

Comprehensive Annual Financial Report

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2011



Office of the Director of Finance

Comprehensive Annual Financial Report

of the

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2011

Department of Finance
Gregory R. Simmons
Director of Finance

TOWN OF MANCHESTER, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section



Town of Manchester

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www.ci.manchester.ct.us

LOUIS A. SPADACCINI, MAYOR
MATTHEW B. PEAK, DEPUTY MAYOR
CHERI A. PELLETIER, SECRETARY

DIRECTORS
JEFFREY A. BECKMAN
MICHAEL G. FARINA
RUDOLPH C. KISSMANN
LISA P. O'NEILL
MARK D. TWEEDIE
KEVIN L. ZINGLER

SCOTT SHANLEY, GENERAL MANAGER

December 23, 2011

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, 2011 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, as well as the Connecticut Single Audit Act. Information related to these single audits, including the schedule of expenditures of federal awards and State financial assistance, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. A copy of the reports is on file in the Town Clerk's office.

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



Town of Manchester Government

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

The Town is located in central Connecticut and is approximately 10 miles east of the City of Hartford, the State capital. The Town is also bordered by the towns of East Hartford, South Windsor, Vernon, Bolton and Glastonbury. It is approximately 85 miles southwest of Boston and 115 miles northeast of New York City. The Town encompasses 27.2 square miles and has a population of 58,354 people.

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

Local Economic Condition and Outlook

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

Manchester's major employers include the Town and Board of Education at 1,689 employees; Manchester Memorial Hospital at 1,550 employees; GE Aviation at 1,208 employees; J.C. Penney Company at 1,000 employees; Journal Publishing Co. at 560 employees; Manchester Health Care at 500 employees; Cox Communications at 442 employees; Wal-Mart with 400 employees; Allied Printing at 331 employees and Silktown Roofing at 250 employees. Overall, approximately 31,071 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; The Sports Authority; and Best Buy, to name but a few. Buckland Hills is also home to over 15 full service restaurants, approximately 400 hotel rooms, a multi-screen movie theater, and roughly 2,000 apartment units.

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

Major Initiatives

In accordance with Connecticut General Statutes, the Town of Manchester is conducting a real property revaluation as required for the Grand List of October 1, 2011. This revaluation will correspond to the tax bills that will be due beginning in July 2012. This process began in late 2009 when Vision Appraisal Technology was selected as the contractor after the Town undertook a Request for Proposal. Vision Appraisal Technology also performed Manchester's revaluations in 2000 and 2006. The 2011 revaluation will be a "full, measure and list" revaluation, meaning it involves revaluation staff visiting the properties within the Town to measure and conduct interior inspections.

As the effective date of this revaluation is October 1, 2011, the market analysis and valuation phases of this project will not occur until 2011. The project is starting in early 2010.

Updated real estate values will not be known until early 2012. While it is clear that virtually all property values have decreased since the 2006 revaluation, this may or may not equate to lower tax bills for any individual property. The main purpose of a revaluation is to correct inequalities in the tax burden that have developed since the last revaluation. Revaluation is a revenue neutral process as when a municipality conducts a revaluation, that municipality's tax levy is not changed by the revaluation, thus the total amount of taxes the Town will need to collect will be the same, regardless of whether or not a revaluation takes place. What does change in a revaluation is the amount of taxes individual taxpayers pay, not the total amount of taxes paid. Thus, in a revaluation, other things being equal, for every dollar that one taxpayers' tax bill goes up, someone else's tax bill goes down by the same corresponding amount.

Financial Planning and Policies

During FY11, 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 remained consistent with that goal during the fiscal year. This stability was accomplished during a fiscal year of lower interest income and reduced revenues in the areas relating to the stagnant housing industry.

The Town plans to continue to move incrementally towards the 7% goal.

The Town continued the practice of using fund balance to fund, among other items, funding for the plan to assist in providing tax relief, property tax appeals and agreements, and retroactive salary payments for not yet settled labor contracts by fiscal year end.

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 budgetary data, 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.

Cash Management

All non-pension funds not required to have separate bank accounts use a single consolidated account for deposits and three zero balance accounts for disbursements. The collected balance of the consolidated account not needed to liquidate zero balance account obligations is invested to meet future cash flow needs. The Town invests all non-pension funds in accordance with Sections 7-401 through 403 of the Connecticut General Statutes (CGS). The funds of the public employee retirement system are invested in accordance with the Pension Plan Investment Policy. All pooled non-pension funds are invested in the State Treasurer's Short Term Investment Fund (STIF), and in two managed Federal Treasury and Agency securities funds. STIF is a State Agency/Local Government investment pool organized under the CGS. The funds of the Town of Manchester Medical Insurance Fund and planned long-term debt payments are invested in a fully collateralized Federal Treasury and Agency securities participation fund until needed. That fund returned .14% during FY11. During the fiscal year STIF returned .23% on invested funds. A comparative rate of return on alternate but similar investments was:

Fidelity Institutional Prime MMF	.23%
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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:

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
Revenues (000's)	\$146,573	\$153,267	\$156,343	\$152,651	\$155,947
Expenditures (000's)	144,111	153,257	158,175	154,321	155,771
Operating Results (000's)	2,462	10	(1,832)	(1,670)	176
Unreserved and Undesignated Fund Balance (000's)	9,446	9,868	9,868	10,046	10,053
Percent of Revenue	6.44%	6.44%	6.31%	6.58%	6.45%

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 FY10, the Town solicited proposals from qualified auditing firms to provide audit services for the two-year period FY2010 to FY2011 with the option to renew for two additional years, FY 2012 and FY2013. The firm of Blum Shapiro & Company, P.C., Certified Public Accountants, was selected as the Town's independent auditors for that period and the subsequent renewal.

The Town's FY11 audit includes an audit of all federal grants in accordance with the Single Audit Act and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, which provides that all state and local governments which receive more than \$500,000 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 FY11 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, 2010. 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 received a Certificate of Achievement for the eleventh time last fiscal year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

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

Susan Alaimo, Accountant
Heather Boudreaux, Accountant

Special recognition is extended to other members of the Town staff who assisted with the report in their usual professional and proficient manner:

Julian Freund, Budget and Research Officer
Laura LaBrecque, Payroll Coordinator
Barbara Wengrzynek, Executive Assistant
Patricia Brooks, Assistant to the Superintendent, Finance and
Management, Board of Education

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 and General Manager.

Respectfully submitted,



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

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



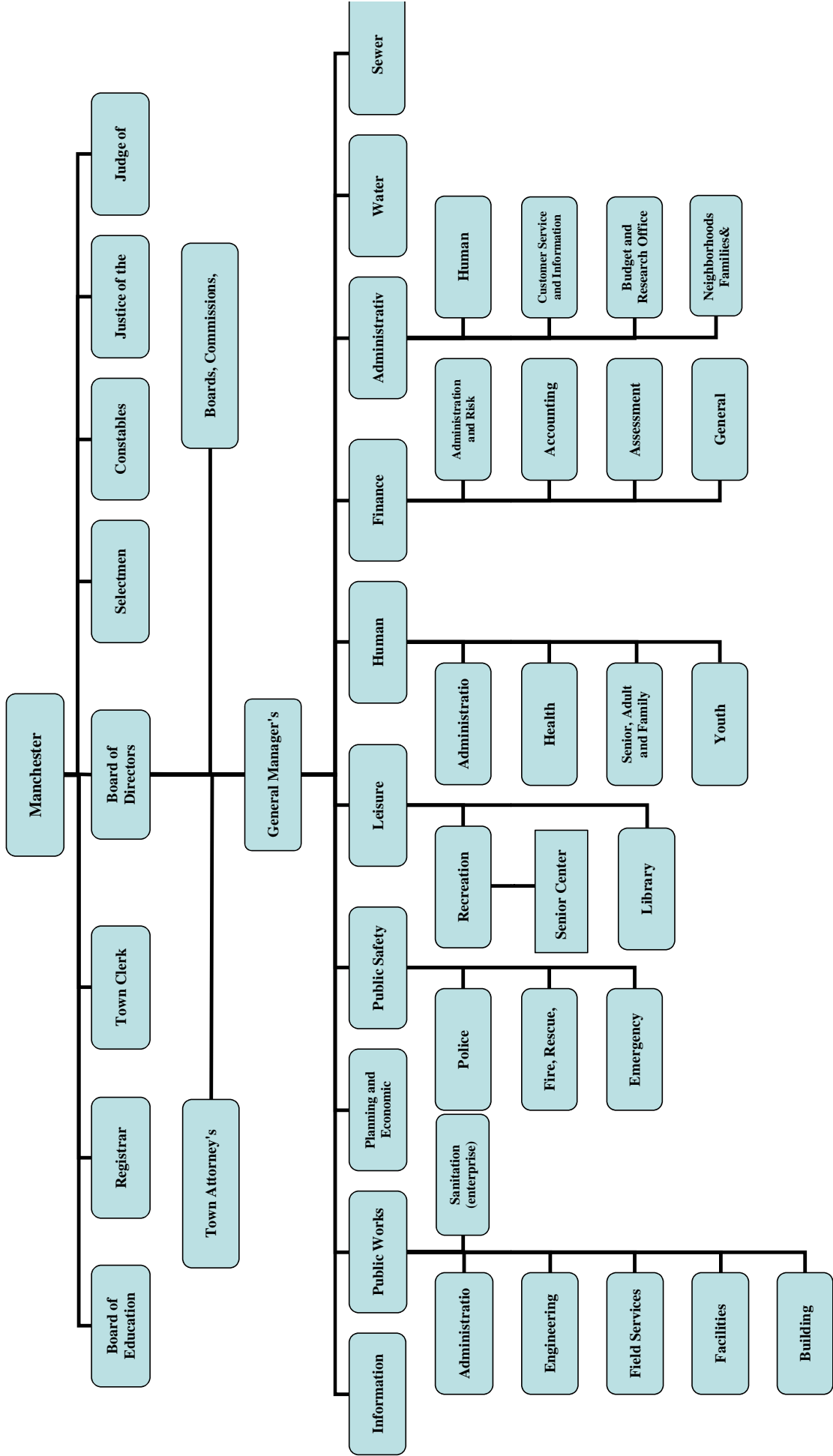
Linda C. Davidson

President

Jeffrey R. Egan

Executive Director

Town of Manchester Organization Chart



TOWN OF MANCHESTER, CONNECTICUT

LISTING OF PRICIPAL OFFICIALS

Board of Directors

Leo V. Diana, Mayor
Jay Moran, Deputy Mayor
Lisa P. O'Neill, Secretary
Steven Gates
Susan M. Holmes

Rudy C. Kissmann
Cheri A. Pelletier
John D. Topping
Mark D. Tweedie

Town Clerk
Registrars of Voters

Joseph V. Camposeo
Francis Maffee
Timothy Becker
Scott Shanley
Vacant

General Manager
Director of Operations
Director of Administrative Services
Director of Public Works/Town Engineer
Town Attorney
Director of Finance

Dede Moore
Mark Carlino
Ryan Barry
Gregory R. Simmons

Director of Assessment/Collection

John Rainaldi

Director of General Services

Gerald R. Dupont

Director of Health

Maryann Cherniak-Lexius

Director of Human Services

Mary Roche-Cronin

Director of Information Systems

Jack McCoy

Director of Parks and Recreation

D. Scott Sprague

Director of Neighborhood Services

Mark Pellegrini

And Economic Development

Director of Youth Services

Erica Bromley

Director of Neighborhoods and Families

Christopher Silver

Water/Sewer Administrator

Edward Soper

Library Director

Douglas McDonough

Chief of Police

Chief Marc Montminy

Fire Chief

Chief Robert Bycholski

Budget and Research Officer

Julian Freund

Board of Education

Christopher Pattacini, Chairperson
Michael Crockett
Maria Waleska-Cruz
Deborah Hagenow

Merrill Kidd
Neal S. Leon
Kelly Luxenberg
Jason P. Scappaticci
Sarah Walton

Interim Superintendent of Schools

Dr. Richard Kisiel

Financial Section



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Members of the Board of Directors
Town of Manchester, Connecticut

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, 2011, which collectively comprise the Town of Manchester, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Manchester, Connecticut, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of the Town of Manchester, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 and the budgetary comparison information pages 47 through 48 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Blum, Shapiro & Company, P.C.

December 23, 2011

**TOWN OF MANCHESTER, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. 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 assets decreased by \$1.3 million as a result of this year's operations. Net assets of the business-type activities decreased by \$2.6 million, (or 6.07%). Net assets of the governmental activities increased by \$1.3 million, (or 1.22%).
- During the year, the Town's governmental activities had expenses that were \$34 thousand more than the \$201 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues increased to \$20.7 million (or 4.92%) while expenses increased by \$1.6 million (or 8.09%).
- Total cost of all of the Town's programs increased by \$6.8 million (or 3.18%) to \$223.3 million. Of the \$6.8 million increase, \$3.5 million is included in the public works category and is attributable to the significant planned improvements in various infrastructure throughout town.
- The General Fund reported a fund balance this year of \$15.6 million, an increase of \$147 thousand (or .95%).
- 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 assets 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 assets 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 assets and changes in them. The Town's net assets, 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 assets 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 assets 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 assets 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 assets 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 Data Processing 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 assets and changes in fiduciary net assets. 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 assets decreased from \$148.8 million to \$147.5 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

TABLE 1
NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 62,410	\$ 57,545	\$ 31,433	\$ 36,893	\$ 93,843	\$ 94,438
Capital assets	176,180	178,559	42,780	41,361	218,960	219,920
Total assets	<u>238,590</u>	<u>236,104</u>	<u>74,213</u>	<u>78,254</u>	<u>312,803</u>	<u>314,358</u>
Long-term debt outstanding	111,257	115,459	16,462	16,549	127,719	132,008
Other liabilities	20,020	14,627	17,539	18,895	37,559	33,522
Total liabilities	<u>131,277</u>	<u>130,086</u>	<u>34,001</u>	<u>35,444</u>	<u>165,278</u>	<u>165,530</u>
Net Assets:						
Invested in capital assets, net of debt	99,265	94,969	29,404	25,753	128,669	120,722
Restricted	1,715	4,163			1,715	4,163
Unrestricted	<u>6,333</u>	<u>6,886</u>	<u>10,808</u>	<u>17,057</u>	<u>17,141</u>	<u>23,943</u>
Total Net Assets	<u>\$ 107,313</u>	<u>\$ 106,018</u>	<u>\$ 40,212</u>	<u>\$ 42,810</u>	<u>\$ 147,525</u>	<u>\$ 148,828</u>

Net assets of the Town's governmental activities increased by 1.22%. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$6.9 million at June 30, 2010 to \$6.3 million at the end of this year.

More specific elements of the change in unrestricted governmental net assets resulted from revenue and expenditure items which ended the year overall in a favorable position. Intergovernmental revenue shows a large variance under the anticipated budget, however this is offset by a large variance under the anticipated budget of the Board of Education expenditures. This is due primarily to the way the Town accounted for a portion of the Education Cost Sharing Grant paid directly to the Board of Education. On the expenditure side, delays in filling vacancies in all functions played a large role in providing favorable results. In the Capital Projects Fund, \$12.4 million was expended for improvements; a majority of these improvements were for roads/sidewalks as well as building improvements to the East Side Public Safety Youth Center and the start of work on the Highland Park Elementary School Project. These capital expenses were partially funded through intergovernmental grants \$6.2 million and transfers in of \$1.0 million. The net assets of business-type activities decreased by 6.1% (\$40.2 million compared to \$42.8 million in 2010). These net assets cannot be used for the governmental activities. The Town generally can only use these net assets to finance the continuing operations of the Water, Sewer and Sanitation Funds. Sanitation experienced a decrease in net assets of \$1.1 million in the current year, mostly due to the reduction of construction activity in Town resulting from the continued weak economy. Water and Sewer experienced a net decrease in net assets due to a continued planned drawdown of net assets to fund various capital improvements. The governmental activities Internal Service net assets increased \$3.0 million mainly due primarily to a positive year in insurance claims costs.

TABLE 2
CHANGES IN NET ASSETS
(InThousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 6,649	\$ 7,498	\$ 19,933	\$ 18,391	\$ 26,582	\$ 25,889
Operating grants and contributions	54,185	53,234			54,185	53,234
Capital grants and contributions	6,388	3,663	289	187	6,677	3,850
General revenues:						
Property taxes	128,711	124,710			128,711	124,710
Grants and contributions not restricted to specific purposes	3,752	4,212			3,752	4,212
Unrestricted investment earnings	920	706	438	1,059	1,358	1,765
Other general revenues	628	441	105	153	733	594
Total revenues	<u>201,233</u>	<u>194,464</u>	<u>20,765</u>	<u>19,790</u>	<u>221,998</u>	<u>214,254</u>
Program expenses:						
General government	6,190	7,759			6,190	7,759
Public safety	33,808	31,919			33,808	31,919
Public works	23,244	19,734			23,244	19,734
Human services	5,114	4,063			5,114	4,063
Leisure services	6,230	6,443			6,230	6,443
Education	123,384	122,609			123,384	122,609
Interest on long-term debt	3,297	3,505			3,297	3,505
Water			9,060	7,647	9,060	7,647
Sewer			5,511	5,850	5,511	5,850
Sanitation			7,463	6,888	7,463	6,888
Total program expenses	<u>201,267</u>	<u>196,032</u>	<u>22,034</u>	<u>20,385</u>	<u>223,301</u>	<u>216,417</u>
Excess before transfers	(34)	(1,568)	(1,269)	(595)	(1,303)	(2,163)
Transfers	<u>1,329</u>	<u>1,283</u>	<u>(1,329)</u>	<u>(1,283)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	\$ <u>1,295</u>	\$ <u>(285)</u>	\$ <u>(2,598)</u>	\$ <u>(1,878)</u>	\$ <u>(1,303)</u>	\$ <u>(2,163)</u>

The Town's total revenues (Governmental and Business-Type) were \$222.0 million. The total cost of all programs and services (Governmental and Business-Type) was \$223.3 million. The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The increase in Governmental Activities net assets was \$1.3 million. The amount invested in capital assets, net of debt increased by \$4.3 million. Operating grants and contributions increased by \$.9 million while capital grants and contributions increased by \$2.7 million. Property taxes increased \$4.0 million over the prior year.

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.

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Education	\$ 123,384	\$ 122,609	\$ 69,685	\$ 68,075
Public safety	33,808	31,919	31,756	29,207
Public works	23,244	19,734	15,639	16,328
Leisure services	6,230	6,443	5,246	5,538
General government	6,190	7,759	4,738	6,397
All others	8,411	7,568	6,981	6,092
Totals	<u>\$ 201,267</u>	<u>\$ 196,032</u>	<u>\$ 134,045</u>	<u>\$ 131,637</u>

Business-Type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 4.9% (\$20.7 million in 2011 compared to \$19.8 million in 2010) and expenses increased by 8.1% (\$22.0 million in 2011 compared to \$20.4 million in 2010). The revenue increase was predominantly the result of charges for service. Expenses in the business-type funds increased by 8.1% primarily due to increased activity in the Water Fund.

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 \$19.4 million, which is a decrease of \$4.1 million from last year's total. Included in this year's total change in fund balance is an increase of \$147 thousand in the Town's General Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted in Exhibit IV. The deficit in the capital projects fund of \$7.5 million is an increase of \$5.1 million from the prior year and will be eliminated as General Obligation Bonds are issued to fund the related capital projects.

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

- 1) Investment income that underachieved estimates (\$.2 million) as the Federal Reserve continued its monetary policy of low interest rates.
- 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 approximately \$5.3 million, however 4.1 million of this was due to the accounting treatment of Board of Education direct grants.

These items combined produce an increase of approximately \$176 thousand in General Fund balance.

The Town's General Fund balance of \$15.6 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$13.2 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$2.3 million of outstanding encumbrances at year-end that are reported as expenditures for budgetary purposes.

Fire District fund balance decreased by \$52 thousand from \$2.8 million. The Fire District fund continues to be favorably impacted by contracting with a new third-party billing service for ambulance fees; this agency has been able to increase collections for paramedic services.

In the remaining nonmajor governmental funds, the combined fund balances increased from \$7.8 million \$8.6 million.

Proprietary Funds

As the Town completed the year, its proprietary funds (as presented in the statement of net assets - Exhibit V) reported combined net assets of \$40.2 million, which is a decrease of \$2.6 million from last year's total of \$42.8 million. Included in this year's total change in net assets is a decrease of \$1.1 million in the Sanitation Fund, a \$630 thousand increase in the Sewer Fund and a \$2.0 million decrease in the Water Fund. The Water and Sewer Funds experienced increased operating costs; these cost increases could not be offset by current personnel vacancies, resulting in a combined net operating loss of \$1.4 million. This includes a planned drawdown of Water/Sewer net assets in fiscal year 2011 to reduce operating capital to 180 days of operating expenses.

In the internal service funds, the self-insurance funds experienced a net combined net increase of \$3.0 million. Net assets in the employee health benefits fund increased by \$3.7 million due to claims finishing below estimates. The net assets in the non-health insurance fund decreased by \$829 thousand. The Information Systems Fund's gain amounted to \$112 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the Town had \$219.0 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net decrease (including additions and deductions) of \$1.0 million, or .4%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 13.7	\$ 11.9	\$ 1.2	\$ 1.2	\$ 14.9	\$ 13.1
Buildings and improvements	91.6	96.5	17.4	17.1	109.0	113.6
Equipment	6.7	7.6	20.3	21.8	27.0	29.4
Infrastructure	52.5	53.0			52.5	53.0
Construction in progress	11.7	9.6	3.9	1.3	15.6	10.9
Total	\$ <u>176.2</u>	\$ <u>178.6</u>	\$ <u>42.8</u>	\$ <u>41.4</u>	\$ <u>219.0</u>	\$ <u>220.0</u>

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

Broad Street Redevelopment	1.8
Public Infrastructure - \$5.5 (roads and sidewalks)	2.8
Highland Park School	1.0

The Town's fiscal-year 2011-12 capital budget plans for the continuation of construction on a major water system upgrade, as well as continuation of the public infrastructure program improvements, renovation of Highland Park School (\$13.1 million) and Broad Street Redevelopment (\$8 million).

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2011 the Town had \$76.6 million in bonds outstanding versus \$83.5 million last year - a decrease of 8.3% - as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds (Backed by the Town)	\$ <u>76.6</u>	\$ <u>82.6</u>	\$ <u>0.0</u>	\$ <u>0.9</u>	\$ <u>76.6</u>	\$ <u>83.5</u>

The Town's general obligation bond rating continues to be AA2 (Moody's) and was upgraded to 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 \$877.4 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 2011-2012, General Fund appropriations total \$163.4 million. This is an increase of \$2.5 million or 1.6% over 2010-2011. The General Fund budget includes the use of \$1.6 million of designated General Fund fund balance in order to mitigate the tax increase needed. At the time of the budget adoption the State budget had not yet been established and there was uncertainty as to the amount of State revenue the Town would be receiving. We now know the actual amount of fund balance needed will be less than half of the amount designated. The increase in General Fund appropriations is being funded by a combination of this use of fund balance as well as an increase in the property tax levy.

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 is reducing the working capital in the Water Fund to 180 days of operating costs. Rate increases to cover the cost of operations are planned once working capital is reduced to 180 days.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 28.18 and business-type fees for the 2011-2012 fiscal year. The 28.18 mill rate represents an increase of .59 mills (1.1%) from the previous year. This increased mill rate will be applied against a slightly decreased Taxable Grand List. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery.

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

The most immediate challenge faced by the Town is the budgetary instability occurring at the State level. The Town receives \$35 million of grants in and from the State or approximately 21% of the General Fund budget. As the budgetary difficulties of the State force the review of the State's commitment to municipalities, a drastically reduced level of support from the State will prove difficult to overcome without drastic tax increases or service reductions.

Overall, financial results were as planned for FY11. Over the previous years, the Town had strengthened its position by continuing to add to General Fund balance each year. The resulting relatively strong fund balance position is assisting the Town in addressing issues created by the current unfavorable economic climate. The current statewide and national economic down-turns has resulted in lower investment returns, as well as decreases in state and federal funding. In particular, the State of Connecticut's 2011/12 budget may include significant reductions in funding to municipalities, as the State attempts to manage its budget deficit. The Town's management and elected officials will have to work together to devise strategies to mitigate the impacts of the national and state economy on the Town's financial position.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2011

(In Thousands)

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 19,441	\$ 10,010	\$ 29,451
Investments	24,658	15,962	40,620
Receivables, net	17,850	4,460	22,310
Due from special services district	40		40
Inventories	48	998	1,046
Prepaid asset	373	3	376
Capital assets:			
Assets not being depreciated	25,413	5,088	30,501
Assets being depreciated, net	150,767	37,692	188,459
Total assets	<u>238,590</u>	<u>74,213</u>	<u>312,803</u>
Liabilities:			
Accounts and other payables	8,598	2,877	11,475
Accrued liabilities	2,078	410	2,488
Bond anticipation notes		13,376	13,376
Unearned revenue	9,344	876	10,220
Noncurrent liabilities:			
Due within one year	14,913	445	15,358
Due in more than one year	96,344	16,017	112,361
Total liabilities	<u>131,277</u>	<u>34,001</u>	<u>165,278</u>
Net Assets:			
Invested in capital assets, net of related debt	99,265	29,404	128,669
Restricted for:			
Trust purposes:			
Expendable	965		965
Nonexpendable	750		750
Unrestricted	6,333	10,808	17,141
Total Net Assets	<u>\$ 107,313</u>	<u>\$ 40,212</u>	<u>\$ 147,525</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, 2011

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,190	\$ 815	\$ 637	\$	\$ (4,738)	\$	\$ (4,738)
Public safety	33,808	1,349	698	5	(31,756)		(31,756)
Public works	23,244	897	325	6,383	(15,639)		(15,639)
Leisure services	6,230	848	136		(5,246)		(5,246)
Human services	5,114	216	1,194		(3,704)		(3,704)
Education	123,384	2,524	51,175		(69,685)		(69,685)
Interest on long-term debt	3,297		20		(3,277)		(3,277)
Total governmental activities	<u>201,267</u>	<u>6,649</u>	<u>54,185</u>	<u>6,388</u>	<u>(134,045)</u>		<u>(134,045)</u>
Business-type activities:							
Water	9,060	7,405				(1,655)	(1,655)
Sewer	5,511	6,534		289		1,312	1,312
Sanitation	7,463	5,994				(1,469)	(1,469)
Total business-type activities	<u>22,034</u>	<u>19,933</u>	<u>-</u>	<u>289</u>	<u>-</u>	<u>(1,812)</u>	<u>(1,812)</u>
Total primary governmental activities	<u>\$ 223,301</u>	<u>\$ 26,582</u>	<u>\$ 54,185</u>	<u>\$ 6,677</u>	<u>(134,045)</u>	<u>(1,812)</u>	<u>(135,857)</u>
General revenues:							
Property taxes					128,711		128,711
Grants and contributions not restricted to specific programs					3,752		3,752
Unrestricted investment earnings					920	438	1,358
Miscellaneous					628	105	733
Transfers					1,329	(1,329)	-
Total general revenues and transfers					<u>135,340</u>	<u>(786)</u>	<u>134,554</u>
Change in net assets					1,295	(2,598)	(1,303)
Net Assets at Beginning of Year					<u>106,018</u>	<u>42,810</u>	<u>148,828</u>
Net Assets at End of Year					<u>\$ 107,313</u>	<u>\$ 40,212</u>	<u>\$ 147,525</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011
(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	\$ 3,900	\$ 1,764	\$	\$ 3,541	\$ 9,205
Investments	10,850	18	339	4,560	15,767
Receivables, net	4,791	1,175	9,490	1,705	17,161
Due from special services district	40				40
Inventories				48	48
Interfund receivables	14,946				14,946
Other assets	39	331			370
	<u>39</u>	<u>331</u>	<u></u>	<u></u>	<u>370</u>
Total Assets	\$ <u>34,566</u>	\$ <u>3,288</u>	\$ <u>9,829</u>	\$ <u>9,854</u>	\$ <u>57,537</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 4,117	\$ 237	\$ 2,403	\$ 895	\$ 7,652
Accrued liabilities	1,423	295		230	1,948
Intergovernmental payables	56				56
Interfund payables			14,946		14,946
Deferred revenue	13,323		2	130	13,455
Total liabilities	<u>18,919</u>	<u>532</u>	<u>17,351</u>	<u>1,255</u>	<u>38,057</u>
Fund balances:					
Nonspendable	39			798	837
Restricted				6,147	6,147
Committed	40	2,756		1,654	4,450
Assigned	5,515				5,515
Unassigned	10,053		(7,522)		2,531
Total fund balances	<u>15,647</u>	<u>2,756</u>	<u>(7,522)</u>	<u>8,599</u>	<u>19,480</u>
Total Liabilities and Fund Balances	\$ <u>34,566</u>	\$ <u>3,288</u>	\$ <u>9,829</u>	\$ <u>9,854</u>	\$ <u>57,537</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

(In Thousands)

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

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

Fund balances - total governmental funds	\$ 19,480
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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	\$ 284,099	
Less accumulated depreciation	<u>(109,456)</u>	
Net capital assets		174,643

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	2,777
Interest receivable on property taxes	985
Receivable from the state for school construction projects	349

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 assets.

10,122

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	(9,135)
Bonds and notes payable	(76,615)
Interest payable on bonds and notes	(790)
Compensated absences	(14,182)
Capital lease	(636)
Interest payable on leases	(21)
Deferred charges on refunding	<u>336</u>

Net Assets of Governmental Activities (Exhibit I)	<u><u>\$ 107,313</u></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, 2011

(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	\$ 118,721	\$ 10,439	\$	\$	\$ 129,160
Intergovernmental	39,487	179	6,232	18,175	64,073
Investment earnings	115	4	2	149	270
Investment gains				636	636
Licenses, permits and fines	1,637				1,637
Charges for goods and services	1,831	486		2,371	4,688
Other	618		132	402	1,152
Total revenues	<u>162,409</u>	<u>11,108</u>	<u>6,366</u>	<u>21,733</u>	<u>201,616</u>
Expenditures:					
Current:					
General government	5,104			155	5,259
Public works	12,813			2	12,815
Public safety	17,155	11,935		1,144	30,234
Human services	3,166			1,463	4,629
Leisure services	5,050			431	5,481
Employee benefits	2,775				2,775
Education	102,847			17,756	120,603
Internal service fund charges	2,883				2,883
Other	202	493		11	706
Debt service	8,920	169	151		9,240
Capital outlay	<u>37</u>	<u>37</u>	<u>12,260</u>	<u>211</u>	<u>12,508</u>
Total expenditures	<u>160,915</u>	<u>12,634</u>	<u>12,411</u>	<u>21,173</u>	<u>207,133</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,494</u>	<u>(1,526)</u>	<u>(6,045)</u>	<u>560</u>	<u>(5,517)</u>
Other Financing Sources (Uses):					
Transfers in	1,551	1,687	988	223	4,449
Transfers out	<u>(2,898)</u>	<u>(213)</u>		<u>(9)</u>	<u>(3,120)</u>
Total other financing sources (uses)	<u>(1,347)</u>	<u>1,474</u>	<u>988</u>	<u>214</u>	<u>1,329</u>
Net Change in Fund Balances	147	(52)	(5,057)	774	(4,188)
Fund Balances at Beginning of Year	<u>15,500</u>	<u>2,808</u>	<u>(2,465)</u>	<u>7,825</u>	<u>23,668</u>
Fund Balances at End of Year	<u>\$ 15,647</u>	<u>\$ 2,756</u>	<u>\$ (7,522)</u>	<u>\$ 8,599</u>	<u>\$ 19,480</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, 2011

(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)	\$ (4,188)
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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	7,587
Depreciation expense	(8,779)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold. (1,031)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 184

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:

School building grant receipts	(137)
Property tax receivable - accrual basis change	(361)
Property tax interest and lien revenue - accrual basis change	(88)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	5,971
Capital lease payments	302

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	768
Accrued interest	71
Amortization of deferred charge on refunding	(62)
Net OPEB expense	(1,945)

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.

3,003

Change in Net Assets of Governmental Activities (Exhibit II)	\$ <u><u>1,295</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2011

(In Thousands)

	Business-Type Activities						Governmental
			Sanitation Fund			Total	Activities
	Water	Sewer	Operations	Landfill Closure	Total	Business-Type Activities	Internal Service Fund
Assets:							
Current assets:							
Cash and cash equivalents	\$	\$ 298	\$ 9,712	\$	9,712	\$ 10,010	\$ 10,235
Investments	39	11		15,912	15,912	15,962	8,891
Receivables, net	1,891	1,914	562		562	4,367	690
Assessment receivable		93			-	93	
Inventories	722	276			-	998	
Interfund receivable			357		357	357	
Prepaid expenses			3		3	3	3
Total current assets	2,652	2,592	10,634	15,912	26,546	31,790	19,819
Noncurrent assets:							
Capital assets, net	27,597	13,824	1,359		1,359	42,780	1,537
Total assets	30,249	16,416	11,993	15,912	27,905	74,570	21,356
Liabilities:							
Current liabilities:							
Accounts and other payables	1,536	476	865		865	2,877	155
Accrued liabilities	266	103	41		41	410	54
Interfund payables	357				-	357	
Claims payable					-		4,771
Unearned revenue		93	3		3	96	
Customer deposits		280	500		500	780	
Bond anticipation notes	12,826	550			-	13,376	
Compensation absences	197	176	72		72	445	104
Total current liabilities	15,182	1,678	1,481	-	1,481	18,341	5,084
Noncurrent liabilities:							
Accrued liabilities				15,124	15,124	15,124	
Compensated absences	407	335	151		151	893	242
Claims payable							5,908
Total noncurrent liabilities	407	335	151	15,124	15,275	16,017	6,150
Total liabilities	15,589	2,013	1,632	15,124	16,756	34,358	11,234
Net Assets:							
Invested in capital assets, net of related debt	14,771	13,274	1,359		1,359	29,404	1,537
Unrestricted	(111)	1,129	9,002	788	9,790	10,808	8,585
Total Net Assets	\$ 14,660	\$ 14,403	\$ 10,361	\$ 788	\$ 11,149	\$ 40,212	\$ 10,122

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Business-Type Activities						Governmental Activities Internal Service Fund
	Sanitation Fund				Total Business-Type Activities		
	Water	Sewer	Operations	Landfill Closure		Total	
Operating Revenues:							
Charges for services	\$ 7,399	\$ 6,471	\$ 5,785	\$	\$ 5,785	\$ 19,655	\$ 29,605
Other	6	63	209		209	278	27
Total operating revenues	<u>7,405</u>	<u>6,534</u>	<u>5,994</u>		<u>5,994</u>	<u>19,933</u>	<u>29,632</u>
Operating Expenses:							
Administrative	608	664	656		656	1,928	
General operating	5,914	3,866	5,520		5,520	15,300	3,199
Claims expense					-	-	23,291
Depreciation	<u>2,364</u>	<u>901</u>	<u>468</u>		<u>468</u>	<u>3,733</u>	<u>320</u>
Total operating expenses	<u>8,886</u>	<u>5,431</u>	<u>6,644</u>		<u>6,644</u>	<u>20,961</u>	<u>26,810</u>
Operating Income (Loss)	(1,481)	1,103	(650)	-	(650)	(1,028)	2,822
Nonoperating Revenue (Expense):							
Loss on disposal of capital assets					-	-	(20)
Income on investments	12	2	11	413	424	438	14
Interest expense	(161)	(31)			-	(192)	
Intergovernmental revenues		289			-	289	187
Change in estimate for closure/ post closure costs				(819)	(819)	(819)	
Debt issuance costs	<u>88</u>	<u>(45)</u>			<u>-</u>	<u>43</u>	
Income (Loss) Before Transfers	(1,542)	1,318	(639)	(406)	(1,045)	(1,269)	3,003
Transfers In	150				-	150	
Transfers Out	<u>(695)</u>	<u>(688)</u>	<u>(96)</u>		<u>(96)</u>	<u>(1,479)</u>	
Change in Net Assets	(2,087)	630	(735)	(406)	(1,141)	(2,598)	3,003
Net Assets at Beginning of Year	<u>16,747</u>	<u>13,773</u>	<u>11,096</u>	<u>1,194</u>	<u>12,290</u>	<u>42,810</u>	<u>7,119</u>
Net Assets at End of Year	\$ <u>14,660</u>	\$ <u>14,403</u>	\$ <u>10,361</u>	\$ <u>788</u>	\$ <u>11,149</u>	\$ <u>40,212</u>	\$ <u>10,122</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Business-Type Activities					Governmental Activities
	Sanitation Fund				Total Business-Type Activities	Internal Service Fund
	Water	Sewer	Operations	Landfill Closure	Total	
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 7,227	\$ 6,370	\$ 5,950	\$ -	\$ 5,950	\$ 19,547
Cash received from insurance proceeds					-	27
Other operating receipts	6	63	209		209	278
Cash deposits returned to customers			(5)		(5)	(5)
Cash paid to suppliers for goods and services	(4,770)	(2,815)	(4,776)		(4,776)	(12,361)
Cash paid for interfund services provided	(290)	(240)	(346)		(346)	(876)
Cash paid to employees	(1,760)	(1,633)	(703)		(703)	(4,096)
Cash paid for insurance claims and premiums					-	(22,062)
Net cash provided by operating activities	<u>413</u>	<u>1,745</u>	<u>329</u>	<u>-</u>	<u>329</u>	<u>2,487</u>
Cash Flows from Noncapital Financing Activities:						
Transfers in	150				-	150
Transfers out	(695)	(688)	(96)		(96)	(1,479)
Cash received from other funds	357				-	357
Cash paid to other funds			(357)		(357)	(357)
Intergovernmental grants					-	-
Net cash provided by (used in) noncapital financing activities	<u>(188)</u>	<u>(688)</u>	<u>(453)</u>	<u>-</u>	<u>(453)</u>	<u>(1,329)</u>
Cash Flows from Capital and Related Financing Activities:						
Principal payment - long-term obligations		(865)			-	(865)
Principal payment - bond anticipation notes	(1,317)	(50)			-	(1,367)
Interest paid	(161)	(31)			-	(192)
Debt issuance costs, net	(13)	(49)			-	(62)
Purchase of capital assets and construction	(2,859)	(2,099)	(194)		(194)	(5,152)
Premium on BAN sale	101	4			-	105
Capital grants and contributions		289			-	289
Net cash used in capital and related financing activities	<u>(4,249)</u>	<u>(2,801)</u>	<u>(194)</u>	<u>-</u>	<u>(194)</u>	<u>(7,244)</u>
Cash Flows from Investing Activities:						
Interest received	12	2	11	413	424	438
Proceeds from sale of investments		904			-	904
Purchase of investments		(904)		(413)	(413)	(1,317)
Net cash provided by (used in) investing activities	<u>12</u>	<u>2</u>	<u>11</u>	<u>-</u>	<u>11</u>	<u>25</u>
Net Decrease in Cash and Cash Equivalents	<u>(4,012)</u>	<u>(1,742)</u>	<u>(307)</u>	<u>-</u>	<u>(307)</u>	<u>(6,061)</u>
Cash and Cash Equivalents at Beginning of Year	<u>4,012</u>	<u>2,040</u>	<u>10,019</u>	<u>-</u>	<u>10,019</u>	<u>16,071</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 298</u>	<u>\$ 9,712</u>	<u>\$ -</u>	<u>\$ 9,712</u>	<u>\$ 10,010</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating income (loss)	\$ (1,481)	\$ 1,103	\$ (650)	\$ -	\$ (650)	\$ (1,028)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	2,364	901	468		468	3,733
Change in asset and liabilities:						
(Increase) decrease in accounts receivable	(217)	(119)	165		165	(171)
Decrease in allowance for doubtful accounts	45	17			-	62
(Increase) decrease in inventory and prepaid items	(111)	(9)			-	(120)
Increase (decrease) in accounts payable	(123)	(140)	332		332	69
Increase (decrease) in accrued expenses	(46)	(7)	5		5	(48)
Increase (decrease) in customer deposits		1	(5)		(5)	(4)
Increase (decrease) in compensated absences payable	(18)	(2)	14		14	(6)
Increase in claims payable					-	-
Net Cash Provided by Operating Activities	<u>\$ 413</u>	<u>\$ 1,745</u>	<u>\$ 329</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 2,487</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2011
(In Thousands)

	Pension Trust Fund	Retiree Health Care Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 108	\$	\$ 768
Investments:			
Common stock	4,440		
Taxable liquid funds	1,560		
Property funds	6,215		
Mutual funds	119,886	1,559	
Accounts receivable	<u>103</u>	<u>345</u>	
Total assets	<u>132,312</u>	<u>1,904</u>	<u>\$ 768</u>
Liabilities:			
Accounts and other payables	16	516	
Deposits held for others	<u> </u>	<u> </u>	\$ 768
Total liabilities	<u>16</u>	<u>516</u>	<u>\$ 768</u>
Net Assets:			
Held in Trust for OPEB Benefits		1,388	
Held in Trust for Pension Benefits	<u>132,296</u>	<u> </u>	
Total Net Assets	<u>\$ 132,296</u>	<u>\$ 1,388</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Pension Trust Fund	Retiree Health Care Trust Fund
Additions:		
Contributions:		
Employer	\$ 4,477	\$ 10,740
Plan members	2,303	571
Total contributions	<u>6,780</u>	<u>11,311</u>
Investment income:		
Net appreciation in fair value of investments	19,500	
Interest and dividends	2,833	4
Income from real estate investments	283	
Total investment income	<u>22,616</u>	<u>4</u>
Total additions	<u>29,396</u>	<u>11,315</u>
Deductions:		
Benefits	9,994	10,383
Administration	307	103
Total deductions	<u>10,301</u>	<u>10,486</u>
Net Increase in Net Assets	19,095	829
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>113,201</u>	<u>559</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 132,296</u>	<u>\$ 1,388</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(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 assets 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.

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.

The Pension Trust Fund accounts for the activities of the Public Employees' Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

The Other Postemployment Benefits (OPEB) fund accounts for the activities of the 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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.

Investments for the Town are reported at fair value.

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 \$997 has been established as an allowance for uncollectible taxes. At June 30, 2011, this represents 23.98% of all property taxes receivable.

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

F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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. 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 assets. 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.

I. 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 assets. 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.

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.

J. Fund Equity

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

Invested in Capital Assets, Net of Related Debt - This component of net assets 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 Assets - Net assets are restricted because they are externally imposed 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 Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the Board of Directors or the General Manager delegated authority to assign amounts by Board of Directors.

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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

General Fund

Special Revenue Funds

Special Taxing District - Fire

Enterprise Funds

Water Fund

Sewer Fund

Sanitation Fund

Internal Service Funds
Information Systems Fund

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

- (1) No later than March 13, the General Manager prepares and submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The legal level of control for the budget is represented by the following categories: general government, public works, public safety, human services, leisure services, employee benefits, education, debt service, other and interfund transfers (including payments to internal service funds).
- (2) No later than March 23, a public hearing is conducted by the Board of Directors to obtain taxpayer comments.
- (3) No later than April 16, the budget must be adopted by the Board of Directors. If the Board fails to adopt the budget, the tentative budget submitted by the General Manager is deemed to be adopted.
- (4) The Charter provides for a budget referendum by petition. If a petition to reject the budget is signed by at least 7% of registered voters, and filed with and certified by the Town Clerk within ten days of budget adoption, a budget referendum is to be held. If the budget adopted by the Board of Directors is rejected at the referendum, the Board of Directors must adopt a revised budget. Only one budget referendum may be held per year and the revised budget adopted by the Board of Directors takes effect on July 1.
- (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 \$165 were approved during the year for the General Fund with a corresponding increase in estimated revenues of \$165. Formal budgetary integration is employed as a management control device during the year.
- (7) Except for encumbrance accounting, all budgets are prepared on the modified accrual basis.
- (8) Generally, the unexpended and unencumbered portion of appropriations lapse at year end, except those of the capital projects funds. Appropriations for the foregoing are continued until completion of the project, even when projects extend beyond one fiscal year.

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

B. Deficit Fund Equity and Accumulated Deficits

The following is a summary of the funds with accumulated deficits at June 30, 2011.

<u>Fund</u>	<u>Amount</u>
Internal Service Fund:	
Manchester Self-Insurance Program	\$ 1,057
Governmental Fund:	
Capital Projects Fund	7,522

The accumulated deficits will be eliminated in future years as follows:

Manchester Self-Insurance Program accumulated deficit is the result of claims expenses. The deficit will be eliminated with future Town contributions.

Capital Projects fund balance deficit will be funded with permanent financing of ongoing projects.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

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*, \$16,004 of the Town’s bank balance of \$18,406 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	14,304
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>1,700</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>16,004</u></u>

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2011 the Town's cash equivalents amounted to \$12,295. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

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

B. Investments

Investments as of June 30, 2011 in all funds are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturity (Years)</u>	
			<u>Less Than 1</u>	<u>1 - 10</u>
Interest-bearing investments:				
U.S. treasury notes	N/A	\$ 6,011	\$ 2,006	\$ 4,005
Federal agency bonds	AAA	13,636	2,015	11,621
Subtotal			\$ 4,021	\$ 15,626
Other investments:				
Common stock	N/A	6,920		
Taxable liquid funds	N/A	1,560		
Cutwater - Cooperative Liquid				
Asset Securities System (CLASS)	AAA	10,333		
UBS Trumbull Property Income Fund	N/A	2,561		
UBS Trumbull Property Fund	N/A	1,175		
Wells Fargo Adv. Heritage Money Market	N/A	3,366		
Mutual funds	N/A	128,718		
Total		\$ 174,280		

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, 2011, 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.

4. RECEIVABLES

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

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Taxes	\$ 4,157	\$	\$	\$	\$	\$	\$	\$ 4,157
Interest	985							985
Accounts	215	1,267		2,176	2,197	637	883	7,375
Intergovernmental	431		9,490				1,437	11,358
Special assessments					93			93
Loans							75	75
Pension contribution							448	448
Gross receivables	<u>5,788</u>	<u>1,267</u>	<u>9,490</u>	<u>2,176</u>	<u>2,290</u>	<u>637</u>	<u>2,843</u>	<u>24,491</u>
Less allowance for uncollectibles	<u>(997)</u>	<u>(92)</u>	<u></u>	<u>(285)</u>	<u>(283)</u>	<u>(75)</u>	<u></u>	<u>(1,732)</u>
Net Total Receivables	<u>\$ 4,791</u>	<u>\$ 1,175</u>	<u>\$ 9,490</u>	<u>\$ 1,891</u>	<u>\$ 2,007</u>	<u>\$ 562</u>	<u>\$ 2,843</u>	<u>\$ 22,759</u>

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

Uncollectibles related to:

Water	\$ 285
Sewer	283
Sanitation	<u>75</u>

Total Uncollectibles of the Current Fiscal Year \$ 643

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes and interest receivable	\$ 3,762	\$
Advance and unapplied taxes		9,212
Grant drawdowns		19
Loans receivable		58
Unearned fees		55
School building grant	<u>349</u>	<u></u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 4,111</u>	<u>\$ 9,344</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,852	\$ 1,850	\$	\$ 13,702
Construction in progress	9,604	2,107		11,711
Total capital assets not being depreciated	<u>21,456</u>	<u>3,957</u>	<u>-</u>	<u>25,413</u>
Capital assets being depreciated:				
Buildings and improvements	140,714	268		140,982
Improvements other than buildings	6,075			6,075
Machinery and equipment	23,892	769	(1,448)	23,213
Infrastructure	91,911	2,777	(2,342)	92,346
Total capital assets being depreciated	<u>262,592</u>	<u>3,814</u>	<u>(3,790)</u>	<u>262,616</u>
Less accumulated depreciation for:				
Buildings and improvements	(47,766)	(5,007)		(52,773)
Improvements other than buildings	(2,535)	(189)		(2,724)
Machinery and equipment	(16,270)	(1,614)	1,420	(16,464)
Infrastructure	(38,918)	(2,288)	1,318	(39,888)
Total accumulated depreciation	<u>(105,489)</u>	<u>(9,098)</u>	<u>2,738</u>	<u>(111,849)</u>
Total capital assets being depreciated, net	<u>157,103</u>	<u>(5,284)</u>	<u>(1,052)</u>	<u>150,767</u>
Governmental Activities Capital Assets, Net	<u>\$ 178,559</u>	<u>\$ (1,327)</u>	<u>\$ (1,052)</u>	<u>\$ 176,180</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,171	\$	\$	\$ 1,171
Construction in progress	1,324	2,593		3,917
Total capital assets not being depreciated	<u>2,495</u>	<u>2,593</u>	<u>-</u>	<u>5,088</u>
Capital assets being depreciated:				
Buildings and improvements	39,893	2,099	(297)	41,695
Improvements other than buildings	8,211			8,211
Machinery and equipment	62,480	460	(95)	62,845
Total capital assets being depreciated	<u>110,584</u>	<u>2,559</u>	<u>(392)</u>	<u>112,751</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,856)	(1,578)	297	(26,137)
Improvements other than buildings	(6,185)	(186)		(6,371)
Machinery and equipment	(40,677)	(1,969)	95	(42,551)
Total accumulated depreciation	<u>(71,718)</u>	<u>(3,733)</u>	<u>392</u>	<u>(75,059)</u>
Total capital assets being depreciated, net	<u>38,866</u>	<u>(1,174)</u>	<u>-</u>	<u>37,692</u>
Business-Type Activities Capital Assets, Net	<u>\$ 41,361</u>	<u>\$ 1,419</u>	<u>\$ -</u>	<u>\$ 42,780</u>

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

Governmental activities:	
General government	\$ 352
Public works	2,830
Public safety	687
Human services	62
Recreation	163
Library	23
Education	<u>4,981</u>
Total Depreciation Expense - Governmental Activities	\$ <u><u>9,098</u></u>
Business-type activities:	
Water	\$ 2,364
Sewer	901
Sanitation	<u>468</u>
Total Depreciation Expense - Business-type Activities	\$ <u><u>3,733</u></u>

Construction Commitments

The Town has active construction projects as of June 30, 2011. The projects include renovations to School Facilities, improvements to the Head Start Facility, and various public works and bond referendum projects.

The following is a summary of significant capital projects at June 30, 2011:

<u>Project</u>	<u>Authorized Amount</u>	<u>Expended and Encumbered</u>	<u>Unencumbered Balance</u>
2000 Public Works Projects	\$ 6,343	\$ 6,326	\$ 17
School Repairs/Renovations 2001/02	7,619	7,148	471
2003 Public Works Projects	5,427	5,277	150
Head Start Facility	7,502	7,228	274
Real Property Acquisition	3,063	2,288	775
Bennet, Illing, Bowers, Waddell School Projects	45,366	43,390	1,976
2005 Public Works Projects	5,354	* 5,359	(5)
2007 School Building and Grounds	2,548	2,375	173
Highland Park School Renovations	13,100	1,290	11,810
2007 Public Works Projects	6,099	5,602	497
Broad Street Redevelopment	11,000	2,051	8,949
2009 Bond Referendum Projects	<u>8,000</u>	<u>5,905</u>	<u>2,095</u>
Total	\$ <u><u>121,421</u></u>	\$ <u><u>94,239</u></u>	\$ <u><u>27,182</u></u>

* The Town has received \$5,506 in revenue but only \$5,354 has been budgeted.

The following capital projects are being financed by a combination of State and Federal grants and general obligation bonds: School Repairs/Renovations 2001/02, 2003 Public Works Projects, Real Property Acquisitions, Bennet, Illing, Bowers, Waddell School Projects, 2005 Public Works Projects, 2007 School Building and Grounds, Highland Park School Renovations and 2007 Public Works Projects. Capital projects financed by general obligation bonds are as follows: 2000 Public Works Projects, 2009 Bond Referendum Projects and Broad Street Redevelopment. The Head Start Facility is being funded from a State grant and CHEFA bond proceeds.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 14,946
Sanitation Fund	Water Fund	357
		<u>\$ 15,303</u>

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

Interfund transfers:

	<u>Transfers In</u>					<u>Total Transfers Out</u>
	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water</u>	
Transfers:						
General Fund	\$	\$	\$	\$	\$	\$
Fire District	213	1,687	988	223		2,898
Nonmajor						213
Governmental	9					9
Water	695					695
Sewer	538				150	688
Sanitation	96					96
Total Transfers In	<u>\$ 1,551</u>	<u>\$ 1,687</u>	<u>\$ 988</u>	<u>\$ 223</u>	<u>\$ 150</u>	<u>\$ 4,599</u>

The above transfers represent normal budgetary and other recurring transfers.

7. LEASES

Capital Leases

Leases which are, in substance, purchases are classified as capital leases in governmental funds as "other financing sources" and "capital expenditures" and are recorded at lease inception.

Most of the lease agreements have cancellation clauses in the event funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote.

The Town has entered into installment purchase agreements. Because the amounts included are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

The assets acquired through capital leases are as follows:

	Governmental Funds
	<hr/>
Vehicles and equipment	\$ 5,464
Less accumulated depreciation	<hr/> 5,119
Net Leased Property	\$ <hr/> <hr/> 345

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30,	Governmental Funds
	<hr/>
2012	\$ 335
2013	<hr/> 335
Total future minimum lease payments	670
Less amounts representing interest	<hr/> (34)
Present Value of Future Minimum Lease Payments	\$ <hr/> <hr/> 636

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 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	\$ 82,586	\$	\$ (5,971)	\$ 76,615	\$ 6,025
Less deferred amounts on refunding	(398)	62		(336)	
Total bonds payable	<u>82,188</u>	<u>62</u>	<u>(5,971)</u>	<u>76,279</u>	<u>6,025</u>
Other liabilities:					
Capital leases	1,323		(687)	636	312
Claims and judgments	9,464	26,822	(25,607)	10,679	4,771
Compensated absences	15,294	406	(1,172)	14,528	3,805
Net OPEB obligation	<u>7,190</u>	<u>1,945</u>		<u>9,135</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 115,459</u>	<u>\$ 29,235</u>	<u>\$ (33,437)</u>	<u>\$ 111,257</u>	<u>\$ 14,913</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 865	\$	\$ (865)	\$ -	\$
Landfill	14,340	784		15,124	
Compensated absences	<u>1,344</u>	<u>23</u>	<u>(29)</u>	<u>1,338</u>	<u>445</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 16,549</u>	<u>\$ 807</u>	<u>\$ (894)</u>	<u>\$ 16,462</u>	<u>\$ 445</u>

Bonds Payable

The annual requirements to amortize bonds payable as of June 30, 2011 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Amount to be Provided by State of Connecticut</u>	
			<u>Principal</u>	<u>Interest</u>
2012	\$ 6,025	\$ 2,902	\$ 137	\$ 13
2013	5,935	2,698	107	7
2014	5,865	2,479	105	3
2015	5,650	2,282		
2016	5,415	2,063		
2017-2021	23,080	7,350		
2022-2026	18,435	3,192		
2027-2029	<u>6,210</u>	<u>291</u>		
Total	<u>\$ 76,615</u>	<u>\$ 23,257</u>	<u>\$ 349</u>	<u>\$ 23</u>

Governmental fund bonds bear interest at rates ranging from 2.0% to 5.5% and mature in fiscal years ending 2012 through 2029. These obligations are direct obligations and pledge the full faith and credit of the government and will be paid from General Fund revenues.

The following is a schedule of bond anticipation note activity for the year ended June 30, 2011:

	Governmental Activities	Business-Type Activities		
		Water	Sewer	Total
Balance, July 1, 2010	\$ 173	\$ 14,143	\$ 600	\$ 14,743
Issued		12,826	550	13,376
Retired	<u>(173)</u>	<u>(14,143)</u>	<u>(600)</u>	<u>(14,743)</u>
Balance, June 30, 2011	\$ <u>-</u>	\$ <u>12,826</u>	\$ <u>550</u>	\$ <u>13,376</u>

The above notes with an interest rate of 1.25% (business-type) matured on July 1, 2011. The business-type activities short-term financing was issued for various water system and quality improvements.

The Town's total net indebtedness does not exceed the total legal debt limit, which is \$877,422. At June 30, 2011, debt authorized but unissued amounted to \$82,338. Authorized and unissued debt amounted to \$6,338 including several public works projects, school renovations, and grove hollow water treatment.

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2011 are as follows:

	Major Special Revenue Funds			Nonmajor Governmental Funds	Total
	General	Fire District	Capital Projects		
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 48	\$ 48
Prepaid expenditures	39				39
Permanent funds				750	750
Restricted for:					
Unspent grant balances				2,023	2,023
Permanent funds				965	965
Human services				778	778
Leisure services				2,234	2,234
Education				147	147
Committed to:					
General government				34	34
Public works					
Public safety	40	2,756		460	3,256
Leisure services				164	164
Education				996	996
Assigned to:					
Subsequent year's budget	1,624				1,624
General government	438				438
Public works	473				473
Public safety	867				867
Human services	2				2
Leisure services	42				42
Education	1,994				1,994
Accrued leave payout	75				75
Unassigned	10,053		(7,522)		2,531
Total Fund Balances	\$ 15,647	\$ 2,756	\$ (7,522)	\$ 8,599	\$ 19,480

Significant encumbrances at June 30, 2011 are contained in the above table in the assigned categories of the General Fund.

10. RISK MANAGEMENT

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

TOMMIF - Effective July 1, 2007, the Town's self-insurance medical insurance plan is administered by CIGNA Healthcare. The fund is obligated to pay medical claims for participants. An aggregate stop loss provision is included in the administrative agreement, which limits the Town's liability to 120% of claims payments projected by CIGNA Healthcare. The Town has not exceeded the stop loss provision in any of the past three fiscal years.

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

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

Changes in the balances of claims liabilities during the fiscal years ended June 30, 2011 and 2010, for the TOMMIF and MSIP funds are as follows:

	<u>2010</u> <u>TOMMIF</u>	<u>2011</u> <u>TOMMIF</u>	<u>2010</u> <u>MSIP</u>	<u>2011</u> <u>MSIP</u>
Unpaid claims, July 1	\$ 1,936	\$ 1,901	\$ 6,267	\$ 7,563
Incurred claims (including IBNR)	24,974	24,041	2,271	2,781
Claim payments	<u>(25,009)</u>	<u>(24,234)</u>	<u>(975)</u>	<u>(1,373)</u>
Unpaid Claims, June 30	\$ <u>1,901</u>	\$ <u>1,708</u>	\$ <u>7,563</u>	\$ <u>8,971</u>

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

11. CONTINGENT LIABILITIES

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

Town of Vernon

The Town has contracted with the Town of Vernon Waste Water Pollution Control Authority to provide for the processing of waste water from certain Manchester sites proximate to the newly constructed Vernon Waste Water Treatment Plant. The two Towns have estimated that these Manchester sites will use approximately 1.25% of the plant capacity. The Towns have further agreed that the Town of Manchester will provide, on a contracted basis, 1.25% of the Clean Water Fund loan payments due from the Vernon Water Pollution Control Authority to cover the capital costs incurred by the Authority. The Town of Manchester sites sending waste water to the Vernon Plant will be billed directly by the Water Pollution Control Authority for operation and maintenance costs. These contractual payments are appropriated annually and appear in the annual operating budget of the Sewer Fund. The amount paid during fiscal year 2011 was \$18, and the total amount outstanding at June 30, 2011 was \$107.

12. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with six other municipalities, established the Capital Region East Operating Committee (CREOC) to administer a regional household hazardous waste collection and disposal program. CREOC is comprised of one representative from each participating community with a population of less than 30,000 and two representatives from each participating community with a population of 30,000 or more. The participating communities have agreed that the Regional Household Hazardous Waste collection facility will be established on premises located in and owned by the Town of Manchester. The Town has also been hired by CREOC as Project Administrator/Coordinator to perform administrative services and coordinate the day-to-day operations of the collection program. Except for an obligation to appropriate funds and pay its assessments in amounts necessary to fulfill its obligations pursuant to the agreement establishing CREOC, no participating community has any obligation, entitlement or residual interest. The Town paid an assessment of \$69 to CREOC during the year ended June 30, 2011.

13. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town owns and operates a landfill site located off Olcott Street. State and federal law will require the Town to close the landfill once its capacity is reached and to monitor and maintain the site for 30 years subsequent to closure. Under the provisions of Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the Town recognizes a portion of the closure and postclosure care costs in each operating period even though actual payments will not occur until the landfill is closed. The amount recognized each year to date is based on the landfill capacity used as of the balance sheet date. As of June 30, 2011, the Town had recorded a liability of \$15,124 in the Sanitation Enterprise Fund that represents the amount of costs reported to date based on the 71 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$5,882 that will be recognized as the remaining capacity is used (estimated to be 21 years). The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables.

14. OTHER POSTEMPLOYMENT BENEFITS

A. Summary of Significant Accounting Policies

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

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

B. Plan Description

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

At July 1, 2010, plan membership consisted of the following:

	Post- Retirement Medical Program
Retired members	975
Spouses of retired members	476
Active plan members	1,454
Total Participants	2,905

C. Funding Policy

The Town funding and payment of postemployment benefits were accounted for in both the General Fund and in an Internal Service Fund on a pay-as-you-go basis through June 30, 2009. On June 15, 2009, the Town established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. As of June 30, 2009, an initial deposit of \$100,000 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).

D. Annual OPEB Cost and Net OPEB Obligations

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

	Post-Retirement Medical Program (in thousands)
Annual required contribution (ARC)	\$ 13,104
Interest on net OPEB obligation	557
Adjustment to annual required contribution	(405)
Annual OPEB cost	13,256
Contributions made	11,311
Increase in net OPEB obligation	1,945
Net OPEB obligation, beginning of year	7,190
Net OPEB Obligation, End of Year	\$ 9,135

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, 2011, 2010 and 2009 is presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/11	\$ 13,256	\$ 11,311	85.33%	\$ 9,135
6/30/10	12,346	10,705	86.71%	7,190
6/30/09	11,217	8,519	75.95%	5,549

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.

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)
7/1/07	\$ -	\$ 125,914	\$ (125,914)	0%	\$ 38,202	(329.6%)
7/1/08	-	145,240	(145,240)	0%	38,501	(377.2%)
7/1/10	560	170,806	(170,246)	0.3%	38,148	(446.3%)

Schedule of Employer Contribution

Fiscal Year		Annual Required Contribution	Percentage Contributed
6/30/09	\$	11,153	76.4%
6/30/10		12,223	87.6%
6/30/11		13,104	86.3%

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return which reflects that the Town has established an OPEB trust and is prefunding its OPEB benefits. The annual healthcare cost trend rate varies by age and between Board of Education and Town and ranges from 4.7% to 6.8%. The general inflation assumption is 5.0%. Projected salary increases were 4.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2011 was 27 years.

15. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

The Town of Manchester 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.

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.

The membership of the plan consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

Retirees, disabled employees and beneficiaries currently receiving benefits	584
Terminated Plan members entitled to benefits but not yet receiving them	124
Current employees:	
Vested	538
Nonvested	238
Total	<u>1,484</u>

B. 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 when due; investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when incurred.

Investments are reported at fair value.

C. 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.

D. Annual Pension Cost and Net Pension Obligation

The Town’s annual pension cost and accrued required contribution to the PERS for the current year amounted to \$4,477. The Town contributed \$4,477 this year.

The annual required contribution for the current year was determined as part of the July 1, 2009 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.5% per year and (c) inflation rate of 3.0%. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level percent of pay method over a 30-year closed period.

E. Trend Information

<u>Fiscal Year Ended</u>		<u>Annual Pension Cost (APC)</u>		<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
6/30/11	\$	4,477	\$	4,477	100%	\$	-
6/30/10		4,138		4,138	100		-
6/30/09		3,561		3,561	100		-

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability UAAL	Funded Ratio (a/b)	Covered Payroll (c)	UAAL % of Covered Payroll ((b-a)/c)
7/01/10	\$ 131,598	\$ 164,350	\$ 32,752	\$ 80%	\$ 35,132	93%
7/01/09	129,259	158,939	29,680	81%	30,623	97%
7/01/08	131,666	150,704	19,037	87%	29,322	65%
7/01/07	125,707	143,554	17,847	88%	40,042	45%
7/01/06	117,216	141,112	23,896	83%	30,458	78%
7/01/05	110,936	137,370	26,434	81%	25,158	105%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/11	\$ 4,477	100%
6/30/10	4,138	100%
6/30/09	3,561	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Valuations are performed annually. Additional information as of the latest actuarial valuation is presented in D above.

G. 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. Employees eligible to participate in the defined contribution plan who had an accrued benefit under the defined benefit plan were given the ability to elect to convert the funds to which they were entitled to the defined contribution plan. For these employees, the value of the accrued benefit was converted to a lump sum and transferred to the member's account balance under the defined contribution plan. Employees are required to contribute 6% of covered salary, which are matched by employer contributions of 6% of covered salary. Employees are fully vested in employee contributions and are fully vested after five years in employer contributions.

The value of the plan at June 30, 2011 is \$12,296. There were 152 participants as of June 30, 2011. During the fiscal year ended June 30, 2011, employees contributed \$538 (exclusive of lump-sum conversion amounts) and the Town contributed a matching employer contribution of \$538. Covered payroll totaled \$8,970. 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.

H. Municipal Employees' Retirement Fund

Manchester firefighters participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

Funding Policy: Plan members are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate which was 13.50% of earnings for the year ended June 30, 2011. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2011, 2010 and 2009 were \$935, \$642 and \$538, respectively, equal to the required contributions for each year.

I. Teachers' Retirement System

All Town certified teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$44,173 or 68.86% of the total Board of Education payroll of \$64,145.

The retirement system for teachers is funded by the State based upon the recommendation of the State Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2011, the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,025 as payments made by the State of Connecticut on behalf of the Town.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

16. SUBSEQUENT EVENTS

On July 1, 2011, the Town issued \$21,735,000 of Bond Anticipation Notes with an interest rate of 2.00% and a maturity date of July 6, 2012, \$5,990,000 of General Obligation Bonds with a variable interest rate between 2.00% and 4.00% and a final maturity of August 1, 2026, and \$8,225,000 of General Obligation Refunding Bonds with a variable interest rate between 2.00% and 5.00% and a final maturity of August 1, 2022.

Required Supplementary Information

TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND AND FIRE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2011

(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	\$ 118,014	\$ 118,014	\$ 118,721	\$ 707	\$ 10,450	\$ 10,450	\$ 10,439	\$ (11)
Intergovernmental revenue	36,372	36,379	31,286	(5,093)	194	194	179	(15)
Investment and interest income	323	323	115	(208)	23	23	4	(19)
Licenses, permits and fines	1,793	1,793	1,637	(156)				-
Charges for goods and services	1,563	1,721	1,831	110	560	560	486	(74)
Other	469	469	806	337				-
Total revenues	<u>158,534</u>	<u>158,699</u>	<u>154,396</u>	<u>(4,303)</u>	<u>11,227</u>	<u>11,227</u>	<u>11,108</u>	<u>(119)</u>
Expenditures:								
Current:								
General government	5,438	5,352	5,118	234				-
Public works	12,917	13,091	12,897	194				-
Public safety	17,461	17,402	17,111	291	12,058	12,058	11,935	123
Human services	3,357	3,333	3,165	168				-
Leisure services	5,267	5,235	5,052	183				-
Employee benefits	2,793	2,793	2,775	18				-
Other	232	218	202	16				-
Education	99,011	99,011	94,750	4,261				-
Internal service fund charges	2,883	2,883	2,883	-	493	493	493	-
Debt service	8,980	8,921	8,920	1	350	350	169	181
Capital outlay				-	43	43	37	6
Total expenditures	<u>158,339</u>	<u>158,239</u>	<u>152,873</u>	<u>5,366</u>	<u>12,944</u>	<u>12,944</u>	<u>12,634</u>	<u>310</u>
Excess (deficiency) of revenues over expenditures	<u>195</u>	<u>460</u>	<u>1,523</u>	<u>1,063</u>	<u>(1,717)</u>	<u>(1,717)</u>	<u>(1,526)</u>	<u>191</u>
Other financing sources (uses):								
Transfers in	1,683	1,683	1,551	(132)	1,687	1,687	1,687	-
Transfers out	(2,630)	(2,895)	(2,898)	(3)	(213)	(213)	(213)	-
Total other financing sources (uses)	<u>(947)</u>	<u>(1,212)</u>	<u>(1,347)</u>	<u>(135)</u>	<u>1,474</u>	<u>1,474</u>	<u>1,474</u>	<u>-</u>
Net change in fund balances	\$ <u>(752)</u>	\$ <u>(752)</u>	176	\$ <u>928</u>	\$ <u>(243)</u>	\$ <u>(243)</u>	(52)	\$ <u>191</u>
Fund balance, beginning of year			<u>13,096</u>				<u>2,776</u>	
Fund Balance, End of Year			\$ <u>13,272</u>				\$ <u>2,724</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>R E V E N U E S</u>		
Non-GAAP budgetary basis - RSI-1	\$ 154,396	\$ 11,108
State of Connecticut on-behalf contributions to the Connecticut Teachers' Retirement System for Town teachers are not budgeted	7,025	
Excess cost grant revenue is budgeted as a credit to education expenditures	1,176	
Prior year encumbrances cancelled	<u>(188)</u>	<u></u>
GAAP basis - Exhibit IV	<u>\$ 162,409</u>	<u>\$ 11,108</u>
<u>E X P E N D I T U R E S</u>		
Non-GAAP budgetary basis - RSI-1	\$ 152,873	\$ 12,634
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	7,025	
Excess cost grant revenue is budgeted as a credit to education expenditures	1,176	
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, 2010	2,147	32
June 30, 2011	<u>(2,306)</u>	<u>(32)</u>
GAAP basis - Exhibit IV	<u>\$ 160,915</u>	<u>\$ 12,634</u>

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, 2011 AND 2010

(In Thousands)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 3,900	\$ 2,760
Investments	10,850	11,316
Property taxes receivable (net of allowance for uncollectibles of \$997 in 2011 and 2010)	3,160	3,537
Accrued interest on taxes	985	1,073
Accounts receivable	215	17
Intergovernmental receivables	431	530
Due from special services district	40	47
Interfund receivables	14,946	9,524
Other assets	<u>39</u>	<u>13</u>
Total Assets	\$ <u>34,566</u>	\$ <u>28,817</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other payables	\$ 4,117	\$ 3,028
Accrued liabilities	1,423	1,085
Intergovernmental payables	56	61
Deferred revenues	<u>13,323</u>	<u>9,143</u>
Total liabilities	<u>18,919</u>	<u>13,317</u>
Fund balance:		
Nonspendable	39	13
Committed	40	47
Assigned	5,515	5,394
Unassigned	<u>10,053</u>	<u>10,046</u>
Total fund balance	<u>15,647</u>	<u>15,500</u>
Total Liabilities and Fund Balance	\$ <u>34,566</u>	\$ <u>28,817</u>

TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND
REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

Grand List	Uncollected Taxes July 1, 2010	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2011
		Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2009	\$ 124,580	\$ 328	\$ 529	\$ 28	\$ 124,351	\$ 122,311	\$ 425	\$ 3	\$ 122,739	\$ 2,040
2008	2,169	59	101	21	2,106	1,189	252	5	1,446	917
2007	1,127	50	60	39	1,078	402	139	2	543	676
2006	736	1	7	347	383	153	75	1	229	230
2005	170		5	8	157	52	54	1	107	105
2004	75	1	1	1	74	28	28		56	46
2003	48		1	1	46	20	17		37	26
2002	34		1		33	14	13		27	19
2001	29		1		28	10	8		18	18
2000	24				24	9	8		17	15
1999	23				23	8	4		12	15
1998	18				18	7	3		10	11
1997	17				17	7	1		8	10
1996	16				16	7	2		9	9
1995	16				16	7			7	9
1994	14				14	7	1		8	7
1993	12				12	8			8	4
Total	\$ <u>129,108</u>	\$ <u>439</u>	\$ <u>706</u>	\$ <u>445</u>	\$ <u>128,396</u>	124,239	1,030	12	125,281	\$ <u>4,157</u>
Suspense collections						58			58	
Total collections						\$ <u>124,297</u>	\$ <u>1,030</u>	\$ <u>12</u>	\$ <u>125,339</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 Held at the 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 FUNDSJUNE 30, 2011
(In Thousands)

	Special Revenue Funds					
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Cafeteria Fund	Community Use of Schools
ASSETS						
Cash and cash equivalents	\$ 354	\$ 233	\$ 325	\$ 1,480	\$ 695	\$ 7
Investments						
Accounts receivable	114			31	12	
Intergovernmental receivables			677	144	514	
Interfund receivable				68		
Inventory					48	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>468</u>	\$ <u>233</u>	\$ <u>1,002</u>	\$ <u>1,723</u>	\$ <u>1,269</u>	\$ <u>7</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payable	\$	\$ 7	\$ 589	\$ 94	\$ 176	\$
Accrued liabilities	29	9	121	11	56	
Interfund payable						
Deferred revenue		53	19			
Total liabilities	<u>29</u>	<u>69</u>	<u>729</u>	<u>105</u>	<u>232</u>	<u>-</u>
Fund Balance:						
Nonspendable					48	
Restricted			273	1,618		
Committed	439	164			989	7
Total fund balance	<u>439</u>	<u>164</u>	<u>273</u>	<u>1,618</u>	<u>1,037</u>	<u>7</u>
Total Liabilities and Fund Balances	\$ <u>468</u>	\$ <u>233</u>	\$ <u>1,002</u>	\$ <u>1,723</u>	\$ <u>1,269</u>	\$ <u>7</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011
(In Thousands)

	Special Revenue Funds							
	Community Development Block Grant Fund	Housing Rehab	Neighborhood Housing Predevelopment Fund	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund
ASSETS								
Cash and cash equivalents	\$	\$ 111	\$ 46	\$	\$ 34	\$ 1	\$ 4	\$ 21
Investments				89			1,253	
Accounts receivable	7	40	28					
Intergovernmental receivables	102							
Interfund receivable								
Inventory								
Total Assets	\$ 109	\$ 151	\$ 74	\$ 89	\$ 34	\$ 1	\$ 1,257	\$ 21
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$ 26	\$	\$	\$	\$	\$	\$ 1	\$
Accrued liabilities	4							
Interfund payable	68							
Deferred revenue	8	22	28					
Total liabilities	106	22	28	-	-	-	1	-
Fund Balance:								
Nonspendable								
Restricted	3	129	46	89		1	1,256	
Committed					34			21
Total fund balance	3	129	46	89	34	1	1,256	21
Total Liabilities and Fund Balances	\$ 109	\$ 151	\$ 74	\$ 89	\$ 34	\$ 1	\$ 1,257	\$ 21

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011
(In Thousands)

	Special Revenue Funds						
	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds Held at the Board of Education	Wilma D. Marlow Fund	Newton B. Taggart Fund	East Cemetery Trust Fund
ASSETS							
Cash and cash equivalents	\$ 8	\$ 23	\$ 5	\$ 39	\$ 8	\$ 3	\$ 11
Investments						858	404
Accounts receivable				7			
Intergovernmental receivables							
Interfund receivable							
Inventory							
Total Assets	\$ 8	\$ 23	\$ 5	\$ 46	\$ 8	\$ 861	\$ 415
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payable	\$	\$	\$	\$	\$	2	\$
Accrued liabilities							
Interfund payable							
Deferred revenue							
Total liabilities	-	-	-	-	-	2	-
Fund Balance:							
Nonspendable							
Restricted	8	23	5	46	8	859	415
Committed							
Total fund balance	8	23	5	46	8	859	415
Total Liabilities and Fund Balances	\$ 8	\$ 23	\$ 5	\$ 46	\$ 8	\$ 861	\$ 415

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011
(In Thousands)

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>		
	<u>Consolidated Cemetery Trust Fund</u>	<u>Trust Funds Held at the Board of Education</u>	<u>Library Trust Fund</u>	<u>Jarvis Library Fund</u>	<u>Interfund Eliminations</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$	\$ 67	\$ 56	\$ 10	\$	\$ 3,541
Investments	251			1,705		4,560
Accounts receivable		29				268
Intergovernmental receivables						1,437
Interfund receivable					(68)	
Inventory						48
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>251</u>	\$ <u>96</u>	\$ <u>56</u>	\$ <u>1,715</u>	\$ <u>(68)</u>	\$ <u>9,854</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payable	\$	\$	\$	\$	\$	\$ 895
Accrued liabilities						230
Interfund payable					(68)	
Deferred revenue						130
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68)</u>	<u>1,255</u>
Fund Balance:						
Nonspendable				750		798
Restricted	251	96	56	965		6,147
Committed						1,654
Total fund balance	<u>251</u>	<u>96</u>	<u>56</u>	<u>1,715</u>	<u>-</u>	<u>8,599</u>
Total Liabilities and Fund Balances	\$ <u>251</u>	\$ <u>96</u>	\$ <u>56</u>	\$ <u>1,715</u>	\$ <u>(68)</u>	\$ <u>9,854</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

Special Revenue Funds						
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Cafeteria Fund	Community Use of Schools
Revenue:						
Intergovernmental revenue	\$	\$	\$ 14,091	\$ 1,428	\$ 2,034	\$
Investment income						
Net increase in the fair value of investments						
Charges for goods and services	788	349			1,119	59
Other			232	151		
Total revenues	<u>788</u>	<u>349</u>	<u>14,323</u>	<u>1,579</u>	<u>3,153</u>	<u>59</u>
Expenditures:						
Current:						
General government				55		
Public works				2		
Public safety	711			433		
Human services				1,065		
Recreation		327		17		
Library				30		
Education			14,509		3,171	72
Other						
Capital outlay						
Total expenditures	<u>711</u>	<u>327</u>	<u>14,509</u>	<u>1,602</u>	<u>3,171</u>	<u>72</u>
Excess (deficiency) of revenues over expenditures	<u>77</u>	<u>22</u>	<u>(186)</u>	<u>(23)</u>	<u>(18)</u>	<u>(13)</u>
Other financing sources (uses):						
Transfers in		15		177		4
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>15</u>	<u>-</u>	<u>177</u>	<u>-</u>	<u>4</u>
Net change in fund balances	77	37	(186)	154	(18)	(9)
Fund balance, beginning of year	<u>362</u>	<u>127</u>	<u>459</u>	<u>1,464</u>	<u>1,055</u>	<u>16</u>
Fund Balance, End of Year	<u>\$ 439</u>	<u>\$ 164</u>	<u>\$ 273</u>	<u>\$ 1,618</u>	<u>\$ 1,037</u>	<u>\$ 7</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Special Revenue Funds							
	Community Development Block Grant Fund	Housing Rehab	Neighborhood Housing Predevelopment Fund	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund
Revenue:								
Intergovernmental revenue	\$ 622	\$	\$	\$	\$	\$	\$	\$
Investment income				3			43	
Net increase in the fair value of investments				12			182	
Charges for goods and services			3					
Other	13							1
Total revenues	635	-	3	15	-	-	225	1
Expenditures:								
Current:								
General government	100							
Public works								
Public safety								
Human services	398							
Recreation								
Library							17	
Education								
Other				2				1
Capital outlay	165							
Total expenditures	663	-	-	2	-	-	17	1
Excess (deficiency) of revenues over expenditures	(28)	-	3	13	-	-	208	-
Other financing sources (uses):								
Transfers in	80							
Transfers out	(53)							
Total other financing sources (uses)	27	-	-	-	-	-	-	-
Net change in fund balances	(1)	-	3	13	-	-	208	-
Fund balance, beginning of year	4	129	43	76	34	1	1,048	21
Fund Balance, End of Year	\$ 3	\$ 129	\$ 46	\$ 89	\$ 34	\$ 1	\$ 1,256	\$ 21

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Special Revenue Funds						
	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds Held at the Board of Education	Wilma D. Marlow Fund	Newton B. Taggart Fund	East Cemetery Trust Fund
Revenue:							
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$
Investment income						32	7
Net increase in the fair value of investments						114	38
Charges for goods and services							53
Other							
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146</u>	<u>98</u>
Expenditures:							
Current:							
General government							
Public works							
Public safety							
Human services							
Recreation							
Library						26	
Education				2			
Other							4
Capital outlay							
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>26</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>120</u>	<u>94</u>
Other financing sources (uses):							
Transfers in							
Transfers out							(4)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
Net change in fund balances	-	-	-	(2)	-	120	90
Fund balance, beginning of year	<u>8</u>	<u>23</u>	<u>5</u>	<u>48</u>	<u>8</u>	<u>739</u>	<u>325</u>
Fund Balance, End of Year	<u>\$ 8</u>	<u>\$ 23</u>	<u>\$ 5</u>	<u>\$ 46</u>	<u>\$ 8</u>	<u>\$ 859</u>	<u>\$ 415</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Special Revenue Funds			Permanent Fund		
	Consolidated Cemetery Trust Fund	Trust Funds Held at the Board of Education	Library Trust Fund	Jarvis Library Fund	Interfund Eliminations	Total Nonmajor Governmental Funds
Revenue:						
Intergovernmental revenue	\$	\$	\$	\$	\$	\$ 18,175
Investment income	6	1	2	55		149
Net increase in the fair value of investments	46			244		636
Charges for goods and services						2,371
Other		1	4			402
Total revenues	52	2	6	299	-	21,733
Expenditures:						
Current:						
General government						155
Public works						2
Public safety						1,144
Human services						1,463
Recreation						344
Library			1	13		87
Education		2				17,756
Other	4					11
Capital outlay	46					211
Total expenditures	50	2	1	13	-	21,173
Excess (deficiency) of revenues over expenditures	2	-	5	286	-	560
Other financing sources (uses):						
Transfers in					(53)	223
Transfers out	(5)				53	(9)
Total other financing sources (uses)	(5)	-	-	-	-	214
Net change in fund balances	(3)	-	5	286	-	774
Fund balance, beginning of year	254	96	51	1,429	-	7,825
Fund Balance, End of Year	\$ 251	\$ 96	\$ 56	\$ 1,715	\$ -	\$ 8,599

Internal Service Funds

INTERNAL SERVICE FUNDS

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

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 ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2011
(In Thousands)

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,602	\$ 7,659	\$ 974	\$ 10,235
Investments		297	8,594	8,891
Receivables			690	690
Prepaid expenses		3		3
Total current assets	<u>1,602</u>	<u>7,959</u>	<u>10,258</u>	<u>19,819</u>
Noncurrent assets:				
Capital assets, net	1,537			1,537
Total assets	<u>3,139</u>	<u>7,959</u>	<u>10,258</u>	<u>21,356</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities:				
Accounts and other payables	53	16	86	155
Accrued liabilities	48	6		54
Claims payable		3,063	1,708	4,771
Compensated absences payable	94	10		104
Total current liabilities	<u>195</u>	<u>3,095</u>	<u>1,794</u>	<u>5,084</u>
Noncurrent liabilities:				
Compensated absences payable	229	13		242
Claims payable		5,908		5,908
Total noncurrent liabilities	<u>229</u>	<u>5,921</u>	<u>-</u>	<u>6,150</u>
Total liabilities	<u>424</u>	<u>9,016</u>	<u>1,794</u>	<u>11,234</u>
NET ASSETS				
Net Assets:				
Invested in capital assets, net of related debt	1,537			1,537
Unrestricted	<u>1,178</u>	<u>(1,057)</u>	<u>8,464</u>	<u>8,585</u>
Total Net Assets	<u>\$ 2,715</u>	<u>\$ (1,057)</u>	<u>\$ 8,464</u>	<u>\$ 10,122</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Information Systems Fund	Manchester Self- Insurance Program	Town of Manchester Medical Insurance Fund	Total
Operating Revenues:				
Charges for services	\$ 2,269	\$ 3,392	\$ 23,944	\$ 29,605
Other		27		27
Total operating revenues	<u>2,269</u>	<u>3,419</u>	<u>23,944</u>	<u>29,632</u>
Operating Expenses:				
General operating	1,819	360	1,020	3,199
Claims expense		3,896	19,395	23,291
Depreciation expense	320			320
Total operating expenses	<u>2,139</u>	<u>4,256</u>	<u>20,415</u>	<u>26,810</u>
Operating Income (Loss)	130	(837)	3,529	2,822
Nonoperating Revenues (Expenses):				
Loss on disposal of capital assets	(20)			(20)
Interest on investments	2	8	4	14
Intergovernmental revenues			187	187
Total nonoperating revenues (expenses)	<u>(18)</u>	<u>8</u>	<u>191</u>	<u>181</u>
Change in Net Assets	112	(829)	3,720	3,003
Net Assets at Beginning of Year	<u>2,603</u>	<u>(228)</u>	<u>4,744</u>	<u>7,119</u>
Net Assets at End of Year	<u>\$ 2,715</u>	<u>\$ (1,057)</u>	<u>\$ 8,464</u>	<u>\$ 10,122</u>

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(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	\$ 2,270	\$ 3,392	\$ 24,322	\$ 29,984
Cash received from insurance proceeds		27		27,000
Cash paid to suppliers for goods and services	(834)	(215)	(934)	(1,983)
Cash paid to employees	(1,004)	(125)		(1,129)
Cash paid for insurance claims and premiums		(2,474)	(19,588)	(22,062)
Net cash provided by operating activities	<u>432</u>	<u>605</u>	<u>3,800</u>	<u>4,837</u>
Cash Flows from Noncapital Financing Activities:				
Intergovernmental grants			187	187
Cash Flows from Capital and Related Financing Activities:				
Principal payment - lease purchase	<u>(385)</u>			<u>(385)</u>
Cash Flows from Investing Activities:				
Interest received	2	8	4	14
Purchase (sale) of investments		210	(7,061)	(6,851)
Net cash provided by (used in) investing activities	<u>2</u>	<u>218</u>	<u>(7,057)</u>	<u>(6,837)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	49	823	(3,070)	(2,198)
Cash and Cash Equivalents at Beginning of Year	<u>1,553</u>	<u>6,836</u>	<u>4,044</u>	<u>12,433</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,602</u></u>	<u><u>\$ 7,659</u></u>	<u><u>\$ 974</u></u>	<u><u>\$ 10,235</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 130	\$ (837)	\$ 3,529	\$ 2,822
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	320			320
(Increase) decrease in accounts receivable and other prepaid assets	1	14	378	393
Increase (decrease) in accounts payable	(24)	16	86	78
Increase in accrued expenses	6	1		7
Increase (decrease) in compensated absences payable	(1)	3		2
Increase (decrease) in claims payable		1,408	(193)	1,215
Net Cash Provided by Operating Activities	<u><u>\$ 432</u></u>	<u><u>\$ 605</u></u>	<u><u>\$ 3,800</u></u>	<u><u>\$ 4,837</u></u>

Fiduciary 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 SCPRIF loan from the State of Connecticut Department of Economic and Community Development to the Manchester Redevelopment Agency.

TOWN OF MANCHESTER, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011

(In Thousands)

	<u>Plan Deposit Fund</u>	<u>Student Activity Fund</u>	<u>Senior Center Activities Fund</u>	<u>Maintenance Bond Fund</u>	<u>Redevelopment Agency Fund</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ <u>20</u>	\$ <u>533</u>	\$ <u>44</u>	\$ <u>167</u>	\$ <u>4</u>	\$ <u>768</u>
LIABILITIES						
Deposits held for others	\$ <u>20</u>	\$ <u>533</u>	\$ <u>44</u>	\$ <u>167</u>	\$ <u>4</u>	\$ <u>768</u>

TOWN OF MANCHESTER, CONNECTICUT

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)**

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Plan Deposit Fund				
Assets:				
Cash and cash equivalents	\$ <u>20</u>	\$ <u>13</u>	\$ <u>13</u>	\$ <u>20</u>
Liabilities:				
Deposits held for others	\$ <u>20</u>	\$ <u>13</u>	\$ <u>13</u>	\$ <u>20</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>446</u>	\$ <u>993</u>	\$ <u>906</u>	\$ <u>533</u>
Liabilities:				
Deposits held for others	\$ <u>446</u>	\$ <u>993</u>	\$ <u>906</u>	\$ <u>533</u>
Senior Center Activities Fund				
Assets:				
Cash and cash equivalents	\$ <u>48</u>	\$ <u>20</u>	\$ <u>24</u>	\$ <u>44</u>
Liabilities:				
Deposits held for others	\$ <u>48</u>	\$ <u>20</u>	\$ <u>24</u>	\$ <u>44</u>
Maintenance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>235</u>	\$ <u>35</u>	\$ <u>103</u>	\$ <u>167</u>
Liabilities:				
Deposits held for others	\$ <u>235</u>	\$ <u>35</u>	\$ <u>103</u>	\$ <u>167</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>753</u>	\$ <u>1,061</u>	\$ <u>1,046</u>	\$ <u>768</u>
Liabilities:				
Deposits held for others	\$ <u>753</u>	\$ <u>1,061</u>	\$ <u>1,046</u>	\$ <u>768</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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005*</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 99,265	\$ 94,969	\$ 104,570	\$ 85,637	\$ 89,227	\$ 68,196	\$ 56,406	\$ 10,349	\$ 15,196	\$ 6,003
Restricted	1,715	4,163	3,702	4,248	4,634	2,749	2,515	2,455	2,329	2,974
Unrestricted	<u>6,333</u>	<u>6,886</u>	<u>(1,969)</u>	<u>17,822</u>	<u>(3,330)</u>	<u>(6,672)</u>	<u>(1,422)</u>	<u>(2,576)</u>	<u>(7,134)</u>	<u>1,446</u>
Total governmental activities net assets	<u>107,313</u>	<u>106,018</u>	<u>106,303</u>	<u>107,707</u>	<u>90,531</u>	<u>64,273</u>	<u>57,499</u>	<u>10,228</u>	<u>10,391</u>	<u>10,423</u>
Business-type activities:										
Invested in capital assets, net of related debt	29,404	25,753	26,098	24,060	24,704	26,485	26,224	26,872	28,395	30,380
Unrestricted	<u>10,808</u>	<u>17,057</u>	<u>18,590</u>	<u>30,569</u>	<u>29,208</u>	<u>25,672</u>	<u>21,773</u>	<u>21,817</u>	<u>19,675</u>	<u>17,701</u>
Total business-type activities net assets	<u>40,212</u>	<u>42,810</u>	<u>44,688</u>	<u>54,629</u>	<u>53,912</u>	<u>52,157</u>	<u>47,997</u>	<u>48,689</u>	<u>48,070</u>	<u>48,081</u>
☞ Primary government:										
Invested in capital assets, net of related debt	128,669	120,722	130,668	109,697	113,931	94,681	82,630	37,221	43,591	36,383
Restricted	1,715	4,163	3,702	4,248	4,634	2,749	2,515	2,455	2,329	2,974
Unrestricted	<u>17,141</u>	<u>23,943</u>	<u>16,621</u>	<u>48,391</u>	<u>25,878</u>	<u>19,000</u>	<u>20,351</u>	<u>19,241</u>	<u>12,541</u>	<u>19,147</u>
Total Primary Government Net Assets	<u>\$ 147,525</u>	<u>\$ 148,828</u>	<u>\$ 150,991</u>	<u>\$ 162,336</u>	<u>\$ 144,443</u>	<u>\$ 116,430</u>	<u>\$ 105,496</u>	<u>\$ 58,917</u>	<u>\$ 58,461</u>	<u>\$ 58,504</u>

*Restated - retroactive reporting of infrastructure

Notes:

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

TABLE 2

TOWN OF MANCHESTER, CONNECTICUT

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(In Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:										
Governmental activities:										
General government	\$ 6,190	\$ 7,759	\$ 4,079	\$ 7,537	\$ 4,291	\$ 5,730	\$ 5,725	\$ 7,881	\$ 4,595	\$ 4,955
Public works	23,244	19,734	19,094	16,321	16,434	15,552	10,567	10,294	10,684	10,067
Public safety	33,808	31,919	32,588	37,270	27,214	25,374	25,185	24,203	23,384	22,569
Human services	5,114	4,063	5,213	5,246	4,176	4,389	4,044	5,303	4,170	3,852
Leisure services	6,230	6,443	6,288	5,714	5,379	5,274	4,704	4,892	4,771	5,126
Employee benefits					2,365	2,123	1,775	1,468	1,358	1,330
Education	123,384	122,609	125,273	135,716	103,790	98,998	90,410	90,925	85,578	80,781
Interest on long-term debt	3,297	3,505	3,580	3,333	2,385	2,053	1,722	1,770	1,659	1,560
Other					4,993	3,729	3,733	3,398	3,151	3,220
Total governmental activities expenses	201,267	196,032	196,115	211,137	171,027	163,222	147,865	150,134	139,350	133,460
Business-type activities:										
Water	9,060	7,647	8,525	6,725	6,862	6,196	6,266	6,196	6,909	5,847
Sewer	5,511	5,850	5,644	5,769	4,869	5,500	5,098	4,959	4,903	5,023
Sanitation	7,463	6,888	12,857	7,065	6,445	5,651	5,795	5,610	4,894	5,823
Total business-type services	22,034	20,385	27,026	19,559	18,176	17,347	17,159	16,765	16,706	16,693
Total primary government expenses	223,301	216,417	223,141	230,696	189,203	180,569	165,024	166,899	156,056	150,153
Program revenues:										
Governmental activities:										
Charges for services:										
General government	815	1,001	921	1,066	1,386	1,788	1,500	1,369	1,234	815
Public works	897	931	784	934	1,357	1,195	1,652	1,065	1,032	1,107
Public safety	1,349	1,677	1,470	1,634	1,130	893	1,293	1,124	687	943
Human services	216	221	80	91	146	95	64	71	72	79
Leisure services	848	827	791	706	649	673	674	705	582	510
Education	2,524	2,841	2,780	2,493	2,333	2,515	3,330	3,633	3,047	3,206
Other										20
Operating grants and contributions	54,185	53,234	49,599	73,278	44,596	42,944	37,806	39,921	36,798	36,532
Capital grants and contributions	6,388	3,663	8,224	20,105	21,937	5,253	3,283	2,408	2,053	1,392
Total governmental activities program revenues	67,222	64,395	64,649	100,307	73,534	55,356	49,602	50,296	45,505	44,604
Business-type activities:										
Charges for services	19,933	18,391	18,102	19,749	19,801	18,312	16,198	16,453	16,683	17,748
Operating grants and contributions								94	74	100
Capital grants and contributions	289	187	236	264	238		65	1,277		
Total business-type activities program revenues	20,222	18,578	18,338	20,013	20,039	18,312	16,263	17,824	16,757	17,848
Total primary government program revenues	87,444	82,973	82,987	120,320	93,573	73,668	65,865	68,120	62,262	62,452
Net (expense) revenue:										
Governmental activities	(134,045)	(131,637)	(131,466)	(110,830)	(97,493)	(107,866)	(98,263)	(99,838)	(93,845)	(88,856)
Business-type activities	(1,812)	(1,807)	(8,688)	454	1,863	965	(896)	1,059	51	1,155
Total primary government net expense	(135,857)	(133,444)	(140,154)	(110,376)	(95,630)	(106,901)	(99,159)	(98,779)	(93,794)	(87,701)

(Continued on next page)

TABLE 2

TOWN OF MANCHESTER, CONNECTICUT

CHANGES IN NET ASSETS (CONTINUED)
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 128,711	\$ 124,710	\$ 122,923	\$ 118,916	\$ 115,112	\$ 107,059	\$ 98,738	\$ 93,719	\$ 87,474	\$ 83,355
Grants and contributions not restricted to specific purposes	3,752	4,212	4,916	4,686	4,775	4,600	4,571	4,382	5,186	6,339
Unrestricted investment earnings	920	706	298	2,159	2,676	1,380	945	424	465	773
Miscellaneous	628	376	215	591	572	1,085	499	400	288	1,072
Premiums on bond issuance		65								
Transfers	1,329	1,283	1,710							
Total governmental activities	<u>135,340</u>	<u>131,352</u>	<u>130,062</u>	<u>126,352</u>	<u>123,135</u>	<u>114,124</u>	<u>104,753</u>	<u>98,925</u>	<u>93,413</u>	<u>91,539</u>
Business-type activities:										
Unrestricted investment earnings	438	1,059	457	1,917	1,185	663	675	310	338	616
Miscellaneous	105					3,048	92			
Premiums on bond issuance		153								
Transfers	(1,329)	(1,283)	(1,710)							
Total business-type activities	<u>(786)</u>	<u>(71)</u>	<u>(1,253)</u>	<u>1,917</u>	<u>1,185</u>	<u>3,711</u>	<u>767</u>	<u>310</u>	<u>338</u>	<u>616</u>
Total primary government	<u>134,554</u>	<u>131,281</u>	<u>128,809</u>	<u>128,269</u>	<u>124,320</u>	<u>117,835</u>	<u>105,520</u>	<u>99,235</u>	<u>93,751</u>	<u>92,155</u>
Changes in net assets:										
Governmental activities	1,295	(285)	(1,404)	17,176	26,986	6,774	7,053	(163)	(32)	3,306
Business-type activities	(2,598)	(1,878)	(9,941)	717	1,755	4,160	(692)	619	(11)	1,199
Total Primary Government	<u>\$ (1,303)</u>	<u>\$ (2,163)</u>	<u>\$ (11,345)</u>	<u>\$ 17,893</u>	<u>\$ 28,741</u>	<u>\$ 10,934</u>	<u>\$ 6,361</u>	<u>\$ 456</u>	<u>\$ (43)</u>	<u>\$ 4,505</u>

Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The Town began to allocate employee benefits and other category to appropriate function in fiscal year 2008.

TABLE 3

TOWN OF MANCHESTER, CONNECTICUT

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:										
Reserved	\$	\$ 2,451	\$ 1,787	\$ 2,328	\$ 1,045	\$ 1,561	\$ 1,347	\$ 1,211	\$ 2,007	\$ 1,582
Unreserved		13,049	14,490	16,316	16,298	13,829	10,591	7,960	5,919	7,953
Nonspendable	39									
Committed	40									
Assigned	5,515									
Unassigned	<u>10,053</u>									
Total General Fund	<u>15,647</u>	<u>15,500</u>	<u>16,277</u>	<u>18,644</u>	<u>17,343</u>	<u>15,390</u>	<u>11,938</u>	<u>9,171</u>	<u>7,926</u>	<u>9,535</u>
All other governmental funds:										
Reserved		3,835	4,234	6,638	10,947	33,567	9,533	3,540	3,825	7,878
Unreserved, reported in:										
Special revenue funds		7,554	5,922	5,605	4,452	3,791	3,211	3,176	2,732	2,606
Capital project funds		(3,221)	(7,341)	3,913	(20,039)	(42,073)	(7,685)	3,621	(5,833)	(6,559)
Nonspendable	798									
Restricted	6,147									
Committed	4,410									
Unassigned	<u>(7,522)</u>									
Total All Other Governmental Funds	\$ <u>3,833</u>	\$ <u>8,168</u>	\$ <u>2,815</u>	\$ <u>16,156</u>	\$ <u>(4,640)</u>	\$ <u>(4,715)</u>	\$ <u>5,059</u>	\$ <u>10,337</u>	\$ <u>724</u>	\$ <u>3,925</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)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:										
Property taxes, interest and lien fees	\$ 129,160	\$ 124,547	\$ 122,423	\$ 119,165	\$ 114,568	\$ 107,098	\$ 99,321	\$ 94,287	\$ 87,261	\$ 83,515
Intergovernmental revenue	64,073	60,523	62,680	96,007	68,869	52,109	46,406	47,332	44,506	44,046
Investment and interest income	906	679	169	1,806	2,365	1,656	1,243	483	476	613
Licenses, permits and fines	1,637	1,882	1,700	1,922	3,291	2,801	2,759	2,368	2,031	1,869
Charges for goods and services	4,688	5,471	5,154	5,001	3,664	3,893	4,281	4,573	3,822	3,805
Other	1,152	919	624	686	2,212	674	1,151	1,004	847	2,652
Total revenues	<u>201,616</u>	<u>194,021</u>	<u>192,750</u>	<u>224,587</u>	<u>194,969</u>	<u>168,231</u>	<u>155,161</u>	<u>150,047</u>	<u>138,943</u>	<u>136,500</u>
Expenditures:										
General government	5,259	5,768	5,180	5,230	5,075	5,004	5,031	4,789	4,796	4,575
Public works	12,815	12,350	12,378	11,822	11,273	10,329	9,650	9,116	9,389	8,797
Public safety	30,234	28,708	28,305	27,628	27,224	25,115	24,292	23,029	22,311	22,447
Human services	4,629	4,022	4,287	3,803	3,972	4,162	4,098	4,982	3,881	3,617
Leisure services	5,481	5,386	5,478	5,477	5,196	5,108	4,774	4,712	4,628	4,566
Employee benefits	2,775	2,636	2,473	2,467	2,365	2,123	1,775	1,468	1,358	1,330
Education	120,603	117,444	114,157	133,564	103,878	98,454	90,198	89,430	83,265	79,126
Internal service fund charges	2,883	3,131	4,738	4,629	3,772	3,059	2,923	2,569	2,290	1,963
Other	706	1,445	918	1,341	1,178	670	579	815	861	1,257
Debt service:										
Principal	6,596	5,786	5,850	4,044	3,240	3,255	2,550	2,880	2,650	1,935
Interest	2,644	3,155	3,564	2,941	1,942	1,889	1,833	1,435	1,538	1,580
Capital outlay	12,508	10,464	22,840	40,438	43,191	16,501	10,602	7,915	12,527	8,467
Total expenditures	<u>207,133</u>	<u>200,295</u>	<u>210,168</u>	<u>243,384</u>	<u>212,306</u>	<u>175,669</u>	<u>158,305</u>	<u>153,140</u>	<u>149,494</u>	<u>139,660</u>
Excess of revenue under expenditures	<u>(5,517)</u>	<u>(6,274)</u>	<u>(17,418)</u>	<u>(18,797)</u>	<u>(17,337)</u>	<u>(7,438)</u>	<u>(3,144)</u>	<u>(3,093)</u>	<u>(10,551)</u>	<u>(3,160)</u>
Other financing sources (uses):										
Transfers in	4,449	5,059	5,111	6,650	5,793	3,457	4,092	3,598	3,822	3,762
Transfers out	(3,120)	(3,776)	(3,401)	(4,996)	(4,476)	(2,941)	(3,478)	(2,797)	(3,371)	(3,139)
Other					98	600				
Issuance of debt		9,396		39,240	17,624					
Issuance of bond refunding		4,865					6,800	12,075		
Premium on bond refunding		243								
Payments to escrow agent		(5,001)					(6,760)			
Bond premium		65								
Discount on bond refunding							(21)			
Total other financing sources	<u>1,329</u>	<u>10,851</u>	<u>1,710</u>	<u>40,894</u>	<u>19,039</u>	<u>1,116</u>	<u>633</u>	<u>12,876</u>	<u>451</u>	<u>623</u>
Net Change in Fund Balances	<u>\$ (4,188)</u>	<u>\$ 4,577</u>	<u>\$ (15,708)</u>	<u>\$ 22,097</u>	<u>\$ 1,702</u>	<u>\$ (6,322)</u>	<u>\$ (2,511)</u>	<u>\$ 9,783</u>	<u>\$ (10,100)</u>	<u>\$ (2,537)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>4.63%</u>	<u>4.68%</u>	<u>4.82%</u>	<u>3.46%</u>	<u>3.06%</u>	<u>3.23%</u>	<u>2.97%</u>	<u>2.97%</u>	<u>3.06%</u>	<u>0.00%</u>

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		Industrial	Personal Property	Motor Vehicle	Less Tax-Exempt Property*	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential	Commercial								
2011	\$ 2,452,753	\$ 1,538,307	\$ 210,850	\$ 316,399	\$ 299,415	\$ 563,290	\$ 4,254,434	31.28	\$ 7,990,547	53.24%
2010	2,451,856	1,519,057	212,796	335,060	300,428	552,812	4,266,385	30.32	8,004,181	53.30%
2009	2,445,731	1,495,555	214,657	326,072	317,059	962,332	3,836,742	32.98	7,358,998	52.14%
2008	2,430,203	1,482,835	217,940	312,160	315,314	1,372,034	3,386,418	36.05	6,797,794	49.82%
2007	1,487,180	1,041,739	173,609	312,851	310,740	394,256	2,931,863	40.14	6,451,935	45.44%
2006	1,461,532	1,034,848	175,278	309,444	293,308	398,493	2,875,917	38.07	5,760,676	49.92%
2005	1,442,345	1,028,120	175,466	306,721	273,862	398,665	2,827,849	36.07	5,282,639	53.53%
2004	1,426,396	1,009,683	180,910	295,928	291,474	391,569	2,812,822	34.31	4,486,068	62.70%
2003	1,415,879	989,096	180,492	298,275	281,929	388,306	2,777,365	32.9	4,046,242	68.64%
2002	1,399,103	975,656	177,105	287,556	275,170	364,243	2,750,347	31.13	3,576,190	76.91%

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.

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

TABLE 6

TOWN OF MANCHESTER, CONNECTICUT

**PRINCIPAL PROPERTY TAXPAYERS
GRAND LIST YEARS 2009 AND 2000
(In Thousands)**

<u>Taxpayer</u>	<u>October 1, 2009</u>			<u>October 1, 2000</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>
Pavilions at Buckland Hills LLC, et al	\$ 135,926	1	3.19	\$		
Northland Pavilions, LLC	65,850	2	1.55			
J.C. Penney Properties, Inc	58,402	3	1.37	58,265	1	2.06
Connecticut Light and Power Co.	52,260	4	1.23	23,637	4	0.83
Manchester Developers, LLC	40,867	5	0.96	13,030	10	0.46
Gateway Lauren, LLC	28,930	6	0.68			
Plaza at Buckland Hills LLC	27,708	7	0.65	23,461	5	0.83
Manchester Tolland Development	26,143	8	0.61			
TGM Waterford LLC*	24,698	9	0.58			
Manchester Tarragon LLC	24,121	10	0.57			
Avalon Properties dba Town Pavilions				32,795	2	1.16
May Company				24,325	3	0.86
Downeast Associates				22,331	7	0.79
Walmart/Sam's Club				15,121	8	0.53
L&J Manchester LLC				22,975	6	0.81
Beckenstein Enterprises				13,450	9	0.47
TOTAL	\$ 484,905			\$ 249,390		

Source: Town of Manchester, Office of Tax Assessor

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

TABLE 7

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

Fiscal Year Ended June 30,	Tax Rate in Mills	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of The Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2011	31.28	\$ 124,351	\$ 122,311	98.36%	\$	\$ 122,311	98.36%
2010	30.32	123,818	121,712	98.30%	1,189	122,901	99.26%
2009	32.98	122,270	120,113	98.24%	1,481	121,594	99.45%
2008	36.05	117,967	116,029	98.36%	1,708	117,737	99.81%
2007	40.14	114,402	112,401	98.25%	1,896	114,297	99.91%
2006	38.07	106,324	104,531	98.31%	1,747	106,278	99.96%
2005	36.07	98,652	97,189	98.52%	1,437	98,626	99.97%
2004	34.31	93,254	91,767	98.41%	1,468	93,235	99.98%
2003	32.9	87,591	86,032	98.22%	1,541	87,573	99.98%
2002	31.13	81,609	80,899	99.13%	695	81,594	99.98%

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

TABLE 8

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				
2011	\$ 76,615	\$ 636	\$	\$	\$ 77,251	4.14%	1.82%	\$ 1,323.83
2010	82,586	1,323		865	84,774	5.79%	1.99%	1,503.48
2009	78,470	1,987		1,713	82,170	5.66%	2.14%	1,471.08
2008	84,445	2,795		2,545	89,785	6.20%	2.65%	1,610.86
2007	49,249	3,709		3,360	56,318	3.90%	1.92%	1,012.00
2006	41,180	4,618		4,160	49,958	3.46%	1.74%	898.98
2005	38,120	3,598		4,943	46,661	3.24%	1.65%	817.32
2004	40,185	4,655		5,711	50,551	3.52%	1.79%	884.27
2003	30,990	2,626		6,464	40,080	2.79%	1.44%	727.62
2002	28,980	2,721		7,202	38,903	2.72%	1.41%	711.47

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

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2011

(In Thousands)

Total tax collections (including interest and lien fees) received for year ended June 30, 2011					\$ 125,339
Reimbursement for revenue loss on:					
Tax relief for elderly - freeze					<u>7</u>
BASE					<u>\$ 125,346</u>
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 282,029	\$	\$	\$	\$
4-1/2 times base		564,057			
3-3/4 times base			470,048		
3-1/4 times base				407,375	
3 times base					<u>376,038</u>
Total debt limitation	<u>282,029</u>	<u>564,057</u>	<u>470,048</u>	<u>407,375</u>	<u>376,038</u>
Indebtedness:					
Bonds payable	32,341	44,274			
Bonds anticipation notes			550		
Debt authorized but unissued	3,412	2,226	700		
School construction grants receivable		(349)			
Net indebtedness	<u>35,753</u>	<u>46,151</u>	<u>1,250</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 246,276</u>	<u>\$ 517,906</u>	<u>\$ 468,798</u>	<u>\$ 407,375</u>	<u>\$ 376,038</u>

Note (1): In no case shall total indebtedness exceed \$877,422 (seven times annual base for debt limitation computations).

Note (2): Bond anticipation notes payable do not include water bond anticipation notes of \$12,826, which are considered to be self-financing.

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
2011	\$ 76,615	0.96%	\$ 1,312.93
2010	83,451	1.04%	1,480.02
2009	80,183	1.09%	1,435.50
2008	86,990	1.28%	1,560.69
2007	52,609	0.82%	946.68
2006	45,340	0.79%	816.01
2005	43,063	0.82%	777.46
2004	45,896	1.02%	829.48
2003	37,454	0.93%	676.57
2002	36,182	1.01%	657.57

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

(a) See Table 12 for population figures

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

TABLE 11

TOWN OF MANCHESTER, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Debt limitation	\$ 877,422	\$ 869,694	857,332	\$ 834,302	\$ 803,306	\$ 750,659	\$ 696,367	\$ 662,305	\$ 613,508	\$ 584,717
Total net debt applicable to limit	<u>83,154</u>	<u>102,551</u>	<u>95,310</u>	<u>93,663</u>	<u>93,399</u>	<u>38,860</u>	<u>41,306</u>	<u>62,839</u>	<u>50,505</u>	<u>53,570</u>
Legal Debt Margin	<u>\$ 794,268</u>	<u>\$ 767,143</u>	<u>762,022</u>	<u>\$ 740,639</u>	<u>\$ 709,907</u>	<u>\$ 711,799</u>	<u>\$ 655,061</u>	<u>\$ 599,466</u>	<u>\$ 563,003</u>	<u>\$ 531,147</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.47%	13.37%	11.12%	11.23%	11.63%	5.18%	5.93%	9.49%	8.23%	9.16%

Source: Comprehensive annual financial report - Statement of Debt Limitation

Note: See Table 9 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) (thousands of dollars)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2011	58,354	\$ 1,867,678	\$ 32,006	37.7	7,518	8.80%
2010	56,385	1,465,390	25,989	36.5	7,461	8.70%
2009	55,857	1,451,668	25,989	36.5	7,284	8.50%
2008	55,738	1,448,575	25,989	36.5	7,204	5.60%
2007	55,572	1,444,261	25,989	36.5	7,360	4.50%
2006	55,563	1,444,027	25,989	36.5	7,463	4.8%
2005	55,389	1,439,505	25,989	36.5	7,715	4.7%
2004	55,331	1,437,997	25,989	36.5	7,811	4.6%
2003	55,359	1,438,725	25,989	36.5	7,628	4.5%
2002	55,024	1,430,019	25,989	36.5	7,778	3.3%

(1) Source: State of CT Dept of Health

(2) Source: U.S. Department of Commerce, Bureau of Census. (2009 inflation adjusted)

(3) Source: Assistant to Superintendent of Schools, Town of Manchester

(4) Source: Connecticut Department of Labor

TABLE 13

TOWN OF MANCHESTER, CONNECTICUT

PRINCIPAL EMPLOYERS

2011 AND 2002

Employer	Nature of Business	2011			Employer	Nature of Business	2002		
		Employees	Rank	Percentage of Total Town Employment			Employees	Rank	Percentage of Total Town Employment
Town of Manchester	Local Gov/Board of Ed	1,689	1	5.74%	Town of Manchester	Local Gov/Board of Ed	1,565	1	5.32%
Manchester Memorial Hosp.	General Hospital	1,550	2	5.27%	Manchester Memorial Hosp.	General Hospital	1048	2	3.56%
GE Aviation	Parts Manufacturer	1,208	3	4.11%	J.C. Penney Company	Distribution Center/Outlet	900	3	3.06%
J.C. Penney Company	Warehouse/Distribution	1,000	3	3.40%	Dynamic Metal Works	Sheet Metal Fabrication	567	4	1.93%
Journal Publishing Co.	Newspapers	560	5	1.90%	Gerber Scientific	Research Product Develop.	400	5	1.36%
Manchester Health Care	Medical Offices	500	6	1.70%	Allied Printing Services	General Printing Services	320	6	1.09%
Cox Communications	Broadcasting/Cable	442	7	1.50%	Scan Optics	Data Processing	290	7	0.99%
Wal-Mart Stores	Department Store	400	8	1.36%	Journal Publishing	Daily Newspaper Prod.	280	8	0.95%
Allied Printing	Commercial Printing	331	9	1.13%	Savings Bank of Manchester	Savings Bank	212	9	0.72%
Silktown Roofing	Roofing	250	10	0.85%	Rogers Corporation	Plastics Manufacturer	130	10	0.44%
		<u>7,930</u>		<u>26.49%</u>			<u>5,712</u>		<u>19.42%</u>

Source: Town of Manchester Planning Department and Official Statements

2011 Percentage based on total employed population of 29,410 per the Department of Commerce, Bureau of the Census, 2000

TABLE 14

TOWN OF MANCHESTER, CONNECTICUT

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

<u>Function/Program</u>	Full-Time-Equivalent Employees as of June 30,									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General government	86.40	88.75	90.25	93.50	92.50	92.25	97.25	97.25	95.50	97.00
Police	154.50	154.50	158.50	158.50	158.50	157.50	156.50	155.50	154.50	153.50
Fire	82.00	82.00	82.00	82.00	82.00	83.00	81.00	85.00	82.00	80.00
Sanitation	12.10	12.10	11.10	9.05	9.00	9.00	9.00	9.00	9.00	8.00
Other public works	148.40	148.40	149.40	149.45	149.75	151.15	151.50	157.50	160.75	163.00
Recreation	8.50	8.50	9.50	9.50	9.50	9.50	9.00	9.00	9.00	9.00
Library	26.00	27.00	27.00	27.00	27.00	27.00	26.00	27.00	28.00	28.00
Education	<u>1,170.71</u>	<u>1,175.00</u>	<u>1,161.25</u>	<u>1,156.00</u>	<u>1,129.00</u>	<u>1,109.00</u>	<u>1,133.00</u>	<u>1,073.00</u>	<u>1,024.00</u>	<u>1,039.00</u>
TOTAL	<u><u>1,688.61</u></u>	<u><u>1,696.25</u></u>	<u><u>1,689.00</u></u>	<u><u>1,685.00</u></u>	<u><u>1,657.25</u></u>	<u><u>1,638.40</u></u>	<u><u>1,663.25</u></u>	<u><u>1,613.25</u></u>	<u><u>1,562.75</u></u>	<u><u>1,577.50</u></u>

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

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

TABLE 15

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Function/Program</u>										
General government:										
Building permits issued	3,100	3,127	3,161	2,926	3,340	3,744	4,160	3,618	2,752	2,181
Building inspections conducted	5,194	6,890	6,830	6,797	7,769	9,017	9,275	7,270	8,030	7,581
Police:										
Physical arrests	4,694	3,549	3,525	3,548	4,121	3,862	3,887	3,309	2,853	2,859
Parking violations (unavailable pre FY06)	1,698	1,743	2,078	2,897	3,220	2,467				
Traffic violations	4,999	8,944	6,885	7,233	6,367	4,587	4,587	4,339	4,763	4,000
Fire:										
Emergency responses	8,206	8,097	7,902	7,674	7,730	6,456	7,705	7,696	7,678	7,376
Structure Fires (fires extinguished)	39	31	24	42	53	36	49	43	52	50
Inspections	828	1,246	1,858	989	650	610	1,079	977	895	800
Refuse collection:										
Refuse collected (tons per day)	52.04	41.40	41.40	40.15	44	45	44	43	43	
Recyclables collected (tons per day)	19.7	10.4	10.4	12.3	10	10	10	10	11	
Other public works:										
Street resurfacing (miles)	6.30	9.60	10.80	6.00	6.36	6.36	5.69	5.58	2.51	2.08
Parks and recreation:										
Athletic field permits issued (unavailable)										
Community center admissions (unavailable prior to 08)	112,000	110,000	104,000	79,000						
Library:										
Volumes in collection (thousands)	262.1	239.7	238.4	228.8	221.8	215.1	210.8	208.7	201.0	199.4
Total volumes borrowed (thousands)	846.8	859.0	834.5	797.1	747.1	739.4	769.0	859.8	886.7	866.3
Water:										
New connections	17	17	45	16	72	97	209	58	60	58
Water main breaks	7	18	10	12	14	4	13	14	6	9
Average daily production (thousands of gallons)	5,375	5,178	5,320	5,560	5,500	4,666	4,709	4,490	4,588	4,752
Peak daily production (thousands of gallons)	8,400	7,040	7,750	8,070	8,130	7,130	9,100	7,990	7,280	8,320
Sewer Enterprises:										
Average daily sewage treatment (thousands of gallons)	6,150	6,552	6,465	5,560	5,500	4,666	4,709	4,490	4,588	4,752

Source: Internal Department Tracking Reports

TABLE 16

TOWN OF MANCHESTER, CONNECTICUT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>Function/Program</u>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	2	1	2	3	3	3	3	3	3	3
Patrol units	8	8	8	7	7	7	7	7	7	7
Fire stations	5	5	5	5	5	5	5	5	5	5
Other public works:										
Streets (miles)	217.0	217.0	217.0	214.0	213.1	197.7	197.7	197.3	196.09	195.73
Streetlights	4,710	4,698	4,698	4,674	4,688	4,672	4,624	4,594	4,570	143
Traffic signals	52	51	51	51	50	50	49	49	49	48
Parks and recreation:										
Acreage	677	677	677	677	677	677	677	677	655	655
Playgrounds	23	23	23	23	23	22	22	22	22	22
Baseball/softball diamonds	23	23	23	23	23	23	23	22	22	22
Soccer/football fields	13	13	13	13	13	13	13	13	13	13
Water:										
Water mains (miles)	257	280	278	255	255	254	243	242	242	240
Fire hydrants	1,990	1,969	1,970	1,954	1,876	1,812	1,812	1,788	1,761	1,745
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	166	164	161	181.5 *	181.5	181.5	181.5	181.5
Storm sewers (miles)	139	163	163	163	150	150	150	150	150	150
Treatment capacity (thousands of gallons)	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Transit - mini-buses:										
Administrative buildings	1	1	1	1	1	1	1	1	1	1

Sources:

Police Department annual reports

Public Works and Recreation Town records

* For fiscal years 2006 and prior, the Eighth Utility District was included in these figures.