

# **Comprehensive Annual Financial Report**

## **Town of Manchester Connecticut**

Fiscal Year Ended June 30, 2014



Office of the Director of Finance

# **Comprehensive Annual Financial Report**

of the

## **Town of Manchester Connecticut**

Fiscal Year Ended June 30, 2014

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*

41 Center Street • P.O. Box 191  
Manchester, Connecticut 06045-0191  
[www.ci.manchester.ct.us](http://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 17, 2014

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, 2014 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 58,211 people.

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

## Local Economic Condition and Outlook

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

Manchester's major employers include the Town and Board of Education at 1,669 employees; Manchester Memorial Hospital at 1,500 employees; J.C. Penney Company at 1100 employees; Manchester Community College at 725 employees; Target at 400 employees; GE Aviation at 400 employees; Super Stop & Shop at 381 employees; Allied Printing at 330 employees and Big Y World Class Market at 300 employees. Overall, approximately 29,410 people are employed in Manchester.

The Buckland Hills area lies at the merge of I-84 and I-291 and is a regional center for retail, service, and industrial business. The Buckland Industrial Park is home to J. C. Penney and other industrial and manufacturing firms. Over 3.7 million square feet of retail space makes Buckland Hills one of the largest retail centers in New England. The area serves a market of approximately 20 miles and a market population of over 300,000 people. Major retailers in the area include the Shoppes at Buckland Hills regional mall, anchored by Macy's, Sears, Dick's Sporting Goods, Barnes and Noble, and J. C. Penney. Other retailers include Wal-Mart; Home Depot; BJ's Wholesale Club; 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 December of 2013, the School Modernization and Revitalization Taskforce Revisited (SMATR) Committee concluded an 18 month-long study of the needs of Manchester elementary schools encompassing the growing needs of its educational programs and an aging infrastructure of elementary school buildings. In May of 2014, the Manchester Board of Education finalized its analysis and formalized its recommendations (**the Manchester 2025 Plan**) to the Manchester Board of Directors.

**In July of 2014, the Manchester Board of Directors voted to put Phase I of the plan before the citizens of Manchester for funding authorization in November 2014.** This 10-year plan is summarized below and detailed on the timeline within.

This plan addresses the following goals and objectives:

- Provide equity relative to learning environments for all Manchester elementary students;
- Provide learning environments that meet State standards for lighting, acoustics, air quality and security;
- Maintain class sizes within the range of 17-22 students;
- Minimize relocation of students;
- Improve space utilization across district facilities;



- Create flexibility at each school to accommodate district-wide enrollment changes;
- Utilize space at recently upgraded Highland and Bennett facilities;
- Address building needs across the district;
- Maximize the use of CT State Department of Education school construction reimbursement grants;
- Maximize operational conditions and contain costs; and
- Comply with State laws on racial balance in schools.

**Phase I, which was approved by voters at the November referendum** begins with an adaptive reuse and renovation of the historically protected former Cheney School relocating all 5th Grade students to a newly created 5/6 Cheney-Bennet Academy. This will take advantage of the previous investment in Bennet and its excess space. Additionally in Phase I, Waddell and then Verplanck will be comprehensively renovated (like new) and expanded.

The district wide 5th grade move to Cheney will happen after an initial use of Cheney as “Swing space”, while Waddell is being comprehensively renovated (like new) and expanded. Robertson and Washington will be decommissioned as elementary schools following the completion of Phase I.

**Phase 2** is expected to go before the voters for approval in the fall of 2019. Four remaining elementary schools will be renovated sequentially, relocating students during renovations.

At the completion, the 2025 Plan will provide comparable and upgraded learning environments throughout the district that meet state standards for lighting, air quality, acoustics, and security, and allow for the increased use of instructional technologies.

### Long-Term Financial Planning and Policies

During FY14, the Town continued to provide emphasis on its policy of having undesignated general fund balance equal 5-7% of General Fund revenues. Undesignated fund balance increased to just over 8% of General Fund revenue this 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 continued the practice of using fund balance to support, among other items, funding for property tax appeals and agreements, payments for accrued leave to employees and various capital related items that could potentially require funding.

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

## Budgeting and Accounting

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

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

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

The budget is integrated into the accounting system and 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.

### 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:

	FY10	FY11	FY12	FY13	FY14
Revenue (ooo's)	\$152,871	\$155,947	\$163,160	\$164,960	\$173,056
Expenditures	154,320	155,771	164,021	163,992	169,630
Operating Results	(1,449)	176	(861)	968	3,426
Unassigned FB	10,059	10,053	10,636	11,823	13,887
Percent of Revenue	6.58	6.45	6.52	7.17	8.02

### 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 two year terms, FY2012-FY2013 and FY2014-FY2015. The firm of Blum Shapiro, Certified Public Accountants, was selected as the Town's independent auditors for that period and the subsequent renewals.

The Town's FY14 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 FY14 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, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

#### Acknowledgments

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

Susan Alaimo, Accountant  
Heather Boudreaux, Accountant

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

Laura LaBrecque, Payroll Coordinator  
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,

A handwritten signature in black ink, appearing to read 'G. Simmons', with a stylized flourish at the end.

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



Government Finance Officers Association

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

Presented to

**Town of Manchester  
Connecticut**

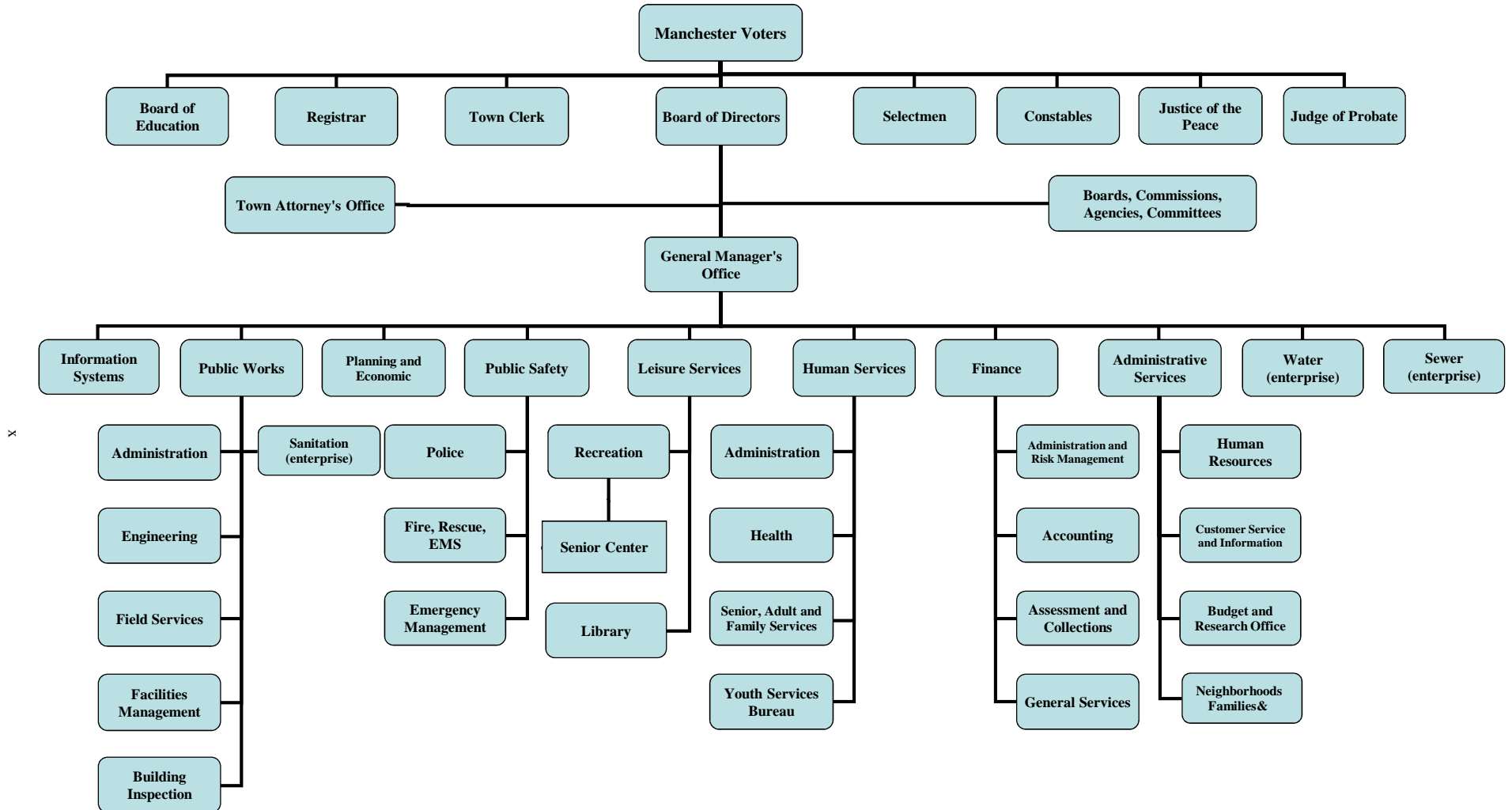
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# Town of Manchester, Connecticut Organization Chart



## **TOWN OF MANCHESTER, CONNECTICUT**

### **LISTING OF PRINCIPAL OFFICIALS**

#### **Board of Directors**

Jay Moran, Mayor  
Timothy Devanney  
Lisa P. O'Neill  
Steven Gates  
Susan M. Holmes

Rudy C. Kissmann  
Cheri A. Pelletier  
Margaret Hackett  
Mark D. Tweedie

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

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

Mark Pellegrini  
Chief Marc Montminy  
Chief Robert Bycholski  
Brian Wolverton

#### **Board of Education**

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

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

Superintendent of Schools

Matthew Geary



## **Financial Section**



Accounting | Tax | Business Consulting

## **Independent Auditors' Report**

To the Board of Directors  
Town of Manchester, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Manchester, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Manchester, Connecticut's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Manchester, Connecticut, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 49 and 50, the schedule of changes in net position and related ratios on page 51, the schedule of employer contributions on page 52 and the schedule of investment returns on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Manchester, Connecticut, as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 21, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2013 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the Town of Manchester, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Manchester, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 17, 2014

**TOWN OF MANCHESTER, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014. Please read this Management Discussion & Analysis (MD&A) in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

**FINANCIAL HIGHLIGHTS**

- The Town's net position increased by \$9.5 million as a result of this year's operations. Net position of the business-type activities increased by \$5.3 million, (or 11.08%). Net position of the governmental activities increased by \$4.2 million, (or 3.84%).
- During the year, the Town's governmental activities had expenses that were \$2.6 million less than the \$219 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues decreased to \$27 million (or 11.84%) while expenses decreased by \$.7 million (or 3.46%).
- Total cost of all of the Town's programs increased by \$7.7 million (or 3.35%) to \$237 million. Of the \$7.7 million increase, \$6.8 million is included in the Education category and is attributable to the increase in their budget (4.3 million) and the Alliance Grant.
- The General Fund reported a fund balance this year of \$19.3 million, an increase of \$4.7 million (or 32.07%).
- Expenditures were kept within spending limits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

***Government-Wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

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

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities, such as the Town's Information Systems Fund and risk management internal service funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$156.8 million to \$166.2 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

**TABLE 1**  
**NET POSITION**  
**(In Thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 75,264	\$ 62,164	\$ 40,845	\$ 37,815	\$ 116,109	\$ 99,979
Capital assets	186,795	182,031	82,628	75,160	269,423	257,191
Total assets	<u>262,059</u>	<u>244,195</u>	<u>123,473</u>	<u>112,975</u>	<u>385,532</u>	<u>357,170</u>
Deferred charge on refunding	481	568			481	568
Long-term debt outstanding	128,342	121,462	17,351	18,661	145,693	140,123
Other liabilities	11,378	9,730	52,898	46,397	64,276	56,127
Total liabilities	<u>139,720</u>	<u>131,192</u>	<u>70,249</u>	<u>65,058</u>	<u>209,969</u>	<u>196,250</u>
Advance property tax collections	9,788	4,711			9,788	4,711
Net Position:						
Invested in capital assets, net of debt	104,535	100,236	34,104	34,397	138,639	134,633
Restricted	2,673	2,310			2,673	2,310
Unrestricted	<u>5,824</u>	<u>6,314</u>	<u>19,120</u>	<u>13,520</u>	<u>24,944</u>	<u>19,834</u>
Total Net Position	<u>\$ 113,032</u>	<u>\$ 108,860</u>	<u>\$ 53,224</u>	<u>\$ 47,917</u>	<u>\$ 166,256</u>	<u>\$ 156,777</u>

Net position of the Town's governmental activities increased by 3.84%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$6.3 million at June 30, 2013 to \$5.8 million at the end of this year.

More specific elements of the change in unrestricted governmental net position resulted from revenue and expenditure items which ended the year overall in a favorable position. In the General Fund most of the revenue side of the budget had deficits caused primarily from the continued sluggish economy, however tax revenue was favorable due to the adoption of a delinquent collection policy. On the expenditure side, continued delays in filling vacancies in all functions played a large role in providing favorable results. In the Capital Projects Fund, \$15.8 million was expended for improvements; a majority of these improvements were for roads/sidewalks as well as Broad Street Redevelopment, bridge/culvert repairs and school infrastructure repairs. These capital expenses were partially funded through intergovernmental grants \$4.0 million and transfers in of \$2.5 million. The net position of business-type activities increased by 11.08% (\$47.9 million compared to \$53.2 million in 2014). This net position cannot be used for the governmental activities. The Town generally can only use this net position to finance the continuing operations of the Water, Sewer and Sanitation Funds. Sanitation experienced an increase in net position of \$3.9 million in the current year due primarily to increases in commercial tipping activity at the Towns operational landfill. Water and Sewer experienced a net increase in net position of 1.4 million. The governmental activities Internal Service net position increased \$3.1 million mainly due to continued positive experience in insurance claims costs.

**TABLE 2**  
**CHANGES IN NET POSITION**  
(InThousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 6,522	\$ 6,586	\$ 24,499	\$ 22,925	\$ 31,021	\$ 29,511
Operating grants and contributions	60,066	55,558		680	60,066	56,238
Capital grants and contributions	4,705	3,598	2,080	7,302	6,785	10,900
General revenues:						
Property taxes	141,608	134,465			141,608	134,465
Grants and contributions not restricted to specific purposes	4,130	4,064			4,130	4,064
Unrestricted investment earnings	1,443	985	492	(129)	1,935	856
Other general revenues	507	497	285	251	792	748
Total revenues	<u>218,981</u>	<u>205,753</u>	<u>27,356</u>	<u>31,029</u>	<u>246,337</u>	<u>236,782</u>
Program expenses:						
General government	7,321	6,171			7,321	6,171
Public safety	36,259	35,564			36,259	35,564
Public works	20,796	21,309			20,796	21,309
Human services	4,510	4,480			4,510	4,480
Leisure services	6,944	6,682			6,944	6,682
Education	137,355	130,554			137,355	130,554
Interest on long-term debt	3,254	3,277			3,254	3,277
Water			8,561	7,654	8,561	7,654
Sewer			6,829	6,074	6,829	6,074
Sanitation			5,029	7,422	5,029	7,422
Total program expenses	<u>216,439</u>	<u>208,037</u>	<u>20,419</u>	<u>21,150</u>	<u>236,858</u>	<u>229,187</u>
Excess (deficiency) before transfers	2,542	(2,284)	6,937	9,879	9,479	7,595
Transfers	<u>1,630</u>	<u>2,519</u>	<u>(1,630)</u>	<u>(2,519)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	\$ <u>4,172</u>	\$ <u>235</u>	\$ <u>5,307</u>	\$ <u>7,360</u>	\$ <u>9,479</u>	\$ <u>7,595</u>

The Town's total revenues (Governmental and Business-Type) were \$246.4 million. The total cost of all programs and services (Governmental and Business-Type) was \$236.9 million. The analysis below separately considers the operations of governmental and business-type activities.

### ***Governmental Activities***

The increase in Governmental Activities net position was \$4.2 million. The amount invested in capital assets, net of debt increased by \$4.3 million. Operating grants and contributions increased by \$4.5 million while capital grants and contributions increased by \$1.1 million. Property taxes increased \$7.1 million over the prior year.



**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Education	\$ 137,355	\$ 130,554	\$ 78,949	\$ 75,883
Public safety	36,259	35,564	33,181	33,082
Public works	20,796	21,309	14,783	16,474
Leisure services	6,944	6,682	6,006	5,945
General government	7,321	6,171	5,887	4,639
All others	7,764	7,757	6,340	6,272
Totals	<u>\$ 216,439</u>	<u>\$ 208,037</u>	<u>\$ 145,146</u>	<u>\$ 142,295</u>

### ***Business-Type Activities***

Revenues of the Town's business-type activities (see Table 2) decreased by 11.84% (\$31.0 million in 2013 compared to \$27.4 million in 2014) and expenses decreased by 3.46% (\$21.1 million in 2013 compared to \$20.4 million in 2014). The decrease in revenue was predominantly the result of the Water Pollution Control Facility Plant Upgrade Project funded with grants and loans from the State of Connecticut Clean Water Fund Program. The decrease in expenditures is due primarily to savings in the Sanitation division.

## **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 \$18.8 million, which is an increase of \$3.1 million from last year's total. Included in this year's total change in fund balance is an increase of \$4.7 million in the Town's General Fund. The primary reason for the General Fund's increase is the additional grants received from the State and the adoption of a delinquent tax collection policy.

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

- 1) Property tax collection above anticipated budget by \$657 thousand, due to the implementation of a new delinquent tax collection policy.
- 2) General operating expenses were kept under budget in all functional areas primarily due to vacancies in certain positions. Total expenses were under budget by \$2.0 million.

The Town's General Fund balance of \$19.3 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$16.8 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$2.4 million of outstanding encumbrances at year-end that are reported as expenditures for budgetary purposes.

Fire District fund balance decreased by \$415 thousand from \$2.0 million due to a planned (budgeted) utilization of fund balance.

### ***Proprietary Funds***

As the Town completed the year, its proprietary funds (as presented in the statement of net position - Exhibit V) reported combined net position of \$53.2 million, which is an increase of \$5.3 million from last year's total of \$47.9 million. Included in this year's total change in net position is an increase of \$3.9 million in the Sanitation Fund, due primarily to an increase in commercial tipping activity.

In the internal service funds, the self-insurance funds experienced a combined net increase of \$3.1 million. Net position in the employee health benefits fund increased by \$4.1 million due to claims finishing below estimates. The net position in the non-health insurance fund decreased by \$720 thousand. The Information Systems Fund's loss amounted to \$291 thousand.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At June 30, 2014, the Town had \$269.4 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$12.2 million, or 4.74%, over last year, primarily due to school building projects completed during the year and the construction of the Water Pollution Control Facility Plant Upgrade Project.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 15.0	\$ 14.1	\$ 1.2	\$ 1.2	\$ 16.2	\$ 15.3
Buildings and improvements	98.9	89.7	15.8	17.2	114.7	106.9
Equipment	8.1	7.6	14.6	16.6	22.7	24.2
Infrastructure	54.3	52.2			54.3	52.2
Construction in progress	10.5	18.4	51.0	40.2	61.5	58.6
Total	<u>\$ 186.8</u>	<u>\$ 182.0</u>	<u>\$ 82.6</u>	<u>\$ 75.2</u>	<u>\$ 269.4</u>	<u>\$ 257.2</u>

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

Hockanum Water Pollution Facility	\$ 9.8
Public Infrastructure - \$5.5 (roads and sidewalks)	5.4
Village Street Sanitary Sewer & Water Main	1.7

The Town's fiscal-year 2014-15 capital budget plans for the continued construction on a major water pollution control facility upgrade, as well as continuation of the public infrastructure program improvements, renovation of various schools (\$4 million) and continuation of Broad Street Redevelopment (\$11 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, 2014 the Town had \$79.1 million in bonds outstanding from governmental activities versus \$79.4 million last year – a decrease of .38% - as shown in Table 5. The increase of 9.7 million in Business-Type activities is due to the issuance of clean water fund notes to fund the construction of the plant.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General obligation bonds (Backed by the Town)	\$ 79.1	\$ 79.4	\$ 32.6	\$ 22.9	\$ 111.7	\$ 102.3

The Town's general obligation bond rating continues to be Aa1 (Moody's) and AAA (Fitch), a rating that has been assigned by national rating agencies. The State limits the amount of general obligation debt that towns can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$968.4 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 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the fiscal year budget 2014-2015, General Fund appropriations total \$174.6 million. This is an increase of \$8.9 million or 5.38% over 2013-2014. The increase in General Fund appropriations is being funded by a combination of an increase in the property tax levy as well as additional anticipated state and federal grants.

For the business-type activities, the Town has set related fees to offset the cost of operations. For the Water fund, as part of an adopted long-term rate setting plan, the Town 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 37.44 and business-type fees for the 2014-2015 fiscal year. The 37.44 mill rate represents an increase of 1.61 mills (4.5%) from the previous year. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery.

The Town also sees continued difficulty in matching annual Grand List increases with salary increases that are directly or indirectly affected by binding arbitration. Along with this salary structural difficulty is the inability to fund continued double digit or high single digit annual increases in employee health benefits. Also, 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 \$36 million of grants in and from the State or approximately 20.5% 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 FY14. Over the previous years, the Town had strengthened its position by continuing to add to General Fund balance each year. The resulting relatively strong fund balance position is assisting the Town in addressing issues created by the current unfavorable economic climate. The current statewide and national economic down-turns have resulted in lower investment returns, as well as decreases in state and federal funding. In particular, the State of Connecticut's 2014/15 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 POSITION

JUNE 30, 2014

(In Thousands)

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 32,866	\$ 17,583	\$ 50,449
Investments	22,137	17,069	39,206
Receivables, net	19,987	5,238	25,225
Due from special services district	17		17
Due from fiduciary funds	153		153
Inventories	76	952	1,028
Prepaid asset	28	3	31
Deferred charges			
Capital assets:			
Assets not being depreciated	25,427	52,146	77,573
Assets being depreciated, net	161,368	30,482	191,850
Total assets	<u>262,059</u>	<u>123,473</u>	<u>385,532</u>
Deferred Outflow of Resources:			
Deferred charge on refunding	<u>481</u>		<u>481</u>
Liabilities:			
Accounts and other payables	7,588	3,255	10,843
Accrued liabilities	1,560	285	1,845
Bond anticipation notes	1,495	15,886	17,381
Clean water fund loans		32,638	32,638
Unearned revenue	735	834	1,569
Noncurrent liabilities:			
Due within one year	15,909	448	16,357
Due in more than one year	112,433	16,903	129,336
Total liabilities	<u>139,720</u>	<u>70,249</u>	<u>209,969</u>
Deferred Inflows of Resources:			
Advance property tax collections	<u>9,788</u>		<u>9,788</u>
Net Position:			
Net investment in capital assets	104,535	34,104	138,639
Restricted for:			
Trust purposes:			
Expendable	1,923		1,923
Nonexpendable	750		750
Unrestricted	<u>5,824</u>	<u>19,120</u>	<u>24,944</u>
Total Net Position	<u>\$ 113,032</u>	<u>\$ 53,224</u>	<u>\$ 166,256</u>

(Continued on next page)

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

					Net (Expense) Revenue And Changes In Net Position		
Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 7,321	\$ 971	\$ 355	\$ 108	\$ (5,887)	\$	\$ (5,887)
Public safety	36,259	1,373	1,702	3	(33,181)		(33,181)
Public works	20,796	984	654	4,375	(14,783)		(14,783)
Leisure services	6,944	671	63	204	(6,006)		(6,006)
Human services	4,510	132	1,289		(3,089)		(3,089)
Education	137,355	2,391	56,000	15	(78,949)		(78,949)
Interest on long-term debt	3,254		3		(3,251)		(3,251)
Total governmental activities	216,439	6,522	60,066	4,705	(145,146)	-	(145,146)
Business-type activities:							
Water	8,561	8,291		67		(203)	(203)
Sewer	6,829	7,775		2,013		2,959	2,959
Sanitation	5,029	8,433				3,404	3,404
Total business-type activities	20,419	24,499	-	2,080	-	6,160	6,160
Total primary governmental activities	\$ 236,858	\$ 31,021	\$ 60,066	\$ 6,785	(145,146)	6,160	(138,986)
General revenues:							
Property taxes					141,608		141,608
Grants and contributions not restricted to specific programs					4,130		4,130
Unrestricted investment earnings					1,443	492	1,935
Miscellaneous					507	285	792
Transfers					1,630	(1,630)	-
Total general revenues and transfers					149,318	(853)	148,465
Change in net position					4,172	5,307	9,479
Net Position at Beginning of Year					108,860	47,917	156,777
Net Position at End of Year					\$ 113,032	\$ 53,224	\$ 166,256

(Continued on next page)

**TOWN OF MANCHESTER, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2014**  
**(In Thousands)**

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,771	\$ 1,171	\$	\$ 5,048	\$ 15,990
Investments	2,730	1	291	5,770	8,792
Receivables, net	5,946	479	11,147	1,280	18,852
Due from special services district	17				17
Inventories				76	76
Interfund receivables	19,656				19,656
Other assets	23			1	24
	<u>38,143</u>	<u>1,651</u>	<u>11,438</u>	<u>12,175</u>	<u>63,407</u>
Total Assets	\$ 38,143	\$ 1,651	\$ 11,438	\$ 12,175	\$ 63,407
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 2,229	\$ 62	\$ 3,217	\$ 777	\$ 6,285
Accrued liabilities	1,446	35		47	1,528
Intergovernmental payables	31				31
Interfund payables			19,503		19,503
Unearned revenue	35		11	661	707
Bond anticipation notes payable			1,495		1,495
Total liabilities	<u>3,741</u>	<u>97</u>	<u>24,226</u>	<u>1,485</u>	<u>29,549</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	5,268				5,268
Unavailable revenue - loans receivable				27	27
Advance property tax collections	9,788				9,788
Total deferred inflows of resources	<u>15,056</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>15,083</u>
Fund Balances:					
Nonspendable	23			826	849
Restricted	1,009			8,308	9,317
Committed	17	1,554		1,529	3,100
Assigned	4,410				4,410
Unassigned	13,887		(12,788)		1,099
Total fund balances	<u>19,346</u>	<u>1,554</u>	<u>(12,788)</u>	<u>10,663</u>	<u>18,775</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 38,143	\$ 1,651	\$ 11,438	\$ 12,175	\$ 63,407

(Continued on next page)



## TOWN OF MANCHESTER, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

(In Thousands)

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

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

Fund balances - total governmental funds	\$ 18,775
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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	\$ 317,391	
Less accumulated depreciation	<u>(131,310)</u>	
Net capital assets		186,081

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	4,001
Interest receivable on property taxes	1,267

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

21,411

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	(23,861)
Bonds and notes payable	(79,135)
Bond premiums	(2,111)
Interest payable on bonds and notes	(930)
Compensated absences	(12,947)
Deferred charge on refunding	<u>481</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u><u>113,032</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, 2014  
(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	\$ 130,519	\$ 11,534	\$	\$	\$ 142,053
Intergovernmental	48,744	115	4,034	14,995	67,888
Investment earnings	44	3	1	191	239
Investment gains				630	630
Licenses, permits and fines	1,801				1,801
Charges for goods and services	1,617	424		2,434	4,475
Other	549	16	131	635	1,331
Total revenues	<u>183,274</u>	<u>12,092</u>	<u>4,166</u>	<u>18,885</u>	<u>218,417</u>
Expenditures:					
Current:					
General government	5,326			103	5,429
Public works	13,475			90	13,565
Public safety	18,056	13,131		1,339	32,526
Human services	2,711			1,434	4,145
Leisure services	5,409			430	5,839
Employee benefits	2,949				2,949
Education	116,985			13,719	130,704
Internal service fund charges	2,554				2,554
Other	196	486	1	25	708
Debt service	9,682	164	75		9,921
Capital outlay	<u>97</u>	<u>97</u>	<u>15,768</u>	<u>27</u>	<u>15,892</u>
Total expenditures	<u>177,343</u>	<u>13,878</u>	<u>15,844</u>	<u>17,167</u>	<u>224,232</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,931</u>	<u>(1,786)</u>	<u>(11,678)</u>	<u>1,718</u>	<u>(5,815)</u>
Other Financing Sources (Uses):					
Transfers in	1,680	1,842	2,506	163	6,191
Transfers out	(3,460)	(471)		(630)	(4,561)
Issuance of debt			6,500		6,500
Bond premium	547		233		780
Total other financing sources (uses)	<u>(1,233)</u>	<u>1,371</u>	<u>9,239</u>	<u>(467)</u>	<u>8,910</u>
Net Change in Fund Balances	4,698	(415)	(2,439)	1,251	3,095
Fund Balances at Beginning of Year	<u>14,648</u>	<u>1,969</u>	<u>(10,349)</u>	<u>9,412</u>	<u>15,680</u>
Fund Balances at End of Year	<u>\$ 19,346</u>	<u>\$ 1,554</u>	<u>\$ (12,788)</u>	<u>\$ 10,663</u>	<u>\$ 18,775</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, 2014  
(In Thousands)Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 3,095
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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	14,917
Depreciation expense	(9,222)

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 position differs from the change in fund balance by the cost of the assets sold.	(1,231)
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Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

	539
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

School building grant receipts	(105)
Property tax receivable - accrual basis change	(230)
Property tax interest and lien revenue - accrual basis change	(215)

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

Bond principal payments	6,740
Issuance of bonds and notes	(6,500)
Bond premium	(780)

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	93
Accrued interest	(43)
Amortization of deferred charge on refunding	(87)
Amortization of issuance costs	(97)
Amortization of bond premiums	162
Net OPEB expense	(6,001)

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.

	3,137
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Change in Net Position of Governmental Activities (Exhibit II)

	\$ 4,172
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The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

**JUNE 30, 2014**  
**(In Thousands)**

	Business-Type Activities					Total Business-Type Activities	Governmental Activities Internal Service Fund
	Water	Sewer	Operations	Landfill Closure	Total		
Assets:							
Current assets:							
Cash and cash equivalents	\$ 1,578	\$ 3,110	\$ 12,895	\$	\$ 12,895	\$ 17,583	\$ 16,877
Investments	39	1		17,029	17,029	17,069	13,345
Receivables, net	2,003	2,536	606		606	5,145	1,131
Assessment receivable		93			-	93	
Inventories	697	255			-	952	
Prepaid expenses			3		3	3	4
Total current assets	4,317	5,995	13,504	17,029	30,533	40,845	31,357
Noncurrent assets:							
Capital assets, net	23,883	57,404	1,341		1,341	82,628	714
Total assets	28,200	63,399	14,845	17,029	31,874	123,473	32,071
Liabilities:							
Current liabilities:							
Accounts and other payables	376	2,348	531		531	3,255	372
Accrued liabilities	226	53	6		6	285	
Claims payable					-	-	4,828
Unearned revenue		93	5		5	98	
Customer deposits		280	456		456	736	
Bond anticipation notes	13,781	2,105			-	15,886	
Clean water fund notes	81	32,557			-	32,638	
Compensated absences	214	185	49		49	448	106
Total current liabilities	14,678	37,621	1,047	-	1,047	53,346	5,306
Noncurrent liabilities:							
Accrued liabilities				15,974	15,974	15,974	
Compensated absences	434	377	118		118	929	224
Claims payable					-	-	5,130
Total noncurrent liabilities	434	377	118	15,974	16,092	16,903	5,354
Total liabilities	15,112	37,998	1,165	15,974	17,139	70,249	10,660
Net Position:							
Net investment in capital assets	10,021	22,742	1,341		1,341	34,104	714
Unrestricted	3,067	2,659	12,339	1,055	13,394	19,120	20,697
Total Net Position	\$ 13,088	\$ 25,401	\$ 13,680	\$ 1,055	\$ 14,735	\$ 53,224	\$ 21,411

The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	Business-Type Activities						Governmental
			Sanitation Fund			Total	Activities
	Water	Sewer	Operations	Landfill Closure	Total	Business-Type Activities	Internal Service Fund
Operating Revenues:							
Charges for services	\$ 8,291	\$ 7,775	\$ 8,433	\$	\$ 8,433	\$ 24,499	\$ 31,963
Other	20	195	108		108	323	164
Total operating revenues	8,311	7,970	8,541	-	8,541	24,822	32,127
Operating Expenses:							
Administrative	624	759	541		541	1,924	
General operating	5,407	4,064	5,622		5,622	15,093	3,152
Claims expense					-	-	26,173
Depreciation	2,314	711	107		107	3,132	239
Total operating expenses	8,345	5,534	6,270	-	6,270	20,149	29,564
Operating Income (Loss)	(34)	2,436	2,271	-	2,271	4,673	2,563
Nonoperating Revenue (Expense):							
Loss on disposal of capital assets	(10)	(883)	(19)		(19)	(912)	
Income on investments	2	2	10	478	488	492	574
Interest expense	(206)	(412)			-	(618)	
Change in estimate for closure/ post closure costs				1,260	1,260	1,260	
Debt issuance costs	(18)	(20)			-	(38)	
Total nonoperating revenues (expenses)	(232)	(1,313)	(9)	1,738	1,729	184	574
Income (Loss) Before Capital Contributions and Transfers	(266)	1,123	2,262	1,738	4,000	4,857	3,137
Capital Contributions	67	2,013			-	2,080	
Transfers In	40				-	40	
Transfers Out	(853)	(716)	(101)		(101)	(1,670)	
Change in Net Position	(1,012)	2,420	2,161	1,738	3,899	5,307	3,137
Net Position at Beginning of Year	14,100	22,981	11,519	(683)	10,836	47,917	18,274
Net Position at End of Year	\$ 13,088	\$ 25,401	\$ 13,680	\$ 1,055	\$ 14,735	\$ 53,224	\$ 21,411

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, 2014**  
**(In Thousands)**

	Business-Type Activities						Governmental
				Sanitation Fund		Total	Activities
	Water	Sewer	Operations	Landfill Closure	Total	Business-Type Activities	Internal Service Fund
Cash Flows from Operating Activities:							
Cash received from customers and users	\$ 8,384	\$ 7,803	\$ 8,320	\$	\$ 8,320	\$ 24,507	\$ 32,013
Cash received from insurance proceeds							164
Other operating receipts	20	195	108		108	323	
Cash deposits returned to customers			(41)		(41)	(41)	
Cash paid to suppliers for goods and services	(4,096)	(3,950)	(4,874)		(4,874)	(12,920)	(1,888)
Cash paid for interfund services provided	(220)	(175)	(334)		(334)	(729)	
Cash paid to employees	(1,789)	(1,699)	(946)		(946)	(4,434)	(1,055)
Cash paid for insurance claims and premiums					-	-	(25,600)
Net cash provided by operating activities	<u>2,299</u>	<u>2,174</u>	<u>2,233</u>	<u>-</u>	<u>2,233</u>	<u>6,706</u>	<u>3,634</u>
Cash Flows from Noncapital Financing Activities:							
Transfers in	40				-	40	
Transfers out	(853)	(716)	(101)		(101)	(1,670)	
Net cash used in noncapital financing activities	<u>(813)</u>	<u>(716)</u>	<u>(101)</u>	<u>-</u>	<u>(101)</u>	<u>(1,630)</u>	
Cash Flows from Capital and Related Financing Activities:							
Principal payment - bond anticipation notes	(15,618)	(2,275)			-	(17,893)	
Interest paid	(206)	(412)			-	(618)	
Debt issuance costs, net	(18)	(20)			-	(38)	
Purchase of capital assets and construction	(646)	(10,865)			-	(11,511)	
Proceeds from bond anticipation notes	13,781	2,105			-	15,886	
Proceeds from clean water fund notes	81	9,687			-	9,768	
Capital grants and contributions	67	2,679			-	2,746	
Net cash provided by (used in) capital and related financing activities	<u>(2,559)</u>	<u>899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,660)</u>	
Cash Flows from Investing Activities:							
Interest received	2	2	10	478	488	492	574
Proceeds from sale of investments					-	-	25
Purchase of investments				(478)	(478)	(478)	(6,011)
Net cash provided by (used in) investing activities	<u>2</u>	<u>2</u>	<u>10</u>	<u>-</u>	<u>10</u>	<u>14</u>	<u>(5,412)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,071)	2,359	2,142		2,142	3,430	(1,778)
Cash and Cash Equivalents at Beginning of Year	<u>2,649</u>	<u>751</u>	<u>10,753</u>		<u>10,753</u>	<u>14,153</u>	<u>18,655</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,578</u>	<u>\$ 3,110</u>	<u>\$ 12,895</u>	<u>\$ -</u>	<u>\$ 12,895</u>	<u>\$ 17,583</u>	<u>\$ 16,877</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Operating income (loss)	\$ (34)	\$ 2,436	\$ 2,271	\$	\$ 2,271	\$ 4,673	\$ 2,563
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	2,314	711	107		107	3,132	239
Change in asset and liabilities:							
(Increase) decrease in accounts receivable	170	117	(113)		(113)	174	58
(Increase) in allowance for doubtful accounts	(77)	(89)			-	(166)	
(Increase) decrease in inventory and prepaid items	172		(1)		(1)	171	
Increase (decrease) in accounts payable	(272)	(1,012)	44		44	(1,240)	180
Increase (decrease) in accrued expenses	15	5				20	
Decrease in customer deposits			(41)		(41)	(41)	
Increase (decrease) in compensated absences payable	11	6	(34)		(34)	(17)	30
Increase in claims payable					-	-	564
Net Cash Provided by Operating Activities	<u>\$ 2,299</u>	<u>\$ 2,174</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 2,233</u>	<u>\$ 6,706</u>	<u>\$ 3,634</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MANCHESTER, CONNECTICUT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**JUNE 30, 2014**  
**(In Thousands)**

	<b>Pension Trust Fund</b>	<b>Retiree Health Care Trust Fund</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Assets:			
Cash and cash equivalents	\$ 64	\$	\$ 731
Investments:			
Common stock	5,355		
Taxable liquid funds	206		
Money market funds	184		
Partnerships	545		
Property funds	9,756		
Mutual funds	141,822	409	
Accounts receivable	123		
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>158,055</u>	<u>409</u>	<u>\$ 731</u>
Liabilities:			
Accounts and other payables	22		
Interfund payable		153	
Deposits held for others			\$ 731
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>22</u>	<u>153</u>	<u>\$ 731</u>
Net Position:			
Held in Trust for OPEB Benefits		256	
Held in Trust for Pension Benefits	158,033		
	<u>          </u>	<u>          </u>	
Total Net Position	<u>\$ 158,033</u>	<u>\$ 256</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	<b>Pension Trust Fund</b>	<b>Retiree Health Care Trust Fund</b>
Additions:		
Contributions:		
Employer	\$ 5,124	\$ 11,053
Plan members	2,330	
Total contributions	<u>7,454</u>	<u>11,053</u>
Investment income:		
Net appreciation in fair value of investments	18,392	
Interest and dividends	1,673	
Income from real estate investments	428	
Total investment income	<u>20,493</u>	<u></u>
Total additions	<u>27,947</u>	<u>11,053</u>
Deductions:		
Benefits	11,649	11,428
Administration	389	107
Total deductions	<u>12,038</u>	<u>11,535</u>
Net Increase (Decrease) in Net Position	15,909	(482)
Net Position at Beginning of Year	<u>142,124</u>	<u>738</u>
Net Position at End of Year	<u>\$ 158,033</u>	<u>\$ 256</u>

The accompanying notes are an integral part of the financial statements



# **TOWN OF MANCHESTER, CONNECTICUT**

## **NOTES TO FINANCIAL STATEMENTS**

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(amounts expressed in thousands)

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

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

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

#### **B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

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 Retiree Health Care Trust Fund accounts for the activities of the Other Postemployment Benefits (OPEB) Trust, as required by GASB Statement 45, to irrevocably segregate assets to fund the liability associated with postemployment benefits.

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

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

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

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

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

#### **D. Deposits and Investments**

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

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

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 \$881 has been established as an allowance for uncollectible taxes. At June 30, 2014, this represents 16.20% 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. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

## **I. Compensated Absences**

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

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

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

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

## **J. Long-Term Obligations**

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

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.

## **K. Fund Equity**

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

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

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

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

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

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

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

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

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

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 \$1,034 were approved during the year for the General Fund with an increase in estimated revenues of \$1,034. 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 Capital Projects Fund, a major governmental fund had a fund deficit of \$12,788 at June 30, 2014. The 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*, \$11,109 of the Town's bank balance of \$21,761 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	9,923
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name		<u>1,186</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>11,109</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, 2014, the Town's cash equivalents amounted to \$33,577. 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 &amp; 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, 2014 in all funds are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-10</u>	<u>Greater Than 10</u>
Interest-bearing investments:					
U.S. treasury notes	N/A	\$ 6,823	\$	\$ 6,823	\$
Government bonds	AAA	342		342	
Government bonds	AA+	224		224	
Government bonds	AA	4,662		4,662	
Government bonds	AA-	112		112	
Government bonds	N/A	1,408		1,306	102
Fixed income	N/A	3,110	27	2,633	450
Certificates of deposit	N/A	3,627	<u>2,710</u>	<u>917</u>	
Subtotal			<u>\$ 2,737</u>	<u>\$ 17,019</u>	<u>\$ 552</u>
Other investments:					
Common stock	N/A	7,373			
Taxable liquid funds	N/A	817			
Cutwater - Cooperative Liquid Asset Securities System (CLASS)	AAA	7,891			
UBS property funds	N/A	9,756			
Wells Fargo Advantage Heritage Money Market	N/A	184			
Partnerships	N/A	545			
Mutual funds	N/A	<u>150,609</u>			
Total		<u>\$ 197,483</u>			

N/A - Not Applicable

*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, 2014, the Town's investments, other than open-end mutual funds and other pooled accounts that are not categorized as to custodial credit risk, were uninsured and unregistered securities held by the counterparty, or by its trust department or agent, and were not in the Town's name.

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

#### 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	\$ 5,437	\$	\$	\$	\$	\$	\$	\$ 5,437
Interest	1,267							1,267
Accounts	105	530		2,270	2,446	681	1,301	7,333
Intergovernmental	18		11,147		377		1,064	12,606
Special assessments					93			93
Loans							46	46
Pension contribution							123	123
Gross receivables	<u>6,827</u>	<u>530</u>	<u>11,147</u>	<u>2,270</u>	<u>2,916</u>	<u>681</u>	<u>2,534</u>	<u>26,905</u>
Less allowance for uncollectibles	<u>(881)</u>	<u>(51)</u>		<u>(267)</u>	<u>(287)</u>	<u>(75)</u>		<u>(1,561)</u>
Net Total Receivables	<u>\$ 5,946</u>	<u>\$ 479</u>	<u>\$ 11,147</u>	<u>\$ 2,003</u>	<u>\$ 2,629</u>	<u>\$ 606</u>	<u>\$ 2,534</u>	<u>\$ 25,344</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	\$ 267
Sewer	287
Sanitation	<u>75</u>
Total Uncollectibles of the Current Fiscal Year	<u>\$ 629</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,072	\$ 898	\$	\$ 14,970
Construction in progress	18,376	7,022	(14,941)	10,457
Total capital assets not being depreciated	<u>32,448</u>	<u>7,920</u>	<u>(14,941)</u>	<u>25,427</u>
Capital assets being depreciated:				
Buildings and improvements	149,280	14,697	(31)	163,946
Improvements other than buildings	6,439		(194)	6,245
Machinery and equipment	25,878	2,255	(722)	27,411
Infrastructure	95,765	5,525	(3,221)	98,069
Total capital assets being depreciated	<u>277,362</u>	<u>22,477</u>	<u>(4,168)</u>	<u>295,671</u>
Less accumulated depreciation for:				
Buildings and improvements	(62,902)	(5,134)	25	(68,011)
Improvements other than buildings	(3,126)	(204)	104	(3,226)
Machinery and equipment	(18,216)	(1,726)	688	(19,254)
Infrastructure	(43,535)	(2,397)	2,120	(43,812)
Total accumulated depreciation	<u>(127,779)</u>	<u>(9,461)</u>	<u>2,937</u>	<u>(134,303)</u>
Total capital assets being depreciated, net	<u>149,583</u>	<u>13,016</u>	<u>(1,231)</u>	<u>161,368</u>
Governmental Activities Capital Assets, Net	<u>\$ 182,031</u>	<u>\$ 20,936</u>	<u>\$ (16,172)</u>	<u>\$ 186,795</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,171	\$	\$	\$ 1,171
Construction in progress	40,214	10,761		50,975
Total capital assets not being depreciated	<u>41,385</u>	<u>10,761</u>	<u>-</u>	<u>52,146</u>
Capital assets being depreciated:				
Buildings and improvements	43,831		(5,239)	38,592
Improvements other than buildings	7,740	630	(3,787)	4,583
Machinery and equipment	59,459	120	(5,946)	53,633
Total capital assets being depreciated	<u>111,030</u>	<u>750</u>	<u>(14,972)</u>	<u>96,808</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,101)	(1,257)	4,969	(24,389)
Improvements other than buildings	(6,205)	(163)	3,420	(2,948)
Machinery and equipment	(42,949)	(1,712)	5,672	(38,989)
Total accumulated depreciation	<u>(77,255)</u>	<u>(3,132)</u>	<u>14,061</u>	<u>(66,326)</u>
Total capital assets being depreciated, net	<u>33,775</u>	<u>(2,382)</u>	<u>(911)</u>	<u>30,482</u>
Business-Type Activities Capital Assets, Net	<u>\$ 75,160</u>	<u>\$ 8,379</u>	<u>\$ (911)</u>	<u>\$ 82,628</u>

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

Governmental activities:	
General government	\$ 449
Public works	3,072
Public safety	734
Human services	101
Recreation	163
Library	25
Education	<u>4,917</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 9,461</u>
Business-type activities:	
Water	\$ 2,314
Sewer	711
Sanitation	<u>107</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 3,132</u>

### Construction Commitments

The Town has active construction projects as of June 30, 2014. The projects include renovations to School Facilities, and various public works and bond referendum projects.

The following is a summary of significant capital projects at June 30, 2014:

<u>Project</u>	<u>Authorized Amount</u>	<u>Expended and Encumbered</u>	<u>Unencumbered Balance</u>
School Repairs/Renovations 2001/02	\$ 7,619	\$ 7,356	\$ 263
2003 Public Works Projects	5,427	5,336	91
Head Start Facility	7,502	7,220	282
Real Property Acquisition	3,267	3,174	93
Bennet, Illing, Bowers, Waddell School Projects	45,366	43,385	1,981
2005 Public Works Projects	5,455	5,345	110
2007 School Building and Grounds	2,548	2,376	172
Highland Park School Renovations	13,100	13,052	48
2007 Public Works Projects	6,099	5,918	181
2009 Bond Referendum Projects	8,000	7,999	1
Broad Street Redevelopment	11,000	8,950	2,050
2011 Public Works Projects	12,000	8,675	3,325
2012 School Bond	4,900	2,303	2,597
2013 Bond Referendum	<u>10,000</u>	<u>1,336</u>	<u>8,664</u>
Total	<u>\$ 142,283</u>	<u>\$ 122,425</u>	<u>\$ 19,858</u>

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 2007 Public Works Projects, 2011 Public Works Projects and 2012 School Bond. 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. The 2013 Bond Referendum is being financed by general obligation bonds and grants.

## 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 19,503
General Fund	Retiree Health Care Trust Fund	153
		<u>\$ 19,656</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	\$	\$ 1,842	\$ 1,455	\$ 163	\$	\$ 3,460
Fire District	225		246			471
Nonmajor Governmental	120		510			630
Water	696		157			853
Sewer	538		138		40	716
Sanitation	101					101
Total Transfers In	<u>\$ 1,680</u>	<u>\$ 1,842</u>	<u>\$ 2,506</u>	<u>\$ 163</u>	<u>\$ 40</u>	<u>\$ 6,231</u>

The above transfers represent normal budgetary and other recurring transfers.

## 7. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 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	\$ 79,375	\$ 6,500	\$ (6,740)	\$ 79,135	\$ 6,860
Less deferred amounts					
For issuance premiums	1,493	780	(162)	2,111	
Total bonds payable	<u>80,868</u>	<u>7,280</u>	<u>(6,902)</u>	<u>81,246</u>	<u>6,860</u>
Other liabilities:					
Claims and judgments	9,394	30,015	(29,451)	9,958	4,828
Compensated absences	13,340	150	(213)	13,277	4,221
Net OPEB obligation	<u>17,860</u>	<u>6,001</u>		<u>23,861</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 121,462</u>	<u>\$ 43,446</u>	<u>\$ (36,566)</u>	<u>\$ 128,342</u>	<u>\$ 15,909</u>
Business-type activities:					
Landfill	\$ 17,267	\$	\$ (1,293)	\$ 15,974	\$
Compensated absences	<u>1,394</u>	<u>23</u>	<u>(40)</u>	<u>1,377</u>	<u>448</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 18,661</u>	<u>\$ 23</u>	<u>\$ (1,333)</u>	<u>\$ 17,351</u>	<u>\$ 448</u>

### Bonds Payable

The annual requirements to amortize bonds payable as of June 30, 2014 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,860	\$ 3,008
2016	6,615	2,764
2017	6,575	2,514
2018	6,010	2,269
2019	5,505	2,034
2020-2024	26,425	6,827
2025-2029	18,315	2,048
2030-2033	<u>2,830</u>	<u>172</u>
Total	<u>\$ 79,135</u>	<u>\$ 21,636</u>

Governmental fund bonds bear interest at rates ranging from 2.0% to 5.5% and mature in fiscal years ending 2015 through 2033. These obligations are direct obligations and pledge the full faith and credit of the government and will be paid from General Fund revenues. During the year, general obligation bonds totaling \$6,500 were issued.

The following is a schedule of bond anticipation note activity for the year ended June 30, 2014:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
		<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Balance, July 1, 2013	\$ 1,495	\$ 15,618	\$ 2,275	\$ 17,893
Issued	1,495	13,781	2,105	15,886
Retired	(1,495)	(15,618)	(2,275)	(17,893)
Balance, June 30, 2014	<u>\$ 1,495</u>	<u>\$ 13,781</u>	<u>\$ 2,105</u>	<u>\$ 15,886</u>

The above notes with interest rates of 1-1.50% matured on July 3, 2014. The governmental activities short-term financing was issued for the initial funding for design and property acquisition. The business-type activities short-term financing was issued for various water system and quality improvements.

#### Clean Water Fund Loans

The following is a schedule of clean water fund loan activity for the year ended June 30, 2014:

	<b>Business-Type Activities</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Balance, July 1, 2013	\$	\$ 22,870	\$ 22,870
Issued	81	9,687	9,768
Retired			-
Balance, June 30, 2014	<u>\$ 81</u>	<u>\$ 32,557</u>	<u>\$ 32,638</u>

The Town has entered into a Project Loan and Project Grant Agreement with the State of Connecticut Department of Energy and Environmental Protection under the Clean Water Fund Program. As of June 30, 2014, the Town has obtained interim funding obligations of \$32,638, as described in the table above under the Clean Water Fund Program. Subsequent to the completion of the project, the IFO will be converted to a Project Loan Obligation at 2% interest in an amount not less than the project loans advances paid through the project.

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

<b>Category</b>	<b>Debt Limit</b>	<b>Indebtedness</b>	<b>Balance</b>
General purpose	\$ 311,274	\$ 62,716	\$ 248,558
Schools	622,548	47,410	575,138
Sewers	518,790	6,310	512,480
Urban renewal	449,618		449,618
Pension deficit	415,032		415,032

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$968,408. At June 30, 2014, authorized and unissued debt amounted to \$33,701, including several public works projects, school renovations, and the Broad Street redevelopment.

## 8. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	<b>Major Special Revenue Funds</b>			<b>Nonmajor Governmental Funds</b>	<b>Total</b>
	<b><u>General</u></b>	<b><u>Fire District</u></b>	<b><u>Capital Projects</u></b>		
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 76	\$ 76
Prepaid expenditures	23				23
Permanent funds				750	750
Restricted for:					
Unspent grant balances	1,009			2,895	3,904
Recreation activities				23	23
Libraries				4,338	4,338
Cemeteries				913	913
Education programs				139	139
Committed to:					
Fire district operations		1,554			1,554
Public safety	17				17
Police special services				395	395
Recreation activities				168	168
School food service				898	898
Use of schools				16	16
Emergency employment				35	35
Police department health and welfare				17	17
Assigned to:					
Purchases on order	2,541				2,541
Plan of conservation and development	75				75
Education	369				369
Underground storage tank	150				150
Fire house purchase	700				700
Police leave payout	500				500
Accrued leave payout	75				75
Unassigned	13,887		(12,788)		1,099
Total Fund Balances	\$ 19,346	\$ 1,554	\$ (12,788)	\$ 10,663	\$ 18,775

Significant encumbrances of \$2,541, \$17 and \$11 at June 30, 2014 are contained in the above table in the assigned category of the General Fund, the committed category of the Fire District Fund, and the restricted and committed categories of the Nonmajor Governmental Funds, respectively.



## 9. 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, 2014 and 2013, for the TOMMIF and MSIP funds are as follows:

	<u>2013</u> <u>TOMMIF</u>	<u>2014</u> <u>TOMMIF</u>	<u>2013</u> <u>MSIP</u>	<u>2014</u> <u>MSIP</u>
Unpaid claims, July 1	\$ 2,589	\$ 1,717	\$ 7,845	\$ 7,677
Incurred claims (including IBNR)	27,519	27,770	1,147	2,245
Claim payments	<u>(28,391)</u>	<u>(27,966)</u>	<u>(1,315)</u>	<u>(1,485)</u>
Unpaid Claims, June 30	<u>\$ 1,717</u>	<u>\$ 1,521</u>	<u>\$ 7,677</u>	<u>\$ 8,437</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.

## 10. 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 2014 was \$20, and the total amount outstanding at June 30, 2014 June 30, 2014 was \$50.

### **11. 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 \$15 to CREOC during the year ended June 30, 2014June 30, 2014June 30, 2014June 30, 2014June 30, 2014June 30, 2014June 30, 2014June 30, 2014June 30, 2014.

### **12. 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, 2014, the Town had recorded a liability of \$15,974 in the Sanitation Enterprise Fund that represents the amount of costs reported to date based on the 76 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$3,341 that will be recognized as the remaining capacity is used (estimated to be 19 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.

### **13. 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, 2012, plan membership consisted of the following:

	<b>Post- Retirement Medical Program</b>
Retired members	960
Spouses of retired members	514
Deferred members	1
Active plan members	1,358
Total Participants	2,833

## **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:

	<u><b>Post-Retirement Medical Program</b></u>
Annual required contribution (ARC)	\$ 16,825
Interest on net OPEB obligation	1,340
Adjustment to annual required contribution	<u>(1,111)</u>
Annual OPEB cost	17,054
Contributions made	<u>11,053</u>
Increase in net OPEB obligation	6,001
Net OPEB obligation, beginning of year	<u>17,860</u>
Net OPEB Obligation, End of Year	<u><u>\$ 23,861</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2014, 2013 and 2012 is presented below.

<u><b>Fiscal Year Ended</b></u>		<u><b>Annual OPEB Cost (AOC)</b></u>		<u><b>Actual Contribution</b></u>	<u><b>Percentage of AOC Contributed</b></u>		<u><b>Net OPEB Obligation</b></u>
6/30/14	\$	17,054	\$	11,053	64.82%	\$	23,861
6/30/13		15,845		11,711	73.91%		17,860
6/30/12		14,763		10,172	68.90%		13,726

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

<u><b>Actuarial Valuation Date</b></u>		<u><b>Actuarial Value of Assets (a)</b></u>	<u><b>Actuarial Accrued Liability (AAL) (b)</b></u>	<u><b>Unfunded AAL (UAAL) (b-a)</b></u>	<u><b>Funded Ratio (a/b)</b></u>	<u><b>Covered Payroll (c)</b></u>	<u><b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b></u>
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%)
7/1/12		1,388	178,350	(176,962)	0.8%	36,149	(489.5%)

## Schedule of Employer Contribution

<b>Fiscal Year</b>		<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/12	\$	14,583	69.8%
6/30/13		15,593	75.1%
6/30/14		16,825	65.7%

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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return which reflects that the Town has established an OPEB trust and is prefunding its OPEB benefits. The annual healthcare cost trend rate varies by age and between Board of Education and Town and ranges from 4.6% to 7.3%. The general inflation assumption is 3.0%. Projected salary increases were 4.0%. 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, 2014 was 24 years.

## 14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### A. Plan Description

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

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, 2012, the date of the latest actuarial valuation:

Retirees, disabled employees and beneficiaries currently receiving benefits	600
Terminated Plan members entitled to benefits but not yet receiving them	151
Current employees:	
Vested	555
Nonvested	161
	<hr/>
Total	<u>1,467</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 in the period in which the contributions are due; investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when due and payable in accordance with the terms of the plans.

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

#### **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 \$5,124. The Town contributed \$5,124 this year.

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 7.50% 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>
6/30/14	\$	5,124	\$	5,124	100%	\$	-
6/30/13		4,929		4,929	100		-
6/30/12		5,038		5,038	100		-

## F. Investments

Investment Policy: The Pension Board has adopted an allocation policy/goal. The Pension Board manages the investment mix of the plan by buying and selling assets to maintain an investment mix in line with the Board's allocation policy. The following was the Board's asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.46%
Core Fixed Income	24.88%
Broad US Equities	32.68%
Developed Foreign Markets	9.77%
Emerging Market Equities	5.63%
Hedge Funds/Absolute Returns	20.24%
Real Estate (Property)	4.06%
Real Estate (REITS)	2.28%
Total	<u>100.00%</u>

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net Pension Liability of the Town

In accordance with Government Accounting Standards Board Statement No. 67, the components of the net pension liability of the Town at June 30, 2014, were as follows:

Total pension liability	\$ 192,759
Plan fiduciary net position	<u>158,033</u>
Net Pension Liability	<u>\$ 34,726</u>
Plan fiduciary net position as a percentage of the total pension liability	81.98%

The Town's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

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

Inflation	3.0%
Salary increases	4.5%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Healthy mortality rates were based on the RP-2000 Mortality Table for Employees and Healthy Annuitants with stats projection per Scale AA (15 years beyond the valuation date for non-annuitants and 7 years beyond the valuation date for annuitants). Disabled mortality rates were based on 1981 PBGC disabled mortality with social security tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0.50%
Core Fixed Income	2.02%
Broad US Equities	6.12%
Developed Foreign Markets	6.29%
Emerging Market Equities	8.94%
Hedge Funds/Absolute Returns	3.37%
Real Estate (Property)	4.43%
Real Estate (REITS)	5.59%

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	\$ 54,145	\$ 34,726	\$ 12,885

#### **Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Accrued Liability UAAL</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL % of Covered Payroll ((b-a)/c)</u>
7/1/2013 \$	137,185 \$	167,728 \$	30,543	82% \$	33,572	91%
7/1/2012	141,907	183,751	41,844	77%	36,076	116%
7/1/2011	137,185	167,728	30,543	82%	36,222	84%
7/1/2010	131,598	164,350	32,752	80%	35,132	93%
7/1/2009	129,259	158,939	29,680	81%	30,623	97%
7/1/2008	131,666	150,704	19,038	87%	29,322	65%



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

The value of the plan at June 30, 2014 is \$20,366. There were 156 participants as of June 30, 2014. During the fiscal year ended June 30, 2014, employees contributed \$602 (exclusive of lump-sum conversion amounts) and the Town contributed a matching employer contribution of \$602. Covered payroll totaled \$10,042. 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 16.01% of earnings for the year ended June 30, 2014. 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, 2014, 2013 and 2012 were \$1,200, \$1,141 and \$1,119, 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 \$45,018 or 66.92% of the total Board of Education payroll of \$67,277.

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, 2014, the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$11,184 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.

## **15. SUBSEQUENT EVENTS**

On July 3, 2014, the Town issued \$10,100 of General Obligation Bonds with interest rates between 3.00% and 4.00% and a final maturity of February 1, 2033, \$2,500 of General Obligation taxable Bonds with interest rates between 3.00% and 4.375% and a final maturity of February 1, 2033, and \$19,209 of General Obligation temporary notes with an interest rate of 1.00% and a maturity of July 2, 2015.

## **Required Supplementary Information**

## TOWN OF MANCHESTER, CONNECTICUT

## GENERAL FUND AND FIRE DISTRICT FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

(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	\$ 129,862	\$ 129,862	\$ 130,519	\$ 657	\$ 11,470	\$ 11,470	\$ 11,534	\$ 64
Intergovernmental revenue	34,121	34,721	36,248	1,527	18	18	115	97
Investment and interest income	150	223	44	(179)			3	3
Licenses, permits and fines	1,850	1,850	1,801	(49)				-
Charges for goods and services	1,520	1,760	1,617	(143)	525	525	424	(101)
Other	476	477	600	123			16	16
Total revenues	<u>167,979</u>	<u>168,893</u>	<u>170,829</u>	<u>1,936</u>	<u>12,013</u>	<u>12,013</u>	<u>12,092</u>	<u>79</u>
Expenditures:								
Current:								
General government	5,633	5,633	5,353	280				-
Public works	13,651	13,855	13,538	317				-
Public safety	18,509	18,548	18,038	510	14,178	14,390	13,148	1,242
Human services	2,879	2,835	2,712	123				-
Leisure services	5,706	5,706	5,416	290				-
Employee benefits	2,998	2,998	2,949	49				-
Other	253	160	153	7				-
Education	105,925	106,165	105,775	390				-
Internal service fund charges	2,555	2,554	2,554	-	486	486	486	-
Debt service	9,636	9,696	9,682	14	164	164	164	-
Capital outlay			-	-	80	81	97	(16)
Total expenditures	<u>167,745</u>	<u>168,150</u>	<u>166,170</u>	<u>1,980</u>	<u>14,908</u>	<u>15,121</u>	<u>13,895</u>	<u>1,226</u>
Excess (deficiency) of revenues over expenditures	<u>234</u>	<u>743</u>	<u>4,659</u>	<u>3,916</u>	<u>(2,895)</u>	<u>(3,108)</u>	<u>(1,803)</u>	<u>1,305</u>
Other financing sources (uses):								
Transfers in	1,702	1,822	1,680	(142)	1,842	1,842	1,842	-
Transfers out	(2,836)	(3,465)	(3,460)	5	(226)	(226)	(471)	245
Premium on bond sale			547	547				-
Total other financing sources (uses)	<u>(1,134)</u>	<u>(1,643)</u>	<u>(1,233)</u>	<u>410</u>	<u>1,616</u>	<u>1,616</u>	<u>1,371</u>	<u>245</u>
Net Change in Fund Balances	\$ <u>(900)</u>	\$ <u>(900)</u>	3,426	\$ <u>4,326</u>	\$ <u>(1,279)</u>	\$ <u>(1,492)</u>	(432)	\$ <u>1,550</u>
Fund Balances, Beginning of Year			<u>13,379</u>				<u>1,969</u>	
Fund Balances, End of Year			\$ <u>16,805</u>				\$ <u>1,537</u>	

**TOWN OF MANCHESTER, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

**BUDGET-TO-GAAP RECONCILIATION**

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

	<b><u>General Fund</u></b>	<b><u>Fire District</u></b>
<b><u>R E V E N U E S</u></b>		
Non-GAAP budgetary basis - RSI-1	\$ 170,829	\$ 12,092
State of Connecticut on-behalf contributions to the Connecticut Teachers' Retirement System for Town teachers are not budgeted	11,184	
Excess cost grant revenue is budgeted as a credit to education expenditures	1,312	
Prior year encumbrances cancelled	<u>(51)</u>	<u></u>
GAAP basis - Exhibit IV	<u>\$ 183,274</u>	<u>\$ 12,092</u>
<b><u>E X P E N D I T U R E S</u></b>		
Non-GAAP budgetary basis - RSI-1	\$ 166,170	\$ 13,895
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	11,184	
Excess cost grant revenue is budgeted as a credit to education expenditures	1,312	
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, 2013	1,100	
June 30, 2014	<u>(2,423)</u>	<u>(17)</u>
GAAP basis - Exhibit IV	<u>\$ 177,343</u>	<u>\$ 13,878</u>

## TOWN OF MANCHESTER, CONNECTICUT

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

## LAST FISCAL YEAR

	<u>2014</u>
Total pension liability:	
Service cost	\$ 4,408
Interest	13,895
Differences between expected and actual experience	(469)
Benefit payments, including refunds of member contributions	<u>(11,649)</u>
Net change in total pension liability	6,185
Total pension liability - beginning	<u>186,574</u>
Total pension liability - ending	<u>192,759</u>
Plan fiduciary net position:	
Contributions - employer	5,124
Contributions - member	2,330
Net investment income	20,493
Benefit payments, including refunds of member contributions	(11,649)
Administrative expense	<u>(389)</u>
Net change in plan fiduciary net position	15,909
Plan fiduciary net position - beginning	<u>142,124</u>
Plan fiduciary net position - ending	<u>158,033</u>
Net Pension Liability - Ending	<u>\$ 34,726</u>
Plan fiduciary net position as a percentage of the total pension liability	81.98%
Covered-employee payroll	\$ 33,572
Net pension liability as a percentage of covered-employee payroll	103.44%

## TOWN OF MANCHESTER, CONNECTICUT

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

## LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarially determined contribution	\$ 2,894	\$ 3,085	\$ 3,854	\$ 4,159	\$ 3,561	\$ 4,138	\$ 4,477	\$ 5,038	\$ 4,929	\$ 5,124
Contributions in relation to the actuarially determined contribution	2,894	3,085	3,854	4,159	3,561	4,137	4,477	5,038	4,929	5,124
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 26,669	\$ 27,566	\$ 25,158	\$ 30,458	\$ 40,042	\$ 29,322	\$ 30,623	\$ 30,490	\$ 36,222	\$ 33,572
Contributions as a percentage of covered-employee payroll	10.85%	11.19%	15.32%	13.65%	8.89%	14.11%	14.62%	16.52%	13.61%	15.26%

## Notes to Schedule

Valuation date: July 1, 2013

Measurement date: June 30, 2014

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

## Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years
Asset valuation method	5-year Asymptotic (80% to 120% of market value)
Inflation	3.00%
Salary increases	4.5% Graded by age
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	General Employees: Age 65 with 5 years of contributory service, or special retirement (age 62 with 25 years of contributory service). Rule of 80 employees: Earlier of the above or age plus years of contributory service of at least 80 or age 62 if hired before 7/1/1995. Early Retirement: Age 55 and 5 years of contributory service. Police Employees: Earlier of age 50 or 25 years of service.
Mortality	Healthy Mortality - RP-2000 Mortality Table for Employees and Healthy Annuitants with status projection per Scale AA (15 years beyond the valuation date for non-annuitants and 7 years beyond the valuation date for annuitants) Disabled Mortality - 1981 PBGC Disabled Mortality with Social Security Tables. This assumption does not include a margin for mortality improvement.

**TOWN OF MANCHESTER, CONNECTICUT****SCHEDULE OF INVESTMENT RETURNS****LAST FISCAL YEAR****2014**

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

14.19%



## **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, 2014 AND 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,771	\$ 1,666
Investments	2,730	1,378
Property taxes receivable (net of allowance for uncollectibles of \$881 in 2014 and \$997 in 2013)	4,556	4,760
Accrued interest on taxes	1,267	1,482
Accounts receivable	105	96
Intergovernmental receivables	18	766
Due from special services district	17	25
Interfund receivables	19,656	18,835
Other assets	<u>23</u>	<u>37</u>
Total Assets	\$ <u><u>38,143</u></u>	\$ <u><u>29,045</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and other payables	\$ 2,229	\$ 2,278
Accrued liabilities	1,446	1,496
Intergovernmental payables	31	60
Unearned revenue	<u>35</u>	<u>139</u>
Total liabilities	<u>3,741</u>	<u>3,973</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	5,268	5,713
Advanced property tax collections	<u>9,788</u>	<u>4,711</u>
Total deferred inflows of resources	<u>15,056</u>	<u>10,424</u>
Fund Balance:		
Nonspendable	23	37
Restricted	1,009	
Committed	17	24
Assigned	4,410	2,764
Unassigned	<u>13,887</u>	<u>11,823</u>
Total fund balance	<u>19,346</u>	<u>14,648</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u><u>38,143</u></u>	\$ <u><u>29,045</u></u>

## TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND  
REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

Grand List	Uncollected Taxes July 1, 2013	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2014
		Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2012	\$ 137,921	\$ 120	\$ 756	\$ 2	\$ 137,283	\$ 134,726	\$ 474	\$ 2	\$ 135,202	\$ 2,557
2011	2,736	22	572	21	2,165	887	336	6	1,229	1,278
2010	1,381	15	8	66	1,322	568	228	3	799	754
2009	764		1	215	548	245	131	2	378	303
2008	344			2	342	139	106	1	246	203
2007	216			1	215	87	85	1	173	128
2006	129				129	42	54		96	87
2005	62				62	26	52		78	36
2004	34				34	12	20		32	22
2003	18				18	5	10		15	13
2002	17				17	4	10		14	13
2001	16				16	3	7		10	13
2000	13				13	2	5		7	11
1999	13				13	2	3		5	11
1998	8				8		1		1	8
Total	\$ <u>143,672</u>	\$ <u>157</u>	\$ <u>1,337</u>	\$ <u>307</u>	\$ <u>142,185</u>	136,748	1,522	15	138,285	\$ <u>5,437</u>
Suspense collections						<u>57</u>			<u>57</u>	
Total collections						\$ <u>136,805</u>	\$ <u>1,522</u>	\$ <u>15</u>	\$ <u>138,342</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:

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

### Permanent Funds

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

<b>Fund</b>	<b>Funding Source</b>	<b>Function</b>
Jarvis Library Fund	Trust and investment income	Perpetual care

## TOWN OF MANCHESTER, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDSJUNE 30, 2014  
(In Thousands)

	Special Revenue Funds							
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Cafeteria Fund	Community Use of Schools	Community Development Block Grant Fund	Neighborhood Housing Predevelopment Fund
<b>ASSETS</b>								
Cash and cash equivalents	\$ 267	\$ 190	\$ 1,021	\$ 2,097	\$ 751	\$	\$ 111	\$ 47
Investments								
Accounts receivable	128			73	19	19	40	6
Intergovernmental receivables			254	327	509		228	
Interfund receivable								
Inventory					76			
Other assets				1				
Total Assets	<u>\$ 395</u>	<u>\$ 190</u>	<u>\$ 1,275</u>	<u>\$ 2,498</u>	<u>\$ 1,355</u>	<u>\$ 19</u>	<u>\$ 228</u>	<u>\$ 53</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
Liabilities:								
Accounts and other payable	\$	\$ 12	\$ 290	\$ 73	\$ 379	\$	\$ 23	\$
Accrued liabilities		5	40		2			
Interfund payable						3	201	
Unearned revenue		5	655	1				
Total liabilities	<u>-</u>	<u>22</u>	<u>985</u>	<u>74</u>	<u>381</u>	<u>3</u>	<u>224</u>	
Deferred Inflows of Resources:								
Unavailable revenue - loans receivable							21	6
Fund Balances:								
Nonspendable					76			
Restricted			290	2,424			4	130
Committed	395	168			898	16		47
Total fund balances	<u>395</u>	<u>168</u>	<u>290</u>	<u>2,424</u>	<u>974</u>	<u>16</u>	<u>4</u>	<u>47</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 395</u>	<u>\$ 190</u>	<u>\$ 1,275</u>	<u>\$ 2,498</u>	<u>\$ 1,355</u>	<u>\$ 19</u>	<u>\$ 228</u>	<u>\$ 53</u>

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

**JUNE 30, 2014**  
**(In Thousands)**

	Special Revenue Funds								
	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds - Board of Education
ASSETS									
Cash and cash equivalents	\$ 95	\$ 35	\$ 1	\$ 2	\$ 17	\$ 8	\$ 23	\$ 5	\$ 1
Investments				1,151					
Accounts receivable									
Intergovernmental receivables									
Interfund receivable									
Inventory									
Other assets									
Total Assets	\$ 95	\$ 35	\$ 1	\$ 1,153	\$ 17	\$ 8	\$ 23	\$ 5	\$ 1
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and other payable	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accrued liabilities									
Interfund payable									
Unearned revenue									
Total liabilities	-	-	-	-	-	-	-	-	-
Deferred Inflows of Resources:									
Unavailable revenue - loans receivable									
Fund Balances:									
Nonspendable									
Restricted	95		1	1,153		8	23	5	1
Committed		35			17				
Total fund balances	95	35	1	1,153	17	8	23	5	1
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 95	\$ 35	\$ 1	\$ 1,153	\$ 17	\$ 8	\$ 23	\$ 5	\$ 1

(Continued on next page)

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

**JUNE 30, 2014**  
**(In Thousands)**

	<u>Special Revenue Funds</u>						<u>Permanent Fund</u>		
	<u>Wilma D. Marlow Fund</u>	<u>Newton B. Taggart Fund</u>	<u>East Cemetery Trust 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>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 8	\$	\$ 151	\$	\$ 133	\$ 85	\$	\$	\$ 5,048
Investments		1,122	479	298			2,720		5,770
Accounts receivable			4						216
Intergovernmental receivables									1,064
Interfund receivable								(327)	
Inventory									76
Other assets									1
Total Assets	<u>\$ 8</u>	<u>\$ 1,122</u>	<u>\$ 634</u>	<u>\$ 298</u>	<u>\$ 133</u>	<u>\$ 85</u>	<u>\$ 2,720</u>	<u>\$ (327)</u>	<u>\$ 12,175</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
Liabilities:									
Accounts and other payable	\$	\$	\$	\$	\$	\$	\$	\$	\$ 777
Accrued liabilities									47
Interfund payable		57		19			47	(327)	
Unearned revenue									661
Total liabilities	<u>-</u>	<u>57</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>(327)</u>	<u>1,485</u>
Deferred Inflows of Resources:									
Unavailable revenue - loans receivable									27
Fund Balances:									
Nonspendable							750		826
Restricted	8	1,065	634	279	133	85	1,923		8,308
Committed									1,529
Total fund balances	<u>8</u>	<u>1,065</u>	<u>634</u>	<u>279</u>	<u>133</u>	<u>85</u>	<u>2,673</u>	<u>-</u>	<u>10,663</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8</u>	<u>\$ 1,122</u>	<u>\$ 634</u>	<u>\$ 298</u>	<u>\$ 133</u>	<u>\$ 85</u>	<u>\$ 2,720</u>	<u>\$ (327)</u>	<u>\$ 12,175</u>

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

		<b>Special Revenue Funds</b>							
		<b>Police Special Services Fund</b>	<b>Recreation Activities</b>	<b>Education Special Grants Fund</b>	<b>Special Projects Fund</b>	<b>Cafeteria Fund</b>	<b>Community Use of Schools</b>	<b>Community Development Block Grant Fund</b>	<b>Neighborhood Housing Predevelopment Fund</b>
Revenue:									
Intergovernmental revenue	\$	\$		\$ 9,690	\$ 2,453	\$ 2,374	\$	\$ 478	\$
Investment income									
Net increase in the fair value of investments									
Charges for goods and services		875	321		76	1,048	86		
Other			5	450	157			3	
Total revenues		<u>875</u>	<u>326</u>	<u>10,140</u>	<u>2,686</u>	<u>3,422</u>	<u>86</u>	<u>481</u>	<u>-</u>
Expenditures:									
Current:									
General government					17			86	
Public works					90				
Public safety		850			489				
Human services					1,039			395	
Recreation			292		42				
Library									
Education				10,119		3,498	100		
Other									
Capital outlay									
Total expenditures		<u>850</u>	<u>292</u>	<u>10,119</u>	<u>1,677</u>	<u>3,498</u>	<u>100</u>	<u>481</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures		<u>25</u>	<u>34</u>	<u>21</u>	<u>1,009</u>	<u>(76)</u>	<u>(14)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):									
Transfers in					159		4		
Transfers out		(120)	(85)						
Total other financing sources (uses)		<u>(120)</u>	<u>(85)</u>	<u>-</u>	<u>159</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>
Net change in fund balances		(95)	(51)	21	1,168	(76)	(10)	-	-
Fund balances, beginning of year		<u>490</u>	<u>219</u>	<u>269</u>	<u>1,256</u>	<u>1,050</u>	<u>26</u>	<u>4</u>	<u>47</u>
Fund Balances, End of Year	\$	<u>395</u>	<u>168</u>	<u>290</u>	<u>2,424</u>	<u>974</u>	<u>16</u>	<u>4</u>	<u>47</u>

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**(In Thousands)**

	Special Revenue Funds								
	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds - Board of Education
Revenue:									
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investment income				39					
Net increase in the fair value of investments				125					
Charges for goods and services									
Other		1			2				
Total revenues	-	1	-	164	2	-	-	-	-
Expenditures:									
Current:									
General government									
Public works									
Public safety									
Human services									
Recreation									
Library				7					
Education									1
Other	8				12				
Capital outlay									
Total expenditures	8	-	-	7	12	-	-	-	1
Excess (deficiency) of revenues over expenditures	(8)	1	-	157	(10)	-	-	-	(1)
Other financing sources (uses):									
Transfers in									
Transfers out				(425)					
Total other financing sources (uses)	-	-	-	(425)	-	-	-	-	-
Net change in fund balances	(8)	1	-	(268)	(10)	-	-	-	(1)
Fund balances, beginning of year	103	34	1	1,421	27	8	23	5	2
Fund Balances, End of Year	\$ 95	\$ 35	\$ 1	\$ 1,153	\$ 17	\$ 8	\$ 23	\$ 5	\$ 1

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**(In Thousands)**

	<u>Special Revenue Funds</u>						<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Wilma D. Marlow Fund</u>	<u>Newton B. Taggart Fund</u>	<u>East Cemetery Trust 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>	
Revenue:								
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$	\$ 14,995
Investment income		39	9	7	1		96	191
Net increase in the fair value of investments		117	48	30			310	630
Charges for goods and services			28					2,434
Other						12	5	635
Total revenues	<u>-</u>	<u>156</u>	<u>85</u>	<u>37</u>	<u>1</u>	<u>12</u>	<u>411</u>	<u>18,885</u>
Expenditures:								
Current:								
General government								103
Public works								90
Public safety								1,339
Human services								1,434
Recreation								334
Library		38				3	48	96
Education					1			13,719
Other			2	3				25
Capital outlay				27				27
Total expenditures	<u>-</u>	<u>38</u>	<u>2</u>	<u>30</u>	<u>1</u>	<u>3</u>	<u>48</u>	<u>17,167</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>118</u>	<u>83</u>	<u>7</u>	<u>-</u>	<u>9</u>	<u>363</u>	<u>1,718</u>
Other financing sources (uses):								
Transfers in								163
Transfers out								(630)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(467)</u>
Net change in fund balances	-	118	83	7	-	9	363	1,251
Fund balances, beginning of year	8	947	551	272	133	76	2,310	9,412
Fund Balances, End of Year	<u>\$ 8</u>	<u>\$ 1,065</u>	<u>\$ 634</u>	<u>\$ 279</u>	<u>\$ 133</u>	<u>\$ 85</u>	<u>\$ 2,673</u>	<u>\$ 10,663</u>

## **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 POSITION**  
**INTERNAL SERVICE FUNDS**

**JUNE 30, 2014**  
**(In Thousands)**

	<u>Information Systems Fund</u>	<u>Manchester Self- Insurance Program</u>	<u>Town of Manchester Medical Insurance Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,575	\$ 9,166	\$ 6,136	\$ 16,877
Investments		40	13,305	13,345
Receivables			1,131	1,131
Prepaid expenses		4		4
Total current assets	<u>1,575</u>	<u>9,210</u>	<u>20,572</u>	<u>31,357</u>
Noncurrent assets:				
Capital assets, net	714			714
Total assets	<u>2,289</u>	<u>9,210</u>	<u>20,572</u>	<u>32,071</u>
<b>LIABILITIES AND NET POSITION</b>				
Liabilities:				
Current liabilities:				
Accounts and other payables	47	320	5	372
Claims payable		3,307	1,521	4,828
Compensated absences payable	94	12		106
Total current liabilities	<u>141</u>	<u>3,639</u>	<u>1,526</u>	<u>5,306</u>
Noncurrent liabilities:				
Compensated absences payable	207	17		224
Claims payable		5,130		5,130
Total noncurrent liabilities	<u>207</u>	<u>5,147</u>	<u>-</u>	<u>5,354</u>
Total liabilities	<u>348</u>	<u>8,786</u>	<u>1,526</u>	<u>10,660</u>
<b>NET POSITION</b>				
Net Position:				
Net investment in capital assets	714			714
Unrestricted	<u>1,227</u>	<u>424</u>	<u>19,046</u>	<u>20,697</u>
Total Net Position	<u>\$ 1,941</u>	<u>\$ 424</u>	<u>\$ 19,046</u>	<u>\$ 21,411</u>



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

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<b>Information Systems Fund</b>	<b>Manchester Self- Insurance Program</b>	<b>Town of Manchester Medical Insurance Fund</b>	<b>Total</b>
Operating Revenues:				
Charges for services	\$ 1,627	\$ 3,599	\$ 26,737	\$ 31,963
Other	<u>164</u>	<u>164</u>	<u>26,737</u>	<u>164</u>
Total operating revenues	<u>1,627</u>	<u>3,763</u>	<u>26,737</u>	<u>32,127</u>
Operating Expenses:				
General operating	1,681	277	1,194	3,152
Claims expense		4,216	21,957	26,173
Depreciation expense	<u>239</u>			<u>239</u>
Total operating expenses	<u>1,920</u>	<u>4,493</u>	<u>23,151</u>	<u>29,564</u>
Operating Income (Loss)	(293)	(730)	3,586	2,563
Nonoperating Revenues:				
Interest on investments	<u>2</u>	<u>10</u>	<u>562</u>	<u>574</u>
Change in Net Position	(291)	(720)	4,148	3,137
Net Position at Beginning of Year	<u>2,232</u>	<u>1,144</u>	<u>14,898</u>	<u>18,274</u>
Net Position at End of Year	<u>\$ 1,941</u>	<u>\$ 424</u>	<u>\$ 19,046</u>	<u>\$ 21,411</u>

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(In Thousands)**

	<b>Information Systems Fund</b>	<b>Manchester Self- Insurance Program</b>	<b>Town of Manchester Medical Insurance Fund</b>	<b>Total</b>
Cash Flows from Operating Activities:				
Cash received from users	\$ 1,627	\$ 3,599	\$ 26,787	\$ 32,013
Cash received from insurance proceeds		164		164
Cash paid to suppliers for goods and services	(696)	(3)	(1,189)	(1,888)
Cash paid to employees	(964)	(91)		(1,055)
Cash paid for insurance claims and premiums		(3,447)	(22,153)	(25,600)
Net cash provided by (used in) operating activities	<u>(33)</u>	<u>222</u>	<u>3,445</u>	<u>3,634</u>
Cash Flows from Investing Activities:				
Interest received	2	10	562	574
Sale of investments		25		25
Purchase of investments			(6,011)	(6,011)
Net cash provided by (used in) investing activities	<u>2</u>	<u>35</u>	<u>(5,449)</u>	<u>(5,412)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(31)	257	(2,004)	(1,778)
Cash and Cash Equivalents at Beginning of Year	<u>1,606</u>	<u>8,909</u>	<u>8,140</u>	<u>18,655</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,575</u></u>	<u><u>\$ 9,166</u></u>	<u><u>\$ 6,136</u></u>	<u><u>\$ 16,877</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (293)	\$ (730)	\$ 3,586	\$ 2,563
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	239			239
(Increase) decrease in accounts receivable and other prepaid assets		8	50	58
Increase (decrease) in accounts payable	11	164	5	180
Increase (decrease) in compensated absences payable	10	20		30
Decrease in claims payable		760	(196)	564
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (33)</u></u>	<u><u>\$ 222</u></u>	<u><u>\$ 3,445</u></u>	<u><u>\$ 3,634</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, 2014

(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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ <u>20</u>	\$ <u>422</u>	\$ <u>46</u>	\$ <u>239</u>	\$ <u>4</u>	\$ <u>731</u>
<b>LIABILITIES</b>						
Deposits held for others	\$ <u>20</u>	\$ <u>422</u>	\$ <u>46</u>	\$ <u>239</u>	\$ <u>4</u>	\$ <u>731</u>

## TOWN OF MANCHESTER, CONNECTICUT

## AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(In Thousands)**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<b>Plan Deposit Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>20</u>	\$ <u>48</u>	\$ <u>48</u>	\$ <u>20</u>
Liabilities:				
Deposits held for others	\$ <u>20</u>	\$ <u>48</u>	\$ <u>48</u>	\$ <u>20</u>
<b>Student Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>436</u>	\$ <u>957</u>	\$ <u>971</u>	\$ <u>422</u>
Liabilities:				
Deposits held for others	\$ <u>436</u>	\$ <u>957</u>	\$ <u>971</u>	\$ <u>422</u>
<b>Senior Center Activities Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>44</u>	\$ <u>19</u>	\$ <u>17</u>	\$ <u>46</u>
Liabilities:				
Deposits held for others	\$ <u>44</u>	\$ <u>19</u>	\$ <u>17</u>	\$ <u>46</u>
<b>Maintenance Bond Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>177</u>	\$ <u>86</u>	\$ <u>24</u>	\$ <u>239</u>
Liabilities:				
Deposits held for others	\$ <u>177</u>	\$ <u>86</u>	\$ <u>24</u>	\$ <u>239</u>
<b>Redevelopment Agency Fund</b>				
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>
<b>Total All Funds</b>				
Assets:				
Cash and cash equivalents	\$ <u>681</u>	\$ <u>1,110</u>	\$ <u>1,060</u>	\$ <u>731</u>
Liabilities:				
Deposits held for others	\$ <u>681</u>	\$ <u>1,110</u>	\$ <u>1,060</u>	\$ <u>731</u>

## **Statistical Section**

## Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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



TABLE 1

## TOWN OF MANCHESTER, CONNECTICUT

**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005*</u>
Governmental activities:										
Net investment in capital assets	\$ 104,535	\$ 100,236	\$ 103,203	\$ 99,265	\$ 94,969	\$ 104,570	\$ 85,637	\$ 89,227	\$ 68,196	\$ 56,406
Restricted	2,673	2,310	2,036	1,715	4,163	3,702	4,248	4,634	2,749	2,515
Unrestricted	5,824	6,314	3,386	6,333	6,886	(1,969)	17,822	(3,330)	(6,672)	(1,422)
Total governmental activities net position	<u>113,032</u>	<u>108,860</u>	<u>108,625</u>	<u>107,313</u>	<u>106,018</u>	<u>106,303</u>	<u>107,707</u>	<u>90,531</u>	<u>64,273</u>	<u>57,499</u>
Business-type activities:										
Net investment in capital assets	34,104	34,397	33,007	29,404	25,753	26,098	24,060	24,704	26,485	26,224
Unrestricted	<u>19,120</u>	<u>13,520</u>	<u>7,550</u>	<u>10,808</u>	<u>17,057</u>	<u>18,590</u>	<u>30,569</u>	<u>29,208</u>	<u>25,672</u>	<u>21,773</u>
Total business-type activities net position	<u>53,224</u>	<u>47,917</u>	<u>40,557</u>	<u>40,212</u>	<u>42,810</u>	<u>44,688</u>	<u>54,629</u>	<u>53,912</u>	<u>52,157</u>	<u>47,997</u>
Primary government:										
Net investment in capital assets	138,639	134,633	136,210	128,669	120,722	130,668	109,697	113,931	94,681	82,630
Restricted	2,673	2,310	2,036	1,715	4,163	3,702	4,248	4,634	2,749	2,515
Unrestricted	<u>24,944</u>	<u>19,834</u>	<u>10,936</u>	<u>17,141</u>	<u>23,943</u>	<u>16,621</u>	<u>48,391</u>	<u>25,878</u>	<u>19,000</u>	<u>20,351</u>
Total Primary Government Net Position	<u>\$ 166,256</u>	<u>\$ 156,777</u>	<u>\$ 149,182</u>	<u>\$ 147,525</u>	<u>\$ 148,828</u>	<u>\$ 150,991</u>	<u>\$ 162,336</u>	<u>\$ 144,443</u>	<u>\$ 116,430</u>	<u>\$ 105,496</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 POSITION  
LAST TEN FISCAL YEARS  
(In Thousands)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
Governmental activities:										
General government	\$ 7,321	\$ 6,171	\$ 6,134	\$ 6,190	\$ 7,759	\$ 4,079	\$ 7,537	\$ 4,291	\$ 5,730	\$ 5,725
Public works	20,796	21,309	22,705	23,244	19,734	19,094	16,321	16,434	15,552	10,567
Public safety	36,259	35,564	35,008	33,808	31,919	32,588	37,270	27,214	25,374	25,185
Human services	4,510	4,480	4,499	5,114	4,063	5,213	5,246	4,176	4,389	4,044
Leisure services	6,944	6,682	6,910	6,230	6,443	6,288	5,714	5,379	5,274	4,704
Employee benefits								2,365	2,123	1,775
Education	137,355	130,554	129,950	123,384	122,609	125,273	135,716	103,790	98,998	90,410
Interest on long-term debt	3,254	3,277	3,155	3,297	3,505	3,580	3,333	2,385	2,053	1,722
Other								4,993	3,729	3,733
Total governmental activities expenses	<u>216,439</u>	<u>208,037</u>	<u>208,361</u>	<u>201,267</u>	<u>196,032</u>	<u>196,115</u>	<u>211,137</u>	<u>171,027</u>	<u>163,222</u>	<u>147,865</u>
Business-type activities:										
Water	8,561	7,654	8,223	9,060	7,647	8,525	6,725	6,862	6,196	6,266
Sewer	6,829	6,074	6,593	5,511	5,850	5,644	5,769	4,869	5,500	5,098
Sanitation	5,029	7,422	12,783	7,463	6,888	12,857	7,065	6,445	5,651	5,795
Total business-type services	<u>20,419</u>	<u>21,150</u>	<u>27,599</u>	<u>22,034</u>	<u>20,385</u>	<u>27,026</u>	<u>19,559</u>	<u>18,176</u>	<u>17,347</u>	<u>17,159</u>
Total primary government expenses	<u>236,858</u>	<u>229,187</u>	<u>235,960</u>	<u>223,301</u>	<u>216,417</u>	<u>223,141</u>	<u>230,696</u>	<u>189,203</u>	<u>180,569</u>	<u>165,024</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	971	942	854	815	1,001	921	1,066	1,386	1,788	1,500
Public works	984	963	1,024	897	931	784	934	1,357	1,195	1,652
Public safety	1,373	1,594	1,309	1,349	1,677	1,470	1,634	1,130	893	1,293
Human services	132	169	135	216	221	80	91	146	95	64
Leisure services	671	665	862	848	827	791	706	649	673	674
Education	2,391	2,253	2,439	2,524	2,841	2,780	2,493	2,333	2,515	3,330
Operating grants and contributions	60,066	55,558	57,418	54,185	53,234	49,599	73,278	44,596	42,944	37,806
Capital grants and contributions	4,705	3,598	7,934	6,388	3,663	8,224	20,105	21,937	5,253	3,283
Total governmental activities program revenues	<u>71,293</u>	<u>65,742</u>	<u>71,975</u>	<u>67,222</u>	<u>64,395</u>	<u>64,649</u>	<u>100,307</u>	<u>73,534</u>	<u>55,356</u>	<u>49,602</u>
Business-type activities:										
Charges for services:				19,933	18,391	18,102	19,749	19,801	18,312	16,198
Water	8,291	8,156	7,749							
Sewer	7,775	7,389	7,010							
Sanitation	8,433	7,380	7,035							
Operating grants and contributions		680	3,791							
Capital grants and contributions	2,080	7,302	1,113	289	187	236	264	238		65
Total business-type activities program revenues	<u>26,579</u>	<u>30,907</u>	<u>26,698</u>	<u>20,222</u>	<u>18,578</u>	<u>18,338</u>	<u>20,013</u>	<u>20,039</u>	<u>18,312</u>	<u>16,263</u>
Total primary government program revenues	<u>97,872</u>	<u>96,649</u>	<u>98,673</u>	<u>87,444</u>	<u>82,973</u>	<u>82,987</u>	<u>120,320</u>	<u>93,573</u>	<u>73,668</u>	<u>65,865</u>
Net (expense) revenue:										
Governmental activities	(145,146)	(142,295)	(136,386)	(134,045)	(131,637)	(131,466)	(110,830)	(97,493)	(107,866)	(98,263)
Business-type activities	6,160	9,757	(901)	(1,812)	(1,807)	(8,688)	454	1,863	965	(896)
Total primary government net expense	<u>(138,986)</u>	<u>(132,538)</u>	<u>(137,287)</u>	<u>(135,857)</u>	<u>(133,444)</u>	<u>(140,154)</u>	<u>(110,376)</u>	<u>(95,630)</u>	<u>(106,901)</u>	<u>(99,159)</u>

(Continued on next page)

## TOWN OF MANCHESTER, CONNECTICUT

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 141,608	\$ 134,465	\$ 132,767	\$ 128,711	\$ 124,710	\$ 122,923	\$ 118,916	\$ 115,112	\$ 107,059	\$ 98,738
Grants and contributions not restricted to specific purposes	4,130	4,064	4,544	3,752	4,212	4,916	4,686	4,775	4,600	4,571
Unrestricted investment earnings	1,443	985	238	920	706	298	2,159	2,676	1,380	945
Miscellaneous	507	497	439	628	376	215	591	572	1,085	499
Premiums on bond issuance					65					
Transfers	1,630	2,519	(290)	1,329	1,283	1,710				
Total governmental activities	<u>149,318</u>	<u>142,530</u>	<u>137,698</u>	<u>135,340</u>	<u>131,352</u>	<u>130,062</u>	<u>126,352</u>	<u>123,135</u>	<u>114,124</u>	<u>104,753</u>
Business-type activities:										
Unrestricted investment earnings	492	(129)	888	438	1,059	457	1,917	1,185	663	675
Miscellaneous	285	251	68	105					3,048	92
Premiums on bond issuance					153					
Transfers	(1,630)	(2,519)	290	(1,329)	(1,283)	(1,710)				
Total business-type activities	<u>(853)</u>	<u>(2,397)</u>	<u>1,246</u>	<u>(786)</u>	<u>(71)</u>	<u>(1,253)</u>	<u>1,917</u>	<u>1,185</u>	<u>3,711</u>	<u>767</u>
Total primary government	<u>148,465</u>	<u>140,133</u>	<u>138,944</u>	<u>134,554</u>	<u>131,281</u>	<u>128,809</u>	<u>128,269</u>	<u>124,320</u>	<u>117,835</u>	<u>105,520</u>
Changes in net position:										
Governmental activities	4,172	235	1,312	1,295	(285)	(1,404)	17,176	26,986	6,774	7,053
Business-type activities	5,307	7,360	345	(2,598)	(1,878)	(9,941)	717	1,755	4,160	(692)
Total Primary Government	<u>\$ 9,479</u>	<u>\$ 7,595</u>	<u>\$ 1,657</u>	<u>\$ (1,303)</u>	<u>\$ (2,163)</u>	<u>\$ (11,345)</u>	<u>\$ 17,893</u>	<u>\$ 28,741</u>	<u>\$ 10,934</u>	<u>\$ 6,361</u>

## Notes:

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

TABLE 3

## TOWN OF MANCHESTER, CONNECTICUT

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund:										
Reserved	\$	\$	\$	\$	\$ 2,451	\$ 1,787	\$ 2,328	\$ 1,045	\$ 1,561	\$ 1,347
Unreserved					13,049	14,490	16,316	16,298	13,829	10,591
Nonspendable	23	37	147	39						
Restricted	1,009									
Committed	17	24	32	40						
Assigned	4,410	2,764	3,310	5,515						
Unassigned	<u>13,887</u>	<u>11,823</u>	<u>10,636</u>	<u>10,053</u>						
Total General Fund	<u>19,346</u>	<u>14,648</u>	<u>14,125</u>	<u>15,647</u>	<u>15,500</u>	<u>16,277</u>	<u>18,644</u>	<u>17,343</u>	<u>15,390</u>	<u>11,938</u>
All other governmental funds:										
Reserved					3,835	4,234	6,638	10,947	33,567	9,533
Unreserved, reported in:										
Special revenue funds					7,554	5,922	5,605	4,452	3,791	3,211
Capital project funds					(3,221)	(7,341)	3,913	(20,039)	(42,073)	(7,685)
Nonspendable	826	1,144	1,148	798						
Restricted	8,308	6,816	6,626	6,147						
Committed	3,083	3,421	3,962	4,410						
Unassigned	<u>(12,788)</u>	<u>(10,349)</u>	<u>(12,174)</u>	<u>(7,522)</u>						
Total All Other Governmental Funds	<u>\$ (571)</u>	<u>\$ 1,032</u>	<u>\$ (438)</u>	<u>\$ 3,833</u>	<u>\$ 8,168</u>	<u>\$ 2,815</u>	<u>\$ 16,156</u>	<u>\$ (4,640)</u>	<u>\$ (4,715)</u>	<u>\$ 5,059</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)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Property taxes, interest and lien fees	\$ 142,053	\$ 133,330	\$ 131,951	\$ 129,160	\$ 124,547	\$ 122,423	\$ 119,165	\$ 114,568	\$ 107,098	\$ 99,321
Intergovernmental revenue	67,888	62,472	68,968	64,073	60,523	62,680	96,007	68,869	52,109	46,406
Investment and interest income	869	726	109	906	679	169	1,806	2,365	1,656	1,243
Licenses, permits and fines	1,801	1,788	1,814	1,637	1,882	1,700	1,922	3,291	2,801	2,759
Charges for goods and services	4,475	4,544	4,308	4,688	5,471	5,154	5,001	3,664	3,893	4,281
Other	1,331	1,260	1,722	1,152	919	624	686	2,212	674	1,151
Total revenues	<u>218,417</u>	<u>204,120</u>	<u>208,872</u>	<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>
<b>Expenditures:</b>										
General government	5,429	5,445	5,417	5,259	5,768	5,180	5,230	5,075	5,004	5,031
Public works	13,565	13,189	12,215	12,815	12,350	12,378	11,822	11,273	10,329	9,650
Public safety	32,526	32,612	31,700	30,234	28,708	28,305	27,628	27,224	25,115	24,292
Human services	4,145	4,129	4,152	4,629	4,022	4,287	3,803	3,972	4,162	4,098
Leisure services	5,839	5,912	6,215	5,481	5,386	5,478	5,477	5,196	5,108	4,774
Employee benefits	2,949	2,876	2,951	2,775	2,636	2,473	2,467	2,365	2,123	1,775
Education	130,704	125,423	125,193	120,603	117,444	114,157	133,564	103,878	98,454	90,198
Internal service fund charges	2,554	2,613	2,561	2,883	3,131	4,738	4,629	3,772	3,059	2,923
Other	708	717	661	706	1,445	918	1,341	1,178	670	579
Debt service:										
Principal	6,653	6,659	6,745	6,596	5,786	5,850	4,044	3,240	3,255	2,550
Interest	3,268	2,915	2,510	2,644	3,155	3,564	2,941	1,942	1,889	1,833
Capital outlay	15,892	12,381	20,239	12,508	10,464	22,840	40,438	43,191	16,501	10,602
Total expenditures	<u>224,232</u>	<u>214,871</u>	<u>220,559</u>	<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>
Excess of revenue under expenditures	<u>(5,815)</u>	<u>(10,751)</u>	<u>(11,687)</u>	<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>
<b>Other financing sources (uses):</b>										
Transfers in	6,191	5,938	4,706	4,449	5,059	5,111	6,650	5,793	3,457	4,092
Transfers out	(4,561)	(3,419)	(4,990)	(3,120)	(3,776)	(3,401)	(4,996)	(4,476)	(2,941)	(3,478)
Other								98	600	
Issuance of debt	6,500	9,505	5,990		9,396		39,240	17,624		
Issuance of bond refunding			8,225		4,865					6,800
Premium on bond refunding			890		243					
Payments to escrow agent			(9,010)		(5,001)					(6,760)
Bond premium	780	721	83		65					
Discount on bond refunding										(21)
Total other financing sources	<u>8,910</u>	<u>12,745</u>	<u>5,894</u>	<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>
Net Change in Fund Balances	<u>\$ 3,095</u>	<u>\$ 1,994</u>	<u>\$ (5,793)</u>	<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>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<u>4.76%</u>	<u>4.66%</u>	<u>4.51%</u>	<u>4.46%</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>

## 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 Town Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential	Commercial								
2014	\$ 2,135,785	\$ 1,133,683	\$ 197,697	\$ 381,797	\$ 328,511	\$ 569,913	\$ 3,607,560	37.44	\$ 7,009,677	51.47%
2013	2,133,582	1,445,633	199,148	347,844	330,040	568,575	3,887,672	35.83	7,128,391	54.54%
2012	2,464,487	1,541,457	211,699	331,365	311,384	578,803	4,281,589	31.98	7,252,709	58.66%
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%

Source: Town of Manchester Office of Tax Assessor

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

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

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

TABLE 6

## TOWN OF MANCHESTER, CONNECTICUT

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(In Thousands)**

<u><b>Taxpayer</b></u>	<b>2014</b>			<b>2005</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Town Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Town Taxable Assessed Value</b>
Pavilions at Buckland Hills LLC, et al	\$ 114,159	1	2.92%	\$ 95,817	1	3.39%
Connecticut Light and Power Co.	90,019	2	2.30%	28,838	4	1.02%
J.C Penney Properties, Inc.	69,481	3	1.77%	59,972	2	2.12%
Northland Pavilions, LLC	57,009	4	1.46%	48,811	3	1.73%
Manchester Developers, LLC	39,352	5	1.00%	19,770	7	0.70%
Manchester Tolland Development	26,059	6	0.67%			
Gateway Lauren, LLC	24,334	7	0.62%			
TGM Waterford LLC*	22,194	8	0.57%			
Walmart/Sam's Club	21,641	9	0.55%	18,612	8	0.66%
Plaza at Buckland Hills LLC	21,048	10	0.54%			
May Company				22,388	5	0.79%
Downeast Associates				22,114	6	0.78%
Cox Connecticut				17,948	9	0.63%
Burr Plaza				14,958	10	0.53%
<b>TOTAL</b>	<b>\$ 485,296</b>			<b>\$ 349,228</b>		

Source: Town of Manchester, Office of Tax Assessor

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

**TOWN OF MANCHESTER, CONNECTICUT**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**LAST TEN FISCAL YEARS**

	<b>FISCAL YEAR</b>									
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Town:										
General	37.44	35.83	31.98	31.28	30.32	32.98	36.05	40.04	38.07	36.07
Special Services District:	5.69	5.54	4.98	5.00	4.94	5.50	5.81	6.86	6.74	6.45

Source: Town of Manchester Finance Department



TABLE 8

**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
2014	37.44	\$ 137,283	\$ 134,726	98.14%	\$	\$ 134,726	98.14%
2013	35.83	127,784	125,048	97.86%	887	125,935	98.55%
2012	31.98	123,389	120,953	98.03%	1,531	122,484	99.27%
2011	31.28	124,351	122,311	98.36%	1,513	123,824	99.58%
2010	30.32	123,818	121,712	98.30%	1,681	123,393	99.66%
2009	32.98	122,270	120,113	98.24%	1,711	121,824	99.64%
2008	36.05	117,967	116,029	98.36%	1,815	117,844	99.90%
2007	40.14	114,402	112,401	98.25%	1,966	114,367	99.97%
2006	38.07	106,324	104,531	98.31%	1,768	106,299	99.98%
2005	36.07	98,652	97,189	98.52%	1,447	98,636	99.98%

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

TABLE 9

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Ratio of Debt to Taxable Assessed Value	Debt Per Capita
	General Obligation Bonds	Capital Leases	Water	Sewer				
2014	\$ 81,246	\$	\$	\$	\$ 81,246	4.16%	2.25%	\$ 1,395.72
2013	80,300				80,300	4.11%	2.07%	1,379.46
2012	76,443	324			76,767	4.57%	1.79%	1,317.05
2011	76,279	636			76,915	4.12%	1.81%	1,318.08
2010	82,188	1,323		865	84,376	5.76%	1.98%	1,496.43
2009	78,218	1,987		1,713	82,170	5.66%	2.14%	1,471.08
2008	84,135	2,795		2,545	89,785	6.20%	2.65%	1,610.86
2007	48,880	3,709		3,360	56,318	3.90%	1.92%	1,012.00
2006	34,437	4,618		4,160	49,958	3.46%	1.74%	898.98
2005	37,635	3,598		4,943	46,661	3.24%	1.65%	817.32

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, 2014

(In Thousands)

Total tax collections (including interest and lien fees) received for year ended June 30, 2014					\$ 138,342
Reimbursement for revenue loss on:					
Tax relief for elderly - freeze					<u>2</u>
BASE					<u>\$ 138,344</u>
	<b>General Purpose</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Pension Deficit</b>
Debt limitation:					
2-1/4 times base	\$ 311,274	\$	\$	\$	\$
4-1/2 times base		622,548			
3-3/4 times base			518,790		
3-1/4 times base				449,618	
3 times base					415,032
	<u>311,274</u>	<u>622,548</u>	<u>518,790</u>	<u>449,618</u>	<u>415,032</u>
Total debt limitation	<u>311,274</u>	<u>622,548</u>	<u>518,790</u>	<u>449,618</u>	<u>415,032</u>
Indebtedness:					
Bonds payable	38,487	40,648			
Bonds anticipation notes	1,495		2,105		
Debt authorized but unissued	<u>22,734</u>	<u>6,762</u>	<u>4,205</u>		
	<u>62,716</u>	<u>47,410</u>	<u>6,310</u>	<u>-</u>	<u>-</u>
Net indebtedness	<u>62,716</u>	<u>47,410</u>	<u>6,310</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 248,558</u>	<u>\$ 575,138</u>	<u>\$ 512,480</u>	<u>\$ 449,618</u>	<u>\$ 415,032</u>

Note (1): In no case shall total indebtedness exceed \$968,408 (seven times annual base for debt limitation computations).

Note (2): Bond anticipation notes payable do not include water bond anticipation notes of \$13,781, which are considered to be self-financing.

## TOWN OF MANCHESTER, CONNECTICUT

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>(b) Percentage of Estimated Actual Taxable Value of Property</b>	<b>(a) Debt Per Capita</b>
2014	\$ 81,246	1.16%	\$ 1,395.72
2013	80,300	1.13%	1,379.46
2012	76,443	1.05%	1,311.49
2011	76,279	0.95%	1,307.18
2010	83,053	1.04%	1,472.96
2009	79,931	1.09%	1,435.50
2008	86,680	1.28%	1,560.69
2007	52,240	0.82%	946.68
2006	38,597	0.79%	816.01
2005	42,578	0.82%	777.46

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

(a) See Table 13 for population figures

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

TABLE 12

## TOWN OF MANCHESTER, CONNECTICUT

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt limitation	\$ 968,408	\$ 885,927	\$ 862,722	\$ 877,422	\$ 869,694	\$ 857,332	\$ 834,302	\$ 803,306	\$ 750,659	\$ 696,367
Total net debt applicable to limit	<u>116,436</u>	<u>112,488</u>	<u>109,094</u>	<u>83,154</u>	<u>102,551</u>	<u>95,310</u>	<u>93,663</u>	<u>93,399</u>	<u>38,860</u>	<u>41,306</u>
Legal Debt Margin	<u>\$ 851,972</u>	<u>\$ 773,439</u>	<u>\$ 753,628</u>	<u>\$ 794,268</u>	<u>\$ 767,143</u>	<u>\$ 762,022</u>	<u>\$ 740,639</u>	<u>\$ 709,907</u>	<u>\$ 711,799</u>	<u>\$ 655,061</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.67%	14.54%	14.48%	10.47%	13.37%	11.12%	11.23%	11.63%	5.18%	5.93%

Source: Comprehensive annual financial report - Statement of Debt Limitation

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

**TOWN OF MANCHESTER, CONNECTICUT**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN CALENDAR YEARS**

<b>Calendar Year</b>	<b>Population(1)</b>	<b>Personal Income(2) (thousands of dollars)</b>	<b>Per Capita Income(2)</b>	<b>Median Age(2)</b>	<b>School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>
2014	58,211	\$ 1,955,307	\$ 33,590	36.9	6,181	6.89%
2013	58,289	1,903,019	32,648	36.9	6,225	7.88%
2012	58,287	1,679,307	28,811	36.5	6,394	8.12%
2011	58,354	1,867,678	32,006	37.7	6,834	8.80%
2010	56,385	1,465,390	25,989	36.5	6,889	8.70%
2009	55,857	1,451,668	25,989	36.5	6,877	8.50%
2008	55,738	1,448,575	25,989	36.5	6,816	5.60%
2007	55,572	1,444,261	25,989	36.5	7,099	4.50%
2006	55,563	1,444,027	25,989	36.5	7,213	4.8%
2005	55,389	1,439,505	25,989	36.5	7,484	4.7%

(1) Source: State of CT Dept. of Health

(2) Source: City-Data.com

(3) Source: Official Statement Town of Manchester

(4) Source: Connecticut Department of Labor

TABLE 14

TOWN OF MANCHESTER, CONNECTICUT

PRINCIPAL EMPLOYERS

2014 AND 2005

Employer	Nature of Business	2014			Employer	Nature of Business	2005		
		Employees	Rank	Percentage of Total Town Employment			Employees	Rank	Percentage of Total Town Employment
Town of Manchester	Local Gov/Board of Ed	1,669	1	5.67%	Town of Manchester	Local Gov/Board of Ed	1,586	1	5.39%
Manchester Memorial Hosp.	General Hospital	1,500	2	5.10%	Manchester Memorial Hosp.	General Hospital	1248	2	4.24%
J.C. Penney Company	Warehouse/Distribution	750	3	2.55%	Dynamic Gunver Tech.	Sheet Metal Fabrication	567	3	1.93%
Manchester Community Coll.	College	725	4	2.47%	West Side Multi-Care	Skilled Nursing Care	500	4	1.70%
Target	Retail	400	5	1.36%	Manchester Health Care	Medical Offices	500	5	1.70%
GE Aviation	Parts Manufacturer	400	6	1.36%	May Department Stores	Department Store	500	6	1.70%
Super Stop & Shop	Supermarket	381	7	1.30%	JC Penney	Department Store	400	7	1.36%
J.C. Penny Company	Retail/Distribution	350	8	1.19%	Sears Robuck & Co.	Department Store	315	8	1.07%
Allied Printing	Commercial Printing	330	9	1.12%	Allied Printing Services	Commercial Printing	300	9	1.02%
Big Y World Class Market	Supermarket	300	10	1.02%	Green Manor Corp.	Newspapers	280	10	0.95%
		<u>6,805</u>		<u>23.14%</u>			<u>6,196</u>		<u>21.06%</u>

Source: Town of Manchester Planning Department and Official Statements  
 2013 Percentage based on total employed population of 29,410 per the Department of Commerce, Bureau of the Census, 2000

TABLE 15

## TOWN OF MANCHESTER, CONNECTICUT

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

<b>Function/Program</b>	<b>Full-Time-Equivalent Employees as of June 30,</b>									
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
General government	81.00	80.40	80.40	86.40	88.75	90.25	93.50	92.50	92.25	97.25
Police	152.50	154.50	154.50	154.50	154.50	158.50	158.50	158.50	157.50	156.50
Fire	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	83.00	81.00
Sanitation	12.10	12.10	12.10	12.10	12.10	11.10	9.05	9.00	9.00	9.00
Other public works	145.15	147.40	148.40	148.40	148.40	149.40	149.45	149.75	151.15	151.50
Recreation	13.00	14.00	14.00	8.50	8.50	9.50	9.50	9.50	9.50	9.00
Library	25.00	25.00	25.00	26.00	27.00	27.00	27.00	27.00	27.00	26.00
Education	<u>1,155.00</u>	<u>1,158.13</u>	<u>1,197.67</u>	<u>1,170.71</u>	<u>1,175.00</u>	<u>1,161.25</u>	<u>1,156.00</u>	<u>1,129.00</u>	<u>1,109.00</u>	<u>1,133.00</u>
<b>TOTAL</b>	<u><u>1,665.75</u></u>	<u><u>1,673.53</u></u>	<u><u>1,714.07</u></u>	<u><u>1,688.61</u></u>	<u><u>1,696.25</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>

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

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



TABLE 16

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b><u>Function/Program</u></b>										
General government:										
Building permits issued	3,528	3,003	3,018	3,100	3,127	3,161	2,926	3,340	3,744	4,160
Building inspections conducted	5,984	4,986	6,498	5,194	6,890	6,830	6,797	7,769	9,017	9,275
Police:										
Physical arrests	3,510	3,391	4,157	4,694	3,549	3,525	3,548	4,121	3,862	3,887
Parking violations (unavailable pre FY06)	1,550	1,863	1,096	1,698	1,743	2,078	2,897	3,220	2,467	
Traffic violations	4,316	1,617	2,281	4,999	8,944	6,885	7,233	6,367	4,587	4,587
Fire:										
Emergency responses	7,573	7,790	8,373	8,206	8,097	7,902	7,674	7730	6,456	7705
Structure Fires (fires extinguished)	30	30	39	39	31	24	42	53	36	49
Inspections	2,064	1,394	956	828	1,246	1,858	989	650	610	1079
Refuse collection:										
Refuse collected (tons per day)	50.00	50.11	52.85	52.04	41.40	41.40	40.15	44	45	44
Recyclables collected (tons per day)	17.50	18.23	19.48	19.67	10.40	10.40	12.30	10.00	10.00	10.00
Other public works:										
Street resurfacing (miles)	7.52	8.30	6.80	6.30	9.60	10.80	6.00	6.36	6.36	5.69
Potholes repaired (man hours)	3,990									
Parks and recreation:										
Athletic field permits issued (unavailable)										
Community center admissions (unavailable prior to 08)	108,438	105,280	112,000	112,000	110,000	104,000	79,000			
Library:										
Volumes in collection (thousands)	243.7	242.3	243.2	262.1	239.7	238.4	228.8	221.8	215.1	210.8
Total volumes borrowed (thousands)	759.3	777.9	825.4	846.8	859.0	834.5	797.1	747.1	739.4	769.0
Water:										
New connections	22	5	8	17	17	45	16	72	97	209
Water main breaks	25	17	15	7	18	10	12	14	4	13
Average daily production (thousands of gallons)	4,832	4,972	5,019	5,375	5,178	5,320	5,560	5,500	4,666	4,709
Peak daily production (thousands of gallons)	6,600	7,480	8,220	8,400	7,040	7,750	8,070	8,130	7,130	9,100
Sewer Enterprises:										
Average daily sewage treatment (thousands of gallons)	6,210	6,200	6,835	6,150	6,552	6,465	5,560	5,500	4,666	4,709

Source: Internal Department Tracking Reports

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>Function/Program</u></b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	3	3	3	2	1	2	3	3	3	3
Patrol units	8	8	8	8	8	8	7	7	7	7
Fire stations	5	5	5	5	5	5	5	5	5	5
Other public works:										
Streets (miles)	218.1	218.1	218.0	217.0	217.0	217.0	214.0	213.1	197.7	197.7
Streetlights	4,846	4,820	4,717	4,710	4,698	4,698	4,674	4,688	4,672	4,624
Traffic signals	53	52	52	52	51	51	51	50	50	49
Parks and recreation:										
Acreage	677	677	677	677	677	677	677	677	677	677
Playgrounds	23	23	23	23	23	23	23	23	22	22
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	14	14	14	13	13	13	13	13	13	13
Water:										
Water mains (miles)	258	258	258	257	280	278	255	255	254	243
Fire hydrants	2,037	2,026	2,021	1,990	1,969	1,970	1,954	1,876	1,812	1,812
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	167	167	166	164	161	181.5 *	181.5
Storm sewers (miles)	143	143	142	139	163	163	163	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.