

Comprehensive Annual Financial Report

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2017



Office of the Director of Finance

Comprehensive Annual Financial Report

of the

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2017

Department of Finance
Kimberly Lord
Director of Finance

TOWN OF MANCHESTER, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



Town of Manchester

41 Center Street • P.O. Box 191
Manchester, Connecticut 06045-0191
www.manchesterct.gov

JAY MORAN, MAYOR
MARGARET H. HACKETT, DEPUTY MAYOR
STEVE GATES, SECRETARY

DIRECTORS
YOLANDA CASTILLO
TIMOTHY M. DEVANNEY
CHERI A. ECKBRETH
PAMELA FLOYD-CRANFORD
MATTHEW S. GALLIGAN
SARAH L. JONES

SCOTT SHANLEY, GENERAL MANAGER

December 21, 2017

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, 2017 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. Copies of the reports are on file in the Town Clerk's office, and on the Town's website.

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 58,241 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 strong and diverse local economy during this period of sluggish state economic growth. The healthcare, aerospace, retail, wholesale trade, 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. Strong finance, banking, insurance, and real estate sectors anchor the historic Downtown and other smaller business districts. The business services sector includes accountants, attorneys and other consulting services. In 2017 Bob's Discount Furniture opened a new, 103,000 sf corporate headquarters in Manchester housing over 200 employees. Lydall Inc. and Fuss & O'Neill are among other companies headquartered in Manchester.

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; Dynamic Precision Group 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 500 hotel rooms, numerous entertainment venues including 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 complimented by continued rehabilitation and reuse of existing spaces. Hydrofera, a medical sponge company, opened a new million-dollar production facility in the Manchester Business Park in 2017.

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 is committed to maintaining and improving infrastructure as guided by several master plans approved by the town's legislative body, with funding provided by a combination of bonding, operating transfers and grants:

- Completion of improvements to Center Springs Park, including new playground equipment, increased parking and pedestrian access, and dredging Center Springs pond.
- Awarding a bid for a Water Source Study to address adequacy of, and new sources for water supply for the next two decades.
- Completion of the 1991 master plan to replace/install sidewalks throughout the community.
- Complete phase one of the Elementary School Renewal Plan by September 2019 and prepare for phase two with a planned referendum for funding in November 2018.

Long-Term Financial Planning and Policies

During FY17, 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. Manchester has dealt with the uncertainty at the State level by relying on use of reserves, which will mitigate the impact on taxpayers. The town will respond to the State budget issues as it responded to the fiscal crisis of 2008; with a thoughtful approach, by continuously monitoring staffing and expenditures, and building upon its substantial commercial tax base with business-friendly policies.

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:

	FY13	FY14	FY15	FY16	FY17
Revenue (ooo's)	\$164,960	\$173,056	\$176,628	\$181,412	182,077
Expenditures	163,992	169,630	174,128	177,799	177,507
Operating Results	968	3,426	2,500	3,613	4,570
Unassigned FB	11,823	13,887	17,820	20,368	21,116
Percent of Revenue	7.17	8.02	10.09	12	12%

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, 2016. 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 the staff members:

Heather Boudreux, Accountant, Susan Alaimo, Accountant, Laura Lebreque, Payroll Manager, Jennifer Dudzik, Account Associate, April Marchiano, Account Associate, and Amy McCrystal, Administrative Assistant.

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,



Kimberly Lord, CPFO
Director of Finance



Government Finance Officers Association

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

Presented to

**Town of Manchester
Connecticut**

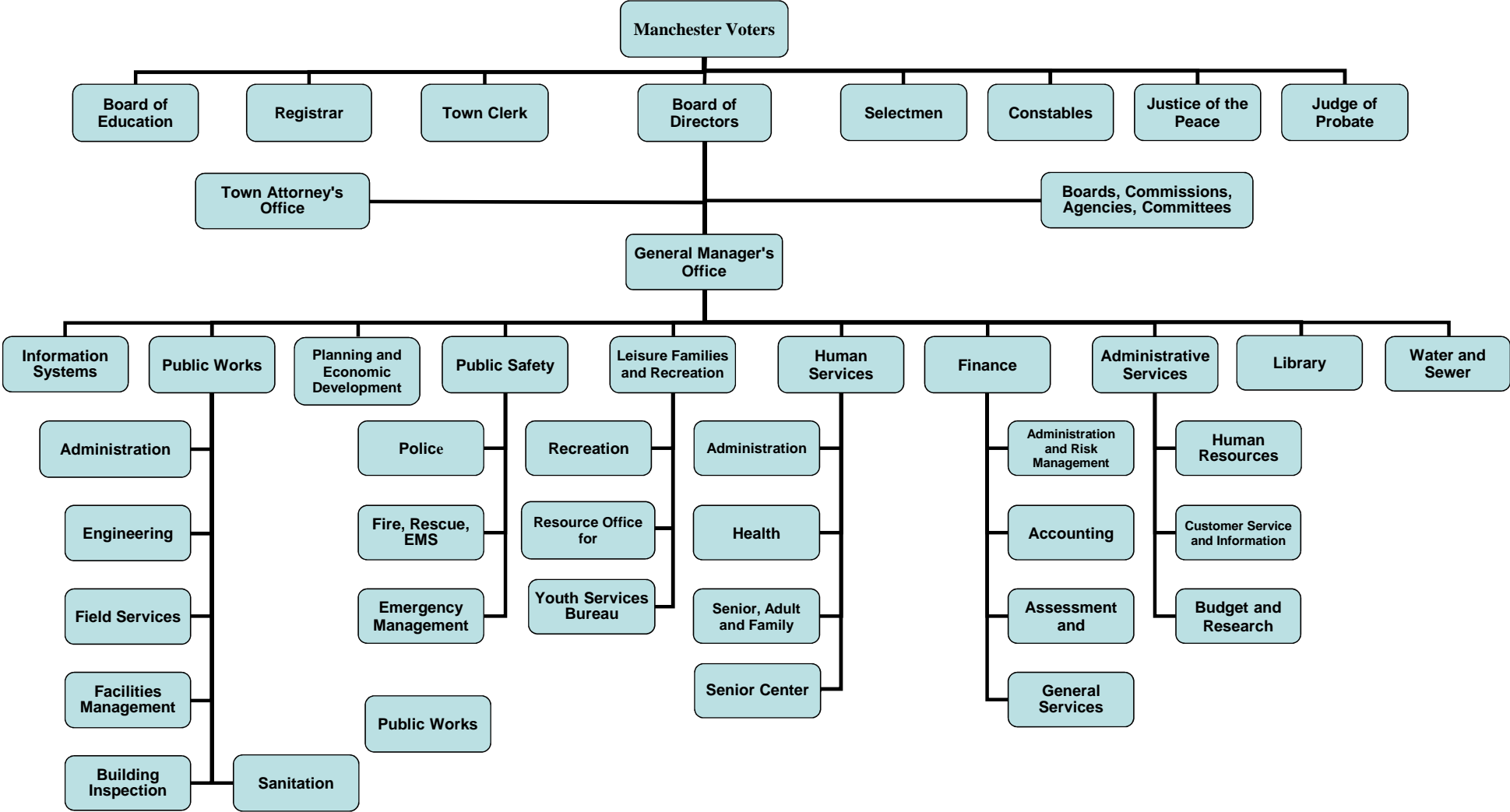
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer".

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
Jennifer T. Nye

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 Director

Joseph V. Camposeo
Scott Shanley
Ryan Barry
Kimberly Lord
John Rainaldi

Gary Anderson
Chief Marc Montminy
Chief David Billings
Brian Wolverton

Board of Education

Christopher Pattacini, Chairperson
Susan Jacobsen
Melanie Stefanovicz
Deborah Hagenow
Ranon Caldwell

Neal S. Leon
Jason P. Scappaticci
Darryl Thames, Sr.
Peter Conyers

Superintendent of Schools

Matthew Geary

Financial Section



Accounting | Tax | Business Consulting

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, 2017, 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, 2017 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 1 to the financial statements, during the fiscal year ended June 30, 2017, the Town adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and GASB Statement No. 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to these matters.

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 64 and 65 and the pension and OPEB schedules on pages 67 through 74 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, 2016 (not presented herein), and have issued our report thereon dated December 20, 2016, 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, 2016 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 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 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, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 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 solely 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 the effectiveness of the Town of Manchester, Connecticut's 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 21, 2017

**TOWN OF MANCHESTER, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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 \$1.44 million as a result of this year's operations. Net position of the business-type activities decreased by \$1.08 million, or (1.8%). Net position of the governmental activities decreased by \$361 thousand, or (0.49%).
- During the year, the Town's governmental activities had expenses that were \$3.2 million more than the \$250 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues decreased by \$3.1 million (or 10.6%) while expenses increased by \$3.2 million (or 14.1%).
- Total cost of all of the Town's programs increased by \$17.8 million (or 6.86%) to \$277 million. Of the \$17.8 million increase, \$13 million is included in the Education category and is due to school construction.
- The General Fund reported a fund balance this year of \$24.8 million, an increase of \$768 thousand (or 3.2%).
- 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 \$134.4 million to \$132.9 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 95,008	\$ 108,621	\$ 60,308	\$ 59,663	\$ 155,316	\$ 168,284
Capital assets	206,544	187,856	74,838	78,050	281,382	265,906
Total assets	301,552	296,477	135,146	137,713	436,698	434,190
Deferred outflows of resources related to pensions	12,170	19,454	801	1,785	12,971	21,239
Deferred charge on refunding	2,357	2,317			2,357	2,317
Total deferred outflows of resources	14,527	21,771	801	1,785	15,328	23,556
Long-term debt outstanding	223,143	217,579	59,133	22,998	282,276	240,577
Other liabilities	13,177	18,242	17,568	56,239	30,745	74,481
Total liabilities	236,320	235,821	76,701	79,237	313,021	315,058
Advance property tax collections	5,412	8,269			5,412	8,269
Deferred inflows of resources related to pensions	550		68		618	-
Total deferred inflows of resources	5,962	8,269	68	-	6,030	8,269
Net Position:						
Net investment in capital assets	101,085	89,755	24,194	24,080	125,279	113,835
Restricted	2,761	2,485			2,761	2,485
Unrestricted	(30,049)	(18,082)	34,984	36,181	4,935	18,099
Total Net Position	\$ 73,797	\$ 74,158	\$ 59,178	\$ 60,261	\$ 132,975	\$ 134,419

Net position of the Town's governmental activities decreased by 0.49%. 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 \$18 million at June 30, 2016 to \$30 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, \$31.3 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 \$7.0 million and transfers in of \$3 million. The net position of business-type activities decreased by 1.8% (\$59.1 million compared to \$60.2 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 \$1.9 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 \$3.01 million. The governmental activities Internal Service net position decreased \$983 thousand mainly due to negative experience in insurance claims costs.

TABLE 2
CHANGES IN NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 11,788	\$ 8,105	\$ 26,957	\$ 27,920	\$ 38,745	\$ 36,025
Operating grants and contributions	70,433	64,083	6		70,439	64,083
Capital grants and contributions	6,957	1,229		1,066	6,957	2,295
General revenues:						
Property taxes	152,067	150,594			152,067	150,594
Grants and contributions not restricted to specific purposes	4,907	3,705			4,907	3,705
Unrestricted investment earnings	2,148	567	(1,040)	529	1,108	1,096
Other general revenues	1,433	124	322	(154)	1,755	(30)
Total revenues	<u>249,733</u>	<u>228,407</u>	<u>26,245</u>	<u>29,361</u>	<u>275,978</u>	<u>257,768</u>
Program expenses:						
General government	9,855	10,809			9,855	10,809
Public safety	43,579	43,086			43,579	43,086
Public works	22,936	20,310			22,936	20,310
Human services	4,502	4,934			4,502	4,934
Leisure services	7,295	7,314			7,295	7,314
Education	161,085	148,446			161,085	148,446
Interest on long-term debt	3,655	3,231			3,655	3,231
Water			7,643	7,439	7,643	7,439
Sewer			9,323	7,824	9,323	7,824
Sanitation			7,549	6,220	7,549	6,220
Total program expenses	<u>252,907</u>	<u>238,130</u>	<u>24,515</u>	<u>21,483</u>	<u>277,422</u>	<u>259,613</u>
Excess (deficiency) before transfers	(3,174)	(9,723)	1,730	7,878	(1,444)	(1,845)
Transfers	<u>2,813</u>	<u>1,333</u>	<u>(2,813)</u>	<u>(1,333)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(361)	(8,390)	(1,083)	6,545	(1,444)	(1,845)
Beginning Net Position	<u>74,158</u>	<u>82,548</u>	<u>60,261</u>	<u>53,716</u>	<u>134,419</u>	<u>136,264</u>
Ending Net Position	<u>\$ 73,797</u>	<u>\$ 74,158</u>	<u>\$ 59,178</u>	<u>\$ 60,261</u>	<u>\$ 132,975</u>	<u>\$ 134,419</u>

The Town's total revenues (Governmental and Business-Type) were \$276.0 million. The total cost of all programs and services (Governmental and Business-Type) was \$277.4 million. The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The decrease in Governmental Activities net position was \$1.4 million. The amount of net investment in capital assets increased by \$11.3 million. Operating grants and contributions increased by \$6.4 million while capital grants and contributions increased by \$5.7 million. Property taxes increased \$1.5 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 10.6% (\$29.4 million in 2016 compared to \$26.2 million in 2017) and expenses increased by 14.1% (\$21.5 million in 2016 compared to \$24.5 million in 2017). The decrease in revenue was predominantly the result of a decrease in usage compared to anticipated usage. The increase in expenditures is due primarily to infrastructure investment.

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	
	2017	2016	2017	2016
Education	\$ 161,085	\$ 148,446	\$ 89,810	\$ 85,545
Public safety	43,579	43,086	39,955	39,589
Public works	22,936	20,310	14,322	18,080
Leisure services	7,295	7,314	6,573	6,116
General government	9,855	10,809	6,481	8,141
All others	8,157	8,165	6,588	7,242
Totals	<u>\$ 252,907</u>	<u>\$ 238,130</u>	<u>\$ 163,729</u>	<u>\$ 164,713</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 \$34.3 million, which is a decrease of \$4.0 million from last year's total. Included in this year's total change in fund balance is an increase of \$768 thousand 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 decrease in the fund balance of \$5.3 million is due to school construction costs that will be reimbursed by the State.

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 \$907 thousand, 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 \$2.3 million.

The Town's General Fund balance of \$24.8 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$24.2 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$606 thousand of outstanding encumbrances at year-end that are reported as expenditures for budgetary purposes.

Fire District budgetary fund balance increased by \$107 thousand from \$1.6 million due to vacancy savings.

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 \$59.2 million, which is a decrease of \$1.1 million from last year's total of \$60.3 million. Included in this year's total change in net position is an increase of \$1.9 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 decrease of \$983 thousand. Net position in the employee health benefits fund decreased by \$2.1 million due to an increase in healthcare and liability claims.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the Town had \$281.1 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 increase of \$15.2 million (including additions and deductions) or 5.7%, over last year, primarily due to the ongoing renovation and replacement of elementary schools in Town.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 16.2	\$ 16.2	\$ 1.2	\$ 1.2	\$ 17.4	\$ 17.4
Buildings and improvements	87.9	92.9	58.0	61.4	145.9	154.3
Equipment	8.8	8.2	12.2	12.2	21.0	20.4
Infrastructure	65.4	64.9			65.4	64.9
Construction in progress	28.2	5.7	3.2	3.2	31.4	8.9
Total	<u>\$ 206.5</u>	<u>\$ 187.9</u>	<u>\$ 74.6</u>	<u>\$ 78.0</u>	<u>\$ 281.1</u>	<u>\$ 265.9</u>

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

Bennet and Cheney Schools: \$13.1

The Town's fiscal-year 2017-18 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, acquisition of open space, 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, 2017 the Town had \$98.7 million in bonds outstanding from governmental activities versus \$92.1 million last year - an increase of 7.1% - as shown in Table 5. The decrease of \$1.4 million in Business-Type activities is due to the retirement of outstanding debt, and the use of short-term notes for capital expenditures.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds (Backed by the Town)	\$ <u>98.7</u>	\$ <u>92.1</u>	\$ <u>2.4</u>	\$ <u>36.8</u>	\$ <u>101.0</u>	\$ <u>128.9</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 \$1,007.3 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 2017-2018, General Fund appropriations total \$184.8 million. This is an increase of \$833 thousand or .7% over 2016-2017. The increase in General Fund appropriations is being funded with no increase in the property tax levy, anticipated use of fund balance, 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 2017-2018 fiscal year. The 39.68 mill rate represents no increase 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 slower Grand List growth 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 which 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 anticipated reductions in State aid when formulating the budget, but when the State budget was adopted October 31, 2017, the decreases were higher than anticipated. 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 tax increases, depletion of fund balance or service reductions.

Overall, financial results were as planned for the 2017 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 issues faced at the State level. The State of Connecticut's 2017/18 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 state economy on the Town's financial position. On a positive note, the Pension Fund ended the year in a better position, due to strong investment earnings, and overall economic outlook for the Town has improved. The Town continues to operate its Sanitation Fund conservatively, building up a significant fund balance that can be used in the future for economic development initiatives, and to offset reductions in state aid.

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.

Basic Financial Statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2017
(In Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 44,462	\$ 35,920	\$ 80,382
Investments	22,950	17,793	40,743
Receivables, net	20,224	5,300	25,524
Due from fiduciary funds	4,230		4,230
Inventories	62	1,295	1,357
Prepaid items	223		223
Net pension asset	2,857		2,857
Capital assets:			
Assets not being depreciated	44,397	4,394	48,791
Assets being depreciated, net	162,147	70,444	232,591
Total assets	<u>301,552</u>	<u>135,146</u>	<u>436,698</u>
Deferred Outflows of Resources:			
Deferred outflows of resources related to pensions	12,170	801	12,971
Deferred charge on refunding	2,357		2,357
Total deferred outflows of resources	<u>14,527</u>	<u>801</u>	<u>15,328</u>
Liabilities:			
Accounts and other payables	9,221	1,453	10,674
Accrued liabilities	3,496	158	3,654
Bond anticipation notes		15,217	15,217
Unearned revenue	460	740	1,200
Noncurrent liabilities:			
Due within one year	17,471	2,732	20,203
Due in more than one year	205,672	56,401	262,073
Total liabilities	<u>236,320</u>	<u>76,701</u>	<u>313,021</u>
Deferred Inflows of Resources:			
Advance property tax collections	5,412		5,412
Deferred inflows of resources related to pensions	550	68	618
Total deferred inflows of resources	<u>5,962</u>	<u>68</u>	<u>6,030</u>
Net Position:			
Net investment in capital assets	101,085	24,194	125,279
Restricted for:			
Trust purposes:			
Expendable	2,761		2,761
Unrestricted	(30,049)	34,984	4,935
Total Net Position	<u>\$ 73,797</u>	<u>\$ 59,178</u>	<u>\$ 132,975</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, 2017
(In Thousands)

Functions/Programs	Net (Expense) Revenue And Changes In Net Position						
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 9,855	\$ 2,704	\$ 631	\$ 39	\$ (6,481)	\$	\$ (6,481)
Public safety	43,579	2,088	1,475	61	(39,955)		(39,955)
Public works	22,936	1,276	656	6,682	(14,322)		(14,322)
Leisure services	7,295	661	61		(6,573)		(6,573)
Human services	4,502	63	1,506		(2,933)		(2,933)
Education	161,085	4,996	66,104	175	(89,810)		(89,810)
Interest on long-term debt	3,655				(3,655)		(3,655)
Total governmental activities	<u>252,907</u>	<u>11,788</u>	<u>70,433</u>	<u>6,957</u>	<u>(163,729)</u>	<u>-</u>	<u>(163,729)</u>
Business-type activities:							
Water	7,643	8,966				1,323	1,323
Sewer	9,323	8,641				(682)	(682)
Sanitation	7,549	9,350	6			1,807	1,807
Total business-type activities	<u>24,515</u>	<u>26,957</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>2,448</u>	<u>2,448</u>
Total primary governmental activities	<u>\$ 277,422</u>	<u>\$ 38,745</u>	<u>\$ 70,439</u>	<u>\$ 6,957</u>	<u>(163,729)</u>	<u>2,448</u>	<u>(161,281)</u>
General revenues:							
Property taxes					152,067		152,067
Grants and contributions not restricted to specific programs					4,907		4,907
Unrestricted investment earnings (loss)					2,148	(1,040)	1,108
Miscellaneous					1,433	322	1,755
Transfers					2,813	(2,813)	
Total general revenues and transfers					<u>163,368</u>	<u>(3,531)</u>	<u>159,837</u>
Change in Net Position					(361)	(1,083)	(1,444)
Net Position at Beginning of Year					<u>74,158</u>	<u>60,261</u>	<u>134,419</u>
Net Position at End of Year					<u>\$ 73,797</u>	<u>\$ 59,178</u>	<u>\$ 132,975</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(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	\$ 2,206	\$ 1,463	\$ 7,410	\$ 5,112	\$ 16,191
Investments	10,018			5,818	15,836
Receivables, net	5,267	461	12,419	1,296	19,443
Inventory				62	62
Interfund receivables	20,767				20,767
Other assets	<u>102</u>	<u>2</u>			<u>104</u>
Total Assets	\$ <u>38,360</u>	\$ <u>1,926</u>	\$ <u>19,829</u>	\$ <u>12,288</u>	\$ <u>72,403</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 1,820	\$ 158	\$ 6,449	\$ 515	\$ 8,942
Accrued liabilities	1,646	31		5	1,682
Intergovernmental payables	23				23
Interfund payables			15,010	347	15,357
Unearned revenue	<u>4</u>		<u>5</u>	<u>451</u>	<u>460</u>
Total liabilities	<u>3,493</u>	<u>189</u>	<u>21,464</u>	<u>1,318</u>	<u>26,464</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	4,681				4,681
Unavailable revenue - loans receivable			1,562	22	1,584
Advance property tax collections	<u>5,412</u>				<u>5,412</u>
Total deferred inflows of resources	<u>10,093</u>	<u>-</u>	<u>1,562</u>	<u>22</u>	<u>11,677</u>
Fund Balances:					
Nonspendable	102	2		62	166
Restricted				8,499	8,499
Committed		1,660		2,387	4,047
Assigned	2,606	75			2,681
Unassigned	<u>22,066</u>		<u>(3,197)</u>		<u>18,869</u>
Total fund balances	<u>24,774</u>	<u>1,737</u>	<u>(3,197)</u>	<u>10,948</u>	<u>34,262</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>38,360</u>	\$ <u>1,926</u>	\$ <u>19,829</u>	\$ <u>12,288</u>	\$ <u>72,403</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017
(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	\$ 34,262
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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	\$ 363,554	
Less accumulated depreciation	<u>(157,285)</u>	
Net capital assets		206,269

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	3,647
Interest receivable on property taxes	1,034
Net pension asset	2,857
Housing rehabilitation and commercial entity loans	1,584
Deferred outflows of resources related to pensions	12,170

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.

25,499

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	(44,447)
Net pension liability	(48,846)
Bonds and notes payable	(98,680)
Bond premiums	(9,136)
Interest payable on bonds and notes	(1,814)
Compensated absences	(12,409)
Deferred inflows of resources related to pensions	(550)
Deferred charge on refunding	<u>2,357</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 73,797</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, 2017
(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	\$ 139,728	\$ 12,064	\$ 19	\$	\$ 151,811
Intergovernmental	57,402	626	6,951	17,274	82,253
Investment earnings	662	16	52	892	1,622
Licenses, permits and fines	2,209				2,209
Charges for goods and services	2,121	680		5,218	8,019
Other	779	64	352	256	1,451
Total revenues	<u>202,901</u>	<u>13,450</u>	<u>7,374</u>	<u>23,640</u>	<u>247,365</u>
Expenditures:					
Current:					
General government	5,553			139	5,692
Public works	13,459			119	13,578
Public safety	20,026	14,030		2,849	36,905
Human services	2,832			1,583	4,415
Leisure services	5,797			607	6,404
Employee benefits	2,887				2,887
Education	133,514			18,086	151,600
Internal service fund charges	2,848	428			3,276
Other	246			55	301
Debt service	11,362	135	153		11,650
Capital outlay		385	31,145		31,530
Total expenditures	<u>198,524</u>	<u>14,978</u>	<u>31,298</u>	<u>23,438</u>	<u>268,238</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,377</u>	<u>(1,528)</u>	<u>(23,924)</u>	<u>202</u>	<u>(20,873)</u>
Other Financing Sources (Uses):					
Transfers in	1,230	1,901	3,010	278	6,419
Transfers out	(4,869)	(320)			(5,189)
Issuance of debt			14,500		14,500
Issuance of refunded bond	4,365				4,365
Premium on bond refunding	345				345
Payments to escrow agents	(4,680)				(4,680)
Bond premium			1,156		1,156
Total other financing sources (uses)	<u>(3,609)</u>	<u>1,581</u>	<u>18,666</u>	<u>278</u>	<u>16,916</u>
Net Change in Fund Balances	768	53	(5,258)	480	(3,957)
Fund Balances at Beginning of Year	<u>24,006</u>	<u>1,684</u>	<u>2,061</u>	<u>10,468</u>	<u>38,219</u>
Fund Balances at End of Year	<u>\$ 24,774</u>	<u>\$ 1,737</u>	<u>\$ (3,197)</u>	<u>\$ 10,948</u>	<u>\$ 34,262</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, 2017
(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)	\$ (3,957)
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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	28,352
Depreciation expense	(10,876)

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.	(296)
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Donations of capital assets from external sources and from business-type funds increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,622
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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	257
Housing and commercial entity loan issuance	1,562
Housing and commercial entity loan repayment	(2)
Net pension asset	(1,785)
Change in deferred outflows of resources related to pensions	(7,992)

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:

Issuance of bonds and notes	(14,500)
Premium on bonds	(1,156)
Bond principal payments	7,875
Issuance of refunding bonds	(4,365)
Payment to escrow agent on refunded bond issuance	4,680
Premium on refunded bonds	(345)
Amortization of deferred charge on refunding	(240)
Amortization of premiums	693

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	293
Accrued interest	(337)
Net OPEB expense	(7,213)
Change in net pension liability	8,194
Change in deferred inflows of resources related to pensions	158

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.

(983)

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>(361)</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017
(In Thousands)

	Business-Type Activities					Total Business-Type Activities	Governmental Activities Internal Service Fund
			Sanitation Fund		Total		
	Water	Sewer	Operations	Landfill Closure	Total		
Assets:							
Current assets:							
Cash and cash equivalents	\$ 6,578	\$ 6,970	\$ 22,269	\$ 103	\$ 22,372	\$ 35,920	\$ 28,271
Investments				17,793	17,793	17,793	7,114
Receivables, net	2,015	2,348	856		856	5,219	781
Assessment receivable		81			-	81	
Inventories	728	567			-	1,295	
Prepaid expenses					-	-	119
Total current assets	9,321	9,966	23,125	17,896	41,021	60,308	36,285
Noncurrent assets:							
Capital assets, net	18,526	53,536	2,776		2,776	74,838	275
Total assets	27,847	63,502	25,901	17,896	43,797	135,146	36,560
Deferred outflows of resources:							
Deferred outflows of resources related to pensions	458	249	94		94	801	-
Liabilities:							
Current liabilities:							
Accounts and other payables	328	538	587		587	1,453	256
Accrued liabilities	71	79	8		8	158	
Interfund payables					-	-	1,180
Claims payable					-	-	5,015
Unearned revenue		81	18		18	99	
Customer deposits		294	347		347	641	
Bond anticipation notes	11,457	3,760			-	15,217	
Clean water fund notes	44	2,323			-	2,367	
Compensated absences	190	142	33		33	365	103
Total current liabilities	12,090	7,217	993	-	993	20,300	6,554
Noncurrent liabilities:							
Accrued liabilities				16,560	16,560	16,560	
Compensated absences	414	251	91		91	756	211
Claims payable					-	-	4,296
Clean water fund notes	995	32,065			-	33,060	
Net pension liability	3,445	1,870	710		710	6,025	
Total noncurrent liabilities	4,854	34,186	801	16,560	17,361	56,401	4,507
Total liabilities	16,944	41,403	1,794	16,560	18,354	76,701	11,061
Deferred inflows of resources:							
Deferred inflows of resources related to pensions	39	21	8		8	68	-
Net Position:							
Net investment in capital assets	6,030	15,388	2,776		2,776	24,194	275
Unrestricted	5,292	6,939	21,417	1,336	22,753	34,984	25,224
Total Net Position	\$ 11,322	\$ 22,327	\$ 24,193	\$ 1,336	\$ 25,529	\$ 59,178	\$ 25,499

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, 2017
(In Thousands)

	Business-Type Activities						Governmental Activities Internal Service Fund
	Sanitation Fund				Total Business-Type Activities		
	Water	Sewer	Operations	Closure		Total	
Operating Revenues:							
Charges for services	\$ 8,966	\$ 8,641	\$ 9,350	\$	\$ 9,350	\$ 26,957	\$ 31,209
Intergovernmental revenue			6		6	6	
Other	14	12	112		112	138	373
Total operating revenues	8,980	8,653	9,468	-	9,468	27,101	31,582
Operating Expenses:							
Administrative	785	582	700	36	736	2,103	
General operating	4,797	5,258	5,770		5,770	15,825	3,443
Claims expense					-		29,481
Depreciation	1,621	2,870	250		250	4,741	167
Pension expense	440	613	270		270	1,323	
Total operating expenses	7,643	9,323	6,990	36	7,026	23,992	33,091
Operating Income (Loss)	1,337	(670)	2,478	(36)	2,442	3,109	(1,509)
Nonoperating Revenue (Expense):							
Gain on disposal of capital assets		23	73		73	96	
Donation of capital assets	(107)	(1,476)			-	(1,583)	
Income (loss) on investments	26	37	97	(49)	48	111	526
Interest expense	(314)	(837)			-	(1,151)	
Change in estimate for closure/ post closure costs				(523)	(523)	(523)	
Premiums on debt issuance	59	29			-	88	
Total nonoperating revenues (expenses)	(336)	(2,224)	170	(572)	(402)	(2,962)	526
Income (Loss) Before Transfers	1,001	(2,894)	2,648	(608)	2,040	147	(983)
Transfers In	50				-	50	
Transfers Out	(579)	(596)	(105)		(105)	(1,280)	
Change in Net Position	472	(3,490)	2,543	(608)	1,935	(1,083)	(983)
Net Position at Beginning of Year	10,850	25,817	21,650	1,944	23,594	60,261	26,482
Net Position at End of Year	\$ 11,322	\$ 22,327	\$ 24,193	\$ 1,336	\$ 25,529	\$ 59,178	\$ 25,499

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, 2017
(In Thousands)

	Business-Type Activities						Governmental Activities Internal Service Fund
	Sanitation Fund					Total Business-Type Activities	
	Water	Sewer	Operations	Landfill Closure	Total		
Cash Flows from Operating Activities:							
Cash received from customers and users	\$ 9,034	\$ 8,669	\$ 9,168	\$ -	\$ 9,168	\$ 26,871	\$ 33,089
Cash received from insurance proceeds					-	-	86
Cash received from other governments			6		6	6	
Other operating receipts	14	12	112		112	138	
Cash deposits returned to customers			(21)		(21)	(21)	
Cash paid to suppliers for goods and services	(2,334)	(3,289)	(4,900)	(36)	(4,936)	(10,559)	(4,141)
Cash paid for interfund services provided	(318)	(238)	(239)		(239)	(795)	
Cash paid to employees	(3,061)	(2,625)	(1,389)		(1,389)	(7,075)	(1,520)
Cash paid for insurance claims and premiums					-	-	(29,870)
Net cash provided by (used in) operating activities	<u>3,335</u>	<u>2,529</u>	<u>2,737</u>	<u>(36)</u>	<u>2,701</u>	<u>8,565</u>	<u>(2,356)</u>
Cash Flows from Noncapital Financing Activities:							
Transfers in	50				-	50	
Transfers out	(579)	(596)	(105)		(105)	(1,280)	
Net cash provided by (used in) noncapital financing activities	<u>(529)</u>	<u>(596)</u>	<u>(105)</u>	<u>-</u>	<u>(105)</u>	<u>(1,230)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from sale of capital assets		23	73		73	96	
Purchase of capital assets and construction	(301)	(1,484)	(1,327)		(1,327)	(3,112)	(53)
Principal payment - clean water fund notes	(14)	(2,376)			-	(2,390)	
Principal payment - bond anticipation notes	(13,034)	(4,098)			-	(17,132)	
Proceeds from clean water fund notes	979				-	979	
Proceeds from bond anticipation notes	11,457	3,760			-	15,217	
Premium on bond anticipation note sale	59	29			-	88	
Interest paid	(314)	(837)			-	(1,151)	
Net cash provided by (used in) capital and related financing activities	<u>(1,168)</u>	<u>(4,983)</u>	<u>(1,254)</u>	<u>-</u>	<u>(1,254)</u>	<u>(7,405)</u>	<u>(53)</u>
Cash Flows from Investing Activities:							
Interest received	26	37	97	(49)	48	111	526
Purchase of investments				(1,605)	(1,605)	(1,605)	(250)
Net cash provided by (used in) investing activities	<u>26</u>	<u>37</u>	<u>97</u>	<u>(1,654)</u>	<u>(1,557)</u>	<u>(1,494)</u>	<u>276</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,664	(3,013)	1,475	(1,690)	(215)	(1,564)	(2,133)
Cash and Cash Equivalents at Beginning of Year	<u>4,914</u>	<u>9,983</u>	<u>20,794</u>	<u>1,793</u>	<u>22,587</u>	<u>37,484</u>	<u>30,404</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,578</u>	<u>\$ 6,970</u>	<u>\$ 22,269</u>	<u>\$ 103</u>	<u>\$ 22,372</u>	<u>\$ 35,920</u>	<u>\$ 28,271</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ 1,337	\$ (670)	\$ 2,478	\$ (36)	\$ 2,442	\$ 3,109	\$ (1,509)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	1,621	2,870	250		250	4,741	167
Change in asset and liabilities:							
(Increase) decrease in accounts receivable	68	14	(182)		(182)	(100)	1,593
(Increase) decrease in inventory and prepaid items	(59)	(445)			-	(504)	
(Increase) decrease in interfunds receivable							73
(Increase) decrease in deferred outflows of resources	704	214	66		66	984	
Increase (decrease) in accounts payable	(133)	179	(43)		(43)	3	146
Increase (decrease) in accrued expenses	32	53	1		1	86	(2,266)
Increase (decrease) in customer deposits		14	(21)		(21)	(7)	
Increase (decrease) in compensated absences payable	28	(98)	(17)		(17)	(87)	(19)
Increase (decrease) in claims payable					-	-	(541)
Increase (decrease) in net pension liability	(302)	377	197		197	272	
Increase (decrease) in deferred inflows of resources	39	21	8		8	68	
Total adjustments	<u>1,998</u>	<u>3,199</u>	<u>259</u>	<u></u>	<u>259</u>	<u>5,456</u>	<u>(847)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,335</u>	<u>\$ 2,529</u>	<u>\$ 2,737</u>	<u>\$ (36)</u>	<u>\$ 2,701</u>	<u>\$ 8,565</u>	<u>\$ (2,356)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 4,412	\$ 1,374
Investments	162,163	
Accounts receivable	26	
	<u>166,601</u>	<u>1,374</u>
Total assets	<u>166,601</u>	<u>\$ 1,374</u>
Liabilities:		
Accounts and other payables	16	
Interfund payable	4,230	
Deposits held for others		\$ 1,374
	<u>4,246</u>	<u>\$ 1,374</u>
Total liabilities	<u>4,246</u>	<u>\$ 1,374</u>
Net Position:		
Restricted for Pension Benefits	163,364	
Unrestricted	<u>(1,009)</u>	
Total Net Position	<u>\$ 162,355</u>	

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, 2017
(In Thousands)

	Pension and Other Employee Trust Funds
Additions:	
Contributions:	
Employer	\$ 14,292
Plan members	3,421
Total contributions	<u>17,713</u>
Investment income:	
Net change in fair value of investments	15,933
Interest and dividends	2,450
Income from real estate investments	460
Total investment income	<u>18,843</u>
Total additions	<u>36,556</u>
Deductions:	
Benefits	22,736
Administration	428
Total deductions	<u>23,164</u>
Change in Net Position	13,392
Net Position at Beginning of Year	<u>148,963</u>
Net Position at End of Year	<u>\$ 162,355</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(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, 2017
(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, 2017
(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, 2017
(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 \$1,012 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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition 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.

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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.

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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 preparing 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.

N. 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.

O. New Accounting Standards Adopted

Effective for the year ended June 30, 2017, the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, expands disclosure requirements for postemployment benefits that are administered through trusts meeting certain criteria. The expanded disclosure is included in Note 15.
- GASB Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements and contains required disclosures related to abatement agreements entered into by the Town or other governments that reduce the reporting government's tax revenues. As of June 30, 2017 there are four such abatements that are described in further detail in Note 10.

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

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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.
- (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 \$945 were approved during the year for the General Fund with an increase in estimated revenues of \$730. Additional appropriations of \$330 were approved during the year for the Special Taxing Fire District. 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

The Capital Projects fund, a major governmental fund had a fund deficit of \$3,192 at June 30, 2017. The fund deficit of the Capital Projects fund will be funded with future authorized debt issuances and increased support from the General Fund.

The Retiree Health Care Trust Fund, a nonmajor fiduciary fund had a fund deficit of \$1,009 at June 30, 2017. The Retiree Health Care Trust fund balance deficit will be funded with increased support from the Town of Manchester Medical Insurance Fund.

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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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$14,030 of the Town’s bank balance of \$34,298 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 12,527
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,503</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 14,030</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, 2017, the Town’s cash equivalents amounted to \$61,678. 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.

	Standard & Poor’s
State Short-Term Investment Fund (STIF)	AAAm

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4. INVESTMENTS

Investments as of June 30, 2017 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:				
Certificates of deposit*	\$ 11,393	\$ 6,043	\$ 5,350	\$
U.S. Government securities	1,417	29	926	462
U.S. Government agencies	6,172		5,986	186
Municipal bonds	8,591		8,538	53
Corporate bonds	1,663	116	1,168	379
Other investments:				
Mutual funds	159,824			
Common stock	2,342			
Alternative investments	<u>11,504</u>			
Total Investments	<u>\$ 202,906</u>			

* Subject to coverage by Federal Depository Insurance and Collateralization

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>Certificates of Deposit</u>	<u>Municipal Bonds</u>
AAA	\$	\$	\$	\$	\$ 457
AA+	38	1,417	6,172		502
AA					2,047
AA-	159				354
A+	62				3,826
A	156				20
A-	355				
BBB+	628				
BBB	224				
BBB-	21				
BB+	20				
Not Rated				11,393	1,385
	<u>\$ 1,663</u>	<u>\$ 1,417</u>	<u>\$ 6,172</u>	<u>\$ 11,393</u>	<u>\$ 8,591</u>

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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, 2017:

	<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	\$ 1,417	\$ 1417	\$	\$
U.S. Government agencies	6,172	6,172		
Municipal bonds	8,591	8,591		
Corporate bonds	1,663		1,663	
Equity securities:				
Mutual funds	159,824	159,824		
Common stock	2,342	2,342		
Alternative investments	11,504		11,504	
Total investments by fair value level	191,513	\$ <u>178,346</u>	\$ <u>13,167</u>	\$ <u>-</u>
Investments not recorded at fair value:				
Certificates of deposit	<u>11,393</u>			
Total Investments	\$ <u>202,906</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.

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, 2017, 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.

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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.

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	\$ 5,071	\$	\$	\$	\$	\$	\$	\$ 5,071
Interest	1,034							1,034
Accounts	151	461		2,286	2,625	931	1,164	7,618
Intergovernmental	23		10,857		81		873	11,834
Loans			1,562				40	1,602
Pension contribution							26	26
Gross receivables	<u>6,279</u>	<u>461</u>	<u>12,419</u>	<u>2,286</u>	<u>2,706</u>	<u>931</u>	<u>2,103</u>	<u>27,185</u>
Less allowance for uncollectibles	<u>(1,012)</u>			<u>(271)</u>	<u>(277)</u>	<u>(75)</u>		<u>(1,635)</u>
Net Total Receivables	<u>\$ 5,267</u>	<u>\$ 461</u>	<u>\$ 12,419</u>	<u>\$ 2,015</u>	<u>\$ 2,429</u>	<u>\$ 856</u>	<u>\$ 2,103</u>	<u>\$ 25,550</u>

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6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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	\$ 16,190	\$ 21	\$	\$	\$ 16,211
Construction in progress	5,677	22,580	(71)		28,186
Total capital assets not being depreciated	<u>21,867</u>	<u>22,601</u>	<u>(71)</u>	<u>-</u>	<u>44,397</u>
Capital assets being depreciated:					
Buildings and improvements	169,509	600			170,109
Improvements other than buildings	6,668	677			7,345
Machinery and equipment	28,580	2,596	(618)		30,558
Infrastructure	112,446	3,552	(1,126)		114,872
Total capital assets being depreciated	<u>317,203</u>	<u>7,425</u>	<u>(1,744)</u>	<u>-</u>	<u>322,884</u>
Less accumulated depreciation for:					
Buildings and improvements	(79,699)	(6,059)			(85,758)
Improvements other than buildings	(3,588)	(234)			(3,822)
Machinery and equipment	(20,349)	(1,995)	617		(21,727)
Infrastructure	(47,578)	(2,755)	903		(49,430)
Total accumulated depreciation	<u>(151,214)</u>	<u>(11,043)</u>	<u>1,520</u>	<u>-</u>	<u>(160,737)</u>
Total capital assets being depreciated, net	<u>165,989</u>	<u>(3,618)</u>	<u>(224)</u>	<u>-</u>	<u>162,147</u>
Governmental Activities Capital Assets, Net	<u>\$ 187,856</u>	<u>\$ 18,983</u>	<u>\$ (295)</u>	<u>\$ -</u>	<u>\$ 206,544</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,171	\$	\$	\$	\$ 1,171
Construction in progress	3,218	5			3,223
Total capital assets not being depreciated	<u>4,389</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>4,394</u>
Capital assets being depreciated:					
Buildings and improvements	76,282	8			76,290
Improvements other than buildings	1,430	150			1,580
Machinery and equipment	47,836	1,366	(520)		48,682
Infrastructure	203				203
Total capital assets being depreciated	<u>125,751</u>	<u>1,524</u>	<u>(520)</u>	<u>-</u>	<u>126,755</u>
Less accumulated depreciation for:					
Buildings and improvements	(15,552)	(3,474)			(19,026)
Improvements other than buildings	(742)	(47)			(789)
Machinery and equipment	(35,794)	(1,216)	520		(36,490)
Infrastructure	(2)	(4)			(6)
Total accumulated depreciation	<u>(52,090)</u>	<u>(4,741)</u>	<u>520</u>	<u>-</u>	<u>(56,311)</u>
Total capital assets being depreciated, net	<u>73,661</u>	<u>(3,217)</u>	<u>-</u>	<u>-</u>	<u>70,444</u>
Business-Type Activities Capital Assets, Net	<u>\$ 78,050</u>	<u>\$ (3,212)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,838</u>

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

Governmental activities:		
General government	\$	388
Public works		3,477
Public safety		958
Human services		98
Recreation		184
Library		65
Education		<u>5,873</u>
Total Depreciation Expense - Governmental Activities	\$	<u>11,043</u>
Business-type activities:		
Water	\$	1,621
Sewer		2,870
Sanitation		<u>250</u>
Total Depreciation Expense - Business-type Activities	\$	<u>4,741</u>

Construction Commitments

The Town has active construction projects as of June 30, 2017. 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, 2017:

<u>Project</u>	<u>Authorized Amount</u>	<u>Expended and Encumbered</u>	<u>Unencumbered Balance</u>
2007 Bond Referendum	\$ 6,235	\$ 6,180	\$ 55
Broad Street Redevelopment	11,010	9,995	1,015
2011 Public Works Projects	12,000	11,497	503
2012 School Bond	4,900	3,375	1,525
2013 Bond Referendum	10,937	9,287	1,650
School Security	2,800	2,770	30
2014 School Bond	84,226	22,598	61,628
2015 Bond Referendum	<u>12,000</u>	<u>6,581</u>	<u>5,419</u>
Total	\$ <u>144,108</u>	\$ <u>72,283</u>	\$ <u>71,825</u>

The following capital projects are being financed by a combination of state and federal grants and general obligation bonds: 2011 Public Works Projects, 2012 School Bond, 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, 2017 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 15,010
	Internal Service Funds	1,180
	Pension and Other Employee Trust Funds	4,230
	Nonmajor Governmental Funds	<u>347</u>
		<u>\$ 20,767</u>

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

Interfund transfers that occurred during the year ended June 30, 2017 are as follows:

	<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>	
Transfers:						
General Fund	\$	\$ 1,901	\$ 2,690	\$ 278	\$	\$ 4,869
Capital Projects			320			320
Water	579					579
Sewer	546				50	596
Sanitation	<u>105</u>					<u>105</u>
Total Transfers In	<u>\$ 1,230</u>	<u>\$ 1,901</u>	<u>\$ 3,010</u>	<u>\$ 278</u>	<u>\$ 50</u>	<u>\$ 6,469</u>

Capital asset contributions totaling \$1,583 were made from business-type funds to governmental funds during the year ended June 30, 2017. This activity is included in transfers in the government-wide activity in Exhibit II of the accompanying financials statements.

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, 2017 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	\$ 92,090	\$ 18,865	\$ (12,275)	\$ 98,680	\$ 8,040
Less deferred amounts for issuance premiums	8,328	1,501	(693)	9,136	
Total bonds payable	<u>100,418</u>	<u>20,366</u>	<u>(12,968)</u>	<u>107,816</u>	<u>8,040</u>
Other liabilities:					
Claims and judgments	9,852	30,290	(30,831)	9,311	5,015
Compensated absences	13,035	56	(368)	12,723	4,416
Net pension liability	57,040		(8,194)	48,846	
Net OPEB obligation	<u>37,234</u>	<u>7,213</u>		<u>44,447</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 217,579</u>	<u>\$ 57,925</u>	<u>\$ (52,361)</u>	<u>\$ 223,143</u>	<u>\$ 17,471</u>
Business-type activities:					
Clean water notes	\$ 36,838	\$ 979	\$ (2,390)	\$ 35,427	\$ 2,367
Landfill	16,037	523		16,560	
Compensated absences	1,208	2	(89)	1,121	365
Net pension liability	<u>5,753</u>	<u>272</u>		<u>6,025</u>	
Business-Type Activities Long-Term Liabilities	<u>\$ 59,836</u>	<u>\$ 1,776</u>	<u>\$ (2,479)</u>	<u>\$ 59,133</u>	<u>\$ 2,732</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 and clean water notes as of June 30, 2017 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 8,040	\$ 4,005	\$ 2,367	\$ 687
2019	7,535	3,758	2,414	638
2020	7,555	3,434	2,463	589
2021	7,565	2,925	2,513	540
2022	7,470	2,600	2,564	490
2023-2027	34,155	8,350	13,620	1,649
2028-2032	18,305	2,800	9,212	327
2033-2037	8,055	662	274	14
Total	<u>\$ 98,680</u>	<u>\$ 28,534</u>	<u>\$ 35,427</u>	<u>\$ 4,934</u>

Governmental fund bonds bear interest at rates ranging from 2.0% to 5.5% and mature in fiscal years ending 2018 through 2037. 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 \$14,500 and general obligation refunding bonds totaling \$4,365 were issued.

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, 2017, the Town has obtained funding obligations of \$35,427, as described in the table above under the Clean Water Fund Program. At the completion of the respective projects the notes above were converted to Project Loan Obligations at 2% interest with the latest note maturing in 2037.

General Obligation Bonds - Advance Refunding

On February 16, 2017, the Town issued \$4,365 in general obligation bonds, with an average interest rate of 3.32% to refund outstanding bonds with an average rate of 3.89%. The bonds refunded were \$4,400 of outstanding 2009 general obligation bonds. The net proceeds of \$4,680 (after payment of issuance costs of \$29) 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 \$168 and a present value savings of \$172.

Including the above refunding issuance 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, 2017, \$32,850 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, 2017:

	Business-Type Activities		
	Water	Sewer	Total
Balance, July 1, 2016	\$ 13,034	\$ 4,098	\$ 17,132
Issued	11,457	3,760	15,217
Retired	<u>(13,034)</u>	<u>(4,098)</u>	<u>(17,132)</u>
Balance, June 30, 2017	\$ <u>11,457</u>	\$ <u>3,760</u>	\$ <u>15,217</u>

The above notes carry an interest rate of 2.00% and mature on February 21, 2018. The business-type activities short-term financing was issued for various water system and quality improvements, water system meters and wastewater treatment system.

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	Limit	Indebtedness	Balance
General purpose	\$ 323,773	\$ 68,738	\$ 255,035
Schools	647,546	48,362	599,184
Sewers	539,621	38,148	501,473
Urban renewal	467,672		467,672
Pension deficit	431,697		431,697

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$1,007,293. At June 30, 2017, authorized and unissued debt amounted to \$29,277, including several public works projects, school renovations, and the Broad Street redevelopment.

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9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2017 are as follows:

	Major Special Revenue Funds			Nonmajor Governmental Funds	Total
	General	Fire District	Capital Projects		
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 62	\$ 62
Prepaid expenditures	102	2			104
Restricted for:					
Unspent grant balances				2,250	2,250
Recreation activities				23	23
Libraries				5,117	5,117
Cemeteries				979	979
Education programs				130	130
Committed to:					
Fire district operations		1,660			1,660
Police special services				660	660
Recreation activities				65	65
School food service				1,596	1,596
Use of schools				12	12
Emergency employment				35	35
Police department health and welfare				19	19
Assigned to:					
Purchases on order	606				606
Subsequent year's budget	2,000	75			2,075
Unassigned	22,066		(3,197)		18,869
Total Fund Balances	\$ 24,774	\$ 1,737	\$ (3,197)	\$ 10,948	\$ 34,262

Significant encumbrances of \$606 and \$19 at June 30, 2017 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. TAX ABATEMENTS

The Town adopted new accounting guidance, GASB Statement No. 77, *Tax Abatement Disclosures*, effective for the year ended June 30, 2017. The new disclosure is presented below:

As of June 30, 2017, the Town provides tax abatements through multiple programs:

- 619 Hartford Road Tax Abatement Agreement
- 515 Middle Turnpike West Abatement Agreement
- 48 Spencer Street Abatement Agreement
- 71 Utopia Road Abatement Agreement

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The 619 Hartford Road tax abatement agreement was created to provide a real property tax abatement for the development of moderate income senior living within the town pursuant of Connecticut General Statutes Section 12-65b. Under the terms of the agreement, the property has been built to include a forty-four unit senior living complex by the owner of the property. The property owner receives an abatement of approximately a third of the regular assessed value. Continuation of the agreement is conditioned upon continued compliance with the provisions of the agreement and is terminated upon sale or transfer of the property for any other purpose unless the Town has consented thereto. For the fiscal year ended June 30, 2017, taxes abated through this program total \$61. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the Town to the abatement recipient under this program.

The 515 Middle Turnpike West tax abatement agreement provides a real property tax abatement to encourage the development of a formerly unutilized property into a medical office building under Connecticut General Statutes Section 12-65b. Under the terms of the agreement, the new construction was to be built meeting the terms of the initial agreement and replace the previously unused building. The property owner receives a reduction of the assessed value by approximately seventeen percent. For the fiscal year ended June 30, 2017, taxes abated through this program total \$18. There are no provisions to recapture abated taxes under this program, however the terms of the agreement are null and void in the event of a property sale. No other commitments have been made by the Town to the abatement recipient under this program.

The 48 Spencer Street tax abatement agreement was created to provide a real property tax abatement for the development of low income housing within the town pursuant of Connecticut General Statutes Section 8-215 and Town ordinance article II, sections 285-30 through 285-31. Under the terms of the agreement, the property must be utilized to provide low income housing and be evidenced to the town annually. The property owner receives an abatement to an agreed upon value of varying amounts from grand list year 2015 through 2030. Continuation of the agreement is conditioned upon continued compliance with the provisions of the agreement and is terminated upon sale or transfer of the property for any other purpose unless the Town has consented thereto. Furthermore, if the property is sold the owner shall pay the town five percent of the purchase price, if an, in excess of the \$81,000 that is net of the conveyance tax due to the Town and the state. For the fiscal year ended June 30, 2017, taxes abated through this program total \$617. No other commitments have been made by the Town to the abatement recipient under this program.

The 71 Utopia Road tax abatement agreement provides a real property tax abatement to encourage economic development within the Town through the expansion of a manufacturing facility pursuant of Connecticut General Statutes Section 12-65b. Under the terms of the agreement, the expansion costs were required to meet or exceed at least \$3,000. The property owner receives a reduction of the assessed value over an initial seven year period. For the fiscal year ended June 30, 2017, taxes abated through this program total \$23. There are no provisions to recapture abated taxes under this program, however the terms of the agreement are null and void in the event of a property sale. No other commitments have been made by the Town to the abatement recipient under this program.

11. 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.

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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. The Town has contracted with CT Prime, a regional stop-loss collective, and has an individual stop loss for claims over \$500.

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, 2017 and 2016, for the TOMMIF and MSIP funds are as follows:

	<u>2016 TOMMIF</u>	<u>2017 TOMMIF</u>	<u>2016 MSIP</u>	<u>2017 MSIP</u>
Unpaid claims, July 1	\$ 1,651	\$ 1,709	\$ 8,305	\$ 8,143
Incurred claims (including IBNR)	22,926	29,673	1,490	617
Claim payments	<u>(22,868)</u>	<u>(29,138)</u>	<u>(1,652)</u>	<u>(1,693)</u>
Unpaid Claims, June 30	\$ <u>1,709</u>	\$ <u>2,244</u>	\$ <u>8,143</u>	\$ <u>7,067</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.

12. 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.

13. 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 \$13 to CREOC during the year ended June 30, 2017.

14. 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, 2017, the Town had recorded a liability of \$16,560 in the Sanitation Enterprise Fund that represents the amount of costs reported to date based on the 80 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$3,207 that will be recognized as the remaining capacity is used (estimated to be between 8 to 9 years based on aerial topography performed in January of 2017). The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables.

15. OTHER POSTEMPLOYMENT BENEFITS

A. 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 through the Post-Retirement Medical Program (RMP). 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.

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At July 1, 2016, plan membership consisted of the following:

	Post-Retirement Medical Program
Retired members	844
Spouses of retired members	447
Active plan members	<u>1,401</u>
Total Participants	<u><u>2,692</u></u>

B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the 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.

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).

For the year ended June 30, 2017 employee and employer contributions totaled \$1,051 and \$6,558, respectively.

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C. Investments

Investment Policy

The RMP's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. It is the policy of the Town to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The fund is currently invested solely in U.S. Treasury securities as the Town is not fully prefunding its OPEB benefits and is currently serving as a pass-through for paying current OPEB benefits.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 0.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net OPEB Liability of the Town

As discussed in Note 1, during the year the Town implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The components of the net OPEB liability of the Town at June 30, 2017, were as follows:

Total OPEB liability	\$	274,235
Plan fiduciary net position		<u>(1,008)</u>
Net OPEB Liability	\$	<u><u>275,243</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		-0.37%

The Town's net OPEB liability will be required to be recorded on the government-wide financial statement of net position at June 30, 2018.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.70%
Salary increases	Graded by age for Teachers and Administrators; 3.50% for firefighters, and 3.00% for all others
Investment rate of return	(3.58%)
Healthcare cost trend rates	5.50% - 4.60% over 69 years

Mortality rates were based on the RP-2000 mortality tables adjusted for participant position with the Town.

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The long-term expected rate of return on OPEB 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 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 allocation and best estimate of arithmetic real rate of return for the major asset class as of June 30, 2017 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash - Three Month Treasury Bills	100.00%	0.59%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58% and is based on a 2.85% rate modified by the municipal bond index. Under GASB Statement 74 the use of a 20-year quality municipal bond yield or index rate may be used in periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to cover future benefit payments of current plan members and the municipal bond based rate was utilized.

The discount rate used to measure the RMP OPEB liability was adjusted as of July 1, 2016 from 7.25% to the 3.58% discussed above.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Net OPEB Liability	\$ 322,093	\$ 275,243	\$ 237,873

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50% decreasing to 3.60%) or 1 percentage point higher (6.50% decreasing to 5.60%) than the current healthcare cost trend rates:

	<u>1% Decrease (4.50% - 3.60%)</u>	<u>Current Trend Rate (5.50% - 4.60%)</u>	<u>1% Increase (6.50% - 5.60%)</u>
Net OPEB Liability	\$ 233,519	\$ 275,243	\$ 328,166

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E. Annual OPEB Cost and Net OPEB Obligations

The Town of Manchester's annual 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:

	<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$ 17,205
Interest on net OPEB obligation	2,700
Adjustment to annual required contribution	<u>(2,572)</u>
Annual OPEB cost	17,333
Contributions made	<u>10,120</u>
Change in net OPEB obligation	7,213
Net OPEB obligation, beginning of year	<u>37,234</u>
Net OPEB Obligation, End of Year	<u><u>\$ 44,447</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, 2017, 2016 and 2015 is presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 17,333	\$ 10,120	58.39%	\$ 44,447
6/30/2016	16,181	9,702	59.96%	37,234
6/30/2015	18,310	11,416	62.35%	30,755

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)
7/1/2016	\$ (1,339)	\$ 298,770	\$ 300,109	-0.45%	\$ 90,703	330.87%
7/1/2014	256	169,347	169,091	0.15%	54,957	307.68%
7/1/2012	601	191,947	191,346	0.31%	36,149	-489.50%

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.

16. 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.

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.

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(Amounts Expressed in Thousands)

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, 2016, Plan membership consisted of the following:

Retirees, disabled employees and beneficiaries currently receiving benefits	671
Terminated Plan members entitled to benefits but not yet receiving them	93
Active Members	603
	<hr/>
	1,367
	<hr/>

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.

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

TOWN OF MANCHESTER, CONNECTICUT
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The following was the Board's adopted asset allocation policy and long-term expected real rate of return as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	27.38%	2.69%
US Equity Market	28.50%	5.70%
Global Equity	8.12%	1.52%
Non-U.S. Equity	23.00%	1.94%
Private Real Estate Property	6.00%	5.40%
Hedge Funds - MultiStrategy	7.00%	6.04%
Total	<u>100.00%</u>	

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.42%. 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, 2017 were as follows:

Total pension liability	\$ 218,235
Plan fiduciary net position	<u>163,364</u>
Net Pension Liability	<u>\$ 54,871</u>
Plan fiduciary net position as a percentage of the total pension liability	74.86%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	Graded by age
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 the RP-2000 Disabled Mortality Table.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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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

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 July 1, 2016	\$ 213,095	\$ 150,302	\$ 62,793
Changes for the year:			
Service cost	4,225		4,225
Interest on total pension liability	15,274		15,274
Differences between expected and actual experience	(832)		(832)
Changes in assumptions			
Employer contributions		5,734	(5,734)
Member contributions		2,370	(2,370)
Net investment income		18,830	(18,830)
Benefit payments, including refund to employee contributions	(13,527)	(13,527)	
Administrative expenses		(345)	345
Net Changes	5,140	13,062	(7,922)
Balances as of June 30, 2017	\$ 218,235	\$ 163,364	\$ 54,871

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	\$ 77,899	\$ 54,871	\$ 35,716

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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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, 2017, the Town recognized pension expense of \$10,593. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

		Business-Type Activities			
	Governmental Activities	Water Fund	Sewer Fund	Sanitation Fund	Total
Deferred Outflows of Resources					
Differences between expected and actual experience	\$ 1,016	\$ 72	\$ 39	\$ 15	\$ 1,142
Changes of assumptions	1,692	119	65	24	1,900
Net difference between projected and actual earning on pension plan investments	3,785	267	145	55	4,252
	<u>\$ 6,493</u>	<u>\$ 458</u>	<u>\$ 249</u>	<u>\$ 94</u>	<u>\$ 7,294</u>
Deferred Inflows of Resources					
Differences between expected and actual experience	\$ 550	\$ 39	\$ 21	\$ 8	\$ 618

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

<u>Year Ending June 30</u>	Governmental Activities	Business-Type Activities			Total
		Water Fund	Sewer Fund	Sanitation Fund	
2018	\$ 3,577	\$ 253	\$ 137	\$ 51	\$ 4,018
2019	3,035	214	116	44	3,409
2020	743	52	29	11	835
2021	<u>(1,412)</u>	<u>(100)</u>	<u>(54)</u>	<u>(20)</u>	<u>(1,586)</u>
Total	\$ <u>5,943</u>	\$ <u>419</u>	\$ <u>228</u>	\$ <u>86</u>	\$ <u>6,676</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.

TOWN OF MANCHESTER, CONNECTICUT
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The value of the plan at June 30, 2017 is \$27,994. There were 512 participants as of June 30, 2017. During the fiscal year ended June 30, 2017, employees contributed \$774 (exclusive of lump-sum conversion amounts) and the Town contributed a matching employer contribution of \$774. Covered payroll totaled \$12,902. 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 active service, or 15 year of active non-continuous aggregate service. In addition, compulsory retirement is at age 65 for police and fire members. Employees under the age of 55 are eligible to retire with 25 years of service under certain conditions.

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.

If any member covered by social security retires before age 62, the member's benefit until the member reaches age 62, or a social security disability award is received, is computed as if the member is not under social security.

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.

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

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.

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, 2017, the Town reports an asset of \$2,857 for its proportionate share of the net pension liability. The net pension asset was measured at June 30, 2016, 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, 2017, the Town's proportion was 5.07%, a decrease in proportion of .45% from June 30, 2016.

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

For the year ended June 30, 2017, the Town recognized pension expense of \$1,581. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,101	\$
Net difference between projected and actual earning on pension plan investments	2,015	
Change in employer proportional share	329	
Contributions after the measurement date	<u>1,232</u>	
Total	\$ <u>5,677</u>	\$ <u>-</u>

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. Deferred outflows not related to contributions made after the measurement date will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 1,089
2019	1,089
2020	1,306
2021	<u>961</u>
Total	\$ <u>4,445</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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).

TOWN OF MANCHESTER, CONNECTICUT
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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 - June 30, 2012.

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

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 (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,799	\$ (2,857)	\$ (7,560)

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.

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.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Amounts Expressed in Thousands)

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

At June 30, 2017, 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>183,796</u>
Total	<u>\$ 183,796</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2017, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$20,044 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	100.0%	

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 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.

TOWN OF MANCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Amounts Expressed in Thousands)

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.

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.

17. 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	\$ 1,673	\$ 2,739	\$ 4,412
Investments	162,163		162,163
Accounts receivable	26		26
Total assets	163,862	2,739	166,601
Liabilities:			
Accounts and other payables	16		16
Interfund payable	482	3,748	4,230
Total liabilities	498	3,748	4,246
Net Position:			
Net Position Restricted for Pensions	163,364		163,364
Unrestricted		(1,009)	(1,009)
Total Net Position	\$ 163,364	\$ (1,009)	\$ 162,355

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

	Pension Trust Fund	Retiree Health Care Trust Fund	Total Pension and Other Employee Benefit Trust Funds
Additions:			
Contributions:			
Employer	\$ 5,734	\$ 8,558	\$ 14,292
Plan members	2,370	1,051	3,421
Total contributions	<u>8,104</u>	<u>9,609</u>	<u>17,713</u>
Investment income:			
Net depreciation in fair value of investments	15,933		15,933
Interest and dividends	2,437	13	2,450
Income from real estate investments	460		460
Total investment income	<u>18,830</u>	<u>13</u>	<u>18,843</u>
Total additions	<u>26,934</u>	<u>9,622</u>	<u>36,556</u>
Deductions:			
Benefits	13,527	9,209	22,736
Administration	345	83	428
Total deductions	<u>13,872</u>	<u>9,292</u>	<u>23,164</u>
Change in Net Position	13,062	330	13,392
Net Position at Beginning of Year	<u>150,302</u>	<u>(1,339)</u>	<u>148,963</u>
Net Position at End of Year	<u>\$ 163,364</u>	<u>\$ (1,009)</u>	<u>\$ 162,355</u>

**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, 2017
(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	\$ 138,821	\$ 138,821	\$ 139,728	\$ 907	\$ 12,064	\$ 12,064	\$ 12,064	\$ -
Intergovernmental revenue	37,799	37,799	36,597	(1,202)	626	626	626	-
Investment and interest income	378	378	662	284	5	5	16	11
Licenses, permits and fines	1,975	1,975	2,209	234				-
Charges for goods and services	1,507	1,806	2,121	315	525	525	680	155
Other	322	753	860	107			64	64
Total revenues	<u>180,802</u>	<u>181,532</u>	<u>182,177</u>	<u>645</u>	<u>13,220</u>	<u>13,220</u>	<u>13,450</u>	<u>230</u>
Expenditures:								
Current:								
General government	5,857	5,827	5,554	273				-
Public works	14,223	14,223	13,365	858				-
Public safety	20,117	20,117	19,912	205	14,233	14,563	13,976	587
Human services	3,004	3,004	2,811	193				-
Leisure services	6,082	6,082	5,800	282				-
Employee benefits	3,101	3,101	2,887	214				-
Education	112,300	112,600	112,531	69				-
Internal service fund charges	2,848	2,848	2,848	-	428	428	428	-
Other	322	272	247	25				-
Debt service	11,468	11,468	11,333	135	135	135	135	-
Capital outlay				-	385	385	385	-
Total expenditures	<u>179,322</u>	<u>179,542</u>	<u>177,288</u>	<u>2,254</u>	<u>15,181</u>	<u>15,511</u>	<u>14,924</u>	<u>587</u>
Excess (deficiency) of revenues over expenditures	<u>1,480</u>	<u>1,990</u>	<u>4,889</u>	<u>2,899</u>	<u>(1,961)</u>	<u>(2,291)</u>	<u>(1,474)</u>	<u>817</u>
Other financing sources (uses):								
Transfers in	1,587	1,587	1,230	(357)	2,166	2,166	1,901	265
Transfers out	(4,246)	(4,971)	(4,869)	102	(320)	(320)	(320)	-
Total other financing sources (uses)	<u>(2,659)</u>	<u>(3,384)</u>	<u>(3,639)</u>	<u>(255)</u>	<u>1,846</u>	<u>1,846</u>	<u>1,581</u>	<u>265</u>
Net Change in Fund Balances	\$ <u>(1,179)</u>	\$ <u>(1,394)</u>	1,250	\$ <u>2,644</u>	\$ <u>(115)</u>	\$ <u>(445)</u>	107	\$ <u>1,082</u>
Fund Balances, Beginning of Year			22,918				1,611	
Fund Balances, End of Year			\$ <u>24,168</u>				\$ <u>1,718</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	\$ 183,407	\$ 15,351
State of Connecticut on-behalf contributions to the Connecticut Teachers' Retirement System for Town teachers are not budgeted	20,044	
Excess cost grant revenue is budgeted as a credit to education expenditures	761	
Prior year encumbrances cancelled	(81)	
Proceeds from bond refunding are not budgeted	4,365	
Premium recognized on bond refunding is not budgeted	<u>345</u>	
GAAP basis - Exhibit IV	<u>\$ 208,841</u>	<u>\$ 15,351</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
Non-GAAP budgetary basis - RSI-1	\$ 182,157	\$ 15,244
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	20,044	
Excess cost grant revenue is budgeted as a credit to education expenditures	761	
Bond issuance costs on refunding are not budgeted	29	
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, 2016	1,008	73
June 30, 2017	(606)	(19)
Payments to escrow agents during bond refunding are not budgeted	<u>4,680</u>	
GAAP basis - Exhibit IV	<u>\$ 208,073</u>	<u>\$ 15,298</u>

TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
POST-RETIREMENT MEDICAL PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017*
(In Thousands)

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 10,676
Interest	8,667
Changes of assumptions	(33,108)
Benefit payments, including refunds of member contributions	<u>(10,771)</u>
Net change in total OPEB liability	(24,536)
Total OPEB liability - beginning	<u>298,770</u>
Total OPEB liability - ending	<u>274,234</u>
Plan fiduciary net position:	
Contributions - employer	8,558
Contributions - member	1,051
Net investment income (expenses)	13
Benefit payments, including refunds of member contributions	(9,209)
Administrative expense	<u>(83)</u>
Net change in plan fiduciary net position	330
Plan fiduciary net position - beginning	<u>(1,339)</u>
Plan fiduciary net position - ending	<u>(1,009)</u>
Net OPEB Liability - Ending	<u>\$ 275,243</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.37%
Covered-employee payroll	\$ N/A
Net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

Changes of assumptions - In 2017, amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.25% to 3.58%.

*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
POST-RETIREMENT MEDICAL PROGRAM
LAST TEN FISCAL YEARS
(In Thousands)**

	<u>2017</u>	<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>
Actuarially determined contribution	\$ 17,205	\$ 16,016	\$ 18,044	\$	\$ 15,593	\$ 14,583	\$ 13,104	\$ 12,223	\$ 11,153	\$ 10,425
Contributions in relation to the actuarially determined contribution	<u>10,120</u>	<u>9,702</u>	<u>11,416</u>	<u>11,053</u>	<u>11,711</u>	<u>10,172</u>	<u>11,311</u>	<u>10,705</u>	<u>8,519</u>	<u>7,574</u>
Contribution Deficiency (Excess)	<u>\$ 7,085</u>	<u>\$ 6,314</u>	<u>\$ 6,628</u>	<u>\$ (11,053)</u>	<u>\$ 3,882</u>	<u>\$ 4,411</u>	<u>\$ 1,793</u>	<u>\$ 1,518</u>	<u>\$ 2,634</u>	<u>\$ 2,851</u>
Covered-employee payroll	\$ 90,703	\$ 54,957	\$ 54,957	\$ 36,149	\$ 36,149	\$ 38,148	\$ 38,148	\$ 38,501	\$ 38,501	\$ 38,202
Contributions as a percentage of covered-employee payroll	11.16%	17.65%	20.77%	30.58%	32.40%	26.66%	29.65%	27.80%	22.13%	19.83%

Notes to Schedule

Valuation date: July 1, 2016
Measurement date: June 30, 2017
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
Amortization period 21 years
Amortization growth rate 3.50%
Asset valuation method Market value
Inflation 2.70%
Healthcare cost trend rates 5.50% - 4.60% over 69 years
Salary increases Graded by age for Teachers and Administrators; 3.50% for firefighters, and 3.00% for all others
Investment rate of return (3.58%)
Retirement age General Employees: Retire from active service with 15 years of service.
. Police Employees: Earlier of age 50 and 5 years of service or 25 years of service. Become disabled with as least 3 years of service.

Firefighters: Retire under the Connecticut Municipal Employees' Retirement Fund B with 25 years of service or an in-service disability requirement.

Mortality Teachers and Administrators - RP-2000 Combined Healthy Mortality Table with separate male and female tables projected forward 19 years using Scale AA, with a two-year age setback. This assumption includes a margin for mortality improvement.

Firefighters: RP-2000 Combined Healthy Mortality Table, set forward one year for males and back one year for females. This assumption does not include a margin for mortality improvement beyond the valuation date.

General Employees: RP-2000 Mortality Table for employees and annuitants, with separate tables for males and females, with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date. Disabled mortality is determined using the RP-2000 Disabled Mortality Table and does not include a margin for mortality improvement beyond the valuation date.

**TOWN OF MANCHESTER, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
POST-RETIREMENT MEDICAL PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017***

2017

Annual money-weighted rate of return, net of investment expense

0.85%

*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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEE RETIREMENT SYSTEM PENSION PLAN
LAST FOUR FISCAL YEARS*
(In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 4,225	\$ 4,428	\$ 4,260	\$ 4,408
Interest	15,274	14,860	14,331	13,895
Differences between expected and actual experience	(832)	1,621	1,090	(469)
Changes of assumptions		2,537	2,103	
Benefit payments, including refunds of member contributions	<u>(13,527)</u>	<u>(12,688)</u>	<u>(12,206)</u>	<u>(11,649)</u>
Net change in total pension liability	5,140	10,758	9,578	6,185
Total pension liability - beginning	<u>213,095</u>	<u>202,337</u>	<u>192,759</u>	<u>186,574</u>
Total pension liability - ending	<u>218,235</u>	<u>213,095</u>	<u>202,337</u>	<u>192,759</u>
Plan fiduciary net position:				
Contributions - employer	5,734	5,244	5,116	5,124
Contributions - member	2,370	2,414	2,459	2,330
Net investment income (expenses)	18,830	(1,414)	4,033	20,493
Benefit payments, including refunds of member contributions	<u>(13,527)</u>	<u>(12,688)</u>	<u>(12,206)</u>	<u>(11,649)</u>
Administrative expense	<u>(345)</u>	<u>(317)</u>	<u>(372)</u>	<u>(389)</u>
Net change in plan fiduciary net position	13,062	(6,761)	(970)	15,909
Plan fiduciary net position - beginning	<u>150,302</u>	<u>157,063</u>	<u>158,033</u>	<u>142,124</u>
Plan fiduciary net position - ending	<u>163,364</u>	<u>150,302</u>	<u>157,063</u>	<u>158,033</u>
Net Pension Liability - Ending	<u>\$ 54,871</u>	<u>\$ 62,793</u>	<u>\$ 45,274</u>	<u>\$ 34,726</u>
Plan fiduciary net position as a percentage of the total pension liability	74.86%	70.53%	77.62%	81.98%
Covered-employee payroll	\$ 35,091	\$ 34,913	\$ 34,496	\$ 33,572
Net pension liability as a percentage of covered-employee payroll	156.37%	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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 5,734	\$ 5,244	\$ 5,116	\$ 5,124	\$ 4,929	\$ 5,038	\$ 4,477	\$ 4,138	\$ 3,561	\$ 4,159
Contributions in relation to the actuarially determined contribution	<u>5,734</u>	<u>5,244</u>	<u>5,116</u>	<u>5,124</u>	<u>4,929</u>	<u>5,038</u>	<u>4,477</u>	<u>4,137</u>	<u>3,561</u>	<u>4,159</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 35,091	\$ 34,913	\$ 34,496	\$ 33,572	\$ 36,222	\$ 30,490	\$ 30,623	\$ 29,322	\$ 40,042	\$ 30,458
Contributions as a percentage of covered-employee payroll	16.34%	15.02%	14.83%	15.26%	13.61%	16.52%	14.62%	14.11%	8.89%	13.65%

Notes to Schedule

Valuation date: July 1, 2016

Measurement date: June 30, 2017

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	16 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 improvement.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	12.42%	-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 THREE FISCAL YEARS*
(In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	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>183,796</u>	<u>129,613</u>	<u>119,801</u>
Total	<u>\$ 183,796</u>	<u>\$ 129,613</u>	<u>\$ 119,801</u>
Town's covered-employee payroll	\$ 50,964	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015. During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Remaining amortization period	20.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.00%, net of investment related expense

*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 THREE FISCAL YEARS*
(In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability (asset)	\$ (2,857)	\$ (4,642)	\$ (5,464)
Town's covered-employee payroll	\$ 7,755	\$ 7,781	\$ 7,464
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-36.84%	-59.66%	-73.20%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	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	25 years
Asset valuation method	5-year smoothed market (20% write up)

*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)**

	<u>2017</u>	<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>
Actuarially determined contribution	\$ 1,162	\$ 1,169	\$ 1,199	\$ 1,200	\$ 1,141	\$ 1,119	\$ 935	\$ 642	\$ 538	\$ 521
Contributions in relation to the actuarially determined contribution	<u>1,162</u>	<u>1,169</u>	<u>1,199</u>	<u>1,200</u>	<u>1,141</u>	<u>1,119</u>	<u>935</u>	<u>642</u>	<u>538</u>	<u>521</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,755	\$ 7,781	\$ 7,464	\$ 7,492	\$ 7,325	\$ 7,179	\$ 6,482	\$ 6,186	\$ 5,978	\$ 5,698
Contributions as a percentage of covered-employee payroll	14.98%	15.02%	16.06%	16.02%	15.58%	15.59%	14.42%	10.38%	9.00%	9.14%

Notes to Schedule

Valuation date: June 30, 2016

Measurement date: June 30, 2016

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	25 years
Asset valuation method	5-year smoothed market (20% write up)
Inflation	3.25%
Salary increases	4.25% - 11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

Combining and Individual Fund Statements and Schedules

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, 2017 AND 2016
(In Thousands)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,206	\$ 9,136
Investments	10,018	6,697
Property taxes receivable (net of allowance for uncollectibles of \$1,012 in 2017 and \$881 in 2016)	4,059	3,986
Accrued interest on taxes	1,034	903
Accounts receivable	151	65
Intergovernmental receivables	23	31
Due from special services district		2
Interfund receivables	20,767	21,266
Other assets	<u>102</u>	<u>22</u>
Total Assets	\$ <u>38,360</u>	\$ <u>42,108</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and other payables	\$ 1,820	\$ 2,984
Accrued liabilities	1,646	2,337
Intergovernmental payables	23	52
Unearned revenue	<u>4</u>	<u>36</u>
Total liabilities	<u>3,493</u>	<u>5,409</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	4,681	4,424
Advanced property tax collections	<u>5,412</u>	<u>8,269</u>
Total deferred inflows of resources	<u>10,093</u>	<u>12,693</u>
Fund Balance:		
Nonspendable	102	22
Restricted		910
Committed		2
Assigned	2,606	1,180
Unassigned	<u>22,066</u>	<u>21,892</u>
Total fund balance	<u>24,774</u>	<u>24,006</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>38,360</u>	\$ <u>42,108</u>

**TOWN OF MANCHESTER, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)**

Grand List	Uncollected Taxes July 1, 2016	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2017
		Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2015	\$ 141,186	\$ 2,604	\$ 435	\$ 32	\$ 143,323	\$ 140,888	\$ 441	\$ 2	\$ 141,331	\$ 2,435
2014	2,428	41	53	22	2,394	1,250	270	5	1,525	1,144
2013	1,131	27	6	249	903	395	124	2	521	508
2012	400	1	1	17	383	116	48	1	165	267
2011	253	1		7	247	53	30		83	194
2010	212	1		12	201	35	16		51	166
2009	159			5	154	22	14		36	132
2008	102			3	99	14	3		17	85
2007	63				63	10	2		12	53
2006	47				47	7	2		9	40
2005	14				14	3	1		4	11
2004	12				12	2			2	10
2003	11				11	2			2	9
2002	12				12	4			4	8
2001	12				12	3			3	9
Total	\$ <u>146,042</u>	\$ <u>2,675</u>	\$ <u>495</u>	\$ <u>347</u>	\$ <u>147,875</u>	142,804	951	10	143,765	\$ <u>5,071</u>
Suspense collections						<u>134</u>			<u>134</u>	
Total collections						\$ <u>142,938</u>	\$ <u>951</u>	\$ <u>10</u>	\$ <u>143,899</u>	

**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
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
(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	Housing Rehab	Neighborhood Housing Predevelopment Fund
ASSETS									
Cash and cash equivalents	\$ 425	\$ 82	\$ 364	\$ 2,268	\$ 1,062	\$ 7	\$	\$ 112	\$ 47
Investments									
Accounts receivable	235		20		113	12		40	
Intergovernmental receivables			111	23	602		137		
Inventory					62				
Total Assets	<u>\$ 660</u>	<u>\$ 82</u>	<u>\$ 495</u>	<u>\$ 2,291</u>	<u>\$ 1,839</u>	<u>\$ 19</u>	<u>\$ 137</u>	<u>\$ 152</u>	<u>\$ 47</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and other payable	\$	\$ 4	\$ 80	\$ 194	\$ 181	\$	\$ 54	\$	\$
Accrued liabilities		5							
Interfund payable						7	79		
Unearned revenue		8	352	91					
Total liabilities	<u>-</u>	<u>17</u>	<u>432</u>	<u>285</u>	<u>181</u>	<u>7</u>	<u>133</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:									
Unavailable revenue - loans receivable								22	
Fund Balances:									
Nonspendable					62				
Restricted			63	2,006			4	130	47
Committed	660	65			1,596	12			
Total fund balances	<u>660</u>	<u>65</u>	<u>63</u>	<u>2,006</u>	<u>1,658</u>	<u>12</u>	<u>4</u>	<u>130</u>	<u>47</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 660</u>	<u>\$ 82</u>	<u>\$ 495</u>	<u>\$ 2,291</u>	<u>\$ 1,839</u>	<u>\$ 19</u>	<u>\$ 137</u>	<u>\$ 152</u>	<u>\$ 47</u>

(Continued on next page)

**TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
(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	\$ 24	\$ 19	\$ 8	\$ 23	\$ 5	\$ 1
Investments				1,122					
Accounts receivable									
Intergovernmental receivables									
Inventory									
Total Assets	<u>\$ 71</u>	<u>\$ 35</u>	<u>\$ 1</u>	<u>\$ 1,146</u>	<u>\$ 19</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	1,146		8	23	5	1
Committed		35			19				
Total fund balances	<u>71</u>	<u>35</u>	<u>1</u>	<u>1,146</u>	<u>19</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>\$ 1,146</u>	<u>\$ 19</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, 2017
(In Thousands)**

EXHIBIT B-1

	Special Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
	Wilma D. Marlow Fund	Newton 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	\$ 22	\$ 240	\$ 6	\$ 124	\$ 104	\$ 5,058	\$ 5,112
Investments		1,090	506	301			3,019	5,818
Accounts receivable			3				423	423
Intergovernmental receivables							873	873
Inventory							62	62
Total Assets	<u>\$ 8</u>	<u>\$ 1,112</u>	<u>\$ 749</u>	<u>\$ 307</u>	<u>\$ 124</u>	<u>\$ 104</u>	<u>\$ 9,435</u>	<u>\$ 12,288</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$	\$	\$	\$	\$	\$ 2	\$ 515	\$ 515
Accrued liabilities							5	5
Interfund payable		59		77		33	255	347
Unearned revenue							451	451
Total liabilities	<u>-</u>	<u>59</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>35</u>	<u>1,226</u>	<u>1,318</u>
Deferred Inflows of Resources:								
Unavailable revenue - loans receivable							22	22
Fund Balances:								
Nonspendable							62	62
Restricted	8	1,053	749	230	124	69	5,738	8,499
Committed							2,387	2,387
Total fund balances	<u>8</u>	<u>1,053</u>	<u>749</u>	<u>230</u>	<u>124</u>	<u>69</u>	<u>8,187</u>	<u>10,948</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8</u>	<u>\$ 1,112</u>	<u>\$ 749</u>	<u>\$ 307</u>	<u>\$ 124</u>	<u>\$ 104</u>	<u>\$ 9,435</u>	<u>\$ 12,288</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(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	Housing Rehab	Neighborhood Housing Predevelopment Fund
Revenue:									
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investment earnings	2		14,547	2,320		73	407		
Charges for goods and services	1,332	275		90	3,526				
Other		4		57	26		35		
Total revenues	1,334	279	14,547	184	26	73	442	-	-
Expenditures:									
Current:									
General government				37			102		
Public works				119					
Public safety	1,185			1,664					
Human services				1,243			340		
Recreation		289		153					
Library				17					
Education			14,724		3,284	78			
Other									
Total expenditures	1,185	289	14,724	3,233	3,284	78	442	-	-
Excess (deficiency) of revenues over expenditures	149	(10)	(177)	(582)	268	(5)	-	-	-
Other financing sources:									
Transfers in				278					
Net change in fund balances	149	(10)	(177)	(304)	268	(5)	-	-	-
Fund balances, beginning of year	511	75	240	2,310	1,390	17	4	130	47
Fund Balances, End of Year	\$ 660	\$ 65	\$ 63	\$ 2,006	\$ 1,658	\$ 12	\$ 4	\$ 130	\$ 47

(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, 2017
(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	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investment earnings				137					
Charges for goods and services									
Other					7				
Total revenues	-	-	-	137	7	-	-	-	-
Expenditures:									
Current:									
General government									
Public works									
Public safety									
Human services									
Recreation									
Library				6					
Education									
Other									
Total expenditures	-	-	-	6	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	131	7	-	-	-	-
Other financing sources:									
Transfers in									
Net change in fund balances	-	-	-	131	7	-	-	-	-
Fund balances, beginning of year	71	35	1	1,015	12	8	23	5	1
Fund Balances, End of Year	\$ 71	\$ 35	\$ 1	\$ 1,146	\$ 19	\$ 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, 2017
(In Thousands)

EXHIBIT B-2

	Special Revenue Funds						Permanent Fund		
	Wilma D. Marlow Fund	Newton 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	Total Nonmajor Governmental Funds
Revenue:									
Intergovernmental	\$	\$	\$	\$	\$	\$	17,274	\$	\$ 17,274
Investment earnings		136	76	37			551	341	892
Charges for goods and services			28				5,218		5,218
Other							256		256
Total revenues	-	136	104	37	-	-	23,299	341	23,640
Expenditures:									
Current:									
General government							139		139
Public works							119		119
Public safety							2,849		2,849
Human services							1,583		1,583
Recreation							442		442
Library		43				34	100	65	165
Education							18,086		18,086
Other			39	4	12		55		55
Total expenditures	-	43	39	4	12	34	23,373	65	23,438
Excess (deficiency) of revenues over expenditures	-	93	65	33	(12)	(34)	(74)	276	202
Other financing sources:									
Transfers in							278		278
Net change in fund balances	-	93	65	33	(12)	(34)	204	276	480
Fund balances, beginning of year	8	960	684	197	136	103	7,983	2,485	10,468
Fund Balances, End of Year	\$ 8	\$ 1,053	\$ 749	\$ 230	\$ 124	\$ 69	\$ 8,187	\$ 2,761	\$ 10,948

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, 2017
(In Thousands)

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,751	\$ 9,398	\$ 17,122	\$ 28,271
Investments			7,114	7,114
Receivables			781	781
Prepaid expenses	2	6	111	119
Total current assets	<u>1,753</u>	<u>9,404</u>	<u>25,128</u>	<u>36,285</u>
Noncurrent assets:				
Capital assets, net	275			275
Total assets	<u>2,028</u>	<u>9,404</u>	<u>25,128</u>	<u>36,560</u>
Liabilities and Net Pension				
Liabilities:				
Current liabilities:				
Accounts and other payables	7	243	6	256
Interfund payables			1,180	1,180
Claims payable		2,771	2,244	5,015
Compensated absences payable	90	13		103
Total current liabilities	<u>97</u>	<u>3,027</u>	<u>3,430</u>	<u>6,554</u>
Noncurrent liabilities:				
Compensated absences payable	191	20		211
Claims payable		4,296		4,296
Total noncurrent liabilities	<u>191</u>	<u>4,316</u>	<u>-</u>	<u>4,507</u>
Total liabilities	<u>288</u>	<u>7,343</u>	<u>3,430</u>	<u>11,061</u>
Net Position				
Net Position:				
Net investment in capital assets	275			275
Unrestricted	<u>1,465</u>	<u>2,061</u>	<u>21,698</u>	<u>25,224</u>
Total Net Position	<u>\$ 1,740</u>	<u>\$ 2,061</u>	<u>\$ 21,698</u>	<u>\$ 25,499</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, 2017
(In Thousands)

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Total
Operating Revenues:				
Charges for services	\$ 1,919	\$ 3,214	\$ 26,076	\$ 31,209
Other		86	287	373
Total operating revenues	<u>1,919</u>	<u>3,300</u>	<u>26,363</u>	<u>31,582</u>
Operating Expenses:				
General operating	1,675	259	1,509	3,443
Claims expense		2,072	27,409	29,481
Depreciation expense	167			167
Total operating expenses	<u>1,842</u>	<u>2,331</u>	<u>28,918</u>	<u>33,091</u>
Operating Income (Loss)	77	969	(2,555)	(1,509)
Nonoperating Revenues:				
Interest on investments	<u>10</u>	<u>42</u>	<u>474</u>	<u>526</u>
Change in Net Position	87	1,011	(2,081)	(983)
Net Position at Beginning of Year	<u>1,653</u>	<u>1,050</u>	<u>23,779</u>	<u>26,482</u>
Net Position at End of Year	<u>\$ 1,740</u>	<u>\$ 2,061</u>	<u>\$ 21,698</u>	<u>\$ 25,499</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(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	\$ 1,919	\$ 3,212	\$ 27,958	\$ 33,089
Cash received from insurance proceeds		86		86
Cash paid to suppliers for goods and services	(218)	(140)	(3,783)	(4,141)
Cash paid to employees	(1,403)	(117)		(1,520)
Cash paid for insurance claims and premiums		(2,996)	(26,874)	(29,870)
Net cash provided by (used in) operating activities	<u>298</u>	<u>45</u>	<u>(2,699)</u>	<u>(2,356)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of fixed assets	<u>(53)</u>			<u>(53)</u>
Cash Flows from Investing Activities:				
Interest received	10	42	474	526
Purchase of investments			(250)	(250)
Net cash provided by (used in) investing activities	<u>10</u>	<u>42</u>	<u>224</u>	<u>276</u>
Net Increase (Decrease) in Cash and Cash Equivalents	255	87	(2,475)	(2,133)
Cash and Cash Equivalents at Beginning of Year	<u>1,496</u>	<u>9,311</u>	<u>19,597</u>	<u>30,404</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,751</u>	<u>\$ 9,398</u>	<u>\$ 17,122</u>	<u>\$ 28,271</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:				
Operating income (loss)	\$ 77	\$ 969	\$ (2,555)	\$ (1,509)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	167			167
(Increase) decrease in accounts receivable and other prepaid assets		(2)	1,595	1,593
(Increase) decrease in interfunds receivable	73			73
Increase (decrease) in accounts payable	2	152	(8)	146
Increase (decrease) in interfunds payable			(2,266)	(2,266)
Increase (decrease) in compensated absences payable	(21)	2		(19)
Increase (decrease) in claims payable		(1,076)	535	(541)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 298</u>	<u>\$ 45</u>	<u>\$ (2,699)</u>	<u>\$ (2,356)</u>

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, 2017
(In Thousands)

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Plan Deposit Fund				
Assets:				
Cash and cash equivalents	\$ <u>20</u>	\$ <u>3</u>	\$ <u>-</u>	\$ <u>23</u>
Liabilities:				
Deposits held for others	\$ <u>20</u>	\$ <u>3</u>	\$ <u>-</u>	\$ <u>23</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>653</u>	\$ <u>1,007</u>	\$ <u>989</u>	\$ <u>671</u>
Liabilities:				
Deposits held for others	\$ <u>653</u>	\$ <u>1,007</u>	\$ <u>989</u>	\$ <u>671</u>
Senior Center Activities Fund				
Assets:				
Cash and cash equivalents	\$ <u>65</u>	\$ <u>36</u>	\$ <u>15</u>	\$ <u>86</u>
Liabilities:				
Deposits held for others	\$ <u>65</u>	\$ <u>36</u>	\$ <u>15</u>	\$ <u>86</u>
Maintenance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>423</u>	\$ <u>342</u>	\$ <u>175</u>	\$ <u>590</u>
Liabilities:				
Deposits held for others	\$ <u>423</u>	\$ <u>342</u>	\$ <u>175</u>	\$ <u>590</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>1,165</u>	\$ <u>1,388</u>	\$ <u>1,179</u>	\$ <u>1,374</u>
Liabilities:				
Deposits held for others	\$ <u>1,165</u>	\$ <u>1,388</u>	\$ <u>1,179</u>	\$ <u>1,374</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>2017</u>	<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>
Governmental activities:										
Net investment in capital assets	\$ 101,085	\$ 89,755	\$ 102,486	\$ 104,535	\$ 100,236	\$ 103,203	\$ 99,265	\$ 94,969	\$ 104,570	\$ 85,637
Restricted	2,761	2,485	2,598	2,673	2,310	2,036	1,715	4,163	3,702	4,248
Unrestricted	(30,049)	(18,082)	(30,063)	(29,194)	6,314	3,386	6,333	6,886	(1,969)	17,822
Total governmental activities net position	<u>73,797</u>	<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>
Business-type activities:										
Net investment in capital assets	24,194	24,080	27,721	34,104	34,397	33,007	29,404	25,753	26,098	24,060
Unrestricted	<u>34,984</u>	<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>
Total business-type activities net position	<u>59,178</u>	<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>
Primary government:										
Net investment in capital assets	125,279	113,835	130,207	138,639	134,633	136,210	128,669	120,722	130,668	109,697
Restricted	2,761	2,485	2,598	2,673	2,310	2,036	1,715	4,163	3,702	4,248
Unrestricted	<u>4,935</u>	<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>
Total Primary Government Net Position	<u>\$ 132,975</u>	<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>

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities:										
General government	\$ 9,855	\$ 10,809	\$ 7,292	\$ 7,321	\$ 6,171	\$ 6,134	\$ 6,190	\$ 7,759	\$ 4,079	\$ 7,537
Public works	22,936	20,310	21,410	20,796	21,309	22,705	23,244	19,734	19,094	16,321
Public safety	43,579	43,086	38,626	36,259	35,564	35,008	33,808	31,919	32,588	37,270
Human services	4,502	4,934	4,450	4,510	4,480	4,499	5,114	4,063	5,213	5,246
Leisure services	7,295	7,314	6,889	6,944	6,682	6,910	6,230	6,443	6,288	5,714
Employee benefits										
Education	161,085	148,446	145,615	137,355	130,554	129,950	123,384	122,609	125,273	135,716
Interest on long-term debt	3,655	3,231	3,322	3,254	3,277	3,155	3,297	3,505	3,580	3,333
Other										
Total governmental activities expenses	252,907	238,130	227,604	216,439	208,037	208,361	201,267	196,032	196,115	211,137
Business-type activities:										
Water	7,643	7,439	9,290	8,561	7,654	8,223	9,060	7,647	8,525	6,725
Sewer	9,323	7,824	8,686	6,829	6,074	6,593	5,511	5,850	5,644	5,769
Sanitation	7,549	6,220	7,027	5,029	7,422	12,783	7,463	6,888	12,857	7,065
Total business-type services	24,515	21,483	25,003	20,419	21,150	27,599	22,034	20,385	27,026	19,559
Total primary government expenses	277,422	259,613	252,607	236,858	229,187	235,960	223,301	216,417	223,141	230,696
Program revenues:										
Governmental activities:										
Charges for services:										
General government	2,704	1,277	1,078	971	942	854	815	1,001	921	1,066
Public safety	2,088	1,990	1,619	1,373	1,594	1,309	1,349	1,677	1,470	1,634
Public works	1,276	1,515	1,185	984	963	1,024	897	931	784	934
Leisure services	661	603	600	671	665	862	848	827	791	706
Human services	63	87	133	132	169	135	216	221	80	91
Education	4,996	2,633	2,508	2,391	2,253	2,439	2,524	2,841	2,780	2,493
Operating grants and contributions	70,433	64,083	61,633	60,066	55,558	57,418	54,185	53,234	49,599	73,278
Capital grants and contributions	6,957	1,229	2,157	4,705	3,598	7,934	6,388	3,663	8,224	20,105
Total governmental activities program revenues	89,178	73,417	70,913	71,293	65,742	71,975	67,222	64,395	64,649	100,307
Business-type activities:										
Charges for services:										
Water	8,966	9,000	8,588	8,291	8,156	7,749	19,933	18,391	18,102	19,749
Sewer	8,641	8,418	8,036	7,775	7,389	7,010				
Sanitation	9,350	10,502	10,219	8,433	7,380	7,035				
Operating grants and contributions	6				680	3,791				
Capital grants and contributions		1,066	927	2,080	7,302	1,113	289	187	236	264
Total business-type activities program revenues	26,963	28,986	27,770	26,579	30,907	26,698	20,222	18,578	18,338	20,013
Total primary government program revenues	116,141	102,403	98,683	97,872	96,649	98,673	87,444	82,973	82,987	120,320
Net (expense) revenue:										
Governmental activities	(163,729)	(164,713)	(156,691)	(145,146)	(142,295)	(136,386)	(134,045)	(131,637)	(131,466)	(110,830)
Business-type activities	2,448	7,503	2,767	6,160	9,757	(901)	(1,812)	(1,807)	(8,688)	454
Total primary government net expense	(161,281)	(157,210)	(153,924)	(138,986)	(132,538)	(137,287)	(135,857)	(133,444)	(140,154)	(110,376)

(Continued on next page)

TABLE 2

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 152,067	\$ 150,594	\$ 146,468	\$ 141,608	\$ 134,465	\$ 132,767	\$ 128,711	\$ 124,710	\$ 122,923	\$ 118,916
Grants and contributions not restricted to specific purposes	4,907	3,705	3,996	4,130	4,064	4,544	3,752	4,212	4,916	4,686
Unrestricted investment earnings	2,148	567	160	1,443	985	238	920	706	298	2,159
Miscellaneous	1,433	124	425	507	497	439	628	376	215	591
Premiums on bond issuance								65		
Transfers	2,813	1,333	1,449	1,630	2,519	(290)	1,329	1,283	1,710	
Total governmental activities	163,368	156,323	152,498	149,318	142,530	137,698	135,340	131,352	130,062	126,352
Business-type activities:										
Unrestricted investment earnings	(1,040)	529	402	492	(129)	888	438	1,059	457	1,917
Miscellaneous	322	(154)	1,915	285	251	68	105			
Premiums on bond issuance								153		
Transfers	(2,813)	(1,333)	(1,449)	(1,630)	(2,519)	290	(1,329)	(1,283)	(1,710)	
Total business-type activities	(3,531)	(958)	868	(853)	(2,397)	1,246	(786)	(71)	(1,253)	1,917
Total primary government	159,837	155,365	153,366	148,465	140,133	138,944	134,554	131,281	128,809	128,269
Changes in net position:										
Governmental activities	(361)	(8,390)	(4,193)	4,172	235	1,312	1,295	(285)	(1,404)	17,176
Business-type activities	(1,083)	6,545	3,635	5,307	7,360	345	(2,598)	(1,878)	(9,941)	717
Total Primary Government	\$ (1,444)	\$ (1,845)	\$ (558)	\$ 9,479	\$ 7,595	\$ 1,657	\$ (1,303)	\$ (2,163)	\$ (11,345)	\$ 17,893

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>2017</u>	<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>
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 2,451	\$ 1,787	\$ 2,328
Unreserved								13,049	14,490	16,316
Nonspendable	102	22	65	23	37	147	39			
Restricted		910	910	1,009						
Committed		2	10	17	24	32	40			
Assigned	2,606	1,180	1,806	4,410	2,764	3,310	5,515			
Unassigned	<u>22,066</u>	<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>\$ 24,774</u>	<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>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 3,835	\$ 4,234	\$ 6,638
Unreserved, reported in:										
Special revenue funds								7,554	5,922	5,605
Capital project funds								(3,221)	(7,341)	3,913
Nonspendable	64	63	832	826	1,144	1,148	798			
Restricted	8,499	8,429	7,635	8,308	6,816	6,626	6,147			
Committed	4,047	5,646	3,569	3,083	3,421	3,962	4,410			
Assigned	75	75								
Unassigned	<u>(3)</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>\$ 9,488</u>	<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>

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Property taxes, interest and lien fees	\$ 151,811	\$ 151,407	\$ 146,500	\$ 142,053	\$ 133,330	\$ 131,951	\$ 129,160	\$ 124,547	\$ 122,423	\$ 119,165
Intergovernmental revenue	82,253	67,511	66,799	67,888	62,472	68,968	64,073	60,523	62,680	96,007
Investment and interest income	1,622	257	47	869	726	109	906	679	169	1,806
Licenses, permits and fines	2,209	2,514	2,096	1,801	1,788	1,814	1,637	1,882	1,700	1,922
Charges for goods and services	8,019	5,388	4,781	4,475	4,544	4,308	4,688	5,471	5,154	5,001
Other	1,451	1,757	1,560	1,331	1,260	1,722	1,152	919	624	686
Total revenues	247,365	228,834	221,783	218,417	204,120	208,872	201,616	194,021	192,750	224,587
Expenditures:										
General government	5,692	5,801	5,679	5,429	5,445	5,417	5,259	5,768	5,180	5,230
Public works	13,578	13,232	13,835	13,565	13,189	12,215	12,815	12,350	12,378	11,822
Public safety	36,905	34,657	33,469	32,526	32,612	31,700	30,234	28,708	28,305	27,628
Human services	4,415	4,581	4,354	4,145	4,129	4,152	4,629	4,022	4,287	3,803
Leisure services	6,404	6,390	6,213	5,839	5,912	6,215	5,481	5,386	5,478	5,477
Employee benefits	2,887	2,845	3,045	2,949	2,876	2,951	2,775	2,636	2,473	2,467
Education	151,600	140,528	138,043	130,704	125,423	125,193	120,603	117,444	114,157	133,564
Internal service fund charges	3,276	2,613	2,639	2,554	2,613	2,561	2,883	3,131	4,738	4,629
Other	301	646	674	708	717	661	706	1,445	918	1,341
Debt service:										
Principal	7,875	7,470	6,794	6,653	6,659	6,745	6,596	5,786	5,850	4,044
Interest	3,775	3,284	3,394	3,268	2,915	2,510	2,644	3,155	3,564	2,941
Capital outlay	31,530	12,318	13,723	15,892	12,381	20,239	12,508	10,464	22,840	40,438
Total expenditures	268,238	234,365	231,862	224,232	214,871	220,559	207,133	200,295	210,168	243,384
Excess of revenue under expenditures	(20,873)	(5,531)	(10,079)	(5,815)	(10,751)	(11,687)	(5,517)	(6,274)	(17,418)	(18,797)
Other financing sources (uses):										
Transfers in	6,419	7,271	6,212	6,191	5,938	4,706	4,449	5,059	5,111	6,650
Transfers out	(5,189)	(5,938)	(4,763)	(4,561)	(3,419)	(4,990)	(3,120)	(3,776)	(3,401)	(4,996)
Issuance of debt	14,500	17,190	12,600	6,500	9,505	5,990		9,396		39,240
Issuance of bond refunding	4,365	27,680				8,225		4,865		
Premium on bond refunding	345	4,491				890		243		
Payments to escrow agent	(4,680)	(32,087)				(9,010)		-5,001		
Bond premium	1,156	2,003	395	780	721	83		65		
Total other financing sources	16,916	20,610	14,444	8,910	12,745	5,894	1,329	10,851	1,710	40,894
Net Change in Fund Balances	\$ (3,957)	\$ 15,079	\$ 4,365	\$ 3,095	\$ 1,994	\$ (5,793)	\$ (4,188)	\$ 4,577	\$ (15,708)	\$ 22,097
Debt Service as a Percentage of Noncapital Expenditures	4.86%	4.84%	4.67%	4.76%	4.73%	4.62%	4.75%	4.71%	5.03%	3.44%

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							
2017	\$ 2,147,033	\$ 1,433,421	\$ 192,535	\$ 424,272	\$ 337,487	\$ 589,947	\$ 3,944,801	39.68	\$ 7,085,236	55.37%
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%

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 2017, Grand List year 2016 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 2015 AND 2006
(In Thousands)

Taxpayer	October 1, 2015			October 1, 2006		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Shoppes at Buckland Hills, LLC	\$ 117,070	1	0.00%	\$ 109,019	1	0.00%
CT Light and Power Co.	\$106,698	2	0.00%	\$39,563	4	0.00%
JC Penney Properties	\$57,671	3	0.00%	\$60,798	2	0.00%
Northland Pavilions LLC	\$57,126	4	0.00%	\$54,536	3	0.00%
Manchester Developers LLC/Buckland Developers LLC	\$39,550	5	0.00%	\$31,254	5	0.00%
Wal-Mart/Sam's Club	\$27,550	6	0.00%	\$20,633	8	0.00%
Manchester Tolland Development Co.	\$25,966	7	0.00%			
Waterford Realty LLC	\$22,347	8	0.00%			
Plaza at Buckland Hills LLC	\$21,044	9	0.00%	\$25,255	6	0.00%
Manchester Tarragon LLC	\$20,207	10	0.00%			
Gateway Lauren, LLC				\$22,637	7	0.00%
Federated/May Dept Stores				\$18,166	9	0.00%
California State Teacher's Retirement System				\$18,125	10	0.00%
Total	\$ <u>495,229</u>			\$ <u>399,986</u>		

Source: Town of Manchester, Office of Assessment & Collection

TABLE 7

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

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Town:										
General	39.68	39.40	38.65	37.44	35.83	31.98	31.28	30.32	32.98	36.05
Special Services District:	5.83	5.80	5.79	5.69	5.54	4.98	5.00	4.94	5.50	5.81
Special Services District	45.51	45.20	43.13	43.13	41.37	36.96	36.28	35.26	38.48	41.86

Source: Town of Manchester Finance Department

TABLE 8

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

<u>Grand List Year</u>	<u>Tax Rate in Mills</u>	<u>Taxes Levied For The Fiscal Year</u>	<u>Collected Within The Fiscal Year of The Levy</u>		<u>Collection in Subsequent Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2015	39.68	\$ 143,323	\$ 140,888	98.30%	\$	\$	
2014	39.40	142,927	140,499	98.30%	1,250	141,749	99.18%
2013	38.65	136,376	133,806	98.12%	1,874	135,680	99.49%
2012	37.44	137,283	134,726	98.14%	1,997	136,723	99.59%
2011	35.83	127,784	125,048	97.86%	1,698	126,746	99.19%
2010	31.98	123,354	120,953	98.05%	1,876	122,829	99.57%
2009	31.28	124,351	122,311	98.36%	1,660	123,971	99.69%
2008	30.32	123,818	121,712	98.25%	1,770	123,482	99.73%
2007	32.98	122,270	120,113	98.14%	1,757	121,870	99.67%
2006	36.05	117,967	116,029	98.13%	1,838	117,867	99.92%

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				
2017	\$ 98,680	\$	\$ 1,039	\$ 34,388	\$ 134,107	6.30%	3.40%	\$ 1,694.34
2016	92,090		74		92,164	4.58%	2.35%	1,587.57
2015	84,875		77		84,952	4.22%	2.18%	1,460.69
2014	81,246		81		81,327	4.16%	2.08%	1,395.72
2013	79,375				79,375	4.73%	2.04%	1,361.75
2012	76,205	324			76,529	4.10%	1.79%	1,307.41
2011	76,615	636			77,251	5.27%	1.82%	1,312.93
2010	83,451	1,324		865	85,640	5.90%	2.01%	1,480.02
2009	80,183	1,987		1,713	83,883	5.79%	2.19%	1,435.50
2008	86,990	2,795		2,545	92,330	6.39%	2.73%	1,560.69

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, 2017
(In Thousands)

Total tax collections (including interest and lien fees) for current year						\$	<u>143,899</u>
Base for Debt Limitation Computation						\$	<u><u>143,899</u></u>
	<u>General</u>			<u>Urban</u>	<u>Pension</u>		
	<u>Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Renewal</u>	<u>Deficit</u>		
Debt Limitation:							
2 1/4 times base	\$ 323,773	\$	\$	\$	\$		
4 1/2 times base		647,546					
3 3/4 times base			539,621				
3 1/4 times base				467,672			
3 times base					431,697		
	<u>323,773</u>	<u>647,546</u>	<u>539,621</u>	<u>467,672</u>	<u>431,697</u>		
Total debt limitation	<u>323,773</u>	<u>647,546</u>	<u>539,621</u>	<u>467,672</u>	<u>431,697</u>		
Indebtedness:							
Bonds and serial notes payable	61,123	37,557	34,388				
Bond anticipation notes			3,760				
Debt authorized but unissued	7,615	21,662					
School construction grants receivable	<u></u>	<u>(10,857)</u>	<u></u>	<u></u>	<u></u>		
	<u>68,738</u>	<u>48,362</u>	<u>38,148</u>	<u>-</u>	<u>-</u>		
Total indebtedness	<u>68,738</u>	<u>48,362</u>	<u>38,148</u>	<u>-</u>	<u>-</u>		
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u><u>255,035</u></u>	\$ <u><u>599,184</u></u>	\$ <u><u>501,473</u></u>	\$ <u><u>467,672</u></u>	\$ <u><u>431,697</u></u>		

Note 1: Bonds and serial notes payable do not include Water serial notes payables of \$1,039.

**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
2017	\$ 98,680	1.39%	\$ 1,694.34
2016	92,090	1.27%	1,587.57
2015	84,875	1.24%	1,460.69
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

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>2017</u>	<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>
Debt limitation	\$ 1,007,293	\$ 1,012,480	\$ 962,633	\$ 968,408	\$ 885,927	\$ 862,722	\$ 877,422	\$ 869,694	\$ 857,332	\$ 834,302
Total net debt applicable to limit	<u>155,248</u>	<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>
Legal Debt Margin	<u>\$ 852,045</u>	<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>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	15.41%	14.78%	11.69%	12.02%	12.70%	12.65%	9.48%	11.79%	11.12%	11.23%

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**

Calendar Year	Population(1)	Personal Income(2) (in Thousands)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2017	58,241	\$ 2,127,427	\$ 36,528	37.1	5,964	5.30%
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%

(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
2017 AND 2008**

Employer	Nature of Business	2017			Employer	Nature of Business	2008		
		Employees	Rank	Percentage of Total Town Employment			Employees	Rank	Percentage of Total Town Employment
Town of Manchester	Local Gov/Board of Ed	1,670	1	5.68%	Town of Manchester	Local Gov/Board of Ed	1,605	1	5.17%
Manchester Memorial Hosp.	General Hospital	1,500	2	5.10%	Smiths Aerospace	Parts Manufacturer	1,208	3	3.89%
J.C. Penney Company	Warehouse/Distribution	750	3	2.55%	J.C. Penney Company	Warehouse/Distribution	1200	2	3.86%
Manchester Community Coll.	College	725	4	2.47%	Eastern CT Health Network	Management Services	1200	4	3.86%
Target	Retail	400	5	1.36%	Journal Publishing Co.	Newspapers	560	5	1.80%
Dynamic Precision Group	Parts Manufacturer	400	6	1.36%	Manchester Health Care	Medical Offices	500	6	1.61%
Super Stop & Shop	Supermarket	381	7	1.30%	May Dept Stores	Department Stores	500	7	1.61%
J.C. Penny Company	Retail/Distribution	350	8	1.19%	Wal-Mart Stores	Department Store	400	8	1.29%
Allied Printing	Commercial Printing	330	9	1.12%	Cox Communications	Cable Television	375	9	1.16%
Big Y World Class Market	Supermarket	300	10	1.02%	Teleflex Inc.	Plating and Polishing	332	10	1.07%
		<u>6,806</u>		<u>23.14%</u>			<u>7,880</u>		<u>25.32%</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**

<u>Function/Program</u>	<u>Full-Time-Equivalent Employees as of June 30,</u>									
	<u>2017</u>	<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>
General government	84.00	82.50	81.00	81.00	80.40	80.40	86.40	88.75	90.25	93.50
Police	139.00	152.50	152.50	152.50	154.50	154.50	154.50	154.50	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	9.00	12.10	12.10	12.10	12.10	12.10	12.10	12.10	11.10	9.05
Other public works	142.00	145.15	145.15	145.15	147.40	148.40	148.40	148.40	149.40	149.45
Recreation	9.00	13.00	13.00	13.00	14.00	14.00	8.50	8.50	9.50	9.50
Library	22.00	25.00	25.00	25.00	25.00	25.00	26.00	27.00	27.00	27.00
Education	<u>1,183.00</u>	<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>
Total	<u><u>1,670.00</u></u>	<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>

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

TABLE 16

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:										
Building permits issued	3,325	3,713	2,958	3,528	3,003	3,018	3,100	3,127	3,161	2,926
Building inspections conducted	7,397	6,395	6,184	5,984	4,986	6,498	5,194	6,890	6,830	6,797
Police:										
Physical arrests	3,541	3,943	2,654	3,510	3,391	4,157	4,694	3,549	3,525	3,548
Parking violations	2,414	2,194	1,965	1,550	1,863	1,096	1,698	1,743	2,078	2,897
Traffic violations	10,534	6,117	4,489	4,316	1,617	2,281	4,999	8,944	6,885	7,233
Fire:										
Emergency responses	8,834	8,457	7,822	7,573	7,790	8,373	8,206	8,097	7,902	7,674
Structure Fires (fires extinguished)	39	22	36	30	30	39	39	31	24	42
Inspections	2,230	2,958	1,986	2,064	1,394	956	828	1,246	1,858	989
Refuse collection:										
Refuse collected (tons per day)	51.17	50.83	49.88	50.00	50.11	52.85	52.04	41.40	41.40	40.15
Recyclables collected (tons per day)	16.62	17.38	17.46	17.50	18.23	19.48	19.67	10.40	10.40	12.30
Other public works:										
Street resurfacing (miles)	19	13.53	0.54	7.52	8.3	6.8	6.3	10.8	10.8	6
Potholes repaired (man hours)	3,240	2,968		3,990						
Parks and recreation:										
Athletic field permits issued (unavailable)	50	50	43							
Community center admissions (in thousands)	129	130	104	108	105	112	112	110	104	79
Library:										
Volumes in collection (thousands)	234.9	238.2	237.3	243.7	242.3	243.2	262.1	239.7	238.4	228.8
Total volumes borrowed (thousands)	690.6	720.0	756.7	759.3	777.9	825.4	846.8	859.0	834.5	797.1
Water:										
New connections	29	13	6	22	5	8	17	17	45	16
Water main breaks	17	8	20	25	17	15	7	18	10	12
Average daily production (thousands of gallons)	4,703	4,849	5,088	4,832	4,972	5,019	5,375	5,178	5,320	5,560
Peak daily production (thousands of gallons)	6,860	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)	4,750	4,991	5,947	6,211	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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	3	3	3	3	3	3	2	1	2	3
Patrol units	8	8	8	8	8	8	8	8	8	7
Fire stations	5	5	5	5	5	5	5	5	5	5
Other public works:										
Streets (miles)	218.1	218.1	218.1	218.1	218.1	218	217	217	217	214
Streetlights	4,913	4,851	4,846	4,846	4,820	4,717	4,710	4,698	4,698	4,674
Traffic signals	53	53	53	53	52	52	52	51	51	51
Parks and recreation:										
Acreage	685	685	677	677	677	677	677	677	677	677
Playgrounds	27	25	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	14	13	13	13	13
Water:										
Water mains (miles)	259	259	259	258	258	258	257	280	278	255
Fire hydrants	2,053	2,039	2,039	2,037	2,026	2,021	1,990	1,969	1,970	1,954
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	167	166	167	167	166	164
Storm sewers (miles)	144	144	144	143	143	142	139	163	163	163
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

Sources:

Police Department annual reports
Public Works and Recreation Town records