

Comprehensive Annual Financial Report

of the

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2006

Department of Finance
Alan J. Desmarais
Director of Finance

TOWN OF MANCHESTER, CONNECTICUT

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JUNE 30, 2006

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Introductory Section



SCOTT SHANLEY, GENERAL MANAGER

Town of Manchester

41 Center Street • P.O. Box 191
Manchester, Connecticut 06045-0191
www.ci.manchester.ct.us

JOSH M. HOWROYD, MAYOR
LISA P. O'NEILL, DEPUTY MAYOR
KEVIN L. ZINGLER, SECRETARY

DIRECTORS
JOSEPH S. HACHEY
MATTHEW B. PEAK
CHERI A. PELLETIER
DAVID M. SHERIDAN
LOUIS A. SPADACCINI
JOHN D. TOPPING

December 27, 2006

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, 2006 is submitted herewith.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the Town's organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis, basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, as well as the independent auditors' report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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 are on file in the Town Clerk's office.



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

Town of Manchester Government

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

The Town is located in central Connecticut and is approximately 10 miles east of the City of Hartford, the State capital. The Town is also bordered by the towns of East Hartford, South Windsor, Vernon, Bolton, and Glastonbury. It is approximately 85 miles southwest of Boston and 115 miles northeast of New York City. The Town encompasses 27.2 square miles and has a population 57,079 people.

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

Local Economic Condition and Outlook

Manchester continues to maintain a strong and diverse local economy. Because of its exceptional location relative to I-84, I-384, and I-91, all of which converge in Manchester, it is the preferred location for warehouse and distribution businesses and for regional retail and service establishments. Manchester's warehouse/distribution sector includes the J. C. Penney Northeast Warehouse Fulfillment Center; Harvey Industries and Hartford Distributors, as well as many smaller materials handling or freight forwarding businesses. Long an industrial center, our 90 manufacturing firms include precision machining, plastics molding, metals fabricating and coating, and commercial printing operations. 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 J. C. Penney Company at 1,300 employees; Manchester Memorial Hospital (a full service hospital) at 1,489 employees; Smith Aerospace at 510 employees; Cox Communications at 375 employees; Allied Printing Services at 375 employees; and the Journal Publishing Company at 275 employees.

In northern Manchester, at the merge of I-84 and I-291 is the Buckland Hills area. The Buckland Industrial Park is home to J. C. Penney and other industrial and manufacturing firms. It is also the home to one of the largest concentrations of retail in New England, at over 3.7 million square feet of retail space. 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; Borders Books; The

Sports Authority; and Circuit City and Best Buy, to name but a few. Buckland Hills is also home to over 15 full service restaurants, approximately 400 hotel rooms, and a multi-screen movie theater.

Over the past year Manchester has experienced an increase in leasing activity in industrial properties, reflecting both new property ownership and a slowly improving industrial economy in the greater Hartford region. As the economy continues to improve, Manchester's available land and buildings, highway access, and full complement of municipal services and utilities and the availability of public transportation will continue to make us a strong location for new business locations and expansions.

Major Initiatives

During FY 06, the Town's financial administration focused on preparation for the real property revaluation which became effective October 1, 2006 and will affect tax bills due in July 2007. This revaluation process became a focal point during the year in recognition of significant changes in real property values since the 2000 revaluation. The Town accurately predicted a large shift in tax burden from Commercial / Industrial properties to residential properties. More importantly though, Town staff realized that property values in more modest homes increased more rapidly than the values of larger homes. This created a separate and distinct burden shift within the expected burden shift. In recognition of these expected shifts, Town staff began year and a half effort to educate and inform the taxpayers of Manchester of the potential effects on the revaluation. This educational effort included over 30 formal staff presentations to the public, two taped presentations and discussions over local access cable on the Town cable channel. Staff also prepared a series of white papers that were made available to the public and were posted on the Town's website. The white paper series addressed many of the aspects of municipal finance including budgeting, debt service, and financial challenges facing the Town over the next few years.

In early calendar 2006, the Town hired a new General Manager Scott Shanley to replace retiring General Manager Steve Werbner who had over 30 years of service with the Town upon retirement.

Budgeting and Accounting

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

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

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

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

Accounting and Internal Control

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

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

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

Cash Management

All non-pension funds not required to have separate bank accounts use a single consolidated account for deposits and three zero balance accounts for disbursements. The collected balance of the consolidated account not needed to liquidate zero balance account obligations is invested to meet future cash flow needs. The Town invests all non-pension funds in accordance with Sections 7-401 through 403 of the Connecticut General Statutes (CGS). The funds of the public employee retirement system are invested in accordance with the Pension Plan Investment Policy. All pooled non-pension funds are invested in the State Treasurer's Short Term Investment Fund (STIF), and in two managed Federal Treasury and Agency securities funds. STIF is a State Agency/Local Government investment pool organized under the CGS. The funds of the Town of Manchester Medical Insurance Fund and planned long-term debt payments are invested in a fully collateralized Federal Treasury and Agency securities participation fund until needed. During the fiscal year STIF returned 4.39% on invested funds. A comparative rate of return on alternate but similar investments was:

IMoneyNet, Inc. First Tier Institutions-Only Money	
Fund Report (MFR) Index	4.02%

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 05-06 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 in anticipation of the borrowing needs to fund the recently authorized school construction authorizations. The following table shows the Town's operating results and unreserved fund balance position for the past five years:

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
Revenues (000's)	\$114,168	\$115,835	\$122,924	\$129,579	\$137,094
Expenditures (000's)	109,621	115,539	119,978	\$126,974	133,863
Operating Results (000's)	4,547	296	2,946	2,605	3,231
Unreserved and Undesignated Fund Balance (000's)	5,125	4,815	6,404	7,514	8,352
Percent of Revenue	4.49%	4.16%	5.21%	5.83%	6.09%

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 FY96, the Town solicited proposals from qualified auditing firms to provide audit services for the two-year period FY1996 and 1997 with the option to renew for two additional years, FY 1998 and FY1999. The firm of Scully & Wolf, LLP, Certified Public Accountants, was selected as the Town's independent auditors for that period and the subsequent renewal. During FY 2000 and in anticipation of the Implementation of GASB 34, the Board of Directors approved Scully & Wolf, LLP for an additional four year period ending with FY 2003. In November 2003, the Board of Directors extended the engagement for an additional two years ending with FY 2005. In November 2005, the Town issued a Request for Proposals for Independent Auditor services for the FY06 and FY07 fiscal years. Scully & Wolf, LLP was appointed in February 2006 for the two-year period FY2006 and 2007, including the Town's option to renew for two additional years, FY 2008 and FY2009.

The Town's FY06 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 FY06 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, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgments

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

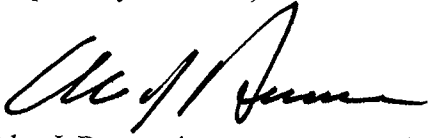
James Wren, Accounting Manager
Susan Alaimo, Accountant
Joanne Gyure, Accountant
Heather Boudreaux, Accountant

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

Julian Freund, Budget and Research Officer
Karen Rich, Systems Application Project Manager
Laura LaBrecque, Payroll Coordinator
Patricia Brooks, Director of Business & Operations and staff,
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 'Alan J. Desmarais', written in a cursive style.

Alan J. Desmarais
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Manchester
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

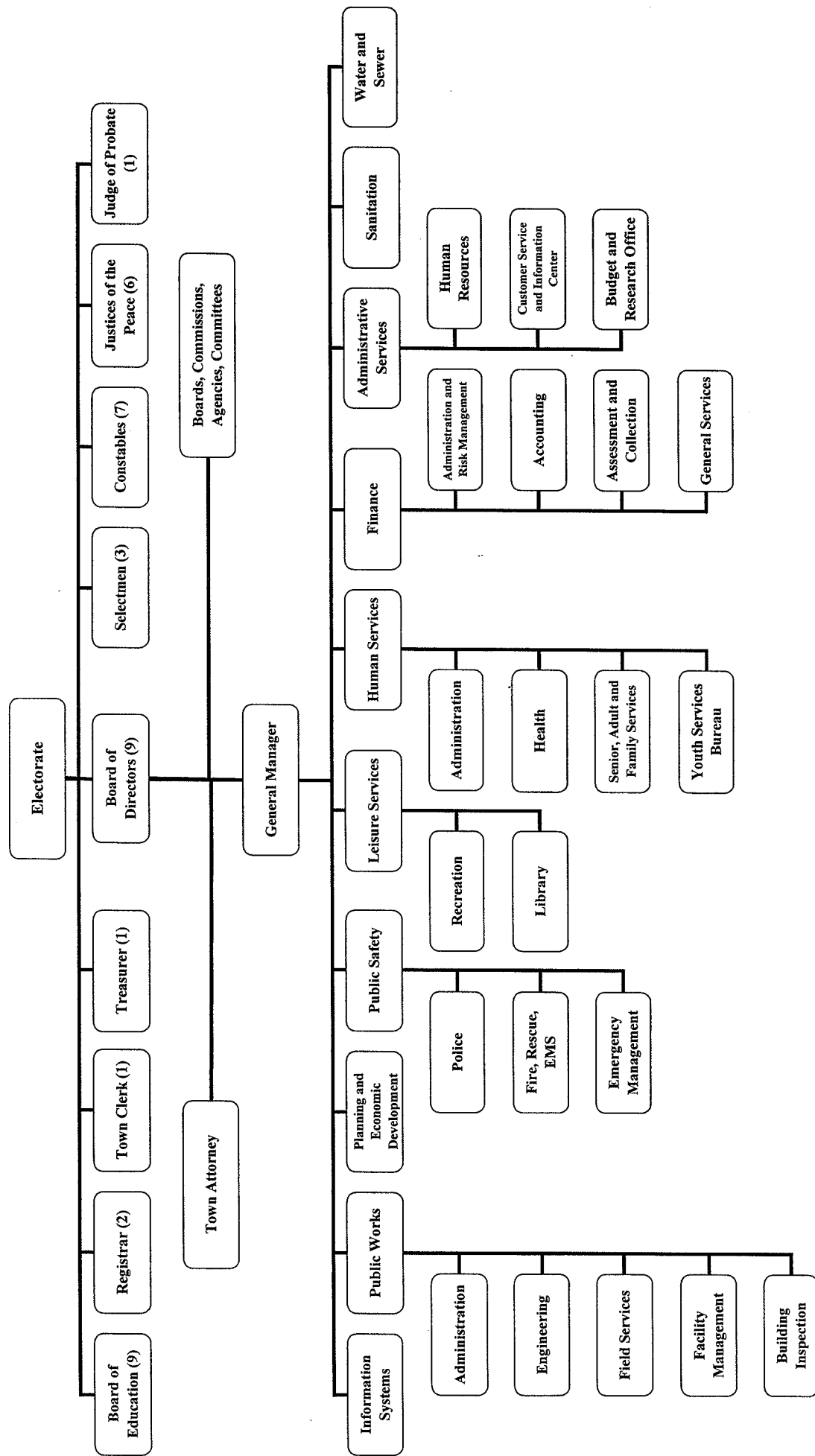
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Town of Manchester, Connecticut General Government Organizational Chart



TOWN OF MANCHESTER, CONNECTICUT

LISTING OF PRINCIPAL OFFICIALS

Board of Directors

Josh M. Howroyd, Chairman (Mayor)
Lisa P. O'Neill, Deputy Mayor
Kevin L. Zingler, Secretary
Louis A. Spadaccini, Minority Leader
Jason Doucette

Matthew B. Peak
Cheri A. Pelletier
David Sheridan
John D. Topping

Town Clerk
Treasurer
Registrars of Voters

Joseph V. Camposeo
Thomas P. Crockett
Barbara King
Francis Maffe
Scott Shanley
Vacant
Mark Carlino
Dede Moore
Michael M. Darby
Alan J. Desmarais
James Wren
John Rainaldi
Gerald R. Dupont
Maryann Cherniak Lexius
Dede Moore
Mary Roche Cronin
Jack McCoy
D. Scott Sprague

General Manager
Director of Operations
Director of Public Works/Town Engineer
Director of Administrative Services
Town Attorney
Director of Finance
 Accounting Manager
 Director of Assessment/Collection
 Director of General Services
Director of Health
Director of Human Resources
Director of Human Services
Director of Information Systems
Director of Parks and Recreation
Director of Neighborhood Services
 and Economic Development
Director of Youth Services
Library Director
Chief of Police
Fire Chief
Budget Officer

Mark Pellegrini
Erica Bromley
Douglas McDonough
James Berry
Robert Bycholski
Julian Freund

Board of Education

Margaret Hackett, Chairperson
Geoff Luxenberg
Michael Crockett
Steven Edwards
Michael Pohl

Michael T. Rizzo, Secretary
Linette Small-Miller
Carol Stafford
Enrique Marciano, Sr. (ex-officio)

Superintendent of Schools

Kathy Ouellette

Financial Section



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Manchester, Connecticut, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Manchester's management. Our responsibility is to express opinions on these financial statements based on our audit.

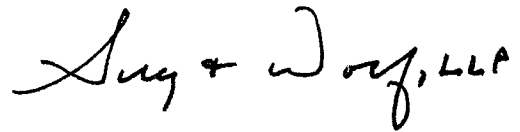
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Manchester, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2006 on our consideration of the Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 13 through 20, and 56 and 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Sug & Worf, LLP". The signature is written in a cursive, flowing style.

December 27, 2006

TOWN OF MANCHESTER, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

This discussion and analysis of the Town of Manchester, Connecticut's ("Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2006. Please read this Management Discussion & Analysis (MD&A) in conjunction with the transmittal letter beginning on page 1 and the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased by \$10.9 million as a result of this year's operations. While net assets of our business-type activities increased by \$4.1 million, or nearly 8.7 percent, net assets of our governmental activities increased by \$6.8 million, or nearly 11.8 percent.
- During the year, the Town had expenses that were \$6.8 million less than the \$170.5 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues increased to \$19.0 million (or 11.4 percent) while expenses increased by \$.2 million (or 1.1 percent).
- Total cost of all of the Town's programs increased by \$15.5 million (or 9.4 percent) to \$180.6 million with no new significant programs added this year.
- The General Fund reported a fund balance this year of \$15.4 million up \$3.5 million (or 28.9 percent).
- Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibit 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 Exhibit I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, we divide the Town into three 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.
- *Component unit* – The Town includes a separate legal entity in its report; the Downtown Special Services District. Although legally separate, this “component unit” is important because the Town is financially accountable for it.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from the restated \$105.5 million to \$116.4 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005*</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 47,947	\$ 44,448	\$ 38,442	\$37,171	\$70,804	\$ 71,088
Capital assets	<u>105,174</u>	<u>95,728</u>	<u>37,184</u>	<u>37,780</u>	<u>142,358</u>	<u>133,508</u>
Total assets	<u>153,121</u>	<u>140,176</u>	<u>75,626</u>	<u>74,951</u>	<u>213,162</u>	<u>204,596</u>
Long-term debt outstanding.	60,936	63,331	20,736	16,489	81,672	79,820
Other liabilities	<u>27,912</u>	<u>19,346</u>	<u>2,733</u>	<u>10,465</u>	<u>15,060</u>	<u>19,280</u>
Total liabilities.....	<u>88,848</u>	<u>82,677</u>	<u>23,469</u>	<u>26,954</u>	<u>96,732</u>	<u>99,100</u>
Net assets:						
Invested in capital assets, net of debt	68,196	56,406	26,485	26,224	94,681	82,630
Restricted	<u>2,749</u>	<u>2,515</u>			<u>2,749</u>	<u>2,515</u>
Unrestricted (deficit)	<u>(6,672)</u>	<u>(1,422)</u>	<u>25,672</u>	<u>21,773</u>	<u>19,000</u>	<u>20,351</u>
Total net assets.....	<u>\$ 64,273</u>	<u>\$ 57,499</u>	<u>\$52,157</u>	<u>\$47,997</u>	<u>\$116,430</u>	<u>\$105,496</u>

*Restated – See Note 16

Net assets of the Town's governmental activities increased by 11.8 percent. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$(1.4) million at June 30, 2005 (as restated) to \$(6.7) million at the end of this year. This decrease is directly related to the interim funding of capital projects with internal capital.

Other elements of the change in unrestricted governmental net assets resulted primarily from revenue items which ended the year in a favorable position. Two of these, Town Clerk \$531 thousand, and Building Inspection Fees \$118 thousand were directly related to the continued housing, refinancing and renovation market. Other revenue items contributed to the increase including improved property tax collections \$1.1 million, increased interest income as rates rose over the fiscal year \$191 thousand, and \$602 thousand in various State statutory grant payments which were budgeted before the State budget was finalized. On the expenditure side, vacancies in all functions played a large role in the improvement in unrestricted governmental net assets. The exception was Education. In the Capital Projects fund, \$16.3 million was expended for improvements. These were primarily funded through intergovernmental grants \$4.4 million and transfers in of \$1.0 million. The Town will be issuing \$17.6 million of general obligation bonds in 2007. The net assets of business-type activities increased by 8.7 percent (\$52.2 million compared to \$48.0 million) in 2005. This increase, however, cannot be used to enhance the increase reported in governmental activities. The Town generally can only use these net assets to finance the continuing operations of the Water, Sewer and Sanitation Funds. All of the individual funds (Water,

Sewer, Sanitation) experienced increases in net assets. The governmental activities Internal Service net assets increased \$163 thousand.

Table 2
Changes In Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,159	\$ 8,513	\$18,312	\$16,198	\$ 25,471	\$ 24,711
Operating grants and contributions	42,944	37,806			42,944	37,806
Capital grants and contributions	5,253	3,283		65	5,253	3,348
General revenues:						
Property taxes.....	107,059	98,738			107,059	98,738
Grants and contributions not restricted to specific purposes.....	4,600	4,571			4,600	4,571
Unrestricted investment earnings	1,380	945	663	675	2,043	1,620
Other general revenues	1,085	499		92	1,085	591
Total revenues.....	169,480	154,355	18,975	17,030	188,455	171,385
Program expenses:						
General government	5,730	5,725			5,730	5,725
Public works	15,552	10,567			15,552	10,567
Public safety.....	25,374	25,185			25,374	25,185
Human services.....	4,389	4,044			4,389	4,044
Leisure services.....	5,274	4,704			5,274	4,704
Employee benefits.....	2,123	1,775			2,123	1,775
Education.....	98,998	90,410			98,998	90,410
Interest on long-term debt.....	2,053	1,722			2,053	1,722
Other.....	3,729	3,733			3,729	3,733
Water			6,196	6,266	6,196	6,266
Sewer.....			5,500	5,098	5,500	5,098
Sanitation.....			5,651	5,795	5,651	5,795
Total program expenses.....	163,222	147,865	17,347	17,159	180,569	165,024
Excess (deficiency) before transfers	6,258	6,490	1,628	(129)	7,886	6,361
Transfers	516	563	(516)	(563)		
Special item			3,048		3,048	
Increase (decrease) in net assets..	\$ 6,774	\$ 7,053	\$ 4,160	\$ (692)	\$ 10,934	\$ 6,361

The Town's total revenues (Governmental and Business-Type) were \$188.5 million. The total cost of all programs and services (Governmental and Business-Type) was \$180.6 million. The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The increase in Governmental Activities net assets was \$6.8 million. These positive operating results were directly related to a \$8.3 million increase in collected taxes, a \$5.1 million increase in operating grants and contributions, a \$435 thousand increase in investment earnings and a \$1.4 million decrease in charges for services (Town Clerk and Building Inspection fees). This, coupled with a \$15.4 million increase in overall spending produced the favorable results.

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

Table 3
Governmental Activities
(in thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Education	\$ 98,998	\$ 90,410	\$ 52,916	\$50,250
Public Safety.....	25,374	25,185	24,160	23,473
Public Works	15,552	10,567	12,431	7,546
General Government	5,730	5,725	3,714	4,119
Human Services	4,389	4,044	3,049	2,422
All others	13,179	11,934	11,596	10,453
Totals	<u>\$163,222</u>	<u>\$147,865</u>	<u>\$107,866</u>	<u>\$98,263</u>

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 11.4 percent (\$19.0 million in 2006 compared to \$17.0 million in 2005) and expenses increased by 1.1% (\$17.3 million in 2006 compared to \$17.2 million in 2005) The factors influencing these results include: increased water (and related sewer) sales due primarily from increased sewer operating and service revenues, and increased landfill tip fee revenue (\$692 thousand). Also the Water and Sewer funds continued to experience a high number of personnel vacancies during the year. The 2.9% increase in expenses in those funds was moderated by operational vacancies during the year.

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 \$10.7 million, which is a decrease of \$6.3 million from last year's total. Included in this year's total change in fund balance, is an increase of \$3.5 million in the Town's General Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted in Exhibit IV. In addition, during the fiscal year the Capital Projects Fund completed \$16.3 million of capital improvements which were funded internally. Plans are currently in place to issue \$17.6 million in general obligation bonds for financing various projects in the first half of calendar 2007.

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

- 1) Tax collections which exceeded budget estimates by \$1.1 million. This was primarily due to aggressive delinquent tax collection recoveries (\$684 thousand) and current year collections which exceed budgeted estimates (\$407 thousand)
- 2) Charges for services which exceeded budget estimates as previously described (\$658 thousand). Investment Income which exceed estimates as the yield curve reacted to increases in short term rates by the Federal Reserve (\$191 thousand).
- 3) State grant payments which exceed budgetary estimates by \$534 thousand. This was a result of the State budget adoption process calendar which produced a State budget well after the Town Charter deadline for adoption by the Town Board of Directors. only adopted a budget after the Town budget using
- 4) The unused portion of Contingency (\$410 thousand).

The aforementioned items coupled together with the delayed filling of operational vacancies resulted in a net increase of \$3.5 million in General Fund balance. The FY06 General Fund did not rely on any unreserved and undesignated fund balance to balance the fiscal year budget.

The Town's General Fund balance of \$15.4 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$13.9 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$1.5 million of outstanding encumbrances at year-end which are reported as expenditures for budgetary purposes.

The Fire District fund operated within budget and operations plan for the year. Fund Balance increased by \$216 thousand from \$478 thousand to \$694 thousand.

In the remaining non-major governmental funds, the combined fund balances remained at \$4.1 million.

Proprietary Funds

As the Town completed the year, its proprietary funds (as presented in the balance sheet – Exhibit V) reported combined net assets of \$52.2 million, which is a increase of \$4.2 million from last year's total of \$48.0 million. Included in this year's total change in net assets, is an increase of \$4.0 million in the Sanitation Fund, and a \$25 thousand increase in the Sewer Fund and a \$185 thousand increase in the Water Fund. The Sanitation Fund increase was due an crease in service fees of \$692 thousand, and increased interest income of \$26 thousand. The largest change was due to a re-estimation of landfill capacity and the related closure cost. That change increased net assets by \$3.0 million. Water Fund benefited from the delay in filling positions that were vacant during the year., as well as increased interest earnings.

In the internal service funds, the self-insurance funds experienced a net combined net loss of \$85 thousand as claims increased dramatically in the non health benefits fund. This loss was primarily related to a \$1.0 million increase in Claims Payable as a 2002 auto accident claim reserve was increased by \$700 thousand. The Information Systems Fund's gain amounted to \$248 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the Town had \$142.4 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 \$8.9 million, or 6.7 percent, over last year.

Table 4
Capital Assets at Year-end (Net of Depreciation)
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 7.9	\$ 7.7	\$ 1.2	\$ 1.0	\$ 9.1	\$ 8.7
Buildings and improvements	27.3	25.2	11.3	19.4	38.6	44.6
Equipment	7.3	7.4	21.2	15.9	28.5	23.3
Infrastructure	49.6	50.3			49.6	50.3
Construction in progress.....	13.1	5.1	3.5	1.5	16.6	6.6
Totals	<u>\$105.2</u>	<u>\$95.7</u>	<u>\$37.2</u>	<u>\$37.8</u>	<u>\$142.4</u>	<u>\$133.5</u>

*Restated – See Note 16

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

Improvements to Educational Facilities	\$8.0
Roads	\$1.0
Sidewalks	\$.5
Neighborhood Infrastructure Improvements	\$5.0
Equipment	\$.6

The Town's fiscal-year 2006-07 capital budget calls for additional capital projects spending primarily consisting of continuation of construction of a major school addition and renovation at the high school (\$25 million), the initiation of renovations at a middle school (4.0 million), roads (\$.5 million), and sidewalks (\$.4 million).

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

Long-term debt

At June 30, 2006 the Town had \$39.0 million in bonds and notes outstanding versus \$43.0 million last year – a decrease of 9.4 percent – as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds (backed by the Town)	<u>\$34.9</u>	<u>\$38.1</u>	<u>\$4.1</u>	<u>\$4.9</u>	<u>\$39.0</u>	<u>\$43.0</u>

The Town's general obligation bond rating continues to be AA2 (Moody's) and AA+ (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 \$750.7 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 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year budget 2006-2007, General Fund appropriations totaled \$144.6 million. This is an increase of \$4.0 million or 3.3%. As with last year, the General Fund budget does not include the use of any undesignated General Fund fund balance. The increase in General Fund appropriations is being funded by property taxes which have increased 5.6 percent. If all the budgetary estimates are realized, the Town expects to have a stable or slightly increased undesignated General Fund fund balance.

For the business-type activities, the Town has set related fees to offset the cost of operations.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 35.51 and business-type fees for the 2006-2007 fiscal year. One of these is the upcoming real property revaluation effective October 1, 2006. As noted in previous sections, the Town's building permit fees receipts (an indication of ongoing building construction) have continued to remain strong. The 35.51 mill rate represents an increase of 1.93 mills (5.75 percent) from the previous year. The taxable Grand List growth was 1.95%. The Town desired a stable level of service delivery and adopted a mill rate which reflected 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 10+ percent, or higher, annual increases in employee health benefits.

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, 41 Center Street, Manchester, Connecticut, 06040.

Basic Financial Statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2006

(thousands)

	.....PRIMARY GOVERNMENT.....			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	..UNIT.. DOWNTOWN SPECIAL SERVICES DISTRICT
	ACTIVITIES	ACTIVITIES		
ASSETS:				
Cash and cash equivalents	\$ 10,103	\$ 9,614	\$ 19,717	\$169
Investments	27,711	8,410	36,121	
Receivables, net	10,011	4,137	14,148	
Due from component unit	77		77	
Inventories	40	696	736	
Prepaid items	5		5	
Capital assets:				
Assets not being depreciated	20,963	4,641	25,604	
Assets being depreciated - net	84,211	32,543	116,754	
Total assets.....	153,121	60,041	213,162	169
LIABILITIES:				
Accounts and other payables	5,588	2,167	7,755	9
Accrued liabilities	802	473	1,275	2
Due to primary government				77
Bond anticipation notes	350		350	
Unearned revenue	5,587	93	5,680	
Internal balances	15,585	(15,585)		
Noncurrent liabilities:				
Due within one year	13,589	9,370	22,959	
Due in more than one year	47,347	11,366	58,713	
Total liabilities.....	88,848	7,884	96,732	88
NET ASSETS:				
Invested in capital assets, net of related debt	68,196	26,485	94,681	
Restricted for:				
Trust purposes:				
Expendable	1,400		1,400	
Nonexpendable	1,349		1,349	
Unrestricted	(6,672)	25,672	19,000	81
Total net assets	\$ 64,273	\$52,157	\$116,430	\$ 81

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

					...NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS....			
					.....PRIMARY GOVERNMENT.....			.....COMPONENT UNIT.....
								DOWNTOWN
								SPECIAL
								SERVICES
								DISTRICT
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Primary Government:								
Governmental activities:								
General government	\$ 5,730	\$ 1,788	\$ 167	\$ 61	\$ (3,714)		\$ (3,714)	
Public works	15,552	1,195	711	1,215	(12,431)		(12,431)	
Public safety	25,374	893	285	36	(24,160)		(24,160)	
Human services	4,389	95	1,245		(3,049)		(3,049)	
Leisure services	5,274	673	164		(4,437)		(4,437)	
Employee benefits	2,123				(2,123)		(2,123)	
Education	98,998	2,515	39,852	3,715	(52,916)		(52,916)	
Interest on long-term debt	2,053		81		(1,972)		(1,972)	
Other	3,729		439	226	(3,064)		(3,064)	
Total governmental activities.....	163,222	7,159	42,944	5,253	(107,866)		(107,866)	
Business-type activities:								
Water	6,196	6,315				\$ 119	119	
Sewer	5,500	5,582				82	82	
Sanitation	5,651	6,415				764	764	
Total business-type activities.....	17,347	18,312				965	965	
Total primary government activities	\$180,569	\$25,471	\$42,944	\$5,253	(107,866)	965	(106,901)	
Component Unit:								
Downtown Special Services District	\$213	\$97						\$ (116)
General revenues:								
Property taxes					107,059		107,059	144
Grants and contributions not restricted to specific programs					4,600		4,600	
Unrestricted investment earnings					1,380	663	2,043	5
Miscellaneous					1,085		1,085	
Transfers					516	(516)		
Special item - change in landfill closure cost ...						3,048	3,048	
Total					114,640	3,195	117,835	149
Change in net assets								
Net assets, July 1, 2005 - as restated					6,774	4,160	10,934	33
Net assets, June 30, 2006					57,499	47,997	105,496	48
Net assets, June 30, 2006					\$ 64,273	\$52,157	\$116,430	\$ 81

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUTGOVERNMENTAL FUNDSBALANCE SHEET
JUNE 30, 2006

(thousands)

	GENERAL	FIRE DISTRICT	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>					
Cash and cash equivalents	\$ 108	\$1,247	\$ 4,539	\$1,783	\$ 7,677
Investments	21,637	5		2,352	23,994
Receivables, net	5,607	31	2,721	1,652	10,011
Due from component unit	77				77
Inventories				40	40
Prepaid items	5				5
TOTAL	<u>\$27,434</u>	<u>\$1,283</u>	<u>\$7,260</u>	<u>\$5,827</u>	<u>\$41,804</u>
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>					
Liabilities:					
Accounts and other payables	\$ 1,276	\$ 106	\$ 3,333	\$ 267	\$ 4,982
Accrued liabilities	495	133	2	81	711
Intergovernmental payables	93				93
Interfund payables			13,894	656	14,550
Deferred revenue	10,180		8	255	10,443
Bond anticipation notes payable		350			350
Total liabilities	<u>12,044</u>	<u>589</u>	<u>17,237</u>	<u>1,259</u>	<u>31,129</u>
Fund balances:					
Reserved	1,561	11	32,096	1,460	35,128
Unreserved, reported in:					
General Fund	13,829	683		3,108	13,829
Special Revenue Funds			(42,073)		3,791
Capital Project Funds					(42,073)
Total fund balances	<u>15,390</u>	<u>694</u>	<u>(9,977)</u>	<u>4,568</u>	<u>10,675</u>
TOTAL	<u>\$27,434</u>	<u>\$1,283</u>	<u>\$ 7,260</u>	<u>\$5,827</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					102,358
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					4,856
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 fund are included in governmental activities in the statement of net assets					(1,285)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					<u>(52,331)</u>
Net assets of governmental activities					<u>\$ 64,273</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	GENERAL	FIRE DISTRICT	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Property taxes, interest and lien fees	\$ 98,509	\$ 8,589			\$107,098
Intergovernmental revenue	37,293	182	\$ 4,450	\$10,184	52,109
Investment and interest income	1,241	86	86	243	1,656
Licenses, permits and fines	2,801				2,801
Charges for goods and services	1,361	209		2,323	3,893
Other	145	2	126	401	674
Total revenues.....	141,350	9,068	4,662	13,151	168,231
Expenditures:					
Current:					
General government	4,869			135	5,004
Public works	10,329				10,329
Public safety	14,709	9,480		926	25,115
Human services	2,960			1,202	4,162
Leisure services	4,754			354	5,108
Employee benefits	2,123				2,123
Education	88,941	367		9,513	98,454
Internal service fund charges	2,692				3,059
Other	139			531	670
Debt service	4,463	216	465		5,144
Capital outlay		24	16,251	226	16,501
Total expenditures.....	135,979	10,087	16,716	12,887	175,669
Excess (deficiency) of revenues over expenditures	5,371	(1,019)	(12,054)	264	(7,438)
Other financing sources (uses):					
Transfers in	618	1,634	1,006	199	3,457
Transfers out	(2,537)	(399)		(5)	(2,941)
Other			600		600
Total other financing sources (uses).....	(1,919)	1,235	1,606	194	1,116
Net change in fund balances	3,452	216	(10,448)	458	(6,322)
Fund balance, July 1, 2005	11,938	478	471	4,110	
Fund balance, June 30, 2006	\$ 15,390	\$ 694	\$ (9,977)	\$ 4,568	

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	9,661
Net decrease in capital assets from dispositions	(55)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(384)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds	3,926
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 governmental funds	(215)
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities	163

Change in net assets of governmental activities (Exhibit II)..... \$ 6,774

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2006

(thousands)

	BUSINESS-TYPE ACTIVITIES.....						GOVERNMENTAL
	.....SANITATION FUND.....						..ACTIVITIES..
	TOTAL						
	WATER	SEWER	OPERATIONS	LANDFILL CLOSURE	INTERFUND ELIMINATIONS	BUSINESS-TYPE ACTIVITIES	INTERNAL SERVICE
ASSETS:							
Current assets:							
Cash and cash equivalents		\$ 3,795	\$ 1,676	\$ 4,143		\$ 5,819	\$ 9,614
Investments	\$ 35	11		8,364		8,364	3,717
Receivables, net	1,685	1,312	1,047			1,047	4,044
Assessment receivable		93				93	
Inventories	493	203				696	
Interfund receivable	11,071		4,514			15,585	
Total current assets.....	13,284	5,414	7,237	12,507		19,744	6,143
Noncurrent assets:							
Capital assets, net	19,778	14,054	3,352			3,352	37,184
Total assets.....	33,062	19,468	10,589	12,507		23,096	75,626
LIABILITIES:							
Current liabilities:							
Accounts and other payables	574	277	487			487	1,338
Accrued liabilities	346	112	15			15	473
Interfund payables							
Claims payable							1,035
Intergovernmental payables		57				57	4,101
Unearned revenue		93				93	
Customer deposits		266	506			772	
Bond anticipation notes	8,134	10				8,144	
Bonds payable		799				799	
Compensated absences	222	151	54			427	108
Capital lease payable							340
Total current liabilities.....	9,276	1,765	1,062			1,062	12,103
Noncurrent liabilities:							
Accrued liabilities				7,118		7,118	7,118
Bonds payable		3,361				3,361	
Compensated absences	438	323	126			126	887
Claims payable							205
Capital lease payable							2,914
Total noncurrent liabilities.....	438	3,684	126	7,118		7,244	11,366
Total liabilities.....	9,714	5,449	1,188	7,118		8,306	23,469
NET ASSETS:							
Invested in capital assets, net of related debt	13,249	9,884	3,352			3,352	26,485
Unrestricted	10,099	4,135	6,049	5,389		11,438	25,672
Total net assets	\$23,348	14,019	\$ 9,401	\$ 5,389	\$ - 0 -	\$14,790	\$52,157
							\$(1,285)

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						GOVERNMENTAL
	.....BUSINESS-TYPE ACTIVITIES.....						..ACTIVITIES..
	.....SANITATION FUND.....						
	WATER	SEWER	OPERATIONS	LANDFILL CLOSURE	INTERFUND ELIMINATIONS	TOTAL BUSINESS-TYPE ACTIVITIES	INTERNAL SERVICE
Operating revenues:							
Charges for service	\$ 6,294	\$ 5,525	\$ 6,364			\$ 6,364	\$18,183
Other	21	57	51			51	129
Total operating revenues	6,315	5,582	6,415			6,415	18,312
Operating expenses:							
Administrative	614	555	446			446	1,615
General operating	3,764	3,542	4,601			4,601	11,907
Claims expense							3,426
Depreciation	1,485	1,234	590			590	20,813
Total operating expenses	5,863	5,331	5,637			5,637	3,309
Operating income (loss)	452	251	778			778	16,831
Nonoperating revenue:							24,541
Income on investments	261	88	307	\$ 7		314	1,481
Interest expense	(303)	(107)					(54)
Change in estimate for closure/post closure costs			3,048			3,048	663
Debt issuance costs	(13)						(410)
Gain (loss) on disposal of capital assets ...	(101)	(62)	(14)			(14)	197
Premium from sale of bond anticipation notes	84						(68)
Income before capital contributions and transfers	380	170	4,119	7		4,126	3,048
Capital contributions							(13)
Transfers in				5,382	\$(5,382)		(177)
Transfers out	(195)	(145)	(5,558)		5,382	(176)	84
Change in net assets	185	25	(1,439)	5,389		3,950	4,676
Total net assets, July 1, 2005 - as restated ..	23,163	13,994	10,840	- 0 -	- 0 -	10,840	75
Total net assets, June 30, 2006	\$23,348	\$14,019	\$ 9,401	\$5,389	\$ - 0 -	\$14,790	88

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	BUSINESS-TYPE ACTIVITIES.....						GOVERNMENTAL
	.....SANITATION FUND.....						ACTIVITIES.
	LANDFILL INTERFUND						TOTAL
	CLOSURE ELIMINATIONS						BUSINESS-TYPE
	TOTAL						INTERNAL
	WATER	SEWER	OPERATIONS				SERVICE
Cash flows from (to) operating activities:							
Cash received from customers and users	\$ 6,487	\$ 5,346	\$ 6,084		\$ 6,084	\$17,917	\$ 24,581
Cash received from insurance proceeds							69
Other operating receipts	9	68	51		51	128	
Cash deposits received from/refunded to customers .		95	57		57	152	
Cash paid to suppliers for goods and services	(2,629)	(1,999)	(4,154)		(4,154)	(8,782)	(868)
Cash paid for interfund services provided	(213)	(213)	(312)		(312)	(738)	
Cash paid to employees	(1,800)	(1,736)	(526)		(526)	(4,062)	(1,039)
Cash paid for insurance claims and premiums							(20,840)
Net cash provided (used) by operating activities	1,854	1,561	1,200		1,200	4,615	1,903
Cash flows from (to) noncapital financing activities:							
Transfers in (out)	(195)	(145)	(12,676)	\$12,500	(176)	(516)	
Cash received (paid) to other funds	(1,455)		(3,599)		(3,599)	(5,054)	22
Net cash provided (used) by noncapital financing activities	(1,650)	(145)	(16,275)	12,500	(3,775)	(5,570)	22
Cash flows from (to) capital and related financing activities:							
Premium on sale of bond anticipation notes	84					84	
Principal payment - long-term obligations		(783)				(783)	(329)
Principal payment - bond anticipation notes	(745)	(30)				(775)	
Interest paid	(216)	(104)				(320)	(68)
Debt issuance costs paid	(13)					(13)	
Purchase of capital assets and construction	(1,165)	(1,075)	(659)		(659)	(2,899)	(55)
Proceeds from sale of capital assets	8					8	
Proceeds from bond anticipation notes	1,000					1,000	
Net cash provided (used) by capital and related financing activities	(1,047)	(1,992)	(659)		(659)	(3,698)	(452)
Cash flows from (to) investing activities:							
Interest received	260	88	226		226	574	197
Proceeds from sale of investments		901	8,357		8,357	9,258	18
Purchase of investments		(901)		(8,357)	(8,357)	(9,258)	(1,366)
Net cash provided (used) by investing activities	260	88	8,583	(8,357)	226	574	(1,151)
Net increase (decrease) in cash and cash equivalents	(583)	(488)	(7,151)	4,143	(3,008)	(4,079)	322
Cash and cash equivalents, July 1, 2005 - as restated	583	4,283	8,827	- 0 -	8,827	13,693	2,104
Cash and cash equivalents, June 30, 2006	\$ - 0 -	\$ 3,795	\$ 1,676	\$ 4,143	\$ - 0 -	\$ 5,819	\$ 2,426

The accompanying notes are an integral part of these financial statements.

(Continued) - 1.

TOWN OF MANCHESTER, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	BUSINESS-TYPE ACTIVITIES.....						GOVERNMENTAL ACTIVITIES.	
	.....SANITATION FUND.....						TOTAL	
	WATER	SEWER	OPERATIONS	LANDFILL CLOSURE	INTERFUND ELIMINATIONS	TOTAL	BUSINESS-TYPE ACTIVITIES	INTERNAL SERVICE
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
Operating income (loss)	\$ 452	\$ 251	\$ 778			\$ 778	\$1,481	\$ (54)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	1,485	1,234	590			590	3,309	302
Change in assets and liabilities:								
(Increase) decrease in accounts receivable	180	(169)	(245)			(245)	(234)	24
Increase (decrease) in allowance for doubtful accounts.....	16	79	(34)			(34)	61	
(Increase) decrease in inventory	(22)	(11)	79			79	46	
Increase (decrease) in accounts payable	(211)	70					(141)	(4)
Increase (decrease) in accrued expenses	10	(6)	3			3	7	7
Increase (decrease) in customer deposits		95	57			57	152	
Increase (decrease) in compensated absences payable.....	(56)	18	(28)			(28)	(66)	(57)
Increase (decrease) in claims payable								1,685
Net cash provided (used) by operating activities	<u>\$1,854</u>	<u>\$1,561</u>	<u>\$1,200</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$1,200</u>	<u>\$4,615</u>	<u>\$1,903</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUTFIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

(thousands)

	PENSION TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ 229	\$1,900
Investments:		
Participating Mortgage Separate Account	5,844	
Real Estate Separate Account	3,718	
Mutual Funds	<u>107,051</u>	
Total assets	<u>116,842</u>	<u>\$1,900</u>
LIABILITIES:		
Accounts and other payables	23	
Deposits held for others		<u>\$1,900</u>
Total liabilities	<u>23</u>	<u>\$1,900</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$116,819</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF MANCHESTER, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

Additions:

Contributions:

Employer	\$ 3,085
Plan members	<u>2,238</u>
Total contributions	5,323

Investment income:

Net appreciation in fair value of investments	\$5,639
Interest and dividends	3,890
Income from real estate investments	<u>765</u>
Total investment income	<u>10,294</u>

Total additions 15,617

Deductions:

Benefits	7,356
Administration	<u>463</u>
Total deductions	<u>7,819</u>

Net increase 7,798

Net assets held in trust for pension benefits, July 1, 2005 109,021Net assets held in trust for pension benefits, June 30, 2006 \$116,819

The accompanying notes are an integral part
of these financial statements.

TOWN OF MANCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(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. 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 and its component unit, an entity for which the government is considered to be financially accountable.

Discretely Presented Component Unit - The Downtown Special Services District (the “District”) was created by an ordinance of the Board of Directors of the Town, which has retained the right to rescind the ordinance and dissolve the District. The District serves the designated retail area commonly known as the downtown district and is governed by a five member Board of Commissioners. The purpose of the District is to promote the economic and general welfare of its members. The tax levy of the District is set by the Board of Directors of the Town. The Town is also responsible for the collection of tax proceeds for the District. The District is presented as a governmental fund type. Complete financial statements for the District may be obtained at the Town’s Department of Finance, 494 Main Street, Manchester, Connecticut.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town and its component units. 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. Likewise, the Town is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

The various types included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

Special Revenue Funds - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Permanent Funds - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund - accounts for the assets of the Town's Public Employees' Retirement system.

Agency Funds - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation and are used for performance bonds, senior center and student activities.

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.

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 Capital Project Fund accounts for the major capital improvement projects which are primarily funded by bond authorizations and capital grants along with Town contributions.

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.

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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 and the downtown special services district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4.

Investments for the Town, as well as for its component units, 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 non-current 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,

including those for downtown special services district, are shown net of an allowance for uncollectibles. An amount of \$644 has been established as an allowance for uncollectible taxes. At June 30, 2006 this represents 18.38% 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 thirty 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 \$5,000 (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, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings.....	45
Building improvements	45
Improvements other than building..	20
Vehicles	6-15
Office equipment	10-12
Computer equipment	7
Infrastructure	35-70

H. Compensated Absences

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

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

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

Liabilities for compensated absences, including the current portion, are reported in the government-wide statement of net assets. General Fund appropriations are used to liquidate the liability to the extent then are due (matured).

I. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$52,331 difference are as follows:

Bonds payable	\$34,437
Accrued interest payable	534
Capital leases payable	730
Compensated absences	<u>16,630</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$52,331</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$9,661 difference are as follows:

Capital outlay	\$13,799
Depreciation expense	<u>(4,138)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 9,661</u>

Another element of that reconciliation states that “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, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$3,926 difference are as follows:

Principal repayments:	
General obligation debt	\$3,198
Capital leases	<u>728</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u>\$3,926</u>

Another element of that reconciliation states that “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 governmental funds”. The details of this \$(215) difference are as follows:

Compensated absences	\$(232)
Accrued interest	<u>17</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u>\$(215)</u>

3. 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) Prior to March 26, 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) Prior to April 6, a public hearing is conducted by the Board of Directors to obtain taxpayer comments.
- (3) Prior to May 7, 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 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 \$556 were approved during the year for the General Fund with a corresponding increase in estimated revenues of \$316 and appropriations from fund balance of \$240. There were no additional appropriations approved during the year for the Special Taxing District-Fire Special Revenue Fund.
- (5) Formal budgetary integration is employed as a management control device during the year.
- (6) Except for encumbrance accounting, all budgets are prepared on the modified accrual basis.
- (7) Generally, the unexpended and unencumbered portion of appropriations lapse at year end, except those of the capital projects funds. Appropriations for the foregoing are continued until completion of the project, even when projects extend beyond one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity and Accumulated Deficits

The following is a summary of the funds with accumulated deficits at June 30, 2006.

<u>Accumulated Deficits</u>	<u>Amount</u>
Capital Projects Fund	\$9,977
Manchester Self-Insurance Program	\$3,934
Police Special Services	\$44

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

Manchester Self Insurance Program accumulated deficit is the result of claims expenses and will be eliminated with future Town contributions. The Capital Projects Fund deficit will be eliminated through future bonding. The Police Special Services Fund will be funded by charges for services.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Several of the Town's funds separately hold cash and investments. In addition, pooled investments are held by several of the funds. The Downtown Special Services District Discretely Presented Component Unit participates in the Town's pooled cash and investments and has no separate cash or investment accounts. The deposits and investments of the Pension Trust Fund are held separately from those of the Town funds.

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.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2006:

Deposits:	
Demand accounts*	\$ 8,723
Cash on hand	7
Cash equivalents:	
State Short-Term Investment Fund (STIF).....	10,664
Lease Purchase Escrow Funds	2,614
State Tax Exempt Proceeds Fund (TEPF)	<u>7</u>
TOTAL CASH AND CASH EQUIVALENTS...	<u>\$22,015</u>

* Cash and cash equivalents for the Downtown Special Services District is included in demand deposits as the District participates in the Town's pooled cash account.

Deposits

At June 30, 2006, the carrying amount of the Town's deposits was \$8,723 and the bank balance was \$9,773.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Of the June 30, 2006 bank balance, \$876 was covered by Federal Depository Insurance. 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. A minimum of \$890, based on June 30, 2006 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$8,007 was uninsured and uncollateralized.

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, 2006 the Town's cash equivalents amounted to \$13,285. 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 and Poor's</u>	<u>Not Rated</u>
State Short-Term Investment Fund (STIF)	AAAm	
State Tax Exempt Proceeds Fund (TEPF)		X
Lease Purchase Escrow Funds		X

B. Investments

Investments as of June 30, 2006 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
U.S. government obligations.....	\$ 18,052	3.73
Other Investments:		
Common Stock.....	1,030	
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS).....	4,909	
Participating Mortgage Separate Account.....	5,844	
Real Estate Separate Account.....	3,718	
Mutual Funds	<u>119,181</u>	
TOTAL.....	<u>\$152,734</u>	

Portfolio weighted average maturity for interest bearing investments..... 3.73

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. The following table provides a summary of the Town's investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Fitch Ratings</u>
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS).....	AAA

All other investment held by the Town are mutual fund type investments which are not rated.

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, 2006, 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.

5. RECEIVABLES

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

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Taxes	\$3,504							\$ 3,504
Accounts	54	\$35	\$ 11	\$1,863	\$1,453	\$1,122	\$ 273	4,811
Special assessments					93			93
Intergovernmental Interest.....	1,875		2,710				1,379	5,964
	818							818
Gross receivables	6,251	35	2,721	1,863	1,546	1,122	1,652	15,190
Less: allowance for uncollectibles	(644)	(4)		(178)	(141)	(75)		(1,042)
Net total receivables	<u>\$5,607</u>	<u>\$31</u>	<u>\$2,721</u>	<u>\$1,685</u>	<u>\$1,405</u>	<u>\$1,047</u>	<u>\$1,652</u>	<u>\$14,148</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	\$178
Sewer	<u>141</u>
Total uncollectibles of the current fiscal year.....	<u>\$319</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes and interest receivable	\$3,254	
Advance and unapplied taxes.....		\$5,313
Grant drawdowns and other receipts prior to meeting all eligibility requirements		274
School building grants	<u>1,602</u>	
Total deferred/unearned revenue for governmental funds.....	<u>\$4,856</u>	<u>\$5,587</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 7,719	\$ 188		\$ 7,907
Construction in progress	5,084	10,214	\$(2,242)	13,056
Total capital assets, not being depreciated.	12,803	10,402	(2,242)	20,963
Capital assets, being depreciated:				
Buildings and improvements.....	57,783	2,062		59,845
Improvements other than buildings	4,194	1,093		5,287
Machinery and equipment.....	21,743	1,285	(484)	22,544
Infrastructure	80,565	1,371		81,936
Total capital assets being depreciated.....	164,285	5,811	(484)	169,612
Less accumulated depreciation for:				
Buildings and improvements.....	\$ (34,996)	\$ (1,006)		\$ (36,002)
Improvements other than buildings	(1,748)	(147)		(1,895)
Machinery and equipment.....	(14,331)	(1,302)	\$ 428	(15,205)
Infrastructure	(30,285)	(2,014)		(32,299)
Total accumulated depreciation	(81,360)	(4,469)	428	(85,401)
Total capital assets, being depreciated, net	82,925	1,342	(56)	84,211
Governmental activities capital assets, net	\$ 95,728	\$11,744	\$(2,298)	\$105,174

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,171			\$ 1,171
Construction in progress	1,476	\$ 2,088	\$ (94)	3,470
Total capital assets, not being depreciated.	2,647	2,088	(94)	4,641
Capital assets, being depreciated:				
Buildings and improvements.....	28,697	72		28,769
Machinery and equipment.....	55,199	762	(453)	55,508
Improvements other than buildings	8,192			8,192
Total capital assets, being depreciated.....	92,088	834	(453)	92,469
Less accumulated depreciation for:				
Buildings and improvements.....	(19,335)	(1,002)		(20,337)
Machinery and equipment.....	(32,559)	(2,063)	362	(34,260)
Improvements other than buildings	(5,061)	(268)		(5,329)
Total accumulated depreciation	(56,955)	(3,333)	362	(59,926)
Total capital assets, being depreciated, net	35,133	(2,499)	(91)	32,543
Business-type activities capital assets, net.	<u>\$ 37,780</u>	<u>\$ (411)</u>	<u>\$(185)</u>	<u>\$ 37,184</u>

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

Governmental activities:

General Government.....	\$ 124
Public Works.....	2,432
Public Safety.....	622
Human Services	33
Recreation	134
Library	22
Education	800
Total depreciation expense - governmental activities	<u>\$4,167</u>

Business-type activities:

Water.....	\$1,484
Sewer	1,234
Sanitation	615
Total depreciation expense - business-type activities.....	<u>\$3,333</u>

Construction Commitments

The Town has active construction projects as of June 30, 2006. The projects include expansion and renovation of the Manchester Early Learning Center, repairs and renovations to School Facilities,

improvements to the Olcott Street Public Works Facility, improvements to Northwest Park, Center Park and Center Springs Park, and various public works and bond referendum projects.

The following is a summary of significant capital projects at June 30, 2006:

<u>Project</u>	<u>Authorized Amount</u>	<u>Expended and Encumbered</u>	<u>Unencumbered Balance</u>
Main Street Reconstruction	\$ 9,785	\$ 9,689	\$ 96
Police Facility Construction.....	7,875	7,748	127
Northeast Fire Station	750	610	140
Tolland Turnpike	7,577	7,118	459
Lease Purchase Fund.....	6,571	6,222	349
1992 Public Works Projects.....	3,550	3,548	2
1995 Public Works Projects.....	3,650	3,648	2
1995 Bond Referendum Projects	2,608	2,598	10
MELC Expansion and Renovation	1,359	1,359	
Center Park/Center Springs Park Improvements .	511	511	
1998 Public Works Projects.....	4,683	4,667	16
1998 Bond Referendum Projects	2,538	2,517	21
School Facilities Renovations.....	1,546	1,517	29
Olcott Street Facility Improvements	2,553	2,549	4
Northwest Park.....	3,115	3,012	103
1999 Bond Referendum Projects	2,766	2,515	251
2000 Bond Referendum Projects	3,140	3,121	19
2000 Public Works Projects.....	6,333	5,377	956
School Repairs/Renovations	6,955	6,788	167
Supplemental Environmental Projects.....	260	117	143
Streetlight Acquisition and Maintenance.....	679	520	159
School Buildings and Renovations	8,436	6,293	2,143
2003 Public Works Projects.....	5,345	4,811	534
Fire Apparatus.....	710	705	5
Head Start Facility	100		100
MHS Addition/Renovations.....	35,625	29,547	6,078
Real Property Acquisition.....	3,061	104	2,957
Bennet, Illing, Bowers, Waddell School Projects	58,265	7,202	51,063
2006 Public Works Projects.....	5,051	1,134	3,917
TOTAL	\$195,397	\$125,547	\$69,850

The following capital projects are being financed by a combination of State and Federal grants and general obligation bonds: Main Street Reconstruction, Tolland Turnpike, 1995 Public Works Projects, 1995 Bond Referendum Projects, 1998 Public Works Projects, 1998 Bond Referendum Projects, 1999 Bond Referendum Projects, School Repairs/Renovations, School Buildings and Renovations, MHS Additions/Renovations, 2003 Public Works Projects, Real Property Acquisitions, Bennet, Illing, Bowers, Waddell School Projects, and 2006 Public Works Projects. Capital projects financed by general obligation bonds are as follows: Police Facility Construction, 1992 Public Works Projects, 2000 Bond Referendum Projects, 2000 Public Works Projects, and Fire Apparatus. The Northeast Fire Station Project was financed by the proceeds from the sale of the Buckland Fire Station. Lease Purchase Fund projects are financed by the proceeds from capital leases. The MELC Expansion and Renovation project is financed by capital contributions. Center Park/Center Springs Park Improvements are being financed by State Open Space grant funds. School Facilities Renovations and Streetlight Acquisition are financed by contributions from the Town's General Fund. Olcott Street Facility Improvements are financed by contributions from the Town's Enterprise Funds,

General Fund and State grants. Northwest Park improvements are being financed by a combination of State grants, general obligation bonds and capital contributions. The Supplemental Environmental Projects are being financed by contributions required by State Department of Environmental Protection consent orders. The Head Start Facility is being funded from a State grant.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit	<u>\$77</u>

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

Interfund transfers:

	<u>Transfer In.....</u>				
	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:					
General Fund		\$1,634	\$ 704	\$199	\$2,537
Fire District.....	\$133		266		399
Nonmajor governmental	5				5
Water	159		36		195
Sewer	145				145
Sanitation	176				176
TOTAL.....	<u>\$618</u>	<u>\$1,634</u>	<u>\$1,006</u>	<u>\$199</u>	<u>\$3,457</u>

The above transfers represent normal budgetary and other recurring transfers.

8. LEASES

Capital Leases

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

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

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

The assets acquired through capital leases are as follows:

	Governmental Funds	Information Systems Internal Service Fund
Vehicles and equipment.....	\$5,629	\$4,281
Less accumulated depreciation	<u>5,009</u>	<u>1,581</u>
Net leased property	<u>\$ 620</u>	<u>\$2,700</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30,	Governmental Funds	Information Systems Internal Service Fund
2007	\$630	\$ 397
2008	133	397
2009		397
2010		397
2011	<u> </u>	<u>397</u>
Total future minimum lease payments.....	763	1,985
Less amounts representing interest	<u>(33)</u>	<u>(174)</u>
Present value of future minimum lease payments	<u>\$730</u>	<u>\$1,811</u>

9. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$38,120		\$3,255	\$34,865	\$ 3,240
Less deferred amounts:					
For issuance on refunding	(485)	\$ 57		(428)	
Total bonds payable	37,635	57	3,255	34,437	3,240
Capital leases	3,598		1,057	2,541	943
Claims and judgments	5,330	1,685		7,015	4,101
Compensated absences.....	16,768	331	156	16,943	5,305
Governmental activity long-term liabilities.....	<u>\$63,331</u>	<u>\$2,073</u>	<u>\$4,468</u>	<u>\$60,936</u>	<u>\$13,589</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 4,943		\$ 783	\$ 4,160	\$ 799
Landfill closure	10,166		3,048	7,118	
Compensated absences.....	1,380	\$18	84	1,314	427
Business-type activity long-term liabilities.....	\$16,489	\$18	\$3,915	\$12,592	\$1,226

Bonds Payable

The annual requirements to amortize bonds payable as of June 30, 2006 are as follows:

Fiscal Year Ending June 30,	.....Governmental Activities.....				Business-Type.....Activities.....	
			Amount to be Provided .by State of Connecticut.			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 3,240	\$1,307	\$ 343	\$ 64	\$ 799	\$ 88
2008	3,150	1,183	338	49	815	64
2009	3,140	1,062	297	36	832	51
2010	2,670	955	137	26	848	34
2011	2,650	865	137	20	866	17
2012-2016	11,960	2,880	350	24		
2017-2021	6,345	921				
2022-2023	1,710	71				
TOTAL	\$34,865	\$9,244	\$1,602	\$219	\$4,160	\$254

Governmental fund bonds bear interest at rates ranging from 2.0% to 7.0% and mature in fiscal years ending 2005 through 2024. These obligations are direct obligations and pledge the full faith and credit of the government and will be paid from General Fund revenues. Enterprise bonds bear interest at 2.0% and mature in fiscal years ending 2004 through 2011 and will be paid from Sewer Enterprise Fund revenues.

The following is a schedule of bond anticipation note activity for the year ended June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, July 1, 2005		\$7,919
Issued.....	\$350	1,000
Retired	—	(775)
Balance, June 30, 2006.....	<u>\$350</u>	<u>\$8,144</u>

The above notes with an interest rate of 2.66% matured on July 6, 2006.

On March 30, 2005, the Town issued \$6,800 in general obligation bonds with an interest rate of 2.4 to 4.0 percent to advance refund \$5,025 of outstanding 1998 bonds with an interest rate of 4.2 to 6.25 percent and

\$1,290 of outstanding 1996 bonds with an interest rate of 4.75 to 6.25 percent. The net proceeds were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded debt is considered defeased and the applicable liabilities have been removed from the governmental activities column of the statement of net assets. The balance of the defeased net bonds at June 30, 2006 is \$6,710.

On April 15, 1998, the Town issued \$3,790 in general obligation bonds to advance refund \$3,525 of outstanding 1989 Public Improvement and School general obligation bonds. The proceeds were used to purchase securities that were placed in an irrevocable trust which will provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the applicable liabilities have been removed from the governmental activities column of the statement of net assets. The balance of the defeased bonds outstanding at June 30, 2006 is \$840.

The Town's total net indebtedness does not exceed the total legal debt limit which is \$750,659. At June 30, 2006, debt authorized but unissued amounted to \$3,452.

10. RISK MANAGEMENT

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

TOMMIF - The Town's self-insurance medical insurance plan is administered by Anthem Blue Cross/Blue Shield of Connecticut. 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 Anthem Blue Cross/Blue Shield. 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, 2006 and 2005 for the TOMMIF and MSIP funds are as follows:

	<u>2006</u> <u>TOMMIF</u>	<u>2005</u> <u>TOMMIF</u>	<u>2006</u> <u>MSIP</u>	<u>2005</u> <u>MSIP</u>
Unpaid claims, July 1	\$ 1,322	\$ 1,226	\$ 4,008	\$ 3,684
Incurred claims (including IBNR)	17,282	16,078	3,531	2,714
Claim payments	(16,870)	(15,982)	(2,258)	(2,390)
Unpaid claims, June 30.....	<u>\$ 1,734</u>	<u>\$ 1,322</u>	<u>\$ 5,281</u>	<u>\$ 4,008</u>

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

11. CONTINGENT LIABILITIES

The Town is a party to various legal proceedings which 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 newly constructed 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 FY 2006 was \$17 and the total amount outstanding at June 30, 2006 was \$196.

12. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with six other municipalities, established the Capital Region East Operating Committee (CREOC) to administer a regional household hazardous waste collection and disposal program. CREOC is comprised of one representative from each participating community with a population of less than 30,000 and two representatives from each participating community with a population of 30,000 or more. The participating communities have agreed that the Regional Household Hazardous Waste collection facility will be established on premises located in and owned by the Town of Manchester. The Town has also been hired by CREOC as Project Administrator/Coordinator to perform administrative services and coordinate the day to day operations of the collection program. Except for an obligation to appropriate funds and pay its assessments in amounts necessary to fulfill its obligations pursuant to the agreement establishing CREOC, no participating community has any obligation, entitlement or residual interest. The Town paid an assessment of \$15 to CREOC during the year ended June 30, 2006.

13. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town owns and operates a landfill site located off Olcott Street. State and federal law will require the Town to close the landfill once its capacity is reached and to monitor and maintain the site for thirty 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, 2006, the Town had recorded a liability of \$7,118 in the Sanitation Enterprise Fund which represents the amount of costs reported to date based on the 65.00 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$3,832

which will be recognized as the remaining capacity is used (estimated to be 10 years). The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables.

14. OTHER POSTEMPLOYMENT BENEFITS

In addition to pension benefits, the Town provides post-retirement health care and life insurance benefits to all employees who retire from the Town in accordance with provisions of the Town's various labor contracts. Certain labor contracts require a maximum employee contribution of \$350 annually. Currently there are approximately 249 retired employees that are receiving these benefits.

The Town also provides lifetime health care benefits for the retiree's spouse in accordance with provisions of the Town's various labor contracts. Coverage is provided by the Town of Manchester Medical Insurance Fund up to age 65 and by Anthem Blue Cross/Blue Shield after age 65.

The Town finances the plan on a pay-as-you-go basis. During the year ended June 30, 2006, approximately \$2,506 was paid for post-employment benefits.

15. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

The Town of Manchester Retirement System covers substantially all Town employees except for certified teachers of the Board of Education and the regular members of the Fire Department. Participants are fully vested after five years of service. Employees who retire at normal retirement age receive a benefit equal to 2% 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, 2005, the date of the latest actuarial valuation:

Retirees, disabled employees and beneficiaries currently receiving benefits	515
Terminated Plan members entitled to benefits but not yet receiving them	68
Current employees:	
Vested.....	498
Nonvested.....	241
TOTAL	<u>1,322</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 as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value.

C. Funding Policy

Participants are required to contribute 5.0% (7% for police employees and 5.7% for “Rule of 80” employees) of their earnings to the PERS. The Town is required to contribute 8.6% (11.2% 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 \$3,085.

The annual required contribution for the current year was determined as part of the July 1, 2005 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 5% per year and (c) inflation rate of 3.5% to 4.5%. 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 dollar method over a thirty year closed period.

E. Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$3,085	\$3,085	100%	\$-0-
6/30/05	2,894	2,894	100	-0-
6/30/04	2,709	2,709	100	-0-

F. Pension Plan Required Supplementary Information

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>
7/01/05	\$110,936	\$137,370	\$26,434	81%	\$30,887	86%
7/01/04	105,098	126,231	21,133	83%	27,566	77%
7/01/03	100,144	118,802	18,658	84%	26,669	70%
7/01/02	97,143	111,774	14,631	87%	26,241	56%
7/01/01	94,152	105,576	11,424	89%	26,410	43%
7/01/00	86,007	101,251	15,244	85%	25,065	61%

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/06	\$3,085	100%
6/30/05	2,894	100%
6/30/04	2,709	100%
6/30/03	2,522	100%
6/30/02	2,439	100%
6/30/01	2,316	100%

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

G. Defined Contribution Plan

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

The value of the plan at June 30, 2006 is \$9,401. There were 115 participants as of June 30, 2006. During the fiscal year ended June 30, 2006, employees contributed \$374 (exclusive of lump sum conversion amounts) and the Town contributed a matching employer contribution of \$374. Covered payroll totaled \$6,235. 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 7.5% of earnings for the year ended June 30, 2006. 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, 2006, 2005, and 2004 were \$450, \$299 and \$235, 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 sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated thirty-five years of credited service, at least twenty-five 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 \$43,008 or 75.24% of the total Board of Education payroll of \$57,157.

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, 2006 the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,052 as payments made by the State of Connecticut on-behalf of the Town.

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

16. FUND BALANCE AND NET ASSETS

Reserved

The following is a description of the various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation.

Reserved for Encumbrances – represents outstanding purchase orders at year end on contracts which the Town intends to honor.

Reserved for Inventory – the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Reserved for amount due from component unit – the balance of the receivable due from component unit has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Reserved for Permanent Trust – represents amounts in all Permanent Funds which are reserved to indicate that they are not available for appropriation or expenditure.

Reserved for Employees' Pension Benefits – represents the amount of funds accumulated in the Pension Trust Fund to pay for pension benefits.

A summary of reserved fund balances at June 30, 2006 is presented below:

General Fund:	
Reserved for encumbrances	\$ 1,484
Reserved for amount due from component unit	77
Special Revenue Funds:	
Reserved for encumbrances	82
Inventory	40
Capital Projects Funds:	
Reserved for encumbrances	32,096
Permanent Funds:	
Reserved for Trust Funds	1,349
Fiduciary Funds:	
Reserved for pension benefits	<u>116,819</u>
TOTAL	<u>\$151,947</u>

Restatements

The July 1, 2005 balance of governmental activities net assets has been restated as follows:

Net assets – as previously reported	\$17,281
Restatement due to the retroactive reporting of infrastructure in accordance with GASB Statement No. 34	38,743
Restatement resulting from lease proceeds of internal service funds (Information Systems Fund) omitted from financial reporting	<u>1,475</u>
Net assets – as restated	<u>\$57,499</u>

Required Supplementary
Information

TOWN OF MANCHESTER, CONNECTICUT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND AND FIRE DISTRICT FUND
FOR THE YEAR ENDED JUNE 30, 2006

(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.....	\$ 97,363	\$ 97,363	\$ 98,509	\$1,146	\$ 8,568	\$ 8,568	\$ 8,589	\$ 21
Intergovernmental revenue.....	31,478	31,707	32,241	534	182	182	182	
Investment and interest income.....	940	940	1,241	301	45	45	86	41
Licenses, permits and fines.....	2,143	2,143	2,801	658				
Charges for goods and services.....	1,253	1,301	1,361	60	255	255	209	(46)
Other.....	100	139	323	184	5	5	26	21
Total revenues	133,277	133,593	136,476	2,883	9,055	9,055	9,092	37
Expenditures:								
Current:								
General government.....	4,998	4,998	4,883	115				
Public works.....	10,224	10,432	10,405	27				
Public safety.....	14,640	14,717	14,713	4	9,682	9,682	9,481	201
Human services.....	3,037	3,022	2,958	64				
Leisure services.....	4,740	4,776	4,756	20				
Employee benefits.....	2,132	2,132	2,124	8				
Other.....	669	554	139	415				
Education.....	83,944	84,233	84,193	40				
Internal service fund charges.....	2,692	2,692	2,692		367	367	367	
Debt service.....	4,464	4,464	4,463	1	216	216	216	
Capital outlay.....					25	25	24	1
Total expenditures	131,540	132,020	131,326	694	10,290	10,290	10,088	202
Excess (deficiency) of revenues over expenditures...	1,737	1,573	5,150	3,577	(1,235)	(1,235)	(996)	239
Other financing sources (uses):								
Transfers in.....	724	724	618	(106)	1,634	1,634	1,634	
Transfers out.....	(2,461)	(2,537)	(2,537)		(399)	(399)	(399)	
Total other financing sources (uses)	(1,737)	(1,813)	(1,919)	(106)	1,235	1,235	1,235	
Net change in fund balances.....	\$ - 0 -	\$ (240)	3,231	\$3,471	\$ - 0 -	\$ - 0 -	239	\$239
Fund balance, July 1, 2005.....			10,675				444	
Fund balance, June 30, 2006.....			\$13,906				\$ 683	

TOWN OF MANCHESTER, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

BUDGET-TO-GAAP RECONCILIATION
(thousands)

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

	<u>GENERAL FUND</u>	<u>FIRE DISTRICT</u>
<u>R E V E N U E S</u>		
Non-GAAP budgetary basis - RSI-1	\$136,476	\$9,092
State of Connecticut "on-behalf" contributions to the Connecticut Teachers' Retirement System for Town teachers are not budgeted...	5,052	(24)
Prior year encumbrances cancelled	<u>(178)</u>	<u> </u>
GAAP basis - Exhibit IV	<u>\$141,350</u>	<u>\$9,068</u>

<u>E X P E N D I T U R E S</u>		
Non-GAAP budgetary basis - RSI-1	\$131,326	\$10,088
State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted...	5,052	
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, 2005	1,046	10
June 30, 2006	<u>(1,445)</u>	<u>(11)</u>
GAAP basis - Exhibit IV	<u>\$135,979</u>	<u>\$10,087</u>

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

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

TOWN OF MANCHESTER, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2006 AND 2005

	(thousands)	2006	2005
<u>A S S E T S</u>			
Cash and cash equivalents		\$ 108	\$ 32
Investments		21,637	21,287
Property taxes receivable, net		2,860	2,804
Accrued interest on taxes		818	837
Accounts receivable, net		54	251
Intergovernmental receivables		1,875	2,202
Due from component unit		77	84
Due from other funds			2
Prepaid item		5	
TOTAL		<u>\$27,434</u>	<u>\$27,499</u>
L I A B I L I T I E S			
A N D			
<u>F U N D B A L A N C E</u>			
Liabilities:			
Accounts and other payables		\$ 1,276	\$ 1,191
Accrued liabilities		495	739
Intergovernmental payables		93	61
Interfund payables			5,472
Deferred revenue		<u>10,180</u>	<u>8,098</u>
Total liabilities		<u>12,044</u>	<u>15,561</u>
Fund balance:			
Reserved for encumbrances		1,484	1,263
Reserved for amount due from component unit...		77	84
Unreserved:			
Designated for specific projects		5,349	2,686
Designated for subsequent year's budget		128	391
Undesignated		<u>8,352</u>	<u>7,514</u>
Total fund balance		<u>15,390</u>	<u>11,938</u>
TOTAL		<u>\$27,434</u>	<u>\$27,499</u>

TOWN OF MANCHESTER, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2006

GRAND LIST	UNCOLLECTED	...LAWFUL CORRECTIONS....		TRANSFERS	(thousands) ADJUSTED	.....COLLECTIONS.....				UNCOLLECTED
	TAXES			TO	TAXES	LIEN				TAXES
	JULY 1, 2005	ADDITIONS (1)	DEDUCTIONS	SUSPENSE	COLLECTIBLE	TAXES	INTEREST	FEES	TOTAL	JUNE 30, 2006
2004	\$104,892	\$2,148	\$522	\$27	\$106,491	\$104,531	\$407	\$ 2	\$104,940	\$1,960
2003	1,703	384	197	47	1,843	1,129	222	5	1,356	714
2002	746	210	87	34	835	392	87	2	481	443
2001	457		4	239	214	110	42		152	104
2000	157		3	6	148	64	17	1	82	84
1999	97				97	51	5		56	46
1998	54				54	21	3		24	33
1997	41				41	16	4		20	25
1996	26				26	3			3	23
1995	26				26	3			3	23
1994	23				23	3			3	20
1993	21				21	4			4	17
1992	12				12	3			3	9
1991	3				3					3
TOTAL .	<u>\$108,258</u>	<u>\$2,742</u>	<u>\$813</u>	<u>\$353</u>	<u>\$109,834</u>	106,330	787	10	107,127	<u>\$3,504</u>
Suspense collections.....						38	38		76	
Total collections						<u>106,368</u>	<u>\$825</u>	<u>\$10</u>	<u>\$107,203</u>	

NOTE (1): Includes Motor Vehicle Supplemental list of \$1,734.

Nonmajor
Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Permanent Funds

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

Fund	Funding Source	Function
Wilma D. Marlow	Trust and investment income	General support of library
Newton B. Taggart	Trust and investment income	Purchase of books
East Cemetery Trust	Trust and investment income	Perpetual care
Consolidated Cemetery Trust	Trust and investment income	Perpetual care
Trust Funds Held at the Board of Education	Trust and investment income	Education related purposes
Library Trust	Trust and investment income	Purchase of books for the library

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2006

(thousands)

	.....SPECIAL REVENUE.....						
	POLICE SPECIAL SERVICES FUND	RECREATION ACTIVITIES	EDUCATION SPECIAL GRANTS FUND	SPECIAL PROJECTS FUND	LEAD ABATEMENT PROGRAM	CAFETERIA FUND	COMMUNITY USE OF SCHOOLS
<u>A S S E T S</u>							
Cash and cash equivalents		\$121	\$108	\$311	\$71	\$605	\$4
Investments							
Accounts receivable	\$68					19	1
Intergovernmental receivables			458	119		183	
Due from other funds							
Inventory						40	
TOTAL	<u>\$68</u>	<u>\$121</u>	<u>\$566</u>	<u>\$430</u>	<u>\$71</u>	<u>\$847</u>	<u>\$5</u>
<u>L I A B I L I T I E S</u>							
<u>A N D</u>							
<u>F U N D B A L A N C E</u>							
Liabilities:							
Accounts and other payables		\$ 7	\$ 71	\$ 71		\$ 47	
Accrued liabilities	\$ 14	2	55	7			
Due to other funds							
Interfund payables	98						
Deferred revenue		35	29	29			
Total liabilities	<u>112</u>	<u>44</u>	<u>155</u>	<u>107</u>		<u>47</u>	
Fund balance (deficit):							
Reserved for:							
Encumbrances			39	5			
Inventory						40	
Other purposes							
Unreserved:							
Designated		10					
Undesignated	(44)	67	372	318	\$71	760	\$5
Total fund balance (deficit)	<u>(44)</u>	<u>77</u>	<u>411</u>	<u>323</u>	<u>71</u>	<u>800</u>	<u>5</u>
TOTAL	<u>\$ 68</u>	<u>\$121</u>	<u>\$566</u>	<u>\$430</u>	<u>\$71</u>	<u>\$847</u>	<u>\$5</u>

(Continued) - 1.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2006

(thousands)

	.....SPECIAL REVENUE.....						
	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	HOUSING REHAB	NEIGHBORHOOD HOUSING PREDEVELOPMENT FUND	LEVI DRAKE FUND	EMERGENCY EMPLOYMENT FUND	MARY CHENEY LIBRARY FUND	WHITON LIBRARY FUND
<u>A S S E T S</u>							
Cash and cash equivalents		\$117	\$ 43		\$35	\$1	
Investments				\$79			\$1,164
Accounts receivable	\$ 39	45	101				
Intergovernmental receivables	619						
Due from other funds	1						
Inventory							
TOTAL	\$659	\$162	\$144	\$79	\$35	\$1	\$1,164
<u>L I A B I L I T I E S</u>							
<u>A N D</u>							
<u>F U N D B A L A N C E</u>							
Liabilities:							
Accounts and other payables	\$ 60	\$ 7					
Accrued liabilities	3						
Due to other funds		1					
Interfund payables	553	3					
Deferred revenue	39	22	\$101				
Total liabilities	655	33	101				
Fund balance (deficit):							
Reserved for:							
Encumbrances	27						
Inventory							
Other purposes							
Unreserved:							
Designated							
Undesignated	(23)	129	43	\$79	\$35	\$1	\$1,164
Total fund balance (deficit)	4	129	43	79	35	1	1,164
TOTAL	\$659	\$162	\$144	\$79	\$35	\$1	\$1,164

(Continued) - 2.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2006

(thousands)

	MANCHESTER POLICE DEPARTMENT HEALTH AND WELFARE FUND	LIBRARY APPRECIATION FUND	FOULDS FAMILY FOUNDATION	R.B. BAGLEY MEMORIAL BOOK FUND	TRUST FUNDS HELD AT THE BOARD OF EDUCATION	TOTAL	PERMANENT ...FUNDS... WILMA D. MARLOW FUND
.....SPECIAL REVENUE.....							
<u>A S S E T S</u>							
Cash and cash equivalents	\$27	\$8	\$22	\$4	\$62	\$1,539	\$7
Investments						1,243	
Accounts receivable						273	
Intergovernmental receivables						1,379	
Due from other funds						1	
Inventory						40	
TOTAL	<u>\$27</u>	<u>\$8</u>	<u>\$22</u>	<u>\$4</u>	<u>\$62</u>	<u>\$4,475</u>	<u>\$7</u>
<u>L I A B I L I T I E S</u>							
<u>A N D</u>							
<u>F U N D B A L A N C E</u>							
Liabilities:							
Accounts and other payables						\$ 263	
Accrued liabilities						81	
Due to other funds						1	
Interfund payables	\$ 2					656	
Deferred revenue						255	
Total liabilities	<u>2</u>					<u>1,256</u>	
Fund balance (deficit):							
Reserved for:							
Encumbrances						71	
Inventory						40	
Other purposes							\$7
Unreserved:							
Designated						10	
Undesignated	25	\$8	22	4	62	3,098	
Total fund balance (deficit)	<u>25</u>	<u>8</u>	<u>22</u>	<u>4</u>	<u>62</u>	<u>3,219</u>	<u>7</u>
TOTAL	<u>\$27</u>	<u>\$8</u>	<u>\$22</u>	<u>\$4</u>	<u>\$62</u>	<u>\$4,475</u>	<u>\$7</u>

(Continued) - 3.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2006

(thousands)

	.....PERMANENT FUNDS.....							
	NEWTON B. TAGGART FUND	EAST CEMETERY TRUST FUND	CONSOLIDATED CEMETERY TRUST FUND	TRUST FUNDS HELD AT THE BOARD OF EDUCATION	LIBRARY TRUST FUNDS	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>A S S E T S</u>								
Cash and cash equivalents	\$ 14	\$ 84		\$97	\$42	\$ 244		\$1,783
Investments	712	116	\$281			1,109		2,352
Accounts receivable								273
Intergovernmental receivables								1,379
Due from other funds							\$ (1)	
Inventory								40
TOTAL	\$726	\$200	\$281	\$97	\$42	\$1,353	\$ (1)	\$5,827
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts and other payables	\$ 1				\$ 3	\$ 4		\$ 267
Accrued liabilities								81
Due to other funds							\$ (1)	
Interfund payables								656
Deferred revenue								255
Total liabilities	1				3	4	(1)	1,259
Fund balance (deficit):								
Reserved for:								
Encumbrances								71
Inventory								40
Other purposes	725	\$200	\$281	\$97	39	1,349		1,349
Unreserved:								
Designated								10
Undesignated								3,098
Total fund balance (deficit)	725	200	281	97	39	1,349		4,568
TOTAL	\$726	\$200	\$281	\$97	\$42	\$1,353	\$ (1)	\$5,827

(Concluded) - 4.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

.....SPECIAL REVENUE.....							
	POLICE SPECIAL SERVICES FUND	RECREATION ACTIVITIES	EDUCATION SPECIAL GRANTS FUND	SPECIAL PROJECTS FUND	LEAD ABATEMENT PROGRAM	CAFETERIA FUND	COMMUNITY USE OF SCHOOLS
Revenues:							
Intergovernmental revenue			\$6,779	\$1,520		\$1,094	
Investment income						6	
Net increase in the fair value of investments							
Charges for goods and services	\$612	\$223				1,363	\$61
Other		8	253	104	\$ 12		
Total revenues.....	612	231	7,032	1,624	12	2,463	61
Expenditures:							
Current:							
General government							
Public safety	631			295			
Human services				1,202			
Recreation		273					
Library				45			
Education			6,988			2,459	60
Other				81			
Capital outlay							
Total expenditures.....	631	273	6,988	1,623		2,459	60
Excess (deficiency) of revenues over expenditures	(19)	(42)	44	1	12	4	1
Other financing sources (uses):							
Transfers in		30		188			4
Transfers out					(20)		
Total other financing sources (uses) ..		30		188	(20)		4
Net change in fund balances	(19)	(12)	44	189	(8)	4	5
Fund balance (deficit), July 1, 2005	(25)	89	367	134	79	796	-0-
Fund balance (deficit), June 30, 2006	<u>\$ (44)</u>	<u>\$ 77</u>	<u>\$ 411</u>	<u>\$ 323</u>	<u>\$ 71</u>	<u>\$ 800</u>	<u>\$ 5</u>

(Continued) - 1.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

.....SPECIAL REVENUE.....							
	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	HOUSING REHAB	NEIGHBORHOOD HOUSING PREDEVELOPMENT FUND	LEVI DRAKE FUND	EMERGENCY EMPLOYMENT FUND	MARY CHENEY LIBRARY FUND	WHITON LIBRARY FUND
Revenues:							
Intergovernmental revenue	\$791						
Investment income				\$ 9			\$ 25
Net increase in the fair value of investments					\$ 1		81
Charges for goods and services		\$ 27					
Other	6						
Total revenues.....	797	27		9	1		106
Expenditures:							
Current:							
General government	135						
Public safety							
Human services							
Recreation							8
Library							
Education							
Other	437	5		2			
Capital outlay	226						
Total expenditures.....	798	5		2			8
Excess (deficiency) of revenues over expenditures	(1)	22		7	1		98
Other financing sources (uses):							
Transfers in							
Transfers out					(3)		
Total other financing sources (uses).					(3)		
Net change in fund balances	(1)	22		7	(2)		98
Fund balance (deficit), July 1, 2005	5	107	\$43	72	37	\$1	1,066
Fund balance (deficit), June 30, 2006	\$ 4	\$129	\$43	\$79	\$35	\$1	\$1,164

(Continued) - 2.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	.....SPECIAL REVENUE.....					PERMANENT
	MANCHESTER					...FUNDS...
	POLICE				TRUST	
	DEPARTMENT				FUNDS	
	HEALTH AND	LIBRARY	FOULDS	R.B. BAGLEY	HELD AT	WILMA D.
	WELFARE	APPRECIATION	FAMILY	MEMORIAL	THE BOARD	MARLOW
	FUND	FUND	FOUNDATION	BOOK FUND	OF EDUCATION	FUND
Revenues:						
Intergovernmental revenue						\$10,184
Investment income		\$1			\$ 1	42
Net increase in the fair value of						
investments						82
Charges for goods and services						2,286
Other	\$ 1					384
Total revenues.....	1	1			1	12,978
Expenditures:						
Current:						
General government						135
Public safety						926
Human services						1,202
Recreation						273
Library						53
Education					2	9,509
Other						525
Capital outlay						226
Total expenditures.....					2	12,849
Excess (deficiency) of revenues over						
expenditures	1	1			(1)	129
Other financing sources (uses):						
Transfers in						222
Transfers out						(23)
Total other financing sources (uses).						199
Net change in fund balances	1	1			(1)	328
Fund balance (deficit), July 1, 2005	24	7	\$22	\$4	63	2,891
Fund balance (deficit), June 30, 2006	\$25	\$8	\$22	\$4	\$62	\$3,219

(Continued) - 3.

TOWN OF MANCHESTER, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

.....PERMANENT FUNDS.....								
	NEWTON B. TAGGART FUND	EAST CEMETERY TRUST FUND	CONSOLIDATED CEMETERY TRUST FUND	TRUST FUNDS HELD AT THE BOARD OF EDUCATION	LIBRARY TRUST FUNDS	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:								
Intergovernmental revenue								\$10,184
Investment income	\$ 15	\$ 3	\$ 8	\$ 3	\$ 1	\$ 31		73
Net increase in the fair value of investments	49	27	12			88		170
Charges for goods and services		37				37		2,323
Other				4	13	17		401
Total revenues	64	67	20	7	14	173		13,151
Expenditures:								
Current:								
General government								135
Public safety								926
Human services								1,202
Recreation								273
Library	16				12	28		81
Education				4		4		9,513
Other		2	4			6		531
Capital outlay								226
Total expenditures	16	2	4	4	12	38		12,887
Excess (deficiency) of revenues over expenditures	48	65	16	3	2	135		264
Other financing sources (uses):								
Transfers in							\$ (23)	199
Transfers out		(1)	(4)			(5)	23	(5)
Total other financing sources (uses) ..		(1)	(4)			(5)		194
Net change in fund balances	48	64	12	3	2	130		458
Fund balance (deficit), July 1, 2005	677	136	269	94	37	1,219	-0-	4,110
Fund balance (deficit), June 30, 2006	<u>\$725</u>	<u>\$200</u>	<u>\$281</u>	<u>\$97</u>	<u>\$39</u>	<u>\$1,349</u>	<u>\$ -0-</u>	<u>\$ 4,568</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, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

(thousands)

	INFORMATION SYSTEMS FUND	MANCHESTER SELF INSURANCE PROGRAM	TOWN OF MANCHESTER MEDICAL INSURANCE FUND	TOTAL
ASSETS:				
Current assets:				
Cash and cash equivalents	\$1,501	\$ 925		\$ 2,426
Investments		470	\$3,247	3,717
Total current assets	1,501	1,395	3,247	6,143
Noncurrent assets:				
Capital assets, net	2,816			2,816
Total assets	4,317	1,395	3,247	8,959
LIABILITIES:				
Current liabilities:				
Accounts and other payables	35	7		42
Accrued liabilities	25	3		28
Interfund payable	987		48	1,035
Claims payable		2,367	1,734	4,101
Compensated absences payable	96	12		108
Capital lease payable	340			340
Total current liabilities	1,483	2,389	1,782	5,654
Noncurrent liabilities:				
Compensated absences payable	179	26		205
Claims payable		2,914		2,914
Capital lease payable	1,471			1,471
Total noncurrent liabilities	1,650	2,940		4,590
Total liabilities	3,133	5,329	1,782	10,244
NET ASSETS:				
Unrestricted	\$1,184	\$(3,934)	\$1,465	\$(1,285)

TOWN OF MANCHESTER, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	INFORMATION SYSTEMS FUND	MANCHESTER SELF INSURANCE PROGRAM	TOWN OF MANCHESTER MEDICAL INSURANCE FUND	TOTAL
Operating revenues:				
Charges for services	\$2,002	\$ 2,818	\$19,611	\$24,431
Other	2	54		56
Total operating revenues	2,004	2,872	19,611	24,487
Operating expenses:				
General operating	1,537	321	1,568	3,426
Claims expense		3,531	17,282	20,813
Depreciation expense	302			302
Total operating expenses	1,839	3,852	18,850	24,541
Operating income (loss)	165	(980)	761	(54)
Nonoperating revenues (expenses):				
Interest on investments	63	59	75	197
Interest expense	(68)			(68)
Income (loss) before capital contributions and transfers	160	(921)	836	75
Capital contributions	88			88
Change in net assets	248	(921)	836	163
Total net assets (deficit), July 1, 2005 - as restated	936	(3,013)	629	(1,448)
Total net assets (deficit), June 30, 2006	<u>\$1,184</u>	<u>\$ (3,934)</u>	<u>\$ 1,465</u>	<u>\$ (1,285)</u>

TOWN OF MANCHESTER, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	INFORMATION SYSTEMS FUND	MANCHESTER SELF INSURANCE PROGRAM	TOWN OF MANCHESTER MEDICAL INSURANCE FUND	TOTAL
Cash flows from (to) operating activities:				
Cash received from users	\$2,002	\$ 2,818	\$ 19,761	\$ 24,581
Cash received from insurance proceeds		54	15	69
Cash paid to suppliers for goods and services	(619)	(249)		(868)
Cash paid to employees	(942)	(97)		(1,039)
Cash paid for insurance claims and premiums		(2,252)	(18,588)	(20,840)
Net cash provided (used) by operating activities	441	274	1,188	1,903
Cash flows from noncapital financing activities:				
Cash received from (paid to) other funds	(26)		48	22
Cash flows from (to) capital and related financing activities:				
Purchase of fixed assets	(55)			(55)
Principal payment - lease purchase	(329)			(329)
Interest paid	(68)			(68)
Net cash provided (used) by capital and related financing activities	(452)			(452)
Cash flows from investing activities:				
Interest received	63	59	75	197
Sale of investments		18		18
Purchase of investments			(1,366)	(1,366)
Net cash provided by investing activities	63	77	(1,291)	(1,151)
Net increase (decrease) in cash and cash equivalents	26	351	(55)	322
Cash and cash equivalents, July 1, 2005 - as restated	1,475	574	55	2,104
Cash and cash equivalents, June 30, 2006	<u>\$1,501</u>	<u>\$ 925</u>	<u>\$ - 0 -</u>	<u>\$ 2,426</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$165	\$ (980)	\$ 761	\$ (54)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	302			302
(Increase) decrease in accounts receivable and other prepaid assets ...		9	15	24
Increase (decrease) in accrued expenses	6	1		7
Increase (decrease) in accounts payable	9	(13)		(4)
Increase (decrease) in claims payable		1,273	412	1,685
Increase (decrease) in compensated absences payable	(41)	(16)		(57)
Net cash provided (used) by operating activities	<u>\$441</u>	<u>\$ 274</u>	<u>\$1,188</u>	<u>\$1,903</u>

Agency Funds

AGENCY FUNDS

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

Student Activity Funds - 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, 2006

(thousands)

	PLAN DEPOSIT FUND	STUDENT ACTIVITY FUND	SENIOR CENTER ACTIVITIES FUND	MAINTENANCE BOND FUND	REDEVELOPMENT AGENCY FUND	TOTAL
ASSETS:						
Cash and cash equivalents.....	\$33	\$432	\$47	\$1,384	\$4	\$1,900
LIABILITIES:						
Deposits held for others.....	\$33	\$432	\$47	\$1,384	\$4	\$1,900

TOWN OF MANCHESTER, CONNECTICUTAGENCY FUNDSCOMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)			
	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>PLAN DEPOSIT FUND</u>				
Assets:				
Cash and cash equivalents.....	\$5	\$82	\$54	\$33
Liabilities:				
Deposits held for others.....	\$5	\$82	\$54	\$33
<u>STUDENT ACTIVITY FUND</u>				
Assets:				
Cash and cash equivalents.....	\$428	\$1,089	\$1,085	\$432
Liabilities:				
Deposits held for others.....	\$428	\$1,089	\$1,085	\$432
<u>SENIOR CENTER ACTIVITIES FUND</u>				
Assets:				
Cash and cash equivalents.....	\$46	\$100	\$99	\$47
Liabilities:				
Deposits held for others.....	\$46	\$100	\$99	\$47
<u>MAINTENANCE BOND FUND</u>				
Assets:				
Cash and cash equivalents.....	\$1,397	\$523	\$536	\$1,384
Liabilities:				
Deposits held for others.....	\$1,397	\$523	\$536	\$1,384
<u>REDEVELOPMENT AGENCY FUND</u>				
Assets:				
Cash and cash equivalents.....	\$4	\$-0-	\$-0-	\$4
Liabilities:				
Deposits held for others.....	\$4	\$-0-	\$-0-	\$4
<u>TOTAL - ALL FUNDS</u>				
Assets:				
Cash and cash equivalents.....	\$1,880	\$1,794	\$1,774	\$1,900
Liabilities:				
Deposits held for others.....	\$1,880	\$1,794	\$1,774	\$1,900

Capital Assets Used in the Operation of Governmental Funds

Capital Assets Used in the Operation of Governmental Funds

The following schedules present only the capital asset balances related to governmental funds. The assets are reported at historical cost or estimated historical cost.

The Town's capitalization policy requires the recording of capital assets with original cost of \$5,000 or more. Infrastructure assets are recorded based on a threshold of \$100,000. Provision for depreciation is not included in the schedules.

TOWN OF MANCHESTER, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCOMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2006 AND 2005

	(thousands)	
	2006	2005
Governmental funds capital assets:		
Land	\$ 7,907	\$ 7,719
Land improvements	5,287	4,194
Buildings and improvements	59,845	57,783
Machinery and equipment	22,544	21,743
Infrastructure	81,936	80,565
Construction in progress	<u>13,056</u>	<u>5,084</u>
TOTAL	<u>\$190,575</u>	<u>\$177,088</u>
Investment in governmental funds capital assets by source:		
General	\$ 15,177	\$ 14,735
Capital projects	55,175	42,738
Donations	839	
Prior years' investment as of June 30, 1996	50,675	50,906
Prior years' investments for infrastructure as of June 30, 2005	<u>68,709</u>	<u>68,709</u>
TOTAL	<u>\$190,575</u>	<u>\$177,088</u>

TOWN OF MANCHESTER, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSSCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2006

(thousands)

	TOTAL	LAND	IMPROVEMENTS OTHER THAN BUILDINGS	INFRASTRUCTURE	BUILDINGS AND BUILDING IMPROVEMENTS	EQUIPMENT	CONSTRUCTION IN PROGRESS
General Government:							
Board of Directors	\$ 451				\$ 437	\$ 14	
Probate	35		\$ 5		30		
Town Clerk	21					21	
Human Resources	5					5	
Assessment and Collection	12,158	\$6,447	16		5,643	38	\$ 14
General Services	91					91	
Information Systems	4,501					4,501	
Total	17,262	6,447	21		6,110	4,670	14
Public works:							
Administration	83					83	
Highway	87,215			\$81,936	673	4,432	174
Engineering	193					193	
Cemetery	754	603	16		9	126	
Fleet Maintenance	1,514				1,180	334	
Parks	3,719		1,935		1,068	716	
Building Maintenance	120					120	
Building Inspection	59					59	
Total	93,657	603	1,951	81,936	2,930	6,063	174
Public Safety:							
Fire	7,874		23		4,187	3,664	
Police	9,556		6		6,600	2,950	
Total	17,430		29		10,787	6,614	
Human Services:							
Health	78					78	
Elderly and Family Services	34					34	
Senior Center	974		292		601	81	
Total	1,086		292		601	193	
Recreation	3,296		1,373		1,731	112	80
Library	1,572				1,520	52	
Education	56,272	857	1,621		36,166	4,840	12,788
TOTAL	\$190,575	\$7,907	\$5,287	\$81,936	\$59,845	\$22,544	\$13,056

TOWN OF MANCHESTER, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSSCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands) GOVERNMENTAL FUNDS CAPITAL ASSETS JULY 1, 2005	ADDITIONS AND TRANSFERS	DELETIONS AND TRANSFERS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2006
General Government:				
Board of Directors	\$ 510		\$ 59	\$ 451
Probate	35			35
General Manager	26		26	
Town Clerk	21			21
Human Resources	5			5
Assessment and Collection	11,975	\$ 183		12,158
General Services	181		90	91
Information Systems	4,396	172	67	4,501
Total	17,149	355	242	17,262
Public works:				
Administration	250		167	83
Highway	85,107	2,144	36	87,215
Engineering	193			193
Cemetery	754			754
Fleet Maintenance	1,381	133		1,514
Parks	3,660	59		3,719
Building Maintenance	71	49		120
Building Inspection	59			59
Total	91,475	2,385	203	93,657
Public Safety:				
Fire	7,521	396	43	7,874
Police	9,636	167	247	9,556
Total	17,157	563	290	17,430
Human Services:				
Health	72	6		78
Elderly and Family Services ...	30	19	15	34
Senior Center	938	36		974
Total	1,040	61	15	1,086
Recreation	3,208	131	43	3,296
Library	1,572			1,572
Education	45,487	10,829	44	56,272
Transfers between departments ...		(353)	(353)	
TOTAL	\$177,088	\$13,971	\$484	\$190,575

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, CONNECTICUTNET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS

(thousands)

	FISCAL YEAR.....				
	2006	2005*	2004	2003	2002
Governmental activities:					
Invested in capital assets, net of related debt	\$ 68,196	\$ 56,406	\$10,349	\$15,196	\$ 6,003
Restricted	2,749	2,515	2,455	2,329	2,974
Unrestricted	(6,672)	(1,422)	(2,576)	(7,134)	1,446
Total governmental activities net assets	64,273	57,499	10,228	10,391	10,423
Business-type activities:					
Invested in capital assets, net of related debt	26,485	26,224	26,872	28,395	30,380
Unrestricted	25,672	21,773	21,817	19,675	17,701
Total business-type activities net assets	52,157	47,997	48,689	48,070	48,081
Primary government:					
Invested in capital assets, net of related debt	94,681	82,630	37,221	43,591	36,383
Restricted	2,749	2,515	2,455	2,329	2,974
Unrestricted	19,000	20,351	19,241	12,541	19,147
Total primary government net assets	<u>\$116,430</u>	<u>\$105,496</u>	<u>\$58,917</u>	<u>\$58,461</u>	<u>\$58,504</u>

*Restated - retroactive reporting of infrastructure

Notes:

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

(2) The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 2

TOWN OF MANCHESTER, CONNECTICUTCHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS

(thousands)

	FISCAL YEAR.....				
	2006	2005	2004	2003	2002
Expenses:					
Governmental activities:					
General government	\$ 5,730	\$ 5,725	\$ 7,881	\$ 4,595	\$ 4,955
Public works	15,552	10,567	10,294	10,684	10,067
Public safety	25,374	25,185	24,203	23,384	22,569
Human services	4,389	4,044	5,303	4,170	3,852
Leisure services	5,274	4,704	4,892	4,771	5,126
Employee benefits	2,123	1,775	1,468	1,358	1,330
Education	98,998	90,410	90,925	85,578	80,781
Interest on long-term debt	2,053	1,722	1,770	1,659	1,560
Other	3,729	3,733	3,398	3,151	3,220
Total governmental activities expenses	163,222	147,865	150,134	139,350	133,460
Business-type activities:					
Water	6,196	6,266	6,196	6,909	5,847
Sewer	5,500	5,098	4,959	4,903	5,023
Sanitation	5,651	5,795	5,610	4,894	5,823
Total business-type services	17,347	17,159	16,765	16,706	16,693
Total primary government expenses	<u>\$180,569</u>	<u>\$165,024</u>	<u>\$166,899</u>	<u>\$156,056</u>	<u>\$150,153</u>
Program revenues:					
Governmental activities:					
Charges for services	\$ 7,159	\$ 8,513	\$ 7,967	\$ 6,654	\$ 6,680
Operating grants and contributions	42,944	37,806	39,921	36,798	36,532
Capital grants and contributions	5,253	3,283	2,408	2,053	1,392
Total governmental activities program revenues	55,356	49,602	50,296	45,505	44,604
Business-type activities:					
Charges for services	18,312	16,198	16,453	16,683	17,748
Operating Grants and Contributions			94	74	100
Capital grants and contributions		65	1,277		
Total business-type activities program revenues	18,312	16,263	17,824	16,757	17,848
Total primary government program revenues	<u>\$ 73,668</u>	<u>\$65,865</u>	<u>\$68,120</u>	<u>\$62,262</u>	<u>\$62,452</u>
Net (expense) revenue:					
Governmental activities	\$ (107,866)	\$ (98,263)	\$ (99,838)	\$ (93,845)	\$ (88,856)
Business-type activities	965	(896)	1,059	51	1,155
Total primary government net expense	<u>\$ (106,901)</u>	<u>\$ (99,159)</u>	<u>\$ (98,779)</u>	<u>\$ (93,794)</u>	<u>\$ (87,701)</u>

(Continued) - 1.

TABLE 2

TOWN OF MANCHESTER, CONNECTICUT
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS

(thousands)					
	.....FISCAL YEAR.....				
	2006	2005	2004	2003	2002
General revenues and other changes in net assets:					
Governmental activities:					
Property taxes	\$107,059	\$ 98,738	\$93,719	\$87,474	\$83,355
Grants and contributions not restricted to specific purposes	4,600	4,571	4,382	5,186	6,339
Unrestricted investment earnings	1,380	945	424	465	773
Demutualization					850
Miscellaneous	1,085	499	400	288	222
Transfers					51
Total governmental activities	<u>114,124</u>	<u>104,753</u>	<u>98,925</u>	<u>93,413</u>	<u>91,590</u>
Business-type activities:					
Unrestricted investment earnings	663	675	310	338	616
Special item	3,048				
Miscellaneous		92			
Total business-type activities	<u>3,711</u>	<u>767</u>	<u>310</u>	<u>338</u>	<u>616</u>
Total primary government	<u>\$117,835</u>	<u>\$105,520</u>	<u>\$99,235</u>	<u>\$93,751</u>	<u>\$92,206</u>
Changes in net assets:					
Governmental activities	\$ 6,774	\$7,053	\$ (163)	\$ (32)	\$3,306
Business-type activities	<u>4,160</u>	<u>(692)</u>	<u>619</u>	<u>(11)</u>	<u>1,199</u>
Total primary government	<u>\$10,934</u>	<u>\$6,361</u>	<u>\$ 456</u>	<u>\$ (43)</u>	<u>\$4,505</u>

Notes:

- (1) Schedule prepared on the accrual basis of accounting.
(2) The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 3

TOWN OF MANCHESTER, CONNECTICUT					
FUND BALANCES, GOVERNMENTAL FUNDS					
LAST FIVE FISCAL YEARS					
(thousands)					
	.....FISCAL YEAR.....				
	2006	2005	2004	2003	2002
General Fund:					
Reserved	\$ 1,561	\$ 1,347	\$1,211	\$2,007	\$1,582
Unreserved	13,829	10,591	7,960	5,919	7,953
Total general fund	<u>\$15,390</u>	<u>\$11,938</u>	<u>\$9,171</u>	<u>\$7,926</u>	<u>\$9,535</u>
All other governmental funds:					
Reserved	\$ 33,567	\$ 9,533	\$ 3,540	\$ 3,825	\$ 7,878
Unreserved, reported in:					
Special revenue funds	3,791	3,211	3,176	2,732	2,606
Capital project funds	(42,073)	(7,685)	3,621	(5,833)	(6,559)
Total all other governmental funds	<u>\$ (4,715)</u>	<u>\$ 5,059</u>	<u>\$10,337</u>	<u>\$ 724</u>	<u>\$ 3,925</u>

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) Data presented for years prior to the implementation of GASB #34 (2003) has not been restated to conform with current governmental funds structure.

TABLE 4

TOWN OF MANCHESTER, CONNECTICUT
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST FIVE FISCAL YEARS
 (thousands)

	.....FISCAL YEAR.....				
	2006	2005	2004	2003	2002
General Fund:					
Property taxes, interest and lien fees	\$107,098	\$ 99,321	\$ 94,287	\$ 87,261	\$ 83,515
Intergovernmental revenue	52,109	46,406	47,332	44,506	44,046
Investment and interest income	1,656	1,243	483	476	613
Licenses, permits and fines	2,801	2,759	2,368	2,031	1,869
Charges for goods and services	3,893	4,281	4,573	3,822	3,805
Other	674	1,151	1,004	847	2,652
Total revenues.....	168,231	155,161	150,047	138,943	136,500
Expenditures:					
General government	5,004	5,031	4,789	4,796	4,575
Public works	10,329	9,650	9,116	9,389	8,797
Public safety	25,115	24,292	23,029	22,311	22,447
Human services	4,162	4,098	4,982	3,881	3,617
Leisure services	5,108	4,774	4,712	4,628	4,566
Employee benefits	2,123	1,775	1,468	1,358	1,330
Education	98,454	90,198	89,430	83,265	79,126
Internal service fund charges	3,059	2,923	2,569	2,290	1,963
Other	670	579	815	861	1,257
Debt service	5,144	4,383	4,315	4,188	3,515
Capital outlay	16,501	10,602	7,915	12,527	8,467
Total expenditures.....	175,669	158,305	153,140	149,494	139,660
Excess of revenue over (under) expenditures	(7,438)	(3,144)	(3,093)	(10,551)	(3,160)
Other financing sources (uses):					
Transfers in	3,457	4,092	3,598	3,822	3,762
Transfers out	(2,941)	(3,478)	(2,797)	(3,371)	(3,139)
Other	600				
Refunding bonds issued		6,800	12,075		
Payments to escrow agent		(6,760)			
Discount on bond refunding		(21)			
Total other financing sources (uses).....	1,116	633	12,876	451	623
Net change in fund balances	\$ (6,322)	\$ (2,511)	\$ 9,783	\$ (10,100)	\$ (2,537)
Debt service as a percentage of noncapital expenditures	3.23%	2.97%	2.97%	3.06%	2.68%

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) Data presented for years prior to the implementation of GASB #34 (2003) has not been restated to conform with current governmental funds structure.

TABLE 5

TOWN OF MANCHESTER, CONNECTICUTASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(thousands)										
.....REAL PROPERTY.....										
FISCAL YEAR	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PERSONAL PROPERTY	MOTOR VEHICLE	LESS TAX EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ASSESSED ACTUAL TAXABLE VALUE	TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE
2006	\$1,487,180	\$1,041,739	\$173,609	\$312,851	\$310,740	\$394,256	\$2,931,863	44.81	\$6,451,935	45.44%
2005	1,461,532	1,034,848	175,278	309,444	293,308	398,493	2,875,917	42.52	5,760,676	49.92
2004	1,442,345	1,028,120	175,466	306,721	273,862	398,665	2,827,849	40.77	5,282,639	53.53
2003	1,426,396	1,009,683	180,910	295,928	291,474	391,569	2,812,822	39.37	4,486,068	62.70
2002	1,415,879	989,096	180,492	298,275	281,929	388,306	2,777,365	37.60	4,046,242	68.64
2001	1,399,103	975,656	177,105	287,556	275,170	364,243	2,750,347	33.20	3,576,190	76.91
2000	1,638,037	942,796	181,699	253,801	259,349	439,268	2,836,414	31.82	3,685,938	76.95
1999	1,626,029	922,111	178,878	252,411	235,251	431,997	2,782,683	32.02	3,004,703	92.61
1998	1,614,076	897,280	179,976	227,595	224,730	416,434	2,727,223	32.25	3,060,992	89.10
1997	1,610,479	881,412	179,425	202,346	218,379	447,014	2,645,027	32.52	3,130,315	84.50

Source: Town of Manchester, Assessor's Office

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 prices to assessed values.

TOWN OF MANCHESTER, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS
2004 AND 1995

TAXPAYER	(thousands) .....OCTOBER 1, 2004.....			.....OCTOBER 1, 1995.....		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TOWN TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TOWN TAXABLE ASSESSED VALUE
Pavilions at Buckland Hills	\$ 96,131	1	3.28%			
J.C Penney Properties, Inc	58,864	2	2.01	\$ 52,098	1	2.0%
Northland Pavilions, LLC	48,815	3	1.66			
Connecticut Light and Power Co.	37,505	4	1.28	23,448	3	0.9
Manchester Developers	26,455	5	0.90			
Downeast Associates	22,834	6	0.78	22,444	4	0.86
May Department Stores and Centers	22,110	7	0.75	18,324	5	0.7
Burr Plaza	19,492	8	0.66			
Walmart/Sam's Club	18,563	9	0.63	14,746	6	0.57
Cox Connecticut	15,821	10	0.54			
Avalon Properties dba Town Pavilions				33,986	2	1.3
L&J Manchester LLC				13,403	7	0.51
Damato, Raymond				11,991	8	0.46
State Street Bank				11,526	9	0.44
Manchester Progress LTD				10,520	10	0.4
				<u>212,486</u>		
Total	<u>\$366,590</u>			<u>\$424,972</u>		

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Source: Town of Manchester, Office of Tax Assessor

TABLE 7

TOWN OF MANCHESTER, CONNECTICUTPROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

(thousands)							
FISCAL YEAR JUNE 30,	TAX RATE IN MILLS	TAXES LEVIED FOR THE FISCAL LEVY	COLLECTED WITHIN THE....FISCAL YEAR OF LEVY....		COLLECTION IN SUBSEQUENT YEARS	TOTAL COLLECTIONS.....TO DATE.....	
			AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2006	44.81	\$106,491	\$104,531	98.16%	N/A	\$104,531	98.16%
2005	42.52	99,259	97,189	97.90	\$1,799	98,988	99.73
2004	40.77	93,985	91,767	97.90	978	92,745	98.68
2003	39.37	89,082	86,082	97.90	1,386	87,468	98.19
2002	37.6	83,226	80,899	97.90	596	81,495	97.92
2001	33.2	77,927	76,126	97.90	1,370	77,496	99.45
2000	31.82	73,060	71,165	97.90	1,124	72,289	98.94
1999	32.02	71,803	69,865	97.90	1,212	71,077	98.99
1998	32.25	70,035	68,164	97.90	1,226	69,390	99.08
1997	32.52	69,645	68,910	97.90	1,429	70,339	101.00

Source: Tax Collector's Report; Comprehensive Annual Financial Report

TABLE 8

TOWN OF MANCHESTER, CONNECTICUTRATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(thousands, except per capita)

FISCAL YEAR	...GOVERNMENTAL ACTIVITIES...		.BUSINESS-TYPE ACTIVITIES.		TOTAL PRIMARY GOVERNMENT	RATIO OF DEBT TO TAXABLE ASSESSED VALUE	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	WATER	SEWER			
2006	\$41,180	\$4,618		\$ 4,160	\$49,958	1.70%	\$898.98
2005	38,120	3,589		4,943	46,652	1.62	817.32
2004	40,185	4,655		5,711	50,551	1.79	884.27
2003	30,990	2,626		6,464	40,080	1.41	727.62
2002	28,980	2,721		7,202	38,903	1.17	711.47
2001	30,915	3,837		7,926	42,678	1.47	779.65
2000	21,680	3,903		8,636	34,219	1.07	651.12
1999	23,030	1,657		9,331	34,018	1.33	658.54
1998	24,830	2,006	\$ 400	10,013	37,249	1.41	726.68
1997	16,410	1,433	1,110	10,681	29,634	1.14	599.51

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

TABLE 9

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2006

(thousands)

Total tax collections (including interest and lien fees) for the year ended June 30, 2006.....					\$107,203
Reimbursement for revenue loss on:					
Tax relief for the elderly freeze.....					34
Base for debt limitation computation					<u>\$107,237</u>
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base...	\$241,283				
4-1/2 times base...		\$482,567			
3-3/4 times base...			\$402,139		
3-1/4 times base...				\$348,520	
3 times base.....					\$321,711
Total debt limitation...	<u>241,283</u>	<u>482,567</u>	<u>402,139</u>	<u>348,520</u>	<u>321,711</u>
Indebtedness:					
Bonds payable.....	27,671	7,194	4,160		
Bond anticipation notes.....	350		10		
Debt authorized but unissued.....	227	2,525	700		
School construction grants receivable		(3,977)			
Total indebtedness.	<u>28,248</u>	<u>5,742</u>	<u>4,870</u>		
Debt limitation in excess of indebtedness.....	<u>\$213,035</u>	<u>\$476,825</u>	<u>\$397,269</u>	<u>\$348,520</u>	<u>\$321,711</u>

Note 1: In no case shall total indebtedness exceed \$750,659 (seven times the annual base for debt limitation computations).

Note 2: Bond anticipation notes payable do not include water bond anticipation notes of \$8,134, which are considered to be self-financing.

TOWN OF MANCHESTER, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(thousands)

	FISCAL YEAR									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt Limit.....	\$750,659	\$696,367	\$662,305	\$613,508	\$584,717	\$548,751	\$516,425	\$504,413	\$494,634	\$494,672
Total net debt applicable to limit.....	38,860	41,306	62,839	50,505	53,570	48,947	42,623	42,343	35,473	37,217
Legal debt margin.....	\$711,799	\$655,061	\$599,466	\$563,003	\$531,147	\$499,804	\$473,802	\$462,070	\$459,161	\$457,455
Total net debt applicable to the limit as a percentage of debt limit.....	5.18%	5.93%	9.49%	8.23%	9.16%	8.92%	8.25%	8.39%	7.17%	7.52%

Source: Comprehensive Annual Financial Report - Statement of Debt Limitation

Note: See Table 9 for calculation of current year debt limitation.

TABLE 11

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

CALENDAR YEAR	POPULATION (1)	PER CAPITA INCOME (2)	MEDIAN AGE (2)	SCHOOL ENROLLMENT (3)	UNEMPLOYMENT RATE (4)
2006	55,572		36.5	7,463	4.8%
2005	57,079		38.0	7,715	4.7
2004	57,167		37.0	7,811	4.6
2003	55,084			7,628	4.5
2002	54,680			7,778	3.3
2001	54,740	\$28,370		7,641	2.1
2000	52,554	26,855	36.5	7,703	2.9
1999	51,657	25,989		7,798	3.1
1998	51,259	23,311		7,720	4.9
1997	49,430			7,768	5.9

Sources:

- (1) State of Connecticut Department of Health, except for fiscal year 2001.
- (2) U.S. Department of Commerce, Bureau of Census.
- (3) Superintendent of Schools, Town of Manchester
- (4) Connecticut Department of Labor

TABLE 12

TOWN OF MANCHESTER, CONNECTICUTPRINCIPAL EMPLOYERS
2006 AND 1997

		.....2006.....					.....1997.....		
		PERCENTAGE OF TOTAL TOWN					PERCENTAGE OF TOTAL TOWN		
EMPLOYER	NATURE OF BUSINESS	EMPLOYEES	RANK	EMPLOYMENT	EMPLOYER	NATURE OF BUSINESS	EMPLOYEES	RANK	EMPLOYMENT
Town of Manchester	Local Gov/Board of Ed	1,605	1	5.5%	Cheney Brothers	Velvets, Upholstery	325	1	1.3%
Smiths Aerospace	Parts Manufacturer	1,208	2	4.1	Manchester Modes	Ladies' coats and suits	325	2	1.3
J.C. Penney Company	Warehouse/Distribution	1,200	3	4.1	Multi Circuits	Printed Circuit Boards	275	3	1.1
Eastern CT Health Network	Management Services	1,200	4	4.1	So New England Telephone	Communications	245	4	0.9
Manchester Memorial Hospital	General Hospital/ Management	1,000	5	3.4	Lydall Inc	Shoe, Fiberboard	228	5	0.9
Journal Publishing Co.	Newspapers	560	6	1.9	Pioneer Parachute	Parachutes	150	6	0.6
Manchester Health Care	Medical Offices	500	7	1.7	Allied Printing Inc	Commercial Printing	135	7	0.5
Wal Mart Stores	Department Store	400	8	1.4	Dean Machine Products	Aircraft Parts	122	8	0.5
Cox Communications	Broadcasting, Cable TV	375	9	1.3	Rogers Corporation	Thermal Insulation	95	9	0.4
Teleflex Inc.	Plating & Polishing	<u>332</u>	10	<u>1.1</u>	Control Data Corp	Business Forms	<u>85</u>	10	<u>0.3</u>
TOTAL		<u>8,380</u>		<u>28.49%</u>			<u>1,985</u>		<u>7.64%</u>

Source: Town of Manchester, Official Statements

TABLE 13

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

FUNCTION/PROGRAM	FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government	92.25	93.90	97.25	98.25	97.25	92.00	97.50	95.50	94.50	95.50
Police	157.50	156.70	155.50	155.50	154.50	148.50	152.00	155.00	154.00	151.00
Fire	83.00	82.00	85.00	82.00	80.00	78.00	80.00	78.00	78.00	78.00
Refuse collection	9.00	9.00	9.00	9.00	9.00	8.00	8.00	8.00	8.00	8.00
Other public works	151.15	151.50	157.50	160.50	162.00	160.00	158.00	160.00	158.00	158.00
Parks and recreation	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Library	27.00	27.00	27.00	28.00	28.00	26.00	27.00	27.00	26.00	26.00
Education	1,109	1,133	1,073	1,024	1,039	990	1,013	1,013	1,003	998
TOTAL	<u>1,638.40</u>	<u>1,662.10</u>	<u>1,613.25</u>	<u>1,566.25</u>	<u>1,578.75</u>	<u>1,511.50</u>	<u>1,544.50</u>	<u>1,545.50</u>	<u>1,530.50</u>	<u>1,523.50</u>

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

TABLE 14

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

FUNCTION/PROGRAM	FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government:										
Building permits issued	3,744	4,160	3,618	2,752	2,181	2,126	2,383	2,626	2,464	2,350
Building inspections conducted	9,017	9,275	7,270	8,030	7,581	6,119	6,728	6,319	5,848	5,557
Police:										
Physical arrests (curr year unavailable)		3,887	3,309	2,853	2,859	2,702	3,269	3,551	2,415	2,450
Parking violations (Unavailable)										
Traffic violations (curr year unavailable)		4,587	4,339	4,763	4,000	4,292	4,391	3,765	5,879	5,467
Fire:										
Emergency responses	6,456	7,705	7,696	7,678	7,376	7,214	6,863	6,884	6,386	4,940
Structure Fires (fires extinguished)	36	49	43	52	50	58	60	68	64	n/a
Inspections	610	1,079	977	895	800	858	1370	1300	580	580
Refuse collection:										
Refuse collected (tons per day)	36	44	43	43						
Recyclables collected (tons per day)	8	10	10	11						
Other public works:										
Street resurfacing (miles)	6.36	5.69	5.58	2.51	2.08	5.36	4.97	2.91	3.39	2.08
Potholes repaired (unavailable)										
Parks and recreation:										
Athletic field permits issued (unavailable)										
Community center admissions (unavailable)										
Library:										
Volumes in collection (thousands)	215.1	210.8	208.7	201.0	199.4	196.4	199.0	195.6	181.1	202.1
Total volumes borrowed (thousands)	739.4	769.0	859.8	886.7	866.3	800.4	772.6	723.8	692.1	669.0
Water:										
New connections	97	209	58	60	58	58	158	160	155	155
Water main breaks	4	13	14	6	9	12	15	4	3	6
Average daily consumption (thousands of gallons)	4,666	4,709	4,490	4,588	4,752	4,707	4,789	4,526	4,497	4,589
Peak daily consumption (thousands of gallons)	7,130	9,100	7,990	7,280	8,320	9,620	8,840	9,550	7,340	7,790
Wastewater:										
Average daily sewage treatment (thousands of gallons)	6,900	6,600	6,600	6,200	5,300	6,050	6,050	6,570	6,830	6,700
Sewer Enterprise:										
Average Daily Sewage Treatment (000)	5,929	5,885	5,991	5,142	4,226	5,636	5,230	5,486	6,331	5,753

Source: Internal Department Tracking Reports

TABLE 15

TOWN OF MANCHESTER, CONNECTICUTCAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	.....FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	3	3	3	3	3	3	3	3	3	3
Patrol units	7	7	7	7	7	7	7	7	7	7
Fire stations	5	5	5	5	5	5	5	5	5	5
Other public works:										
Streets (miles)	197.7	197.7	197.3	196.09	195.73	193.35	193.35	193.35	191.78	181.78
Streetlights	4,672	4,624	4,594	4,570	143	143	143	143	143	143
Traffic signals	50	49	49	49	48	51	52	52	52	52
Parks and recreation:										
Acreage	677	677	677	677	655	655	655	630	630	630
Playgrounds	22	22	22	22	22	22	22	22	22	22
Baseball/softball diamonds	23	23	23	22	22	22	20	20	20	20
Soccer/football fields	13	13	13	13	13	13	13	13	13	13
Water:										
Water mains (miles)	254	243	242	242	240	238	236	232	228	226
Fire hydrants	1,812	1,812	1,788	1,761	1,745	1,710	1,672	1,645	1,625	1,625
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)	181.5	181.5	181.5	181.5	181.5	181.5	181.5	181.5	181.5	181.5
Storm sewers (miles)										
Treatment capacity (thousands of gallons)	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250
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										