes are billed on July 1 and, if over \$400 (amount not rounded), are payable in semiannual installments on July 1 and January 1. Personal property taxes are billed on July 1 and, if over \$400 (amount not rounded), payable in two equal installments on July 1 and January 1. Motor vehicle taxes are billed and due July 1 and motor vehicle supplement taxes are billed and due January 1. Certificates of continuing lien are filed against the real estate represented by delinquent real estate taxes within the year in which the tax is due. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month. Delinquent taxes receivable at June 30 in the funds statements are recorded as deferred revenue to the extent that they have not been collected within 60 days, since they are not considered to be available to liquidate liabilities of the current year.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets acquired after July 1, 2001 (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Buildings improvements	20
Improvements other than building	20
Vehicles	6-15
Office equipment	10-15
Computer equipment	7
Infrastructure	12-70

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs, change in the employer's proportional share of contributions or contributions made to the plan after the measurement date. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. The Town also reports deferred inflows of resources related to pensions in the government-wide statement of net position. Advance property tax collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Employees earn annual leave or vacation time according to the terms of the union contract that applies to them. Such amounts are liquidated within the functional cost area in which the employee's payroll is paid. Annual leave must be used prior to the end of the year in which it is earned, unless the General Manager authorizes an extension. Vacation leave earned in any year must be used prior to the end of the year following the year that it is earned, unless the General Manager authorizes an extension. Upon termination or retirement, an employee may be reimbursed for accumulated but unused annual leave or vacation time depending on the union contract and date of hire.

Town and Board of Education employees are paid by a prescribed formula set forth in their collective bargaining agreements for sick leave. Unused sick leave accumulates and employees vest in their unused days when they reach qualifications for retirement. If an employee retires, unused accumulated sick leave is paid to them based on the specifications in their respective collective bargaining agreements.

Annual leave, vacation and sick pay are accrued when incurred in proprietary funds and reported as a fund liability. Annual leave, vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the governmental fund that will pay it. Amounts not expected to be paid with expendable available financial resources are not reported in governmental funds. No expenditure is reported for these amounts.

Liabilities for compensated absences, including the current portion, are reported in the government-wide statement of net position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Net Pension Liability and Asset

The net pension liability and asset are measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of prepared its statement of fiduciary net position. The net pension liability and asset are measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

K. Net OPEB Obligation

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the Town's contributions to the plan. This amount is calculated on an actuarial basis and is recorded as a noncurrent liability in the government-wide financial statements.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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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 financing sources. Premiums received on debt issuances are reported as other financing 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.

M. Fund Equity

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted because of externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Board of Directors). The Board of Directors can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (The adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by the Board of Directors. The Board of Directors has authorized the finance director to assign fund balance via the approval of encumbrances. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues expenditures during the fiscal year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adopts an annual operating budget for the following funds:

General Fund

Special Revenue Funds

Special Taxing District - Fire

Enterprise Funds

Water Fund

Sewer Fund

Sanitation Fund

Internal Service Funds

Information Systems Fund

The Town's procedures in establishing budgetary data included in the financial statements are as follows:

- (1) No later than March 13, the General Manager prepares and submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The legal level of control for the budget is represented by the following categories: general government, public works, public safety, human services, leisure services, employee benefits, education, debt service, other and interfund transfers (including payments to internal service funds).
- (2) No later than March 23, a public hearing is conducted by the Board of Directors to obtain taxpayer comments.
- (3) No later than April 16, the budget must be adopted by the Board of Directors. If the Board fails to adopt the budget, the tentative budget submitted by the General Manager is deemed to be adopted.
- (4) The Charter provides for a budget referendum by petition. If a petition to reject the budget is signed by at least 7% of registered voters, and filed with and certified by the Town Clerk within ten days of budget adoption, a budget referendum is to be held. If the budget adopted by the Board of Directors is rejected at the referendum, the Board of Directors must adopt a revised budget. Only one budget referendum may be held per year and the revised budget adopted by the Board of Directors takes effect on July 1.

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- (5) The General Manager is authorized to transfer budgeted amounts within appropriations for each category noted above; however, any transfer between appropriations for these categories or additional appropriations must be approved by the Board of Directors. Additional appropriations of \$460 were approved during the year for the General Fund with an increase in estimated revenues of \$460. Formal budgetary integration is employed as a management control device during the year.
- (6) Except for encumbrance accounting, all budgets are prepared on the modified accrual basis.
- (7) Generally, the unexpended and unencumbered portion of appropriations lapse at year end, except those of the capital projects funds. Appropriations for the foregoing are continued until completion of the project, even when projects extend beyond one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are included in either restricted, committed or assigned fund balance depending on the level of restriction and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity and Accumulated Deficits

The Retiree Health Care Trust Fund, a non-major fiduciary governmental fund had a fund deficit of \$1,339 at June 30, 2016. The Retiree Health Care Trust fund balance deficit will be funded with increased support from the Town of Manchester Medical Insurance Fund.

3. CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

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Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$20,800 of the Town's bank balance of \$40,031 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	18,595
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name		<u>2,205</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>20,800</u></u>

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2016, the Town's cash equivalents amounted to \$69,566. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard & Poor's</u>	<u>Not Rated</u>
State Short-Term Investment Fund (STIF)	AAAm	
Secured Municipal Account (SMA)		X

4. INVESTMENTS

Investments as of June 30, 2016 in all funds are as follows:

	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:				
Certificate of deposit*	\$ 914	\$	914	\$
U.S. Government Securities	2,468		2,012	456
U.S. Government Agencies	12,718	1,422	11,261	35
Corporate Bonds	8,257	<u>\$ 2,315</u>	<u>\$ 5,582</u>	<u>\$ 360</u>
Other investments:				
Mutual Funds	135,035			
Common Stock	6,313			
Alternative Investments	<u>19,316</u>			
Total Investments	<u>\$ 185,021</u>			

* Subject to coverage by Federal Depository Insurance and Collateralization

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Presented below is the rating of investments for each debt investment type:

<u>Average Rating</u>	<u>Corporate Bonds</u>	<u>U.S. Government Securities</u>	<u>U.S. Government Agencies</u>	<u>Certificate of Deposit</u>
AAA	\$ 20	\$	\$ 347	\$
AA+	164	863	3,704	
AA			2,467	
AA-	67		3,465	
A+	59			
A	229			
A-	277			
BBB+	575			
BBB	77			
BB+	92			
Not Rated	<u>6,697</u>	<u>1,605</u>	<u>2,735</u>	<u>914</u>
	<u>\$ 8,257</u>	<u>\$ 2,468</u>	<u>\$ 12,718</u>	<u>\$ 914</u>

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Debt Securities				
U.S. Government Securities	\$ 2,468	\$	\$ 2,468	\$
U.S. Government Agencies	12,718	12,683	35	
Corporate Bonds	8,257		8,257	
Equity Securities				
Mutual Funds	135,035	93,279	41,756	
Common Stock	6,313	5,998	315	
Alternative Investments	<u>19,316</u>		<u>11,150</u>	<u>8,166</u>
Total investments by fair value level	184,107	<u>\$ 111,960</u>	<u>\$ 63,981</u>	<u>\$ 8,166</u>
Investments not recorded at fair value:				
Certificates of Deposit	<u>914</u>			
Total investments	<u>\$ 185,021</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Alternative equity investments classified in Level 3 are valued using either a discounted cash flow or market comparable companies technique.

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Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Town does not have an investment policy that limits an investment in any one issuer in excess of five percent of the Town's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2016, the Town's investments, other than open-end mutual funds and other pooled accounts that are not categorized as to custodial credit risk, were uninsured and unregistered securities held by the counterparty, or by its trust department or agent, and were not in the Town's name.

The Town's investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer's Short-Term Investment Fund (STIF) and Cutwater Asset Management - Connecticut CLASS Plus Investment. The value of the position in the pools is the same as the value of the pool shares. Regulatory oversight for the State Treasurer's STIF is provided quarterly by the Investment Advisory Council and the Treasurer's Cash Management Board. Regulatory oversight for Cutwater Asset Management - Connecticut CLASS Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities.

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5. RECEIVABLES

Receivables as of year-end for the Town's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Taxes	\$ 4,867	\$	\$	\$	\$	\$	\$	\$ 4,867
Interest	903							903
Accounts	65	595		2,083	2,362	674	2,704	8,483
Intergovernmental	31		9,533		81		1,517	11,162
Loans							42	42
Pension contribution							125	125
Gross receivables	<u>5,866</u>	<u>595</u>	<u>9,533</u>	<u>2,083</u>	<u>2,443</u>	<u>674</u>	<u>4,388</u>	<u>25,582</u>
Less allowance for uncollectibles	<u>(881)</u>							<u>(881)</u>
Net Total Receivables	<u>\$ 4,985</u>	<u>\$ 595</u>	<u>\$ 9,533</u>	<u>\$ 2,083</u>	<u>\$ 2,443</u>	<u>\$ 674</u>	<u>\$ 4,388</u>	<u>\$ 24,701</u>

Revenues of the water, sewer and sanitation funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to:	
Water	\$ 303
Sewer	341
Sanitation	<u>75</u>
Total Uncollectibles of the Current Fiscal Year	<u>\$ 719</u>

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6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 14,998	\$ 1,192	\$ -	\$ -	\$ 16,190
Construction in progress	5,468	3,506	-	(3,297)	5,677
Total capital assets not being depreciated	<u>20,466</u>	<u>4,698</u>	<u>-</u>	<u>(3,297)</u>	<u>21,867</u>
Capital assets being depreciated:					
Buildings and improvements	165,367	976	(71)	3,237	169,509
Improvements other than buildings	6,310	379	(48)	27	6,668
Machinery and equipment	27,660	1,584	(697)	33	28,580
Infrastructure	111,026	1,778	(358)	-	112,446
Total capital assets being depreciated	<u>310,363</u>	<u>4,717</u>	<u>(1,174)</u>	<u>3,297</u>	<u>317,203</u>
Less accumulated depreciation for:					
Buildings and improvements	(73,747)	(6,010)	58	-	(79,699)
Improvements other than buildings	(3,428)	(208)	48	-	(3,588)
Machinery and equipment	(19,199)	(1,789)	639	-	(20,349)
Infrastructure	(45,186)	(2,693)	301	-	(47,578)
Total accumulated depreciation	<u>(141,560)</u>	<u>(10,700)</u>	<u>1,046</u>	<u>-</u>	<u>(151,214)</u>
Total capital assets being depreciated, net	<u>168,803</u>	<u>(5,983)</u>	<u>(128)</u>	<u>3,297</u>	<u>165,989</u>
Governmental Activities Capital Assets, Net	<u>\$ 189,269</u>	<u>\$ (1,285)</u>	<u>\$ (128)</u>	<u>\$ -</u>	<u>\$ 187,856</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,171	\$ -	\$ -	\$ -	\$ 1,171
Construction in progress	2,817	401	-	-	3,218
Total capital assets not being depreciated	<u>3,988</u>	<u>401</u>	<u>-</u>	<u>-</u>	<u>4,389</u>
Capital assets being depreciated:					
Buildings and improvements	75,922	360	-	-	76,282
Improvements other than buildings	1,430	-	-	-	1,430
Machinery and equipment	47,920	161	(245)	-	47,836
Infrastructure	-	203	-	-	203
Total capital assets being depreciated	<u>125,272</u>	<u>724</u>	<u>(245)</u>	<u>-</u>	<u>125,751</u>
Less accumulated depreciation for:					
Buildings and improvements	(12,079)	(3,473)	-	-	(15,552)
Improvements other than buildings	(699)	(43)	-	-	(742)
Machinery and equipment	(34,784)	(1,235)	225	-	(35,794)
Infrastructure	-	(2)	-	-	(2)
Total accumulated depreciation	<u>(47,562)</u>	<u>(4,753)</u>	<u>225</u>	<u>-</u>	<u>(52,090)</u>
Total capital assets being depreciated, net	<u>77,710</u>	<u>(4,029)</u>	<u>(20)</u>	<u>-</u>	<u>73,661</u>
Business-Type Activities Capital Assets, Net	<u>\$ 81,698</u>	<u>\$ (3,628)</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ 78,050</u>

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 395
Public works	3,358
Public safety	810
Human services	100
Recreation	166
Library	67
Education	5,804
Total Depreciation Expense - Governmental Activities	<u>\$ 10,700</u>
Business-type activities:	
Water	\$ 1,684
Sewer	2,878
Sanitation	191
Total Depreciation Expense - Business-type Activities	<u>\$ 4,753</u>

Construction Commitments

The Town has active construction projects as of June 30, 2016. The projects include renovations to School Facilities, and various public works and bond referendum projects.

The following is a summary of significant capital projects at June 30, 2016:

<u>Project</u>	<u>Authorized Amount</u>	<u>Expended and Encumbered</u>	<u>Unencumbered Balance</u>
2007 Bond Referendum	\$ 6,235	\$ 6,164	\$ 71
Broad Street Redevelopment	11,000	9,937	1,063
2011 Public Works Projects	12,000	11,560	440
2013 Bond Referendum	10,937	8,466	2,471
School Security	2,800	2,766	34
2014 School Bond	84,226	5,487	78,739
2015 Bond Referendum	12,000	3,773	8,227
Total	<u>\$ 139,198</u>	<u>\$ 48,153</u>	<u>\$ 91,045</u>

The following capital projects are being financed by a combination of state and federal grants and general obligation bonds: 2011 Public Works Projects, 2007 Bond Referendum, 2014 School Bond, and 2013 Bond Referendum and 2015 Bond Referendum. School Security is being financed by state and federal grants and local matching. Capital projects financed by general obligation bonds include Broad Street Redevelopment.

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7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 14,940
	Internal Service Funds	3,373
	Trust Funds	2,612
	Nonmajor Governmental Funds	341
		<u>\$ 21,266</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement-type transactions.

Interfund transfers:

	<u>Transfers In</u>						<u>Total Transfers Out</u>
	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water</u>	<u>Sewer</u>	
Transfers:							
General Fund	\$	\$ 2,166	\$ 2,071	\$ 287	\$	\$	\$ 4,524
Fire District	236		1,170				1,406
Nonmajor Governmental			8				8
Water	691						691
Sewer	535				50		585
Sanitation	107						107
Total Transfers In	<u>\$ 1,569</u>	<u>\$ 2,166</u>	<u>\$ 3,249</u>	<u>\$ 287</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 7,321</u>

General Fund transfers are made in accordance with budget appropriations and authorized allocation transfers. The General Fund transfers to other funds are primarily for the purpose of establishing local funding for capital projects to reduce bonding. Transfers are used to move unrestricted general fund revenues to fund various programs that must be accounted for separately in accordance with budgetary authorizations.

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8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 84,875	\$ 44,870	\$ (37,655)	\$ 92,090	\$ 7,875
Less deferred amounts for issuance premiums	<u>2,323</u>	<u>6,494</u>	<u>(489)</u>	<u>8,328</u>	
Total bonds payable	<u>87,198</u>	<u>51,364</u>	<u>(38,144)</u>	<u>100,418</u>	<u>7,875</u>
Other liabilities:					
Claims and judgments	9,956	24,416	(24,520)	9,852	4,732
Compensated absences	13,312	139	(416)	13,035	4,282
Net pension liability	41,176	15,864		57,040	
Net OPEB obligation	<u>30,755</u>	<u>6,479</u>		<u>37,234</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 182,397</u>	<u>\$ 98,262</u>	<u>\$ (63,080)</u>	<u>\$ 217,579</u>	<u>\$ 16,889</u>
Business-type activities:					
Landfill	\$ 15,250	787		\$ 16,037	\$
Compensated absences	1,381	5	(178)	1,208	386
Net pension liability	<u>4,098</u>	<u>1,655</u>		<u>5,753</u>	
Business-Type Activities Long-Term Liabilities	<u>\$ 20,729</u>	<u>\$ 2,447</u>	<u>\$ (178)</u>	<u>\$ 22,998</u>	<u>\$ 386</u>

The liability for the governmental activities compensated absences is liquidated normally by the General Fund at 75%, and the Fire District at 23%. The remaining 2% is liquidated by other governmental funds and the internal service funds.

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Bonds Payable

The annual requirements to amortize bonds payable as of June 30, 2016 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 7,875	\$ 3,593
2018	7,315	3,337
2019	6,810	3,056
2020	6,830	2,754
2021	6,840	2,444
2022-2026	31,320	7,967
2027-2031	18,260	2,418
2032-2036	6,840	490
Total	<u>\$ 92,090</u>	<u>\$ 26,059</u>

Governmental fund bonds bear interest at rates ranging from 2.0% to 5.5% and mature in fiscal years ending 2017 through 2036. These obligations are direct obligations and pledge the full faith and credit of the government and will be paid from General Fund revenues. During the year, general obligation bonds totaling \$12,600 were issued.

General Obligation Bonds - Advance Refunding

On September 22, 2015, the Town issued \$27,680 in general obligation bonds, with an average interest rate of 4.13% to refund outstanding bonds with an average rate of 4.14%. The bonds refunded were as follows: \$1,515 of outstanding 2005 refunding bonds, \$8,800 of outstanding 2007 general obligation bonds and \$19,650 of outstanding 2007 Series B general obligation bonds. The net proceeds of \$32,087 (after payment of issuance costs of \$111) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets. The transaction generated a cash flow savings of \$2,400 and a present value savings of \$1,910.

The Town has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2016, \$29,455 of the defeased debt is outstanding.

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Bond Anticipation Notes

The following is a schedule of bond anticipation note activity for the year ended June 30, 2016:

	Business-Type Activities		
	Water	Sewer	Total
Balance, July 1, 2015	\$ 14,774	\$ 4,435	\$ 19,209
Issued	26,068	8,196	34,264
Retired	(27,808)	(8,533)	(36,341)
Balance, June 30, 2016	<u>\$ 13,034</u>	<u>\$ 4,098</u>	<u>\$ 17,132</u>

The above notes carry an interest rate of 2.000% and mature on February 22, 2017. The business-type activities short-term financing was issued for various water system and quality improvements, water system meters and wastewater treatment system.

Clean Water Fund Loans

The following is a schedule of clean water fund loan activity for the year ended June 30, 2016:

	Business-Type Activities		
	Water	Sewer	Total
Balance, July 1, 2015	\$ 77	\$ 34,691	\$ 34,768
Issued		2,073	2,073
Retired	(3)		(3)
Balance, June 30, 2016	<u>\$ 74</u>	<u>\$ 36,764</u>	<u>\$ 36,838</u>

The Town has entered into a Project Loan and Project Grant Agreement with the State of Connecticut Department of Energy and Environmental Protection under the Clean Water Fund Program. As of June 30, 2016, the Town has obtained interim funding obligations of \$36,838, as described in the table above under the Clean Water Fund Program. Subsequent to the completion of the project, the IFO will be converted to a Project Loan Obligation at 2% interest in an amount not less than the project loans advances paid through the project.

The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 325,440	\$ 63,187	\$ 262,253
Schools	650,880	78,209	572,671
Sewers	542,400	8,198	534,202
Urban renewal	470,080		470,080
Pension deficit	433,920		433,920

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The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$1,012,480. At June 30, 2016, authorized and unissued debt amounted to \$53,406, including several public works projects, school renovations, and the Broad Street redevelopment.

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2016 are as follows:

	Major Special Revenue Funds			Nonmajor Governmental Funds	Total
	General	Fire District	Capital Projects		
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 63	\$ 63
Prepaid expenditures	22				22
Restricted for:					
Unspent grant balances	910			2,730	3,640
Recreation activities				23	23
Libraries				4,651	4,651
Cemeteries				883	883
Education programs				142	142
Committed to:					
Fire district operations		1,609			1,609
Public safety	2				2
Capital projects			2,061		2,061
Police special services				510	510
Recreation activities				75	75
School food service				1,328	1,328
Use of schools				16	16
Emergency employment				35	35
Police department health and welfare				12	12
Assigned to:					
Subsequent year's budget	1,180	75			1,255
Unassigned	21,892				21,892
Total Fund Balances	\$ 24,006	\$ 1,684	\$ 2,061	\$ 10,468	\$ 38,219

Significant encumbrances of \$1,088 and \$73 at June 30, 2016 are contained in the above table in the assigned category of the General Fund and the committed category of the Fire District Fund, respectively.

10. RISK MANAGEMENT

On July 1, 1983, the Town established the Manchester Self-Insurance Program (MSIP) and the Town of Manchester Medical Insurance Fund (TOMMIF) to account for and finance its uninsured risk of loss. TOMMIF provides the payment of administrative costs and claims. MSIP provides for the purchase of insurance and services, and the payment of costs and claims associated with workers' compensation, automobile liability and general liability. These funds are accounted for as Internal Service Funds.

TOMMIF

Effective July 1, 2007, the Town's self-insurance medical insurance plan is administered by CIGNA Healthcare. The fund is obligated to pay medical claims for participants. An aggregate stop loss provision is included in the administrative agreement, which limits the Town's liability to 120% of claims

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payments projected by CIGNA Healthcare. The Town has not exceeded the stop loss provision in any of the past three fiscal years.

MSIP

The Town's self-insured program is administered by a third-party administrator and has a self-insured retention (SIR) of \$500 per occurrence for general liability, auto liability and workers' compensation. The Town purchases excess insurance from commercial carriers to provide coverage in excess of the SIR, and for other risks of loss that are not self-insured risks. The Town has not exceeded the SIR for self-insured risks nor have they exceeded commercial coverage for insured risks in any of the past three fiscal years. All funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amount needed to pay prior and current year claims.

There were no significant reductions in insurance coverage from coverage in the prior year for medical insurance, workers' compensation or liability insurance.

Changes in the balances of claims liabilities during the fiscal years ended June 30, 2016 and 2015, for the TOMMIF and MSIP funds are as follows:

	<u>2015 TOMMIF</u>	<u>2016 TOMMIF</u>	<u>2015 MSIP</u>	<u>2016 MSIP</u>
Unpaid claims, July 1	\$ 1,521	\$ 1,651	\$ 8,437	\$ 8,305
Incurred claims (including IBNR)	23,126	22,926	1,586	1,490
Claim payments	<u>(22,996)</u>	<u>(22,868)</u>	<u>(1,718)</u>	<u>(1,652)</u>
Unpaid Claims, June 30	\$ <u>1,651</u>	\$ <u>1,709</u>	\$ <u>8,305</u>	\$ <u>8,143</u>

The claim reserves reported in both the TOMMIF and MSIP funds are based on the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

11. CONTINGENT LIABILITIES

The Town is a party to various legal proceedings that involve claims against the Town. In those cases where a loss is probable and measurable, a liability has been recorded in the self-insurance fund. It is the opinion of Town management and the Town attorney that the ultimate resolution of remaining litigation will not have a material effect on the financial position of the Town.

12. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with six other municipalities, established the Capital Region East Operating Committee (CREOC) to administer a regional household hazardous waste collection and disposal program. CREOC is comprised of one representative from each participating community with a population of less than 30,000 and two representatives from each participating community with a population of 30,000 or more. The participating communities have agreed that the Regional Household Hazardous Waste collection facility will be established on premises located in and owned by the Town of Manchester. The Town has also been hired by CREOC as Project Administrator/Coordinator to perform administrative services and coordinate the day-to-day operations of the collection program. Except for an obligation to appropriate funds and pay its assessments in amounts necessary to fulfill its obligations pursuant to the agreement establishing CREOC, no participating community has any obligation, entitlement or residual interest. The Town paid an assessment of \$12 to CREOC during the year ended June 30, 2016.

13. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town owns and operates a landfill site located off Olcott Street. State and federal law will require the Town to close the landfill once its capacity is reached and to monitor and maintain the site for 30 years subsequent to closure. Under the provisions of Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the Town recognizes a portion of the closure and postclosure care costs in each operating period even though actual payments will not occur until the landfill is closed. The amount recognized each year to date is based on the landfill capacity used as of the balance sheet date. As of June 30, 2016, the Town had recorded a liability of \$15,400 in the Sanitation Enterprise Fund that represents the amount of costs reported to date based on the 79 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$4,900 that will be recognized as the remaining capacity is used (estimated to be 18 years). The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables.

14. OTHER POSTEMPLOYMENT BENEFITS

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Post-Retirement Medical Program (RMP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the Town.

Investments are reported at fair value. Investment income is recognized as earned.

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B. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The RMP covers Town, Board of Education, Police and Fire employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving those benefits under the Town's self-insured medical benefits program. The percentage contribution of the employees and retirees for these benefits vary and are detailed within the Town's various bargaining agreements. The Town does not issue a separate stand-alone financial statement for this plan.

At July 1, 2014, plan membership consisted of the following:

	Post-Retirement Medical Program
Retired members	885
Spouses of retired members	486
Active plan members	<u>1,413</u>
Total Participants	<u><u>2,784</u></u>

C. Funding Policy

The Town funding and payment of postemployment benefits were accounted for in both the General Fund and in an Internal Service Fund on a pay-as-you-go basis through June 30, 2009. On June 15, 2009, the Town established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. As of June 30, 2009, an initial deposit of \$100 was made into the trust. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. The Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town's funding strategy for postemployment obligations are based upon characteristics of benefits on 17 distinct groups of employees established within their respective collective bargaining units and include the following:

- Eligibility for benefits range from 15 to 25 years of service at time of retirement determined by collective bargaining unit and date of hire.
- Medical benefits funded by the Town range from 100% cost of coverage for the retiree and dependents up until the employee's death, 100% coverage for retiree only or 50% coverage for retirees depending on date of hire and collective bargaining unit. Some employees, depending upon date of hire, contribute equal to that set forth for active employees within their bargaining unit.
- Life insurance ranging from \$4,000 to \$6,000 (not rounded).

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D. Annual OPEB Cost and Net OPEB Obligations

The Town of Manchester's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

		Post-Retirement Medical Program
Annual required contribution (ARC)	\$	16,016
Interest on net OPEB obligation		2,228
Adjustment to annual required contribution		<u>(2,063)</u>
Annual OPEB cost		16,181
Contributions made		<u>9,702</u>
Change in net OPEB obligation		6,479
Net OPEB obligation, beginning of year		<u>30,755</u>
Net OPEB Obligation, End of Year	\$	<u><u>37,234</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2016, 2015 and 2014 is presented below:

Fiscal Year Ended		Annual OPEB Cost (AOC)		Actual Contribution	Percentage of AOC Contributed		Net OPEB Obligation
6/30/2016	\$	16,181	\$	9,702	59.96%	\$	37,234
6/30/2015		18,310		11,416	62.35%		30,755
6/30/2014		17,054		11,053	64.82%		23,861

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ 560	\$ 170,806	\$ (170,246)	0.30%	\$ 38,148	-446.30%
7/1/2012	601	191,947	(191,346)	0.31%	36,149	-489.50%
7/1/2014	256	169,347	(169,091)	0.15%	54,957	-307.68%

Schedule of Employer Contribution

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/2016	\$ 16,016	60.58%
6/30/2015	18,044	63.27%
6/30/2014	16,825	65.70%

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.25% investment rate of return which reflects that the Town has established an OPEB trust and is prefunding its OPEB benefits. The annual healthcare cost trend rate varies by age and between Board of Education and Town and ranges from 4.6% to 5.8%. The general inflation assumption is 2.7%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2016 was 22 years.

15. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Pension Trust Fund

The Town is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The PERS was established by Town Ordinance, Section 11 Article III of the Town of Manchester Code of Ordinances, which can be amended by legislative action. Article III establishes PERS benefits, member contribution rates and other plan provisions. The PERS does not issue a stand-alone report.

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Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which the contributions are due; investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

Plan Description and Benefits Provided

The Town of Manchester Retirement System covers substantially all Town employees except for certified teachers of the Board of Education and the regular members of the Fire Department. Participants are fully vested after five years of service. Employees who retire at normal retirement age receive a benefit equal to 2% (2.5% for Police) of their highest average three years' wages times the number of years of service. Normal retirement age for police officers is the age at which the employee reaches 25 years of service. For all other employees, normal retirement age is 65 for employees hired after July 1, 1995, and either 62 or "Rule of 80" for those employees hired before July 1, 1995. The "Rule of 80" defines normal retirement as the date when years of service and age equal 80. Early retirement benefits are provided at reduced amounts.

At July 1, 2015, Plan membership consisted of the following:

Retirees, disabled employees and beneficiaries currently receiving benefits	642
Terminated Plan members entitled to benefits but not yet receiving them	103
Active Members	<u>635</u>
	<u>1,380</u>

Funding Policy

Participants are required to contribute as follows: 8.5% for police employees, 6.4% for public works employees and 5.9% for all other "Rule of 80" employees of their earnings to the PERS. The Town is required to contribute 9.2% (13.9% for police employees) of wages to the PERS. Benefits and employee contributions are fixed by contract and may be amended by union negotiations. Administrative costs of the PERS are financed through investment earnings.

Investments

Investment Policy

The Pension Board has adopted an allocation policy/goal. The Pension Board manages the investment mix of the plan by buying and selling assets to maintain an investment mix in line with the Board's allocation policy.

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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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

The following was the Board's adopted asset allocation policy and long-term expected real rate of return as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	24.12%	2.69%
Emerging Market Bonds	0.75%	5.70%
Non-US Fixed Income	1.50%	1.52%
Inflation-Indexed Bonds	5.00%	1.94%
US Equity Market	34.45%	5.40%
Foreign Developed Equity	16.25%	6.04%
Emerging Market Equity	4.93%	8.19%
Hedge Funds / Absolute Return	6.00%	3.70%
Private Real Estate Property	7.00%	4.04%
Total	100.00%	

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2016 were as follows:

Total pension liability	\$ 213,095
Plan fiduciary net position	<u>150,302</u>
Net Pension Liability	<u>\$ 62,793</u>
Plan fiduciary net position as a percentage of the total pension liability	70.53%

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	Graded
Payroll growth rate	3.50%
Cost-of-living adjustments	None
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Healthy mortality rates were based on the RP-2000 Mortality Table with separate male and female tables, and separate tables for active members and annuitants with static projection per Scale AA (15 years beyond the valuation date for non-annuitants and 7 years beyond the valuation date for annuitants). Disabled mortality rates were based on 1981 PBGC disabled mortality with social security tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

The discount rate for the Town plan was adjusted as of June 30, 2016 from 7.375% to 7.25%.

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 202,337	\$ 157,063	\$ 45,274
Changes for the year:			
Service cost	4,428		4,428
Interest on total pension liability	14,860		14,860
Differences between expected and actual experience	1,621		1,621
Changes in assumptions	2,537		2,537
Employer contributions		5,244	(5,244)
Member contributions		2,414	(2,414)
Net investment income		(1,414)	1,414
Benefit payments, including refund to employee contributions	(12,688)	(12,688)	
Administrative expenses		(317)	317
Net Changes	10,758	(6,761)	17,519
Balances as of June 30, 2016	\$ 213,095	\$ 150,302	\$ 62,793

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.25%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 85,799	\$ 62,793	\$ 43,724

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

For the year ended June 30, 2016, the Town recognized pension expense of \$11,862. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,796	\$
Changes of assumptions	3,020	
Net difference between projected and actual earning on pension plan investments	<u>14,641</u>	<u></u>
Total	<u>\$ 19,457</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30

2017	\$ 5,817
2018	5,817
2019	5,209
2020	<u>2,614</u>
Total	<u>\$ 19,457</u>

B. Defined Contribution Plan

The Town of Manchester established a defined contribution plan effective July 1, 2000 to provide benefits at retirement to certain unaffiliated employees of the Town and Board of Education, and members of the residual and supervisory unions of the Town. The Town Pension Board administers this single employer defined contribution benefit plan. Employees eligible to participate in the defined contribution plan who had an accrued benefit under the defined benefit plan were given the ability to elect to convert the funds to which they were entitled to the defined contribution plan. For these employees, the value of the accrued benefit was converted to a lump sum and transferred to the member's account balance under the defined contribution plan. Employees are required to contribute 6% of covered salary, which are matched by employer contributions of 6% of covered salary. Employees are fully vested in employee contributions and are fully vested after five years in employer contributions.

The value of the plan at June 30, 2016 is \$23,267. There were 483 participants as of June 30, 2016. During the fiscal year ended June 30, 2016, employees contributed \$675 (exclusive of lump-sum conversion amounts) and the Town contributed a matching employer contribution of \$675. Covered payroll totaled \$11,255. Plan provisions and contribution requirements are established by an ordinance approved by the Town's Board of Directors and may be amended by the Board subject to various bargaining unit approvals.

C. Municipal Employees' Retirement System

Manchester firefighters participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service or 25 years of aggregate service. In addition, compulsory retirement is at age 65 for police and fire members.

Normal Retirement

For members not covered by social security, retirement benefits are calculated as 2% of the average of the three highest paid years of service times the years of service. For members covered by social security, retirement benefits are calculated as 1½% of the average of the three highest paid years of service not in excess of the year's breakpoint plus 2% of average of the three highest paid years of service in excess of the year's breakpoint, times years of service. The year's breakpoint is defined as \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

Early Retirement

Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Benefits are deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement - Service Connected

This applies to employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability.

Disability Retirement - Non-Service Connected

This applies to employees who have 10 years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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(Amounts Expressed in Thousands)

Death Benefit

This applies to employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and reduced 50% joint and survivor allowance.

Contributions

Member

Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2¼% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

Employer

Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions.

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

At June 30, 2016, the Town reports an asset of \$4,642 for its proportionate share of the net pension liability. The net pension asset was measured at June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2016, the Town's proportion was 5.52%, a decrease in proportion of .18% from June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$910. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earning on pension plan investments	\$ 485	\$
Change in employer proportional share	128	
Contributions after the measurement date	<u>1,169</u>	<u></u>
Total	\$ <u><u>1,782</u></u>	\$ <u><u>-</u></u>

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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(Amounts Expressed in Thousands)

Amounts reported as deferred outflows of resources related to Town contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30

2017	\$	94
2018		94
2019		94
2020		331
		<hr/>
Total	\$	<u><u>613</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increase	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (Non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Town's proportionate share of the net pension liability (asset)	\$ (829)	\$ (4,642)	\$ (9,870)

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

Plan Fiduciary Net Position

For the fiscal year ended June 30, 2015, the fiduciary net position of the MERS plan was restated to change the method of accounting for contributions receivable from a present value method to a gross method. The result of the restatement was to decrease the net pension liability and increase the July 1, 2014 fiduciary net position of the MERS plan by \$139,565. The effect on the Town of Manchester's financial statements was a change from a net pension liability to a net pension asset and increase the government activities' net position as shown in Note 17.

D. Teachers' Retirement System

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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(Amounts Expressed in Thousands)

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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

At June 30, 2016, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>129,613</u>
Total	\$	<u>129,613</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. At June 30, 2016, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2016, the Town recognized pension expense and revenue of \$10,385 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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(Amounts Expressed in Thousands)

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual equity	25.0%	7.3%
Developed markets ISF	20.0%	7.5%
Emerging markets ISF	9.0%	8.6%
Core fixed income	13.0%	1.7%
Emerging market debt	4.0%	4.8%
High yield	2.0%	3.7%
Inflation linked bonds	6.0%	1.3%
Liquidity fund	6.0%	0.7%
Real estate	5.0%	5.9%
Private investment	10.0%	10.9%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

16. PENSION AND OPEB TRUST FUND STATEMENTS

	Pension Trust Fund	Retiree Health Care Trust Fund	Total Pension and Other Employee Benefit Trust Funds
Assets:			
Cash and cash equivalents	\$ 587	\$ 763	\$ 1,350
Investments	150,100		150,100
Accounts receivable	125		125
Total assets	150,812	763	151,575
Liabilities:			
Accounts and other payables			
Interfund payable	510	2,102	2,612
Total liabilities	510	2,102	2,612
Net Position:			
Net Position Restricted for OPEB Benefits		(1,339)	(1,339)
Net Position Restricted for Pensions	150,302		150,302
Total Net Position	\$ 150,302	\$ (1,339)	\$ 148,963

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Amounts Expressed in Thousands)

	Pension Trust Fund	Retiree Health Care Trust Fund	Total Pension and Other Employee Benefit Trust Funds
Additions:			
Contributions:			
Employer	\$ 5,244	\$ 9,256	\$ 14,500
Plan members	2,414	446	2,860
Total contributions	<u>7,658</u>	<u>9,702</u>	<u>17,360</u>
Investment income (loss):			
Net depreciation in fair value of investments	(3,803)		(3,803)
Interest and dividends	1,985	2	1,987
Income from real estate investments	462		462
Total investment income (loss)	<u>(1,356)</u>	<u>2</u>	<u>(1,354)</u>
Total additions	<u>6,302</u>	<u>9,704</u>	<u>16,006</u>
Deductions:			
Benefits	12,688	10,285	22,973
Administration	375	116	491
Total deductions	<u>13,063</u>	<u>10,401</u>	<u>23,464</u>
Change in Net Position	(6,761)	(697)	(7,458)
Net Position at Beginning of Year	<u>157,063</u>	<u>(642)</u>	<u>156,421</u>
Net Position at End of Year	<u>\$ 150,302</u>	<u>\$ (1,339)</u>	<u>\$ 148,963</u>

17. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded on a government wide basis as described in Note 15C:

	Net Position	Net Pension Liability	Net Pension Asset
Net position balance at June 30, 2015, as previously reported	\$ 75,021	\$ 47,337	\$
Adjustments:			
Change in method of accounting for contributions	<u>7,527</u>	<u>(2,063)</u>	<u>5,464</u>
Balance at July 1, 2015, as restated	<u>\$ 82,548</u>	<u>\$ 45,274</u>	<u>\$ 5,464</u>

DRAFT

**Required Supplementary
Information**

TOWN OF MANCHESTER, CONNECTICUT
GENERAL FUND AND FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	General Fund				Fire District Fund			
	Original Budget	Revised Budget	Actual	Variance Over (Under)	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues:								
Property taxes, interest and lien fees	\$ 137,021	137,021	\$ 138,988	\$ 1,967	\$ 12,358	12,358	\$ 12,392	\$ 34
Intergovernmental revenue	35,914	35,932	35,819	(113)	121	121		(121)
Investment and interest income	346	346	352	6	3	3	8	5
Licenses, permits and fines	1,777	1,777	2,514	737				-
Charges for goods and services	1,589	2,026	1,876	(150)	505	505	791	286
Other	153	158	294	136		3	3	-
Total revenues	<u>176,800</u>	<u>177,260</u>	<u>179,843</u>	<u>2,583</u>	<u>12,987</u>	<u>12,990</u>	<u>13,194</u>	<u>204</u>
Expenditures:								
Current:								
General government	5,928	5,845	5,655	190				-
Public works	14,299	14,316	13,346	970				-
Public safety	19,744	19,716	19,204	512	13,019	13,630	13,624	6
Human services	3,036	3,048	2,901	147				-
Leisure services	5,807	5,938	5,704	234				-
Employee benefits	2,898	2,898	2,845	53				-
Education	110,581	110,701	110,612	89				-
Internal service fund charges	2,613	2,613	2,613	-	435	435	431	4
Other	324	242	207	35				-
Debt service	10,370	10,370	10,188	182	153	153	153	-
Capital outlay				-	215	207	155	52
Total expenditures	<u>175,600</u>	<u>175,687</u>	<u>173,275</u>	<u>2,412</u>	<u>13,822</u>	<u>14,425</u>	<u>14,363</u>	<u>62</u>
Excess (deficiency) of revenues over expenditures	<u>1,200</u>	<u>1,573</u>	<u>6,568</u>	<u>4,995</u>	<u>(835)</u>	<u>(1,435)</u>	<u>(1,169)</u>	<u>266</u>
Other financing sources (uses):								
Transfers in	1,771	1,771	1,569	(202)	2,166	2,166	2,166	-
Transfers out	(4,151)	(4,524)	(4,524)	-	(1,406)	(1,406)	(1,406)	-
Total other financing sources (uses)	<u>(2,380)</u>	<u>(2,753)</u>	<u>(2,955)</u>	<u>(202)</u>	<u>760</u>	<u>760</u>	<u>760</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (1,180)</u>	<u>\$ (1,180)</u>	<u>3,613</u>	<u>\$ 4,793</u>	<u>\$ (75)</u>	<u>\$ (675)</u>	<u>(409)</u>	<u>\$ 266</u>
Fund Balances, Beginning of Year			<u>19,305</u>				<u>2,020</u>	
Fund Balances, End of Year			<u>\$ 22,918</u>				<u>\$ 1,611</u>	

**TOWN OF MANCHESTER, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

The following is an explanation of differences between budgetary revenues and expenditures (RSI-1) and GAAP revenues and expenditures (Exhibit IV):

	<u>General Fund</u>	<u>Fire District</u>
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Non-GAAP budgetary basis - RSI-1	\$ 181,412	\$ 15,360
State of Connecticut on-behalf contributions to the Connecticut Teachers' Retirement System for Town teachers are not budgeted	10,385	
Excess cost grant revenue is budgeted as a credit to education expenditures	835	
Prior year encumbrances cancelled	(81)	
Proceeds from bond refunding are not budgeted	27,680	
Premium recognized on bond refunding is not budgeted	4,491	
	<u>224,722</u>	<u>15,360</u>
GAAP basis - Exhibit IV	<u>\$ 224,722</u>	<u>\$ 15,360</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
Non-GAAP budgetary basis - RSI-1	\$ 177,799	\$ 15,769
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	10,385	
Excess cost grant revenue is budgeted as a credit to education expenditures	835	
Bond issuance costs on refunding are not budgeted	84	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes:		
June 30, 2015	1,099	15
June 30, 2016	(962)	(73)
Payments to escrow agents during bond refunding are not budgeted	32,087	
	<u>221,327</u>	<u>15,711</u>
GAAP basis - Exhibit IV	<u>\$ 221,327</u>	<u>\$ 15,711</u>

TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEE RETIREMENT SYSTEM PENSION PLAN
LAST THREE FISCAL YEARS*
(In Thousands)

	2016	2015	2014
Total pension liability:			
Service cost	\$ 4,428	\$ 4,260	\$ 4,408
Interest	14,860	14,331	13,895
Differences between expected and actual experience	1,621	1,090	(469)
Changes of assumptions	2,537	2,103	
Benefit payments, including refunds of member contributions	(12,688)	(12,206)	(11,649)
Net change in total pension liability	10,758	9,578	6,185
Total pension liability - beginning	202,337	192,759	186,574
Total pension liability - ending	213,095	202,337	192,759
Plan fiduciary net position:			
Contributions - employer	5,244	5,116	5,124
Contributions - member	2,414	2,459	2,330
Net investment income (expenses)	(1,414)	4,033	20,493
Benefit payments, including refunds of member contributions	(12,688)	(12,206)	(11,649)
Administrative expense	(317)	(372)	(389)
Net change in plan fiduciary net position	(6,761)	(970)	15,909
Plan fiduciary net position - beginning	157,063	158,033	142,124
Plan fiduciary net position - ending	150,302	157,063	158,033
Net Pension Liability - Ending	\$ 62,793	\$ 45,274	\$ 34,726
Plan fiduciary net position as a percentage of the total pension liability	70.53%	77.62%	81.98%
Covered-employee payroll	\$ 34,913	\$ 34,496	\$ 33,572
Net pension liability as a percentage of covered-employee payroll	179.86%	131.24%	103.44%

Notes to Schedule:

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.375% to 7.25%. In 2015, amounts reported as changes of assumptions resulted primarily from decreases in the discount rate from 7.50% to 7.375% and inflation rate from 3.00% to 2.75%, as well as adjustments to the Scale AA projection method on the RP-2000 mortality table from static projection to generational projection.

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS
(In Thousands)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 5,244	\$ 5,116	\$ 5,124	\$ 4,929	\$ 5,038	\$ 4,477	\$ 4,138	\$ 3,561	\$ 4,159	\$ 3,854
Contributions in relation to the actuarially determined contribution	5,244	5,116	5,124	4,929	5,038	4,477	4,137	3,561	4,159	3,854
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 34,913	\$ 34,496	\$ 33,572	\$ 36,222	\$ 30,490	\$ 30,623	\$ 29,322	\$ 40,042	\$ 30,458	\$ 25,158
Contributions as a percentage of covered-employee payroll	15.02%	14.83%	15.26%	13.61%	16.52%	14.62%	14.11%	8.89%	13.65%	15.32%

Notes to Schedule

Valuation date: July 1, 2015

Measurement date: June 30, 2016

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year Asymptotic (80% to 120% of market value)
Inflation	2.75%
Salary increases	3.5% Graded by age
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	General Employees: Age 65 with 5 years of contributory service, or special retirement (age 62 with 25 years of contributory service). Rule of 80 employees: Earlier of the above or age plus years of contributory service of at least 80 or age 62 if hired before 7/1/1995. Early Retirement: Age 55 and 5 years of contributory service.
	Police Employees: Earlier of age 50 or 25 years of service.
Mortality	Healthy Mortality - RP-2000 Mortality Table with separate male and female tables, and separate tables for active members and annuitants, with generational projection per Scale AA. This assumption includes a margin for mortality improvement.
	Disabled Mortality - RP-2000 Disabled Mortality. This assumption does not include a margin for mortality

**TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
PUBLIC EMPLOYEE RETIREMENT SYSTEM PENSION PLAN
LAST THREE FISCAL YEARS***

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-0.90%	2.42%	14.19%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
LAST TWO FISCAL YEARS*
(In Thousands)

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>129,613</u>	<u>119,801</u>
Total	<u>\$ 129,613</u>	<u>\$ 119,801</u>
Town's covered-employee payroll	\$ 45,263	\$ 45,410
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	None
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS*
(In Thousands)

	<u>2016</u>	<u>2015</u> <u>(as Restated)</u>
Town's proportion of the net pension liability	0.00%	0.00%
Town's proportionate share of the net pension liability (asset)	\$ (4,642)	\$ (5,464)
Town's covered-employee payroll	\$ 5,381	\$ 7,464
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-86.27%	-73.20%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	None
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
(In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 1,169	\$ 1,199	\$ 1,200	\$ 1,141	\$ 1,119	\$ 935	\$ 642	\$ 538	\$ 521	495
Contributions in relation to the actuarially determined contribution	1,169	1,199	1,200	1,141	1,119	935	642	538	521	495
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Covered-employee payroll	\$ 7,781	\$ 7,464	\$ 7,492	\$ 7,325	\$ 7,179	\$ 6,482	\$ 6,186	\$ 5,978	\$ 5,698	5,381
Contributions as a percentage of covered-employee payroll	15.02%	16.06%	16.02%	15.58%	15.59%	14.42%	10.38%	9.00%	9.14%	9.20%

Notes to Schedule

Valuation date: June 30, 2015
Measurement date: June 30, 2015
Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Single equivalent amortization period	24 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increases	4.25% - 11%, including inflation
Investment rate of return	8%, net of investment related expense

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Combining and Individual Fund Statements and Schedules

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General Fund

GENERAL FUND

To account for the general operations of the Town except those required to be accounted for in another fund.

TOWN OF MANCHESTER, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2016 AND 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 9,136	\$ 6,652
Investments	6,697	1,709
Property taxes receivable (net of allowance for uncollectibles of \$881 in 2015 and 2014)	3,986	4,498
Accrued interest on taxes	903	1,231
Accounts receivable	65	65
Intergovernmental receivables	31	27
Due from special services district	2	10
Interfund receivables	21,266	22,577
Other assets	<u>22</u>	<u>65</u>
Total Assets	<u>\$ 42,108</u>	<u>\$ 36,834</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and other payables	\$ 2,984	\$ 1,858
Accrued liabilities	2,337	1,592
Intergovernmental payables	52	30
Unearned revenue	<u>36</u>	
Total liabilities	<u>5,409</u>	<u>3,480</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	4,424	5,236
Advanced property tax collections	<u>8,269</u>	<u>7,507</u>
Total deferred inflows of resources	<u>12,693</u>	<u>12,743</u>
Fund Balance:		
Nonspendable	22	65
Restricted	910	910
Committed	2	10
Assigned	1,180	1,806
Unassigned	<u>21,892</u>	<u>17,820</u>
Total fund balance	<u>24,006</u>	<u>20,611</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 42,108</u>	<u>\$ 36,834</u>

**TOWN OF MANCHESTER, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)**

Grand List	Uncollected Taxes July 1, 2015	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2016
		Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2014	\$ 141,011	\$ 2,297	378	\$ 3	\$ 142,927	\$ 140,499	493	4	\$ 140,996	\$ 2,428
2013	2,570	119	67	12	2,610	1,479	341	5	1,825	1,131
2012	1,164	79	22	321	900	500	206	3	709	400
2011	723		14	262	447	194	101	2	297	253
2010	314	1	12	3	300	88	71	4	163	212
2009	213		11	2	200	41	63	4	108	159
2008	145		12		133	31	41	3	75	102
2007	90		13		77	14	28	3	45	63
2006	62		12		50	3	32	4	39	47
2005	26		11		15	1	35	3	39	14
2004	15		2		13	1	31	3	35	12
2003	12				12	1	23	2	26	11
2002	12				12		28	2	30	12
2001	12				12		27	2	29	12
2000	11				11		16	1	17	11
Total	\$ 146,380	\$ 2,496	\$ 554	\$ 603	\$ 147,719	142,852	1,536	45	144,433	\$ 4,867
Suspense collections						207			207	
Total collections						\$ 143,059	\$ 1,536	\$ 45	\$ 144,640	

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**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Police Special Services Fund	Charges for services	Police traffic control
Recreation Activities	Charges for services	Recreation leisure programs
Education Special Grants Fund	State and Federal grants	Educational purposes
Special Projects Fund	Various sources	Dedicated gifts and grants
Cafeteria Fund	Sale of food and grants	School food service program
Community Use of Schools	Charges for services	Rental of school facilities
Community Development Block Grant Fund	Federal grants	Community development activities
Housing Rehab	Grant and loan repayment	Improvement loans
Neighborhood Housing Predevelopment Fund	Intergovernmental revenue	Neighborhood housing activities
Levi Drake Fund	Trust and investment income	Library purposes
Emergency Employment Fund	Trust and investment income	General social welfare
Mary Cheney Library Fund	Trust and investment income	Purchase of books for the library
Whiton Library Fund	Trust and investment income	Support of library
Manchester Police Department Health and Welfare Fund	Trust and investment income	Needy Manchester Police and/or their survivors
Library Appreciation Fund	Trust and investment income	Library purposes
Foulds Family Foundation	Trust and investment income	Recreational programs
R. B. Bagley Memorial Book Fund	Trust and investment income	Purchase of books for the library
Trust Funds - Board of Education	Trust and investment income	Education related purposes
Wilma D. Marlow Fund	Trust and investment income	General support of library
Newton B. Taggart Fund	Trust and investment income	Purchase of books
East Cemetery Trust Fund	Trust and investment income	Perpetual care
Consolidated Cemetery Trust Fund	Trust and investment income	Perpetual care
Trust Funds Held at the Board of Education	Trust and investment income	Education related purposes
Library Trust Fund	Trust and investment income	Purchase of books for the library

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Fund	Funding Source	Function
Jarvis Library Fund	Trust and investment income	Perpetual care

TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
(In Thousands)

EXHIBIT B-1

	Special Revenue Funds							
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Cafeteria Fund	Community Use of Schools	Community Development Block Grant Fund	Neighborhood Housing Predevelopment Fund
ASSETS								
Cash and cash equivalents	\$ 221	\$ 96	\$ 1,609	\$ 2,245	\$ 755	\$ 9	\$ 112	\$ 47
Investments								
Accounts receivable	289	1		4	20	7	40	2
Intergovernmental receivables			554	165	553		245	
Inventory					63			
Other assets				1				
Total Assets	\$ 510	\$ 97	\$ 2,163	\$ 2,415	\$ 1,391	\$ 16	\$ 245	\$ 152
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$	\$ 7	\$ 201	\$ 95	\$	\$	\$ 61	\$
Accrued liabilities		7						
Interfund payable							180	
Unearned revenue		8	1,722	11				
Total liabilities	-	22	1,923	106	-	-	241	-
Deferred Inflows of Resources:								
Unavailable revenue - loans receivable							22	2
Fund Balances:								
Nonspendable					63			
Restricted			240	2,309			4	47
Committed	510	75			1,328	16		
Total fund balances	510	75	240	2,309	1,391	16	4	47
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 510	\$ 97	\$ 2,163	\$ 2,415	\$ 1,391	\$ 16	\$ 245	\$ 152

(Continued on next page)

**TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
(In Thousands)**

EXHIBIT B-1

	Special Revenue Funds								
	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds - Board of Education
ASSETS									
Cash and cash equivalents	\$ 71	\$ 35	\$ 1	\$ 20	\$ 12	\$ 8	\$ 23	\$ 5	\$ 1
Investments				995					
Accounts receivable									
Intergovernmental receivables									
Inventory									
Other assets									
Total Assets	<u>\$ 71</u>	<u>\$ 35</u>	<u>\$ 1</u>	<u>\$ 1,015</u>	<u>\$ 12</u>	<u>\$ 8</u>	<u>\$ 23</u>	<u>\$ 5</u>	<u>\$ 1</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and other payable	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accrued liabilities									
Interfund payable									
Unearned revenue									
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:									
Unavailable revenue - loans receivable									
Fund Balances:									
Nonspendable									
Restricted	71		1	1,015		8	23	5	1
Committed		35			12				
Total fund balances	<u>71</u>	<u>35</u>	<u>1</u>	<u>1,015</u>	<u>12</u>	<u>8</u>	<u>23</u>	<u>5</u>	<u>1</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 71</u>	<u>\$ 35</u>	<u>\$ 1</u>	<u>\$ 1,015</u>	<u>\$ 12</u>	<u>\$ 8</u>	<u>\$ 23</u>	<u>\$ 5</u>	<u>\$ 1</u>

(Continued on next page)

**TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
(In Thousands)**

EXHIBIT B-1

	Special Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
	Wilma D. Marlow Fund	Newton B. Taggart Fund	East Cemetery Trust Fund	Consolidated Cemetery Trust Fund	Trust Funds Held at the Board of Education	Library Trust Fund	Jarvis Library Fund	
ASSETS								
Cash and cash equivalents	\$ 8	\$ 16	\$ 232	\$ 5	\$ 136	\$ 122	\$ 38	\$ 5,827
Investments		967	450	268			2,491	5,171
Accounts receivable			3					366
Intergovernmental receivables								1,517
Inventory								63
Other assets								1
Total Assets	<u>\$ 8</u>	<u>\$ 983</u>	<u>\$ 685</u>	<u>\$ 273</u>	<u>\$ 136</u>	<u>\$ 122</u>	<u>\$ 2,529</u>	<u>\$ 12,945</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$	\$	\$	\$	\$	\$	\$	\$ 364
Accrued liabilities								7
Interfund payable		23		75		19	44	341
Unearned revenue								1,741
Total liabilities	<u>-</u>	<u>23</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>19</u>	<u>44</u>	<u>2,453</u>
Deferred Inflows of Resources:								
Unavailable revenue - loans receivable								24
Fund Balances:								
Nonspendable								63
Restricted	8	960	685	198	136	103	2,485	8,429
Committed								1,976
Total fund balances	<u>8</u>	<u>960</u>	<u>685</u>	<u>198</u>	<u>136</u>	<u>103</u>	<u>2,485</u>	<u>10,468</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8</u>	<u>\$ 983</u>	<u>\$ 685</u>	<u>\$ 273</u>	<u>\$ 136</u>	<u>\$ 122</u>	<u>\$ 2,529</u>	<u>\$ 12,945</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

EXHIBIT B-2

	Special Revenue Funds							
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Cafeteria Fund	Community Use of Schools	Community Development Block Grant Fund	Neighborhood Housing Predevelopment Fund
Revenue:								
Intergovernmental revenue	\$	\$	\$ 13,669	\$ 2,358	\$ 2,626	\$	\$ 806	\$
Investment income	1				1			
Net change in the fair value of investments								
Charges for goods and services	1,105	250		87	1,084	95		
Other		5	1,140	179			1	
Total revenues	<u>1,106</u>	<u>255</u>	<u>14,809</u>	<u>2,624</u>	<u>3,711</u>	<u>95</u>	<u>807</u>	<u>-</u>
Expenditures:								
Current:								
General government				32			109	
Public works				190				
Public safety	964			1,028				
Human services				1,252			435	
Recreation		311		268				
Library				3				
Education			14,660		3,380	88		
Other								
Total expenditures	<u>964</u>	<u>311</u>	<u>14,660</u>	<u>2,773</u>	<u>3,380</u>	<u>88</u>	<u>807</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>142</u>	<u>(56)</u>	<u>149</u>	<u>(149)</u>	<u>331</u>	<u>7</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in				409				
Transfers out			(130)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(130)</u>	<u>409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>142</u>	<u>(56)</u>	<u>19</u>	<u>260</u>	<u>331</u>	<u>7</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>368</u>	<u>131</u>	<u>221</u>	<u>2,049</u>	<u>1,060</u>	<u>9</u>	<u>4</u>	<u>47</u>
Fund Balances, End of Year	<u>\$ 510</u>	<u>\$ 75</u>	<u>\$ 240</u>	<u>\$ 2,309</u>	<u>\$ 1,391</u>	<u>\$ 16</u>	<u>\$ 4</u>	<u>\$ 47</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

EXHIBIT B-2

	Special Revenue Funds								
	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds - Board of Education
Revenue:									
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investment income				27					
Net change in the fair value of investments				(47)					
Charges for goods and services									
Other					2				
Total revenues	-	-	-	(20)	2	-	-	-	-
Expenditures:									
Current:									
General government									
Public works									
Public safety									
Human services									
Recreation									
Library				6					
Education					3				
Other									
Total expenditures	-	-	-	6	3	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	(26)	(1)	-	-	-	-
Other financing sources (uses):									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	(26)	(1)	-	-	-	-
Fund balances, beginning of year	71	35	1	1,041	13	8	23	5	1
Fund Balances, End of Year	\$ 71	\$ 35	\$ 1	\$ 1,015	\$ 12	\$ 8	\$ 23	\$ 5	\$ 1

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

EXHIBIT B-2

	Special Revenue Funds						Permanent Fund			
	Wilma D. Marlow Fund	Newton B. Taggart Fund	East Cemetery Trust Fund	Consolidated Cemetery Trust Fund	Trust Funds Held at the Board of Education	Library Trust Fund	Total	Jarvis Library Fund	Interfund Eliminations	Total Nonmajor Governmental Funds
Revenue:										
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$ 19,459	\$	\$	\$ 19,459
Investment income		27	13	8			77	70		147
Net change in the fair value of investments		(51)	(23)	(15)			(136)	(122)		(258)
Charges for goods and services			36				2,657			2,657
Other						36	1,363			1,363
Total revenues	-	(24)	26	(7)	-	36	23,420	(52)	-	23,368
Expenditures:										
Current:										
General government							141			141
Public works							190			190
Public safety							1,992			1,992
Human services							1,687			1,687
Recreation							579			579
Library		28				19	56	61		117
Education							18,128			18,128
Other			3	2			8			8
Total expenditures	-	28	3	77	-	19	23,119	61	-	23,180
Excess (deficiency) of revenues over expenditures	-	(52)	23	(84)	-	17	301	(113)	-	188
Other financing sources (uses):										
Transfers in							409		(122)	287
Transfers out							(130)		122	(8)
Total other financing sources (uses)	-	-	-	-	-	-	279	-	-	279
Net change in fund balances	-	(52)	23	(84)	-	17	580	(113)	-	467
Fund balances, beginning of year	8	1,012	662	282	136	86	7,403	2,598	-	10,001
Fund Balances, End of Year	\$ 8	\$ 960	\$ 685	\$ 198	\$ 136	\$ 103	\$ 7,983	\$ 2,485	\$ -	\$ 10,468

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Internal Service Funds

INTERNAL SERVICE FUNDS

Information Services Fund: Operation of and staffing for the Town's central data processing facility is supported by contributions from the Town's General, Water, Sewer, Sanitation and Fire Funds.

Manchester Self-Insurance Program (MSIP): All costs associated with the Town's risk management operations are centralized in this fund. Fund income is in the form of prorata contributions from the Town's General, Water, Sewer, Sanitation, Fire and Data Processing Funds.

Town of Manchester Medical Insurance Fund (TOMMIF): All costs associated with the funding and operation of a self-insured employees' health benefits fund.

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016
(In Thousands)

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Interfund Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,496	\$ 9,311	\$ 19,597	\$	\$ 30,404
Investments			6,864		6,864
Receivables			2,380		2,380
Interfund receivables	73			(73)	-
Prepaid expenses	2	4	107		113
Total current assets	<u>1,571</u>	<u>9,315</u>	<u>28,948</u>	<u>(73)</u>	<u>39,761</u>
Noncurrent assets:					
Capital assets, net	389				389
Total assets	<u>1,960</u>	<u>9,315</u>	<u>28,948</u>	<u>(73)</u>	<u>40,150</u>
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities:					
Accounts and other payables	5	91	14		110
Interfund payables			3,446	(73)	3,373
Claims payable		3,023	1,709		4,732
Compensated absences payable	92	12			104
Total current liabilities	<u>97</u>	<u>3,126</u>	<u>5,169</u>	<u>(73)</u>	<u>8,319</u>
Noncurrent liabilities:					
Compensated absences payable	210	19			229
Claims payable		5,120			5,120
Total noncurrent liabilities	<u>210</u>	<u>5,139</u>	<u>-</u>	<u>-</u>	<u>5,349</u>
Total liabilities	<u>307</u>	<u>8,265</u>	<u>5,169</u>	<u>(73)</u>	<u>13,668</u>
NET POSITION					
Net Position:					
Net investment in capital assets	389				389
Unrestricted	<u>1,264</u>	<u>1,050</u>	<u>23,779</u>		<u>26,093</u>
Total Net Position	<u>\$ 1,653</u>	<u>\$ 1,050</u>	<u>\$ 23,779</u>	<u>\$ -</u>	<u>\$ 26,482</u>

**TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)**

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Total
Operating Revenues:				
Charges for services	\$ 1,646	\$ 3,342	\$ 28,049	\$ 33,037
Other		55		55
Total operating revenues	<u>1,646</u>	<u>3,397</u>	<u>28,049</u>	<u>33,092</u>
Operating Expenses:				
General operating	1,717	235	1,241	3,193
Claims expense		2,616	25,668	28,284
Depreciation expense	173			173
Total operating expenses	<u>1,890</u>	<u>2,851</u>	<u>26,909</u>	<u>31,650</u>
Operating Income (Loss)	(244)	546	1,140	1,442
Nonoperating Revenues:				
Interest on investments	<u>5</u>	<u>23</u>	<u>282</u>	<u>310</u>
Change in Net Position	(239)	569	1,422	1,752
Net Position at Beginning of Year	<u>1,892</u>	<u>481</u>	<u>22,357</u>	<u>24,730</u>
Net Position at End of Year	<u>\$ 1,653</u>	<u>\$ 1,050</u>	<u>\$ 23,779</u>	<u>\$ 26,482</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Total
Cash Flows from Operating Activities:				
Cash received from users	\$ 1,644	\$ 3,342	\$ 25,563	\$ 30,549
Cash received from insurance proceeds		55		55
Cash paid to suppliers for goods and services	(698)	(227)	1,393	468
Cash paid to employees	(1,382)	(114)		(1,496)
Cash paid for insurance claims and premiums		(2,778)	(25,610)	(28,388)
Net cash provided by (used in) operating activities	<u>(436)</u>	<u>278</u>	<u>1,346</u>	<u>1,188</u>
Cash Flows from Investing Activities:				
Interest received	5	23	282	310
Sale of investments			32	32
Net cash provided by (used in) investing activities	<u>5</u>	<u>23</u>	<u>314</u>	<u>342</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(431)	301	1,660	1,530
Cash and Cash Equivalents at Beginning of Year	<u>1,927</u>	<u>9,010</u>	<u>17,937</u>	<u>28,874</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,496</u>	<u>\$ 9,311</u>	<u>\$ 19,597</u>	<u>\$ 30,404</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (244)	\$ 546	\$ 1,140	\$ 1,442
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	173			173
(Increase) decrease in accounts receivable and other prepaid assets	(2)		(2,486)	(2,488)
(Increase) decrease in interfunds receivable	(73)			(73)
Increase (decrease) in accounts payable	(11)	(107)	9	(109)
Increase (decrease) in interfunds payable	(278)		2,625	2,347
Increase (decrease) in compensated absences payable	(1)	1		-
Increase (decrease) in claims payable		(162)	58	(104)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (436)</u>	<u>\$ 278</u>	<u>\$ 1,346</u>	<u>\$ 1,188</u>

DRAFT

Agency Funds

AGENCY FUNDS

Plan Deposit Fund - Deposits held pending return of plans and specifications for various Town activities.

Student Activity Fund - To account for funds used for after school activities.

Senior Center Activities Fund - To account for funds used for senior citizens' activities.

Maintenance Bond Fund - Interest bearing funds held pending completion of obligations under contract with the Town.

Redevelopment Agency Fund - To account for SCPRI loan from the State of Connecticut Department of Economic and Community Development to the Manchester Redevelopment Agency.

TOWN OF MANCHESTER, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Plan Deposit Fund				
Assets:				
Cash and cash equivalents	\$ <u>20</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20</u>
Liabilities:				
Deposits held for others	\$ <u>20</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>499</u>	\$ <u>1,149</u>	\$ <u>995</u>	\$ <u>653</u>
Liabilities:				
Deposits held for others	\$ <u>499</u>	\$ <u>1,149</u>	\$ <u>995</u>	\$ <u>653</u>
Senior Center Activities Fund				
Assets:				
Cash and cash equivalents	\$ <u>47</u>	\$ <u>38</u>	\$ <u>20</u>	\$ <u>65</u>
Liabilities:				
Deposits held for others	\$ <u>47</u>	\$ <u>38</u>	\$ <u>20</u>	\$ <u>65</u>
Maintenance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>331</u>	\$ <u>171</u>	\$ <u>79</u>	\$ <u>423</u>
Liabilities:				
Deposits held for others	\$ <u>331</u>	\$ <u>171</u>	\$ <u>79</u>	\$ <u>423</u>
Redevelopment Agency Fund				
Assets:				
Cash and cash equivalents	\$ <u>4</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4</u>
Liabilities:				
Deposits held for others	\$ <u>4</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ <u>901</u>	\$ <u>1,358</u>	\$ <u>1,094</u>	\$ <u>1,165</u>
Liabilities:				
Deposits held for others	\$ <u>901</u>	\$ <u>1,358</u>	\$ <u>1,094</u>	\$ <u>1,165</u>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

TOWN OF MANCHESTER, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities:										
Net investment in capital assets	\$ 89,755	\$ 102,486	\$ 104,535	\$ 100,236	\$ 103,203	\$ 99,265	\$ 94,969	\$ 104,570	\$ 85,637	\$ 89,227
Restricted	2,485	2,598	2,673	2,310	2,036	1,715	4,163	3,702	4,248	4,634
Unrestricted	(18,082)	(30,063)	(29,194)	6,314	3,386	6,333	6,886	(1,969)	17,822	(3,330)
Total governmental activities net position	<u>74,158</u>	<u>75,021</u>	<u>78,014</u>	<u>108,860</u>	<u>108,625</u>	<u>107,313</u>	<u>106,018</u>	<u>106,303</u>	<u>107,707</u>	<u>90,531</u>
Business-type activities:										
Net investment in capital assets	24,080	27,721	34,104	34,397	33,007	29,404	25,753	26,098	24,060	24,704
Unrestricted	<u>36,181</u>	<u>25,995</u>	<u>15,977</u>	<u>13,520</u>	<u>7,550</u>	<u>10,808</u>	<u>17,057</u>	<u>18,590</u>	<u>30,569</u>	<u>29,208</u>
Total business-type activities net position	<u>60,261</u>	<u>53,716</u>	<u>50,081</u>	<u>47,917</u>	<u>40,557</u>	<u>40,212</u>	<u>42,810</u>	<u>44,688</u>	<u>54,629</u>	<u>53,912</u>
Primary government:										
Net investment in capital assets	113,835	130,207	138,639	134,633	136,210	128,669	120,722	130,668	109,697	113,931
Restricted	2,485	2,598	2,673	2,310	2,036	1,715	4,163	3,702	4,248	4,634
Unrestricted	<u>18,099</u>	<u>(4,068)</u>	<u>24,944</u>	<u>19,834</u>	<u>10,936</u>	<u>17,141</u>	<u>23,943</u>	<u>16,621</u>	<u>48,391</u>	<u>25,878</u>
Total Primary Government Net Position	<u>\$ 134,419</u>	<u>\$ 128,737</u>	<u>\$ 166,256</u>	<u>\$ 156,777</u>	<u>\$ 149,182</u>	<u>\$ 147,525</u>	<u>\$ 148,828</u>	<u>\$ 150,991</u>	<u>\$ 162,336</u>	<u>\$ 144,443</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TABLE 2

TOWN OF MANCHESTER, CONNECTICUT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General government	\$ 10,809	\$ 7,292	\$ 7,321	\$ 6,171	\$ 6,134	\$ 6,190	\$ 7,759	\$ 4,079	\$ 7,537	\$ 4,291
Public works	20,310	21,410	20,796	21,309	22,705	23,244	19,734	19,094	16,321	16,434
Public safety	43,086	38,626	36,259	35,564	35,008	33,808	31,919	32,588	37,270	27,214
Human services	4,934	4,450	4,510	4,480	4,499	5,114	4,063	5,213	5,246	4,176
Leisure services	7,314	6,889	6,944	6,682	6,910	6,230	6,443	6,288	5,714	5,379
Employee benefits										2,365
Education	148,446	145,615	137,355	130,554	129,950	123,384	122,609	125,273	135,716	103,790
Interest on long-term debt	3,231	3,322	3,254	3,277	3,155	3,297	3,505	3,580	3,333	2,385
Other										4,993
Total governmental activities expenses	<u>238,130</u>	<u>227,604</u>	<u>216,439</u>	<u>208,037</u>	<u>208,361</u>	<u>201,267</u>	<u>196,032</u>	<u>196,115</u>	<u>211,137</u>	<u>171,027</u>
Business-type activities:										
Water	7,439	9,290	8,561	7,654	8,223	9,060	7,647	8,525	6,725	6,862
Sewer	7,824	8,686	6,829	6,074	6,593	5,511	5,850	5,644	5,769	4,869
Sanitation	6,220	7,027	5,029	7,422	12,783	7,463	6,888	12,857	7,065	6,445
Total business-type services	<u>21,483</u>	<u>25,003</u>	<u>20,419</u>	<u>21,150</u>	<u>27,599</u>	<u>22,034</u>	<u>20,385</u>	<u>27,026</u>	<u>19,559</u>	<u>18,176</u>
Total primary government expenses	<u>259,613</u>	<u>252,607</u>	<u>236,858</u>	<u>229,187</u>	<u>235,960</u>	<u>223,301</u>	<u>216,417</u>	<u>223,141</u>	<u>230,696</u>	<u>189,203</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,277	1,078	971	942	854	815	1,001	921	1,066	1,386
Public safety	1,990	1,619	1,373	1,594	1,309	1,349	1,677	1,470	1,634	1,130
Public works	1,515	1,185	984	963	1,024	897	931	784	934	1,357
Leisure services	603	600	671	665	862	848	827	791	706	649
Human services	87	133	132	169	135	216	221	80	91	146
Education	2,633	2,508	2,391	2,253	2,439	2,524	2,841	2,780	2,493	2,333
Operating grants and contributions	64,083	61,633	60,066	55,558	57,418	54,185	53,234	49,599	73,278	44,596
Capital grants and contributions	1,229	2,157	4,705	3,598	7,934	6,388	3,663	8,224	20,105	21,937
Total governmental activities program revenues	<u>73,417</u>	<u>70,913</u>	<u>71,293</u>	<u>65,742</u>	<u>71,975</u>	<u>67,222</u>	<u>64,395</u>	<u>64,649</u>	<u>100,307</u>	<u>73,534</u>
Business-type activities:										
Charges for services:						19,933	18,391	18,102	19,749	19,801
Water	9,000	8,588	8,291	8,156	7,749					
Sewer	8,418	8,036	7,775	7,389	7,010					
Sanitation	10,502	10,219	8,433	7,380	7,035					
Operating grants and contributions				680	3,791					
Capital grants and contributions	1,066	927	2,080	7,302	1,113	289	187	236	264	238
Total business-type activities program revenues	<u>28,986</u>	<u>27,770</u>	<u>26,579</u>	<u>30,907</u>	<u>26,698</u>	<u>20,222</u>	<u>18,578</u>	<u>18,338</u>	<u>20,013</u>	<u>20,039</u>
Total primary government program revenues	<u>102,403</u>	<u>98,683</u>	<u>97,872</u>	<u>96,649</u>	<u>98,673</u>	<u>87,444</u>	<u>82,973</u>	<u>82,987</u>	<u>120,320</u>	<u>93,573</u>
Net (expense) revenue:										
Governmental activities	(164,713)	(156,691)	(145,146)	(142,295)	(136,386)	(134,045)	(131,637)	(131,466)	(110,830)	(97,493)
Business-type activities	7,503	2,767	6,160	9,757	(901)	(1,812)	(1,807)	(8,688)	454	1,863
Total primary government net expense	<u>(157,210)</u>	<u>(153,924)</u>	<u>(138,986)</u>	<u>(132,538)</u>	<u>(137,287)</u>	<u>(135,857)</u>	<u>(133,444)</u>	<u>(140,154)</u>	<u>(110,376)</u>	<u>(95,630)</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 150,594	\$ 146,468	\$ 141,608	\$ 134,465	\$ 132,767	\$ 128,711	\$ 124,710	\$ 122,923	\$ 118,916	\$ 115,112
Grants and contributions not restricted to specific purposes	3,705	3,996	4,130	4,064	4,544	3,752	4,212	4,916	4,686	4,775
Unrestricted investment earnings	567	160	1,443	985	238	920	706	298	2,159	2,676
Miscellaneous	124	425	507	497	439	628	376	215	591	572
Premiums on bond issuance							65			
Transfers	1,333	1,449	1,630	2,519	(290)	1,329	1,283	1,710		
Total governmental activities	<u>156,323</u>	<u>152,498</u>	<u>149,318</u>	<u>142,530</u>	<u>137,698</u>	<u>135,340</u>	<u>131,352</u>	<u>130,062</u>	<u>126,352</u>	<u>123,135</u>
Business-type activities:										
Unrestricted investment earnings	529	402	492	(129)	888	438	1,059	457	1,917	1,185
Miscellaneous	(154)	1,915	285	251	68	105				
Premiums on bond issuance							153			
Transfers	(1,333)	(1,449)	(1,630)	(2,519)	290	(1,329)	(1,283)	(1,710)		
Total business-type activities	<u>(958)</u>	<u>868</u>	<u>(853)</u>	<u>(2,397)</u>	<u>1,246</u>	<u>(786)</u>	<u>(71)</u>	<u>(1,253)</u>	<u>1,917</u>	<u>1,185</u>
Total primary government	<u>155,365</u>	<u>153,366</u>	<u>148,465</u>	<u>140,133</u>	<u>138,944</u>	<u>134,554</u>	<u>131,281</u>	<u>128,809</u>	<u>128,269</u>	<u>124,320</u>
Changes in net position:										
Governmental activities	(8,390)	(4,193)	4,172	235	1,312	1,295	(285)	(1,404)	17,176	26,986
Business-type activities	6,545	3,635	5,307	7,360	345	(2,598)	(1,878)	(9,941)	717	1,755
Total Primary Government	<u>\$ (1,845)</u>	<u>\$ (558)</u>	<u>\$ 9,479</u>	<u>\$ 7,595</u>	<u>\$ 1,657</u>	<u>\$ (1,303)</u>	<u>\$ (2,163)</u>	<u>\$ (11,345)</u>	<u>\$ 17,893</u>	<u>\$ 28,741</u>

Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The Town began to allocate employee benefits and other category to appropriate function in fiscal year 2008.
- (3) Enterprise funds charges for services broken out starting in fiscal year 2012.

TABLE 3

**TOWN OF MANCHESTER, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$ 2,451	\$ 1,787	\$ 2,328	\$ 1,045
Unreserved							13,049	14,490	16,316	16,298
Nonspendable	22	65	23	37	147	39				
Restricted	1	910	1,009							
Committed	0	10	17	24	32	40				
Assigned	1,180	1,806	4,410	2,764	3,310	5,515				
Unassigned	<u>21,892</u>	<u>17,820</u>	<u>13,887</u>	<u>11,823</u>	<u>10,636</u>	<u>10,053</u>				
Total General Fund	<u>24,006</u>	<u>20,611</u>	<u>19,346</u>	<u>14,648</u>	<u>14,125</u>	<u>15,647</u>	<u>15,500</u>	<u>16,277</u>	<u>18,644</u>	<u>17,343</u>
All other governmental funds:										
Reserved							3,835	4,234	6,638	10,947
Unreserved, reported in:										
Special revenue funds							7,554	5,922	5,605	4,452
Capital project funds							(3,221)	(7,341)	3,913	(20,039)
Nonspendable	63	832	826	1,144	1,148	798				
Restricted	8,429	7,635	8,308	6,816	6,626	6,147				
Committed	5,646	3,569	3,083	3,421	3,962	4,410				
Assigned	75									
Unassigned	<u></u>	<u>(9,507)</u>	<u>(12,788)</u>	<u>(10,349)</u>	<u>(12,174)</u>	<u>(7,522)</u>				
Total All Other Governmental Funds	<u>\$ 14,213</u>	<u>2,529</u>	<u>\$ (571)</u>	<u>\$ 1,032</u>	<u>\$ (438)</u>	<u>\$ 3,833</u>	<u>\$ 8,168</u>	<u>\$ 2,815</u>	<u>\$ 16,156</u>	<u>\$ (4,640)</u>

Note 1: Schedule prepared on the modified accrual basis of accounting.

Note 2: Information for years prior to the implementation of GASB Statement No. 54 has not been restated.

TABLE 4

TOWN OF MANCHESTER, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Property taxes, interest and lien fees	\$ 151,407	\$ 146,500	\$ 142,053	\$ 133,330	\$ 131,951	\$ 129,160	\$ 124,547	\$ 122,423	\$ 119,165	\$ 114,568
Intergovernmental revenue	67,511	66,799	67,888	62,472	68,968	64,073	60,523	62,680	96,007	68,869
Investment and interest income	257	47	869	726	109	906	679	169	1,806	2,365
Licenses, permits and fines	2,514	2,096	1,801	1,788	1,814	1,637	1,882	1,700	1,922	3,291
Charges for goods and services	5,388	4,781	4,475	4,544	4,308	4,688	5,471	5,154	5,001	3,664
Other	1,757	1,560	1,331	1,260	1,722	1,152	919	624	686	2,212
Total revenues	228,834	221,783	218,417	204,120	208,872	201,616	194,021	192,750	224,587	194,969
Expenditures:										
General government	5,801	5,679	5,429	5,445	5,417	5,259	5,768	5,180	5,230	5,075
Public works	13,232	13,835	13,565	13,189	12,215	12,815	12,350	12,378	11,822	11,273
Public safety	34,657	33,469	32,526	32,612	31,700	30,234	28,708	28,305	27,628	27,224
Human services	4,581	4,354	4,145	4,129	4,152	4,629	4,022	4,287	3,803	3,972
Leisure services	6,390	6,213	5,839	5,912	6,215	5,481	5,386	5,478	5,477	5,196
Employee benefits	2,845	3,045	2,949	2,876	2,951	2,775	2,636	2,473	2,467	2,365
Education	140,528	138,043	130,704	125,423	125,193	120,603	117,444	114,157	133,564	103,878
Internal service fund charges	2,613	2,639	2,554	2,613	2,561	2,883	3,131	4,738	4,629	3,772
Other	646	674	708	717	661	706	1,445	918	1,341	1,178
Debt service:										
Principal	37,435	6,794	6,653	6,659	6,745	6,596	5,786	5,850	4,044	3,240
Interest	(26,681)	3,394	3,268	2,915	2,510	2,644	3,155	3,564	2,941	1,942
Capital outlay	12,318	13,723	15,892	12,381	20,239	12,508	10,464	22,840	40,438	43,191
Total expenditures	234,365	231,862	224,232	214,871	220,559	207,133	200,295	210,168	243,384	212,306
Excess of revenue under expenditures	(5,531)	(10,079)	(5,815)	(10,751)	(11,687)	(5,517)	(6,274)	(17,418)	(18,797)	(17,337)
Other financing sources (uses):										
Transfers in	7,271	6,212	6,191	5,938	4,706	4,449	5,059	5,111	6,650	5,793
Transfers out	(5,938)	(4,763)	(4,561)	(3,419)	(4,990)	(3,120)	(3,776)	(3,401)	(4,996)	(4,476)
Other										98
Issuance of debt	17,190	12,600	6,500	9,505	5,990		9,396		39,240	17,624
Issuance of bond refunding	27,680				8,225		4,865			
Premium on bond refunding	4,491				890		243			
Payments to escrow agent	(32,087)				(9,010)		-5,001			
Bond premium	2,003	395	780	721	83		65			
Discount on bond refunding										
Total other financing sources	20,610	14,444	8,910	12,745	5,894	1,329	10,851	1,710	40,894	19,039
Net Change in Fund Balances	\$ 15,079	\$ 4,365	\$ 3,095	\$ 1,994	\$ (5,793)	\$ (4,188)	\$ 4,577	\$ (15,708)	\$ 22,097	\$ 1,702
Debt Service as a Percentage of Noncapital Expenditures	4.84%	4.67%	4.76%	4.66%	4.51%	4.46%	4.68%	4.82%	3.46%	3.06%

Notes:

(1) Schedule prepared on the modified accrual basis of accounting.

TABLE 5

TOWN OF MANCHESTER, CONNECTICUT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Real Property			Personal Property	Motor Vehicle	Less Tax-Exempt Property*	Total Taxable Assessed Value	Total Town Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential	Commercial	Industrial							
2016	\$ 2,143,382	\$ 1,425,166	\$ 192,399	\$ 408,973	\$ 333,291	\$ 580,233	\$ 3,922,978	39.4	\$ 7,234,406	54.23%
2015	2,139,303	1,416,315	192,862	374,905	336,969	567,891	3,892,463	38.65	6,856,020	56.77%
2014	2,135,785	1,443,682	197,697	381,797	328,511	569,913	3,917,559	37.44	7,009,677	55.89%
2013	2,133,582	1,445,633	199,148	347,844	330,040	568,575	3,887,672	35.83	7,128,391	54.54%
2012	2,464,487	1,541,457	211,699	331,365	311,384	578,803	4,281,589	31.98	7,252,709	59.03%
2011	2,452,753	1,538,307	210,850	316,399	299,415	563,290	4,254,434	31.28	7,990,547	53.24%
2010	2,451,856	1,519,057	212,796	335,060	300,428	552,812	4,266,385	30.32	8,004,181	53.30%
2009	2,445,731	1,495,555	214,657	326,072	317,059	962,332	3,836,742	32.98	7,358,998	52.14%
2008	2,430,203	1,482,835	217,940	312,160	315,314	1,372,034	3,386,418	36.05	6,797,794	49.82%
2007	1,487,180	1,041,739	173,609	312,851	310,740	394,256	2,931,863	40.14	6,451,935	45.44%

Source: Town of Manchester Office of Tax Assessor

Note: Estimated values are established by the State of Connecticut Office of Policy and Management and the Town of Manchester Assessor's Office based on the ratio of sales price to assessed value.

Note: FY 2013, Grand List year 2011 was a revaluation year.

*2008 Exemption includes the non-taxed portion of phased-in assessments.

TABLE 6

**TOWN OF MANCHESTER, CONNECTICUT
PRINCIPAL PROPERTY TAXPAYERS
GRAND LIST YEARS 2014 AND 2004
(In Thousands)**

<u>Taxpayer</u>	October 1, 2014			October 1, 2004		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Pavilions at Buckland Hills LLC, et al	\$ 117,010	1	2.98%	\$ 96,261	1	3.34
Connecticut Light and Power Co.	103,545	2	2.64%	34,150	4	1.19
J.C Penney Properties, Inc	59,581	3	1.52%	60,059	2	2.09
Northland Pavilions, LLC	57,076	4	1.46%	48,809	3	1.70
Manchester Developers, LLC	39,512	5	1.01%	26,432	5	0.92
Walmart/Sam's Club	26,876	6	0.69%	18,530	9	0.64
Manchester Tolland Development	25,963	7	0.66%			
TGM Waterford LLC	22,140	8	0.56%			
Plaza at Buckland Hills LLC	21,047	9	0.54%			
Manchester Tarragon LLC	20,182	10	0.51%			
May Department Stores				21,491	6	0.77
Downeast Associates				22,114	7	0.75
Cox Connecticut				17,431	10	0.61
Burr Plaza				19,486	8	0.68
TOTAL	\$ <u>492,932</u>			\$ <u>364,763</u>		

Source: Town of Manchester, Office of Tax Assessor

* TGM Waterford LLC purchased the property formerly owned by the California State Teacher's Retirement System.

TABLE 7

**TOWN OF MANCHESTER, CONNECTICUT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Town:										
General	39.40	38.65	37.44	35.83	31.98	31.28	30.32	32.98	36.05	40.04
Special Services District:	5.80	5.79	5.69	5.54	4.98	5.00	4.94	5.50	5.81	6.86
Special Services District	45.20	43.13	43.13	41.37	36.96	36.28	35.26	38.48	41.86	46.90

Source: Town of Manchester Finance Department

TABLE 8

**TOWN OF MANCHESTER, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

Grand List Year	Tax Rate in Mills	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of The Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	39.40	\$ 142,927	\$ 140,499	98.30%	\$	\$ 140,499	98.30%
2013	38.65	136,376	133,806	98.12%	1,479	135,285	99.20%
2012	37.44	137,283	134,726	98.14%	1,881	136,607	99.51%
2011	35.83	127,784	125,048	97.86%	1,645	126,693	99.15%
2010	31.98	123,354	120,953	98.05%	1,841	122,794	99.55%
2009	31.28	124,351	122,311	98.36%	1,638	123,949	99.68%
2008	30.32	123,818	121,712	98.25%	1,764	123,476	99.72%
2007	32.98	122,270	120,113	98.14%	1,754	121,867	99.67%
2006	36.05	117,967	116,029	98.13%	1,836	117,865	99.91%
2005	40.14	114,402	112,401	98.02%	1,970	114,371	99.97%

Source: Tax Collector's Report; Comprehensive annual financial report

TABLE 9

TOWN OF MANCHESTER, CONNECTICUT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(in thousands, except per capita)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Ratio of Debt to Taxable Assessed Value	Debt Per Capita
	General Obligation Bonds	Capital Leases	Water	Sewer				
2016	\$ 92,090	\$	\$	\$	\$ 92,090	4.58%	2.35%	\$ 1,451.98
2015	84,875				84,875	4.21%	2.18%	1,449.51
2014	81,246				81,246	4.16%	2.07%	1,395.72
2013	79,375				79,375	4.11%	2.04%	1,379.46
2012	76,205	324			76,529	4.56%	1.79%	1,312.97
2011	76,615	636			77,251	4.14%	1.82%	1,323.83
2010	82,586	1,324		865	84,775	5.79%	1.99%	1,503.50
2009	78,470	1,987		1,713	82,170	5.66%	2.14%	1,471.08
2008	84,445	2,795		2,545	89,785	6.20%	2.65%	1,610.86
2007	49,249	3,709		3,360	56,318	3.90%	1.92%	1,012.00

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

Total tax collections (including interest and lien fees) for current year						\$	<u>144,640</u>
Base for Debt Limitation Computation						\$	<u><u>144,640</u></u>
	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>		
Debt Limitation:							
2 1/4 times base	\$ 325,440	\$	\$	\$	\$		
4 1/2 times base		650,880					
3 3/4 times base			542,400				
3 1/4 times base				470,080			
3 times base						433,920	
	<u>325,440</u>	<u>650,880</u>	<u>542,400</u>	<u>470,080</u>		<u>433,920</u>	
Total debt limitation	<u>325,440</u>	<u>650,880</u>	<u>542,400</u>	<u>470,080</u>		<u>433,920</u>	
Indebtedness:							
Bonds payable	49,043	43,047					
Bond anticipation notes			4,098				
Debt authorized but unissued	<u>14,144</u>	<u>35,162</u>	<u>4,100</u>				
	<u>63,187</u>	<u>78,209</u>	<u>8,198</u>	<u>-</u>		<u>-</u>	
Total indebtedness	<u>63,187</u>	<u>78,209</u>	<u>8,198</u>	<u>-</u>		<u>-</u>	
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>262,253</u>	\$ <u>572,671</u>	\$ <u>534,202</u>	\$ <u>470,080</u>	\$ <u>433,920</u>		

TOWN OF MANCHESTER, CONNECTICUT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	(b) Percentage of Estimated Actual Taxable Value of Property	(a) Debt Per Capita
2016	\$ 92,090	1.27%	\$ 1,451.98
2015	84,875	1.24%	1,449.51
2014	81,246	1.16%	1,395.72
2013	79,375	1.11%	1,361.75
2012	76,205	1.05%	1,307.41
2011	76,615	0.96%	1,312.93
2010	83,451	1.04%	1,480.02
2009	80,183	1.09%	1,435.50
2008	86,990	1.28%	1,560.69
2007	52,609	0.82%	946.68

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(a) See Table 13 for population figures

(b) See Table 5 for estimated actual taxable value of property

TABLE 12

TOWN OF MANCHESTER, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt limitation	\$ 1,012,480	\$ 962,633	\$ 968,408	\$ 885,927	\$ 862,722	\$ 877,422	\$ 869,694	\$ 857,332	\$ 834,302	\$ 803,306
Total net debt applicable to limit	<u>149,594</u>	<u>112,488</u>	<u>116,436</u>	<u>112,488</u>	<u>109,094</u>	<u>83,154</u>	<u>102,551</u>	<u>95,310</u>	<u>93,663</u>	<u>93,399</u>
Legal Debt Margin	<u>\$ 862,886</u>	<u>\$ 850,145</u>	<u>\$ 851,972</u>	<u>\$ 773,439</u>	<u>\$ 753,628</u>	<u>\$ 794,268</u>	<u>\$ 767,143</u>	<u>\$ 762,022</u>	<u>\$ 740,639</u>	<u>\$ 709,907</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.78%	11.69%	12.02%	12.70%	12.65%	9.48%	11.79%	11.12%	11.23%	11.63%

Source: Comprehensive annual financial report - Statement of Debt Limitation

Note: See Table 10 for calculation of current year debt limitation.

**TOWN OF MANCHESTER, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Population(1)</u>	<u>Personal Income(2) (in Thousands)</u>	<u>Per Capita Income(2)</u>	<u>Median Age(2)</u>	<u>School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>
2016	58,007	\$ 2,011,857	\$ 34,683	36.9	6,239	5.43%
2015	58,106	2,015,290	34,683	36.9	6,212	6.55%
2014	58,211	1,955,307	33,590	36.9	6,181	6.89%
2013	58,289	1,679,307	32,648	36.9	6,225	7.88%
2012	58,287	1,867,678	28,811	36.5	6,394	8.12%
2011	58,354	1,465,390	32,006	36.5	6,834	8.80%
2010	56,385	1,451,668	25,989	36.5	6,889	8.70%
2009	55,857	1,448,575	25,989	36.5	6,877	8.50%
2008	55,738	1,444,261	25,989	36.5	6,816	5.60%
2007	55,572	1,444,027	25,989	36.5	7,099	4.50%

(1) Source: State of CT Dept of Health

(2) Source: City-Data.com

(3) Source: Official Statement Town of Manchester

(4) Source: Connecticut Department of Labor

TABLE 14

**TOWN OF MANCHESTER, CONNECTICUT
PRINCIPAL EMPLOYERS
2016 AND 2006**

Employer	Nature of Business	2016			Employer	Nature of Business	2006		
		Employees	Rank	Percentage of Total Town Employment			Employees	Rank	Percentage of Total Town Employment
Town of Manchester	Local Gov/Board of Ed	1,669	1	5.67%	Town of Manchester	Local Gov/Board of Ed	1,605	1	5.46%
Manchester Memorial Hosp.	General Hospital	1,500	2	5.10%	J.C. Penney Company	Warehouse/Distribution	1300	2	4.42%
J.C. Penney Company	Warehouse/Distribution	750	3	2.55%	Smiths Aerospace	Parts Manufacturer	1,208	3	4.11%
Manchester Community Coll.	College	725	4	2.47%	Manchester Memorial Hosp.	Hospital	1000	4	3.40%
Target	Retail	400	5	1.38%	Dynamic Gunver Tech.	Sheet Metal Fabricator	747	5	2.54%
GE Aviation	Parts Manufacturer	400	6	1.36%	Manchester Health Care	Medical Offices	500	6	1.70%
Super Stop & Shop	Supermarket	381	7	1.30%	May Department Stores	Department Store	500	7	1.70%
J.C. Penny Company	Retail/Distribution	350	8	1.19%	Wal-Mart Stores	Department Store	400	8	1.36%
Allied Printing	Commercial Printing	330	9	1.12%	Cox Communications	Cable Television	375	9	1.28%
Big Y World Class Market	Supermarket	300	10	1.02%	Allied Printing	Commercial Printing	375	10	1.28%
		<u>6,805</u>		<u>23.14%</u>			<u>8,010</u>		<u>19.42%</u>

Source: Town of Manchester Planning Department and Official Statements
Percentage based on total employed population of 29,410 per the Department of Commerce, Bureau of the Census, 2000

TABLE 15

**TOWN OF MANCHESTER, CONNECTICUT
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Full-Time-Equivalent Employees as of June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	82.50	81.00	81.00	80.40	80.40	86.40	88.75	90.25	93.50	92.50
Police	152.50	152.50	152.50	154.50	154.50	154.50	154.50	158.50	158.50	158.50
Fire	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00
Sanitation	12.10	12.10	12.10	12.10	12.10	12.10	12.10	11.10	9.05	9.00
Other public works	145.15	145.15	145.15	147.40	148.40	148.40	148.40	149.40	149.45	149.75
Recreation	13.00	13.00	13.00	14.00	14.00	8.50	8.50	9.50	9.50	9.50
Library	25.00	25.00	25.00	25.00	25.00	26.00	27.00	27.00	27.00	27.00
Education	<u>1,155.00</u>	<u>1,155.00</u>	<u>1,155.00</u>	<u>1,158.13</u>	<u>1,197.67</u>	<u>1,170.71</u>	<u>1,175.00</u>	<u>1,177.00</u>	<u>1,156.00</u>	<u>1,129.00</u>
TOTAL	<u><u>1,667.25</u></u>	<u><u>1,665.75</u></u>	<u><u>1,665.75</u></u>	<u><u>1,673.53</u></u>	<u><u>1,714.07</u></u>	<u><u>1,688.61</u></u>	<u><u>1,689.00</u></u>	<u><u>1,685.00</u></u>	<u><u>1,657.25</u></u>	<u><u>1,638.40</u></u>

Source: Adopted Budget Books for General Government Preliminary Official Statements for Education

Note: Certain prior year figures have been restated due to better information available at June 30, 2008.

TABLE 16

**TOWN OF MANCHESTER, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:									
Building permits issued	3,713	2,958	3,528	3,003	3,018	3,100	3,127	3,161	2,926
Building inspections conducted	6,395	6,184	5,984	4,986	6,498	5,194	6,890	6,830	6,797
Police:									
Physical arrests	3,943	2,654	3,510	3,391	4,157	4,694	3,549	3,525	3,548
Parking violations (unavailable pre FY06)	2,194	1,965	1,550	1,863	1,096	1,698	1,743	2,078	2,897
Traffic violations	6,117	4,489	4,316	1,617	2,281	4,999	8,944	6,885	7,233
Fire:									
Emergency responses	8,457	7,822	7,573	7,790	8,373	8,206	8,097	7,902	7,674
Structure Fires (fires extinguished)	22	36	30	30	39	39	31	24	42
Inspections	2,958	1,986	2,064	1,394	956	828	1,246	1,858	989
Refuse collection:									
Refuse collected (tons per day)	50.83	49.88	50	50.11	52.85	52.04	41.4	41.4	40.15
Recyclables collected (tons per day)	17.38	17.46	17.5	18.23	19.48	19.67	10.4	10.4	12.3
Other public works:									
Street resurfacing (miles)	13.53	0.54	7.52	8.3	6.8	6.3	10.8	10.8	6
Potholes repaired (man hours)	2,968		3,990						
Parks and recreation:									
Athletic field permits issued (unavailable)	50	43							
Community center admissions (unavailable prior to 08)	130	104	108	105	112	112	110	104	79
Library:									
Volumes in collection (thousands)	238.2	237.3	243.7	242.3	243.2	262.1	239.7	238.4	228.8
Total volumes borrowed (thousands)	720	756.7	759.3	777.9	825.4	846.8	859.0	834.5	797.1
Water:									
New connections	20		22	5	8	17	17	45	16
Water main breaks	8	20	25	17	15	7	18	10	12
Average daily production (thousands of gallons)	4,990	5,088	4,832	4,972	5,019	5,375	5,178	5,320	5,560
Peak daily production (thousands of gallons)	7,730	7,150	6,600	7,480	8,220	8,400	7,040	7,750	8,070
Sewer Enterprises:									
Average daily sewage treatment (thousands of gallons)	4,855	6,030	6,210	6,200	6,835	6,150	6,552	6,465	5,560

Source: Internal Department Tracking Reports

TABLE 17

**TOWN OF MANCHESTER, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	3	3	3	3	3	2	1	2	3	3
Patrol units	8	8	8	8	8	8	8	8	7	7
Fire stations	5		5	5	5	5	5	5	5	5
Other public works:										
Streets (miles)	218.1	218.1	218.1	218.1	218.0	217.0	217.0	217.0	214.0	213.1
Streetlights	4,851	4,846	4,846	4,820	4,717	4,710	4,698	4,698	4,674	4,688
Traffic signals	53	53	53	52	52	52	51	51	51	50
Parks and recreation:										
Acreage	685	677	677	677	677	677	677	677	677	677
Playgrounds	25	23	23	23	23	23	23	23	23	23
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	14	14	14	14	14	13	13	13	13	13
Water:										
Water mains (miles)	259	259	258	258	258	257	280	278	255	255
Fire hydrants	2,039	2,039	2,037	2,026	2,021	1,990	1,969	1,970	1,954	1,876
Storage capacity (thousands of gallons)	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179
Wastewater:										
Sanitary sewers (miles)	167	167	167	167	166	167	167	166	164	161
Storm sewers (miles)	144	144	143	143	142	139	163	163	163	150
Treatment capacity (thousands of gallons)	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Transit - mini-buses:										
Administrative buildings	1	1	1	1	1	1	1	1	1	1

Sources:

Police Department annual reports
Public Works and Recreation Town records