

Comprehensive Annual Financial Report

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2007



Office of the Director of Finance

Comprehensive Annual Financial Report

of the

Town of Manchester Connecticut

Fiscal Year Ended June 30, 2007

Department of Finance
Alan J. Desmarais
Director of Finance

TOWN OF MANCHESTER, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

Introductory Section		Page
<hr/>		
Letter of Transmittal		1-7
GFOA Certificate of Achievement for Excellence in Financial Reporting		8
General Government Organizational Chart		9
Listing of Principal Officials		10
 Financial Section		
<hr/>		
Report of Independent Accountants		11-12
Management's Discussion and Analysis		13-20
 <u>Exhibit</u>		
 <u>Basic Financial Statements</u>		
<u>Government-wide Financial Statements</u>		
I	Statement of Net Assets	21
II	Statement of Activities	22
 <u>Fund Financial Statements</u>		
Governmental Funds:		
III	Balance Sheet	23
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	24
Proprietary Funds:		
V	Statement of Net Assets	25
VI	Statement of Revenues, Expenses and Changes in Fund Net Assets	26
VII	Statement of Cash Flows	27
Fiduciary Funds:		
VIII	Statement of Fiduciary Net Assets	28
IX	Statement of Changes in Plan Net Assets - Pension Trust Fund	29
Notes to Financial Statements		30-55
 <u>Required Supplementary Information</u>		
RSI-1	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund and Fire District Fund	56
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		57

Supplemental, Combining and Individual Fund Statements and Schedules

<u>General Fund</u>		
A-1	Comparative Balance Sheet	58
A-2	Report of Tax Collector	59
<u>Nonmajor Governmental Funds</u>		
B-1	Combining Balance Sheet	60-63
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64-67
<u>Internal Service Funds</u>		
C-1	Combining Statement of Net Assets	68
C-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	69
C-3	Combining Statement of Cash Flows	70
<u>Agency Funds</u>		
D-1	Combining Balance Sheet	71
D-2	Combining Statement of Changes in Assets and Liabilities	72
<u>Capital Assets Used in the Operation of Governmental Funds</u>		
E-1	Comparative Schedule by Source	73
E-2	Schedule by Function and Activity	74
E-3	Schedule of Changes by Function and Activity	75

Statistical Section

Table

Financial Trends:		
1	Net Assets by Component	76
2	Changes in Net Assets	77
3	Fund Balances, Governmental Funds	79
4	Changes in Fund Balances, Governmental Funds	80
Revenue Capacity:		
5	Assessed Value and Estimated Actual Value of Taxable Property	81
6	Principal Property Taxpayers	82
7	Property Tax Levies and Collections	83
Debt Capacity:		
8	Ratios of Outstanding Debt by Type	84
9	Statement of Debt Limitation	85
10	Legal Debt Margin Information	86
Demographic and Economic Statistics:		
11	Demographic and Economic Statistics	87
12	Principal Employers	88
Operating Information:		
13	Full-Time Equivalent Town Government Employees by Function/Program	89
14	Operating Indicators by Function/Program	90
15	Capital Asset Statistics by Function/Program	91

Introductory Section



Town of Manchester

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Manchester, Connecticut 06045-0191
www.ci.manchester.ct.us

SCOTT SHANLEY, GENERAL MANAGER

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 31, 2007

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, 2007 is submitted herewith.

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

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

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



Town of Manchester Government

The Town of Manchester is an independent full-service town. The Town is a political subdivision of the State of Connecticut and is autonomous from any county, town or other political subdivision of the State of Connecticut. The Town was incorporated in 1823, and in 1947 adopted a Council-Manager form of government. The legislative function is performed by the nine members 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 55,650 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. The healthcare, aerospace, retail, wholesale trade and finance and insurance industries each have a major regional presence here. Historically an industrial center, Manchester's 76 manufacturing firms include precision machining, plastics molding, metals fabricating and coating, and commercial printing operations. The location of Manchester Memorial Hospital in central Manchester provides a hub for many of our 175 health care and social service establishments. Because of its exceptional location relative to I-84, I-384, and I-91, all of which converge here, Manchester is a preferred location for warehouse and distribution businesses and for regional retail and service establishments. Manchester's warehouse/distribution sector includes the J. C. Penney Northeast Warehouse Fulfillment Center and Hartford Distributors, as well as many smaller materials handling or freight forwarding businesses. In its historic central business district, and throughout the community, there is a strong finance, insurance, and real estate sector. The business services sector includes accountants, attorneys and other business consulting services.

Manchester's major employers include the Town and Board of Education at 1,606 employees; Smith Aerospace Components at 1,208 employees; the J. C. Penney Company and Eastern Connecticut Health Network (including the full service Manchester Memorial Hospital) at 1,200 employees each; the Journal Publishing Company at 560 employees; Manchester Health Care at 500 employees; Wal-Mart with 400 employees; and Cox Communications at 375 employees. Overall, approximately 30,960 people are employed in Manchester.

The Buckland Hills area lies at the merge of I-84 and I-291 and is a regional center for retail, service, and industrial business. The Buckland Industrial Park is home to J. C. Penney and other industrial and manufacturing firms. Over 3.7 million square feet of retail space make Buckland Hills one of the largest retail centers in New England. The area serves a market of approximately 20 miles and a market population of over 300,000 people. Major retailers in the area include the Shoppes at Buckland Hills regional mall, anchored by Macy's, Sears, Dick's Sporting Goods, Barnes and Noble, and J. C. Penney. Other retailers include Wal-Mart; Home Depot; BJ's Wholesale Club; The Sports Authority; and 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.

In recent years, a regional shortage of available space has fueled a hot local industrial market. At the end of 2006, only 6% of Manchester's 8 million square feet of rentable industrial space was vacant. Some industrial land remains available near I-291 and opportunities for building expansion exist as well. New construction, expansion and redevelopment continue in Buckland Hills and other commercial areas and retail vacancy rates remain low. 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 FY07, the Town focused on two major financial initiatives which carried through the fiscal year. The first was the continuation of a major school construction program. During the fiscal year, work was virtually completed on a new ninth grade wing for Manchester High School. The cost of that project exceeded \$35 million and \$17,624,000 of general obligation bonds to finance the project were sold in January 2007. The wing was opened at the start of the 2007- 2008 school year. Another major school project was the initiation of renovations to the two middle schools in town. Work was completed on Iling Middle School, and major renovation work began on Bennet Middle School to convert that facility into a 6th grade academy. The middle school renovation project will total over \$44 million. The Town's portion of the cost of that project will be approximately \$27 million. Both of these projects are a part of an ongoing commitment to address the capital needs of the school system.

The second financial initiative was the completion of funding of a financial plan to smooth both the immediate and future tax increase impact related to: (1) the implementation of an October 1, 2006 town wide real property revaluation and (2) increased debt service related to the school projects noted above. The Adopted FY08 budget includes the use of \$1.25 million from designated fund balance as a revenue source. This is a part of a multi year plan to utilize designated fund balance to reduce the tax impact by minimizing the amount of additional revenue that needs to be generated through property taxes in any single year. Designated fund balance will be budgeted in declining amounts through FY12. By using declining amounts of designated fund balance over a five-year period, the Town will minimize the impact of this one time revenue, while not drawing upon un-reserved, undesignated fund balance. That plan was fully funded at \$3.75 million as of 6/30/07.

Financial Planning and Policies

During FY07, the Town continued to move towards reaching its policy of having undesignated general fund balance equal 5-7% of General Fund revenues. As of June 30, 2007, the Town

increased that percentage from 6.09% in FY06 to 6.44%. The Town plans to continue to move incrementally towards the 7% goal.

The Town also used the very positive fiscal year results to create and fund, among other items, general fund balance designations for the implementation of GASB 45 funding (\$50,000) initial funding for the next State mandated real property revaluation (\$420,000), supplemental financing to reduce the deficit in the self-insurance fund (\$1,080,960) and the final funding for the plan as noted above to assist in providing tax relief (\$550,000). The complete five-year tax assistance plan initiated in FY08 totals \$3,750,000.

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 judgements.

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 5.54% 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	5.14%
Federal Three-Month T-Bill	5.01%

General Fund Undesignated and Unreserved Fund Balance

General Fund Undesignated Unreserved Fund Balance (budgetary non-GAAP basis) represents that portion of fund balance which is available for appropriation. When evaluating an entity's credit, the rating agencies generally look for this amount to be 2% to 10% of locally generated revenues. In the 06-07 fiscal year, the Board of Directors indicated to the Town staff that it wishes the Town's Unreserved and Undesignated Fund Balance expressed as a percentage of Revenues to increase 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>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>
Revenues (000's)	\$115,835	\$122,924	\$129,579	\$137,094	\$146,573
Expenditures (000's)	115,539	119,978	126,974	133,863	144,111
Operating Results (000's)	296	2,946	2,605	3,231	2,462
Unreserved and Undesignated Fund Balance (000's)	4,815	6,404	7,514	8,352	9,446
Percent of Revenue	4.16%	5.21%	5.83%	6.09%	6.44%

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 and 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 and 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, FY2008 and FY2009. Effective January 1, 2007, Scully & Wolf, LLP became a part of Blum Shapiro.

The Town's FY07 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 FY07 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, 2006. 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 tenth 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
Laura LaBrecque, Payroll Coordinator
Patricia Brooks, Assistant to the Superintendent, Finance and
Management, Board of Education

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

Respectfully submitted,



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, 2006

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.



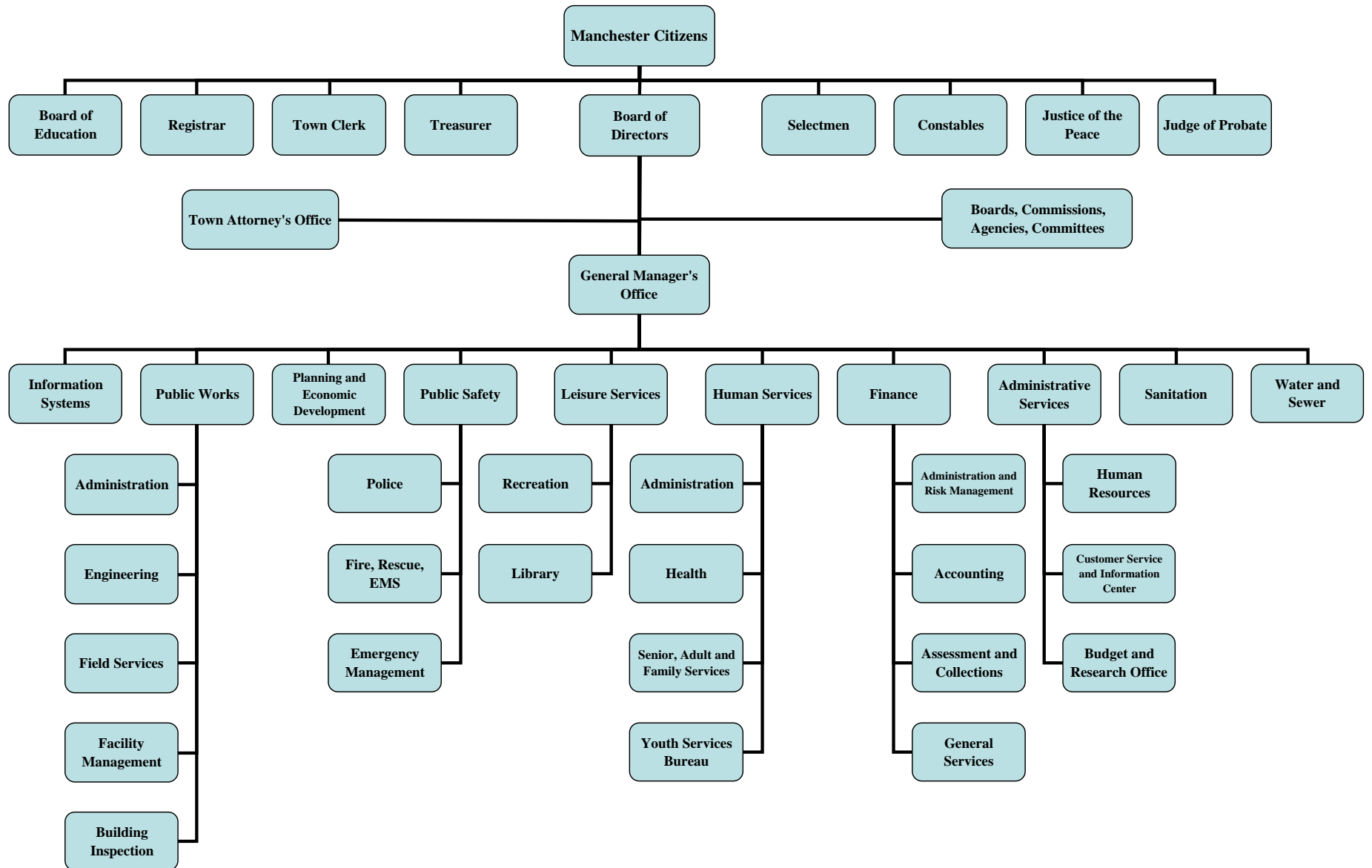
A handwritten signature in black ink, appearing to read "Ronald J. Hahn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Town of Manchester Organization Chart



TOWN OF MANCHESTER, CONNECTICUT

LISTING OF PRINCIPAL OFFICIALS

Board of Directors

Louis A. Spadaccini, Chairman (Mayor)
Matthew B. Peak, Deputy Mayor
Cheri A. Pelletier, Secretary
Kevin L Zingler, Minority Leader
Jeffrey A. Beckman

Mark D. Tweedie
Lisa P. O'Neill
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
Timothy P. O'Neil
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
Acting 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
Jay Moran
Michael Crockett
Steven Edwards
Michael Pohl

Michael T. Rizzo
Linette Small-Miller
Carl Stafford
Enrique Marciano, Sr., Secretary

Superintendent of Schools

Kathy Ouellette

Financial Section



Report of Independent Accountants

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, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, 2007, 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 31, 2007 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 on pages 13 through 20 and budgetary comparison information on pages 56 through 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.

Blum, Shapiro & Company, P.C.

December 31, 2007

**TOWN OF MANCHESTER, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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, 2007. 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 \$28.7 million as a result of this year's operations. While net assets of our business-type activities increased by \$1.8 million, or nearly 3.4%, net assets of our governmental activities increased by \$27.0 million, or nearly 42.5%.
- During the year, the Town had expenses that were \$27.0 million less than the \$196.7 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues increased to \$21.2 million (or 11.9%) while expenses increased by \$.8 million (or 4.8%).
- Total cost of all of the Town's programs increased by \$8.6 million (or 4.8%) to \$189.2 million with no new significant programs added this year.
- The General Fund reported a fund balance this year of \$17.3 million up \$2.0 million (or 12.7%).
- 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 \$115.7 million to \$144.4 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	
	2007	2006*	2007	2006	2007	2006*
Current and other assets	\$ 55,813	\$ 47,947	\$ 40,477	\$ 38,442	\$ 77,317	\$ 70,804
Capital assets	141,130	106,521	36,161	37,184	177,291	143,705
Total assets	<u>196,943</u>	<u>154,468</u>	<u>76,638</u>	<u>75,626</u>	<u>254,608</u>	<u>214,509</u>
Long-term debt outstanding	76,442	63,011	12,056	12,592	88,498	75,603
Other liabilities	29,970	27,912	10,670	10,877	21,667	23,204
Total liabilities	<u>106,412</u>	<u>90,923</u>	<u>22,726</u>	<u>23,469</u>	<u>110,165</u>	<u>98,807</u>
Net Assets:						
Invested in capital assets, net of debt	89,227	67,468	24,704	26,485	113,931	93,953
Restricted	4,634	2,749			4,634	2,749
Unrestricted (deficit)	<u>(3,330)</u>	<u>(6,672)</u>	<u>29,208</u>	<u>25,672</u>	<u>25,878</u>	<u>19,000</u>
Total Net Assets	<u>\$ 90,531</u>	<u>\$ 63,545</u>	<u>\$ 53,912</u>	<u>\$ 52,157</u>	<u>\$ 144,443</u>	<u>\$ 115,702</u>

*Restated, see Note 16

Net assets of the Town's governmental activities increased by 42.5%. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$(6.7) million at June 30, 2006 to \$(3.3) million at the end of this year. This increase is directly related to the favorable operating results in the General Fund.

More specific elements of the change in unrestricted governmental net assets resulted from revenue and expenditure items which ended the year in a favorable position. Interest Income finished the year \$.5 million over budget as the interest rates rose during the year. The General Fund also collected almost \$.4 million in unexpected property tax revenues and \$.6 million in unexpected Education related revenues over what was budgeted. On the expenditure side, a delay in filling vacancies in all functions played a large role in the improvement in unrestricted governmental net assets. The exception was Education. Also, as a result of a technical flaw in the referendum public notice process, a planned bond sale was unable to be completed resulting in \$1.1 million dollars of budgeted debt service remaining unspent. Those funds were designated at year end as a capital contribution for the Bennet renovation project. In the Capital Projects fund, \$43.0 million was expended for improvements. These were primarily funded through intergovernmental grants \$20.4 million and transfers in of \$2.5 million. The Town will be issuing \$39.2 million of general obligation bonds in late 2007. The net assets of business-type activities increased by 3.4% (\$53.9 million compared to \$52.2 million) in 2006. 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. Sewer and Sanitation experienced increases in net assets. While Water experienced a decrease in net assets. The governmental activities Internal Service net assets increased \$2.9 million.

TABLE 2
CHANGES IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 7,001	\$ 7,159	\$ 19,801	\$ 18,312	\$ 26,802	\$ 25,471
Operating grants and contributions	44,596	42,944			44,596	42,944
Capital grants and contributions	21,937	5,253	238		22,175	5,253
General revenues:						
Property taxes	115,112	107,059			115,112	107,059
Grants and contributions not restricted to specific purposes	4,775	4,600			4,775	4,600
Unrestricted investment earnings	2,676	1,380	1,185	663	3,861	2,043
Other general revenues	572	1,085			572	1,085
Total revenues	<u>196,669</u>	<u>169,480</u>	<u>21,224</u>	<u>18,975</u>	<u>217,893</u>	<u>188,455</u>
Program expenses:						
General government	4,291	5,730			4,291	5,730
Public safety	27,214	25,374			27,214	25,374
Public works	16,434	15,552			16,434	15,552
Human services	4,176	4,389			4,176	4,389
Leisure services	5,379	5,274			5,379	5,274
Employee benefits	2,365	2,123			2,365	2,123
Education	103,790	98,998			103,790	98,998
Interest on long-term debt	2,385	2,053			2,385	2,053
Other	4,993	3,729			4,993	3,729
Water			6,862	6,196	6,862	6,196
Sewer			4,869	5,500	4,869	5,500
Sanitation			6,445	5,651	6,445	5,651
Total program expenses	<u>171,027</u>	<u>163,222</u>	<u>18,176</u>	<u>17,347</u>	<u>189,203</u>	<u>180,569</u>
Excess (deficiency) before transfers and specific items	25,642	6,258	3,048	1,628	28,690	7,886
Transfers	1,344	51	(1,293)	(516)	51	
Special items:				3,048		3,048
Increase (Decrease) in Net Assets	\$ 26,986	\$ 6,774	\$ 1,755	\$ 4,160	\$ 28,741	\$ 10,934

The Town's total revenues (Governmental and Business-Type) were \$217.9 million. The total cost of all programs and services (Governmental and Business-Type) was \$189.2 million. The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The increase in Governmental Activities net assets was \$27.0 million. These positive operating results resulted primarily from activity in the Capital Fund. The amount invested in capital assets, net of debt increased by \$21.8 million as work continued on the high school addition and the renovations at Bennet and Illing schools. Capital grants and contributions increased \$16.7million, Property taxes increased \$8.1 million.

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

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Education	\$ 103,790	\$ 98,998	41,101	\$ 52,916
Public safety	27,214	25,374	25,553	24,160
Public works	16,434	15,552	13,123	12,431
Leisure Services	5,379	5,274	3,189	4,437
General government	4,291	5,730	1,988	3,714
All others	13,919	12,294	12,539	10,208
Totals	<u>\$ 171,027</u>	<u>\$ 163,222</u>	<u>97,493</u>	<u>\$ 107,866</u>

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 11.9% (\$21.2 million in 2007 compared to \$19.0 million in 2006) and expenses increased by 4.8% (\$18.2 million in 2007 compared to \$17.3 million in 2006). This revenue increase was predominately the result of increased deliveries into the Town's landfill (\$1.7million). The Water and Sewer funds continued to experience a high number of personnel vacancies during the year which moderated the expense percentage increase.

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 \$12.7 million, which is a increase of \$2.0 million from last year's total. Included in this year's total change in fund balance, is an increase of \$2.0 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 \$43.0 million of capital improvements which were funded through the issuance of long term financing (\$17.6 million), intergovernmental grants (\$20.4 million) and other sources including internal funding (\$5.0 million).

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 \$.4 million. This was primarily due to aggressive delinquent tax collection recoveries (\$191 thousand) and current year collections which exceed budgeted estimates (\$210 thousand)
- 2) Charges for services which exceeded budget estimates as previously described (\$400 thousand).
- 3) Investment Income which exceeded estimates (\$475 thousand).

The aforementioned items coupled together with the budgeted but unused debt service resulting from the delayed long term financing (\$ 1.1million), and operational vacancies contributed to a net increase of \$2.0 million in General Fund balance. The FY07 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 \$17.3 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$16.4 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$918 thousand 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 \$229 thousand from \$694 thousand to \$923 thousand.

In the remaining non-major governmental funds, the combined fund balances increased from \$4.6 million \$6.7 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 \$53.9 million, which is an increase of \$1.7 million from last year's total of \$52.2 million. Included in this year's total change in net assets, is an increase of \$2.4 million in the Sanitation Fund, and a \$193 thousand increase in the Sewer Fund and an \$870 thousand decrease in the Water Fund. The Sanitation Fund increase was due an increase in service fees of \$1.7 million, and increased interest income of \$519 thousand. The Water Fund experienced increased operating costs which could not be offset by increased revenues. That resulted in an operating loss of \$128 thousand in the Water Fund.

In the internal service funds, the self-insurance funds experienced a net combined net gain of \$2.6 million. Net assets in the employee health benefits fund increased by \$2.7 million, while the net assets in the non health benefits fund decreased by \$116 thousand. The gain was primarily related to claims finishing below estimates. The Information Systems Fund's gain amounted to \$287 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the Town had \$177.2 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 \$34.8 million, or 24.4%, over last year.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 11.5	\$ 7.9	\$ 1.1	\$ 1.2	\$ 12.6	\$ 9.1
Buildings and improvements	26.1	27.3	10.2	11.3	36.3	38.6
Equipment	7.5	7.3	19.7	21.2	27.2	28.5
Infrastructure	50.9	49.6			50.9	49.6
Construction in progress	45.1	13.1	5.1	3.5	50.2	16.6
Totals	<u>\$ 141.1</u>	<u>\$ 105.2</u>	<u>\$ 36.1</u>	<u>\$ 37.2</u>	<u>\$ 177.2</u>	<u>\$ 142.4</u>

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

High School Addition	\$24.0 million
Bennet / Illing	\$11.3 million
Public Infrastructure – Roads and Sidewalks	\$3.2 million

The Town's fiscal-year 2007-08 capital budget calls for effective completion of the Bennet/Illing project (\$32 million), public infrastructure – roads and sidewalks etc (\$12.5 million, equipment (\$1.0 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, 2007 the Town had \$52.9 million in bonds and notes outstanding versus \$39.0 million last year – an increase of 35.6% – as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General obligation bonds (Backed by the Town)	<u>\$ 49.2</u>	<u>\$ 34.9</u>	<u>\$ 3.4</u>	<u>\$ 4.2</u>	<u>\$ 52.6</u>	<u>\$ 39.1</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 \$803.3 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year budget 2007-2008, General Fund appropriations totaled \$152.3 million. This is an increase of \$7.7million or 5.3%. The General Fund budget includes the use of \$1.3 million of designated General Fund fund balance as noted in the Letter of Transmittal. The increase in General Fund appropriations is being funded by property taxes which have increased 1.42%. 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 except the Water Fund, the Town has set related fees to offset the cost of operations. For the Water fund, as part of an adopted long term rate setting plan, the Town is reducing the working capital in the Water Fund to 180 days of operating costs. Rate increases to cover the cost of operations are planned once working capital is reduced to 180 days.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 31.9 and business-type fees for the 2007-2008 fiscal year. One of these is the effect of the phase in of the October 1, 2006 real property revaluation on property tax bills. With this in mind, the Town has created and begun implementation of a plan to use \$3.8 million of designated fund balance over a five year period to mitigate this impact. The plan will annually step down the use of the designations to reduce the impact of a "one time revenue". The 31.9 mill rate represents a decrease of 3.61 mills (10.2%) from the previous year. This decreased mill rate will be applied against an increased Taxable Grand List. Thus the reduced mill rate will not automatically result in a tax decrease. 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 double digit or high single digit 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.

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2007

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Special Services District
Assets:				
Cash and cash equivalents	\$ 15,630	\$ 3,042	\$ 18,672	\$ 214
Investments	27,415	13,194	40,609	
Receivables, net	11,832	4,541	16,373	
Due from component unit	70		70	
Inventories	55	727	782	
Prepaid asset	428		428	
Due from fiduciary funds	383		383	
Capital assets:				
Assets not being depreciated	56,671	6,296	62,967	
Assets being depreciated, net	84,459	29,865	114,324	
Total assets	<u>196,943</u>	<u>57,665</u>	<u>254,608</u>	<u>214</u>
Liabilities:				
Accounts and other payables	6,982	1,894	8,876	19
Accrued liabilities	799	586	1,385	2
Due to primary government				70
Bond anticipation notes	692	8,097	8,789	
Unearned revenue	2,524	93	2,617	
Internal balances	18,973	(18,973)		
Noncurrent liabilities:				
Due within one year	14,478	1,192	15,670	
Due in more than one year	61,964	10,864	72,828	
Total liabilities	<u>106,412</u>	<u>3,753</u>	<u>110,165</u>	<u>91</u>
Net Assets:				
Invested in capital assets, net of related debt	89,227	24,704	113,931	
Restricted for:				
Trust purposes:				
Expendable	1,580		1,580	
Nonexpendable	3,054		3,054	
Unrestricted	<u>(3,330)</u>	<u>29,208</u>	<u>25,878</u>	<u>123</u>
Total Net Assets	<u>\$ 90,531</u>	<u>\$ 53,912</u>	<u>\$ 144,443</u>	<u>\$ 123</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

					Net (Expense) Revenue And Changes In Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component
		Charges For	Operating	Capital	Governmental	Business-Type	Total	Unit
			Grants And	Grants And				Downtown
		Services	Contributions	Contributions	Activities	Activities		Special Services
								District
Governmental activities:								
General government	\$ 4,291	\$ 1,386	\$ 917	\$	\$ (1,988)	\$	\$ (1,988)	\$
Public works	16,434	1,357	67	1,887	(13,123)		(13,123)	
Public safety	27,214	1,130	527	4	(25,553)		(25,553)	
Human services	4,176	146	1,130		(2,900)		(2,900)	
Leisure services	5,379	649	1,541		(3,189)		(3,189)	
Employee benefits	2,365				(2,365)		(2,365)	
Education	103,790	2,333	40,310	20,046	(41,101)		(41,101)	
Interest on long-term debt	2,385		100		(2,285)		(2,285)	
Other	4,993		4		(4,989)		(4,989)	
Total governmental activities	171,027	7,001	44,596	21,937	(97,493)		(97,493)	
Business-type activities:								
Water	6,862	6,439				(423)	(423)	
Sewer	4,869	5,223		238		592	592	
Sanitation	6,445	8,139				1,694	1,694	
Total business-type activities	18,176	19,801		238		1,863	1,863	
Total primary governmental activities	\$ 189,203	\$ 26,802	\$ 44,596	\$ 22,175	(97,493)	1,863	(95,630)	
Component Unit:								
Downtown Special Services District	\$ 214	\$ 112	\$ -	\$ -				(102)
General revenues:								
Property taxes					115,112		115,112	
Grants and contributions not restricted to specific programs					4,775		4,775	139
Unrestricted investment earnings					2,676	1,185	3,861	
Miscellaneous					572		572	5
Transfers					1,344	(1,293)	51	
Total					124,479	(108)	124,371	144
Change in net assets					26,986	1,755	28,741	42
Net Assets at Beginning of Year, as restated					63,545	52,157	115,702	81
Net Assets at End of Year					\$ 90,531	\$ 53,912	\$ 144,443	\$ 123

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 9,465	\$ 1,799	\$	\$ 1,802	\$ 13,066
Investments	12,024	5	5,078	4,329	21,436
Receivables, net	5,583	77	4,284	1,888	11,832
Due from other funds	70				70
Inventories	20			35	55
Prepaid items				1	1
Total Assets	<u>\$ 27,162</u>	<u>\$ 1,881</u>	<u>\$ 9,362</u>	<u>\$ 8,055</u>	<u>\$ 46,460</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 2,069	\$ 113	\$ 3,697	\$ 280	\$ 6,159
Accrued liabilities	378	153		137	668
Intergovernmental payables	67				67
Interfund payables			17,961	629	18,590
Deferred revenue	7,305		11	265	7,581
Bond anticipation notes payable		692			692
Total liabilities	<u>9,819</u>	<u>958</u>	<u>21,669</u>	<u>1,311</u>	<u>33,757</u>
Fund balances:					
Reserved	1,045		7,732	3,215	11,992
Unreserved, reported in:					
General Fund	16,298				16,298
Special Revenue Funds		923		3,529	4,452
Capital Project Funds			(20,039)		(20,039)
Total fund balances	<u>17,343</u>	<u>923</u>	<u>(12,307)</u>	<u>6,744</u>	<u>12,703</u>
Total Liabilities and Fund Balances	<u>\$ 27,162</u>	<u>\$ 1,881</u>	<u>\$ 9,362</u>	<u>\$ 8,055</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					138,593
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					5,057
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					1,578
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					(67,400)
Net assets of governmental activities					<u>\$ 90,531</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	General	Fire District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 105,521	\$ 9,047	\$	\$	\$ 114,568
Intergovernmental	38,042	194	20,403	10,230	68,869
Investment and interest	1,675	96	122	426	2,319
Licenses, permits and fines	2,712	270			2,982
Charges for goods and services	1,840			2,179	4,019
Other	87		323	1,802	2,212
Total revenues	<u>149,877</u>	<u>9,607</u>	<u>20,848</u>	<u>14,637</u>	<u>194,969</u>
Expenditures:					
Current:					
General government	4,969			106	5,075
Public works	11,273				11,273
Public safety	16,273	10,064		887	27,224
Human services	3,003			969	3,972
Leisure services	4,838			358	5,196
Employee benefits	2,365				2,365
Education	94,437			9,441	103,878
Internal service fund charges	3,772				3,772
Other	134	385		659	1,178
Debt service	4,337	222	623		5,182
Capital outlay		25	42,965	201	43,191
Total expenditures	<u>145,401</u>	<u>10,696</u>	<u>43,588</u>	<u>12,621</u>	<u>212,306</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,476</u>	<u>(1,089)</u>	<u>(22,740)</u>	<u>2,016</u>	<u>(17,337)</u>
Other Financing Sources (Uses):					
Transfers in	1,381	1,772	2,460	180	5,793
Transfers out	(4,002)	(454)		(20)	(4,476)
Proceeds from bonds			17,624		17,624
Proceeds from capital leases			326		326
Premium on bonds	98				98
Total other financing sources (uses)	<u>(2,523)</u>	<u>1,318</u>	<u>20,410</u>	<u>160</u>	<u>19,365</u>
Net Change in Fund Balances	1,953	229	(2,330)	2,176	2,028
Fund Balances at Beginning of Year	<u>15,390</u>	<u>694</u>	<u>(9,977)</u>	<u>4,568</u>	
Fund Balances at End of Year	<u>\$ 17,343</u>	<u>\$ 923</u>	<u>\$ (12,307)</u>	<u>\$ 6,744</u>	

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

Governmental funds reported 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.

35,100

Net decrease in capital assets from dispositions.

(212)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

201

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments 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 of bond debt repayment.

(13,874)

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.

880

Internal service funds are used by management to charge the cost of risk management and other services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

2,863

Change in Net Assets of Governmental Activities (Exhibit II)

\$ 26,986

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007
(In Thousands)

	Business-Type Activities						Governmental
	Sanitation Fund				Total	Activities	
	Water	Sewer	Operations	Landfill Closure	Total	Business-Type Activities	Internal Service Fund
Assets:							
Current assets:							
Cash and cash equivalents	\$ -	\$ -	\$ 3,042	\$ -	\$ 3,042	\$ 3,042	\$ 2,564
Investments	37	4		13,153	13,153	13,194	5,979
Receivables, net	1,653	1,411	1,384		1,384	4,448	
Assessment receivable		93			-	93	
Inventories	508	219			-	727	
Interfund receivable	9,063	4,398	5,512		5,512	18,973	
Prepaid Expenses							427
Total current assets	11,261	6,125	9,938	13,153	23,091	40,477	8,970
Noncurrent assets:							
Capital assets, net	19,950	13,295	2,916		2,916	36,161	2,537
Total assets	31,211	19,420	12,854	13,153	26,007	76,638	11,507
Liabilities:							
Current liabilities:							
Accounts and other payables	384	223	451		451	1,058	23
Accrued liabilities	379	173	34		34	586	25
Interfund payables					-	-	
Claims payable					-	-	4,353
Intergovernmental payables					-	-	
Unearned revenue		93			-	93	
Customer deposits		277	559		559	836	
Bond anticipation notes	7,347	750			-	8,097	
Bonds payable		815			-	815	
Compensation absences	211	112	54		54	377	97
Capital lease payable					-	-	351
Total current liabilities	8,321	2,443	1,098	-	1,098	11,862	4,849
Noncurrent liabilities:							
Accrued liabilities				7,578	7,578	7,578	
Bonds payable		2,545			-	2,545	
Compensated absences	412	220	109		109	741	237
Claims payable					-	-	3,723
Capital lease payable					-	-	1,120
Total noncurrent liabilities	412	2,765	109	7,578	7,687	10,864	5,080
Total liabilities	8,733	5,208	1,207	7,578	8,785	22,726	9,929
Net Assets:							
Invested in capital assets, net of related debt	12,603	9,185	2,916		2,916	24,704	
Unrestricted	9,875	5,027	8,731	5,575	14,306	29,208	1,578
Total net assets	\$ 22,478	\$ 14,212	\$ 11,647	\$ 5,575	\$ 17,222	\$ 53,912	\$ 1,578

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Business-Type Activities						Governmental
			Sanitation Fund			Total	Activities
	Water	Sewer	Operations	Landfill Closure	Total	Business-Type Activities	Internal Service Fund
Operating Revenues:							
Charges for services	\$ 6,433	\$ 5,206	\$ 8,078	\$	\$ 8,078	\$ 19,717	\$ 28,740
Other	6	17	61		61	84	94
Total operating revenues	6,439	5,223	8,139		8,139	19,801	28,834
Operatingn Expenses:							
Administrative	517	475	467		467	1,459	
General operating	4,550	3,229	4,901		4,901	12,680	3,516
Claims expense					-	-	22,507
Depreciation	1,500	1,046	617		617	3,163	310
Total operating expenses	6,567	4,750	5,985		5,985	17,302	26,333
Operating Income (Loss)	(128)	473	2,154		2,154	2,499	2,501
Nonoperating Revenue:							
Income on investments	258	105	176	646	822	1,185	357
Interest expense	(282)	(119)				(401)	
Change in estimate for closure/ post closure costs				(460)	(460)	(460)	
Debt insurance costs	(11)					(11)	
Gain (loss) on disposal of capital	(2)					(2)	
Income Before Capital Contributions and Transfers	(165)	459	2,330	186	2,516	2,810	2,858
Capital Contributions		238				238	
Transfers In						-	5
Transfers Out	(705)	(504)	(84)		(84)	(1,293)	
Change in Net Assets	(870)	193	2,246	186	2,432	1,755	2,863
Net Assets at Beginning of Year	23,348	14,019	9,401	5,389	14,790	52,157	(1,285)
Net Assets at End of Year	\$ 22,478	\$ 14,212	\$ 11,647	\$ 5,575	\$ 17,222	\$ 53,912	\$ 1,578

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Business-Type Activities					Governmental Activities
	Sanitation Fund				Total Business-Type Activities	Internal Service Fund
	Water	Sewer	Operations	Landfill Closure	Total	
Cash Flows from (to) Operating Activities:						
Cash received from customers and users	\$ 6,387	\$ 5,090	\$ 7,740	\$ -	\$ 7,740	\$ 19,217
Cash received from insurance proceeds					-	-
Other operating receipts	24	7	61		61	92
Cash deposits received from/refunded to customers		11	52		52	63
Cash paid to suppliers for goods and services	(3,257)	(2,119)	(4,531)		(4,531)	(9,907)
Cash paid for interfund services provided	(369)	(326)	(328)		(328)	(1,023)
Cash paid to employees	(1,566)	(1,452)	(542)		(542)	(3,560)
Cash paid for insurance claims and premiums					-	-
Net cash provided (used) by operating activities	1,219	1,211	2,452	-	2,452	4,882
Cash flows from (to) noncapital financing activities:						
Transfers in (out)	(587)	(486)	(84)		(84)	(1,157)
Cash received (paid) to other funds	2,007	(4,398)	(998)		(998)	(3,389)
Net cash provided (used) by noncapital financing activities	1,420	(4,884)	(1,082)	-	(1,082)	(4,546)
Cash flows from (to) capital and related financing activities:						
Principal payment – long-term obligations		(799)			-	(799)
Principal payment – bond anticipation notes	(787)	(10)			-	(797)
Interest paid	(305)	(105)			-	(410)
Debt issuance costs paid	(11)	-			-	(11)
Purchase of capital assets and construction	(1,683)	(307)	(181)		(181)	(2,171)
Proceeds from bond anticipation notes		750			-	750
Transfers in (out)	(109)				-	(109)
Capital Grants and Contributions		238			-	238
Net cash provided (used) by capital and related financing activities	(2,895)	(233)	(181)	-	(181)	(3,309)
Cash flows from (to) investing activities:						
Interest received	256	105	177	646	823	1,184
Proceeds from sale of investments		899		(4,789)	(4,789)	(3,890)
Purchase of investments		(893)			-	(893)
Net cash provided by investing activities	256	111	177	(4,143)	(3,966)	(3,599)
Net Increase (Decrease) in Cash and Cash Equivalents		(3,795)	1,366	(4,143)	(2,777)	(6,572)
Cash and Cash Equivalents, Beginning of Year		3,795	1,676	4,143	5,819	9,614
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ 3,042	\$ -	\$ 3,042	\$ 3,042
Reconciliation of Operating Income (Loss) to Net Cash (Used) By Operating Activities:						
Operating Income (Loss)	\$ (128)	\$ 473	\$ 2,154	\$ -	\$ 2,154	\$ 2,499
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation expense	1,500	1,046	617		617	3,163
Change in asset and liabilities:						
(Increase) decrease in accounts receivable	(28)	(124)	(337)		(337)	(489)
(Increase) decrease in allowance for doubtful accounts	60	25			-	85
(Increase) decrease in inventory	(14)	(16)			-	(30)
Increase (decrease) in accounts payable	(282)	(73)	(36)		(36)	(391)
Increase (decrease) in accrued expenses	147	11	19		19	177
Increase (decrease) in customer deposits		11	52		52	63
Increase (decrease) in compensated absences payable	(36)	(142)	(17)		(17)	(195)
Increase (decrease) in claims payable					-	-
Net cash provided (used) by operating activities	\$ 1,219	\$ 1,211	\$ 2,452	\$ -	\$ 2,452	\$ 4,882

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007
(In Thousands)

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$	\$ 1,599
Investments:		
Participating Mortgage Separate Account	6,537	
Real Estate Separate Account	4,263	
Mutual Funds	<u>122,874</u>	
Total assets	<u>133,674</u>	\$ <u><u>1,599</u></u>
Liabilities:		
Accounts and other payables	25	
Interfund Payable	383	
Deposits held for others	<u></u>	<u>1,599</u>
Total liabilities	<u>408</u>	\$ <u><u>1,599</u></u>
Net Assets:		
Held in Trust for Pension Benefits	\$ <u><u>133,266</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS
PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

Additions:

Contributions:

Employer	\$ 3,854
Plan members	<u>2,219</u>
Total contributions	<u>6,073</u>

Investment income:

Net appreciation in fair value of investments	15,063
Interest and dividends	3,443
Income from real estate investments	<u>803</u>
Total investment income	<u>19,309</u>

Total additions	<u>25,382</u>
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Deductions:

Benefits	8,399
Administration	485
Transfer out	<u>51</u>

Total deductions	<u>8,935</u>
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Net Increase	16,447
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Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>116,819</u>
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Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 133,266</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MANCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town operates under the provisions of its Charter and the General Statutes of the State of Connecticut. The Town was incorporated in May of 1823. Its legal authority is derived from a charter granted in 1947 that has subsequently been revised. 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 \$796 has been established as an allowance for uncollectible taxes. At June 30, 2007 this represents 19.81% 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
Buildings 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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

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

J. Fund Equity

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 \$67,400 difference are as follows:

Bonds payable	\$ 48,880
Accrued interest payable	839
Capital leases payable	2,236
Compensated absences	<u>15,445</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets - Governmental Activities	\$ <u><u>67,400</u></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 \$35,100 difference are as follows:

Capital outlay	\$ 39,573
Depreciation expense	<u>(4,473)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u><u>35,100</u></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 \$(13,874) difference are as follows:

Proceeds from bonds and capital leases	\$ (17,950)
Principal repayments:	
General obligation debt	3,181
Capital leases	<u>895</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u><u>(13,874)</u></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 \$880 difference are as follows:

Compensated absences	\$ 1,185
Accrued interest	<u>(305)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u><u>880</u></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 \$1,885 were approved during the year for the General Fund with a corresponding increase in estimated revenues of \$179 and appropriations from fund balance of \$1,706. Additional appropriations of \$101 were approved during the year for the Special Taxing District-Fire Special Revenue Fund with a corresponding increase in estimated revenues of \$31 and appropriations from fund balance of \$70.
- (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, 2007.

<u>Accumulated Deficits</u>	<u>Amount</u>
Capital Projects	\$ 12,307
Manchester Self Insurance Program	4,050

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.

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, 2007:

Deposits:	
Demand accounts*	\$ 4,571
Cash on hand	7
Cash equivalents:	
State Short-Term Investment Fund (STIF)	15,324
Lease Purchase Escrow Funds	<u>583</u>
Total Cash and Cash Equivalents	\$ <u>20,485</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, 2007, the carrying amount of the Town's deposits was \$4,571 and the bank balance was \$7,833.

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, 2007 bank balance, \$927 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 \$691, based on June 30, 2007 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$6,215 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, 2007 the Town's cash equivalents amounted to \$15,907. 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	
Lease Purchase Escrow Funds		X

B. Investments

Investments as of June 30, 2007 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	\$ 17,631	2.07
Other Investments:		
Common Stock	1,177	
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS)	12,282	
Participating Mortgage Separate Account	6,537	
Real Estate Separate Account	4,263	
Mutual Funds	<u>132,393</u>	
Total	\$ <u><u>174,283</u></u>	

Portfolio weighted average maturity for interest bearing investments	2.07
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Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. 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, 2007, 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	\$ 4,018	\$	\$	\$	\$	\$	\$	\$ 4,018
Accounts	30	86	14	1,892	1,577	1,459	303	5,361
Special assessments					93			93
Intergovernmental	1,363		4,270				1,585	7,218
Interest	968							968
Gross receivables	6,379	86	4,284	1,892	1,670	1,459	1,888	17,658
Less: allowance for uncollectibles	(796)	(9)		(239)	(166)	(75)		(1,285)
Net Total Receivables	\$ <u>5,583</u>	\$ <u>77</u>	\$ <u>4,284</u>	\$ <u>1,653</u>	\$ <u>1,504</u>	\$ <u>1,384</u>	\$ <u>1,888</u>	\$ <u>16,373</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	\$ 239
Sewer	166
Sanitation	<u>75</u>
Total Uncollectibles of the Current Fiscal Year	\$ <u>480</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	\$ 3,798	\$
Advance and unapplied taxes		2,040
Grant drawdowns prior to meeting all eligibility requirements		484
School building grant	<u>1,259</u>	<u></u>
Total Deferred/Unearned Revenue for Governmental Funds	\$ <u>5,057</u>	\$ <u>2,524</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 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	\$ 7,907	\$ 3,617	\$	\$ 11,524
Construction in progress	<u>13,056</u>	<u>32,209</u>	<u>(118)</u>	<u>45,147</u>
Total capital assets, not being depreciated	<u>20,963</u>	<u>35,826</u>	<u>(118)</u>	<u>56,671</u>
Capital assets being depreciated:				
Buildings and improvements	59,845	7		59,852
Improvements other than buildings	5,287		(39)	5,248
Machinery and equipment	22,544	1,720	(2,985)	21,279
Infrastructure	<u>83,283</u>	<u>2,053</u>	<u>(114)</u>	<u>85,222</u>
Total capital assets being depreciated	<u>170,959</u>	<u>3,780</u>	<u>(3,138)</u>	<u>171,601</u>
Less accumulated depreciation for:				
Buildings and improvements	(36,002)	(1,008)		(37,010)
Improvements other than buildings	(1,895)	(147)	39	(2,003)
Machinery and equipment	(15,205)	(1,559)	2,936	(13,828)
Infrastructure	<u>(32,299)</u>	<u>(2,071)</u>	<u>69</u>	<u>(34,301)</u>
Total accumulated depreciated	<u>(85,401)</u>	<u>(4,785)</u>	<u>3,044</u>	<u>(87,142)</u>
Total capital assets being depreciated, net	<u>85,558</u>	<u>(1,005)</u>	<u>(94)</u>	<u>84,459</u>
Governmental Activities Capital Assets, Net	\$ <u>106,521</u>	\$ <u>34,821</u>	\$ <u>(212)</u>	\$ <u>141,130</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,171	\$	\$	\$ 1,171
Construction in progress	<u>3,470</u>	<u>1,694</u>	<u>(39)</u>	<u>5,125</u>
Total capital assets not being depreciated	<u>4,641</u>	<u>1,694</u>	<u>(39)</u>	<u>6,296</u>
Capital assets being depreciated:				
Buildings and improvements	28,769	107		28,876
Machinery and equipment	55,508	408	(210)	55,706
Improvements other than buildings	<u>8,192</u>			<u>8,192</u>
Total capital assets being depreciated	<u>92,469</u>	<u>515</u>	<u>(210)</u>	<u>92,774</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,337)	(997)		(21,334)
Machinery and equipment	(34,260)	(1,951)	180	(36,031)
Improvements other than buildings	<u>(5,329)</u>	<u>(215)</u>		<u>(5,544)</u>
Total accumulated depreciated	<u>(59,926)</u>	<u>(3,163)</u>	<u>180</u>	<u>(62,909)</u>
Total capital assets being depreciated, net	<u>32,543</u>	<u>(2,648)</u>	<u>(30)</u>	<u>29,865</u>
Business-Type Activities Capital Assets, Net	\$ <u>37,184</u>	\$ <u>(954)</u>	\$ <u>(69)</u>	\$ <u>36,161</u>

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

Governmental activities:	
General government	\$ 429
Public works	2,513
Public safety	769
Human services	31
Recreation	139
Library	16
Education	<u>828</u>
Total Depreciation Expense - Governmental Activities	\$ <u>4,725</u>
Business-type activities:	
Water	\$ 1500
Sewer	1046
Sanitation	<u>617</u>
Total Depreciation Expense - Business-type Activities	\$ <u>3,163</u>

Construction Commitments

The Town has active construction projects as of June 30, 2007. The projects include renovations to School Facilities, improvements to the Head Start Facility, and various public works and bond referendum projects.

The following is a summary of significant capital projects at June 30, 2007:

Project	Authorized Amount	Expended and Encumbered	Unencumbered Balance
1998 Bond Referendum Projects	\$ 2,538	\$ 2,517	\$ 21
2000 Public Works Projects	6,343	5,757	586
School Repairs/Renovations	7,518	7,018	500
School Buildings and Renovations	6,335	6,018	317
2003 Public Works Projects	5,389	5,087	302
Head Start Facility	100	99	1
MHS Addition/Renovations	35,625	34,258	1,367
Real Property Acquisition	3,061	1,938	1,123
Bennet, Illing, Bowers, Waddell School Project	44,316	16,500	27,816
2006 Public Works Projects	5,051	3,388	1,663
Total	\$ <u>116,276</u>	\$ <u>82,580</u>	\$ <u>33,696</u>

The following capital projects are being financed by a combination of State and Federal grants and general obligation bonds: 1998 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: 2000 Public Works Projects. 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:

Receivable Entity	Payable Entity	Amount
Primary government - General Fund	Component unit	\$ <u>70</u>

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

Interfund transfers:

Transfer In					
	General	Fire District	Capital Projects	Nonmajor Governmental	Total
Transfers out:					
General Fund	\$	\$ 1,772	\$ 2,050	\$ 180	\$ 4,002
Fire District	188		266		454
Pension Trust Fund	51				51
Nonmajor governmental	6		14		20
Water	587		109		696
Sewer	465		21		486
Sanitation	84				84
Total	\$ <u>1,381</u>	\$ <u>1,772</u>	\$ <u>2,460</u>	\$ <u>180</u>	\$ <u>5,793</u>

Transfers of general capital assets (not included in governmental funds):

To Information Systems Fund from existing general capital assets	5
To existing general capital assets from Water Fund	9
To existing general capital assets from Sewer Fund	18

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	\$ 5,537	\$ 4,297
Less accumulated depreciation	<u>5,024</u>	<u>1,873</u>
Net leased property	\$ <u>513</u>	\$ <u>2,424</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30,	Governmental Funds	Information Systems Internal Service Fund
2008	\$ 640	\$ 397
2009	507	397
2010	335	397
2011	335	397
2012	335	
2013	335	
Total future minimum lease payments	2,487	1,588
Less amounts representing interest	<u>(251)</u>	<u>(117)</u>
Present Value of Future Minimum Lease Payments	\$ <u>2,236</u>	\$ <u>1,471</u>

9. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 34,865	\$ 17,624	\$ 3,240	\$ 49,249	\$ 4,044
Less deferred amounts:					
For issuance on refunding	<u>(428)</u>	<u>59</u>		<u>(369)</u>	
Total bonds payable	34,437	17,683	3,240	48,880	4,044
Capital leases	4,616	326	1,235	3,707	912
Claims and judgments	7,015	1,061		8,076	4,353
Compensated absences	<u>16,943</u>	<u>99</u>	<u>1,263</u>	<u>15,779</u>	<u>5,169</u>
Governmental Activity Long-Term Liabilities	<u>\$ 63,011</u>	<u>\$ 19,169</u>	<u>\$ 5,738</u>	<u>\$ 76,442</u>	<u>\$ 14,478</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	\$ 4,160	\$	\$ 800	\$ 3,360	\$ 815
Landfill closure	7,118	460		7,578	
Compensated absences	<u>1,314</u>		<u>196</u>	<u>1,118</u>	<u>377</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 12,592</u>	<u>\$ 460</u>	<u>\$ 996</u>	<u>\$ 12,056</u>	<u>\$ 1,192</u>

Bonds Payable

The annual requirements to amortize bonds payable as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities	
	Principal	Interest	Amount to be Provided by State of Connecticut		Principal	Interest
			Principal	Interest		
2008	\$ 4,044	\$ 1,925	\$ 338	\$ 49	\$ 815	\$ 67
2009	4,030	1,769	298	36	832	51
2010	3,550	1,617	137	26	848	34
2011	3,530	1,492	137	20	865	17
2012	3,505	1,364	137	13		
2013-2017	15,760	4,087	212	10		
2018-2022	9,575	2,086				
2023-2024	5,255	556				
Total	\$ 49,249	\$ 14,896	\$ 1,259	\$ 154	\$ 3,360	\$ 169

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, 2007:

	Governmental Activities	Business-type Activities
Balance, July 1, 2006	\$ 350	\$ 8,144
Issued	692	8,097
Retired	(350)	(8,144)
Balance, June 30, 2007	\$ 692	\$ 8,097

The above notes with an interest rate of 3.8% matured on July 6, 2007. The governmental activities short term financing was issued for the purchase of fire equipment. The business-type activities short term financing was issued for various water system and quality improvements.

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, 2007 is \$6,630.

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, 2007 is \$550.

The Town's total net indebtedness does not exceed the total legal debt limit which is \$803,306. At June 30, 2007, debt authorized but unissued amounted to \$44,733.

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, 2007 and 2006 for the TOMMIF and MSIP funds are as follows:

	2007 TOMMIF	2006 TOMMIF	2007 MSIP	2006 MSIP
Unpaid claims, July 1	\$ 1,734	\$ 1,322	\$ 5,281	\$ 4,008
Incurred claims (including IBNR)	18,814	17,282	3,693	3,531
Claim payments	<u>(18,725)</u>	<u>(16,870)</u>	<u>(2,721)</u>	<u>(2,258)</u>
Unpaid claims, June 30	\$ <u>1,823</u>	\$ <u>1,734</u>	\$ <u>6,253</u>	\$ <u>5,281</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 2007 was \$17 and the total amount outstanding at June 30, 2007 was \$179.

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 \$13 to CREOC during the year ended June 30, 2007.

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, 2007, the Town had recorded a liability of \$7,578 in the Sanitation Enterprise Fund which represents the amount of costs reported to date based on the 67.00 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$3,732 which will be recognized as the remaining capacity is used (estimated to be 9 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

The Town, in accordance with various collective bargaining and employment agreements, is committed to provide health and other benefits to certain eligible retirees and their spouses. Actuarial valuations involve estimates of the value of reported amounts and assumption about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. The Government Accounting Standards Board (GASB) has issued statements to establish financial reporting, liability calculation, along with the requirement to disclose the government's funding strategy and progress.

Although the Town has not established a trust fund, as of June 30, 2007, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines, a preliminary draft actuarial valuation was prepared to value the estimated accrued liability, and the annual required contribution (ARC) for the subsequent year. The following reflects the assumptions and results of the actuarial report:

Valuation report date	April 1, 2006
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	7.5%
Actuarial accrued liability	\$145,559
ARC – fiscal year ending June 30, 2007	\$12,904

As of June 30, 2007, the funding and payment of postemployment benefits are accounted for in both the General Fund and in an internal service fund. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of trust fund and internal service fund control may be used, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town currently has approximately 346 retirees receiving benefits. Benefits paid for the year ended June 30, 2007 amounted to approximately \$2,812, which was funded on a pay-as-you-go basis. The Town's 2007-08 budget provides for no additional funding, other than the estimated additional amount that will be needed to pay retiree claims currently due.

15. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

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

The membership of the plan consisted of the following at July 1, 2006, the date of the latest actuarial valuation:

Retirees, disabled employees and beneficiaries currently receiving benefits	542
Terminated Plan members entitled to benefits but not yet receiving them	85
Current employees:	
Vested	503
Nonvested	<u>256</u>
Total	<u><u>1,386</u></u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due; investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when incurred.

Investments are reported at fair value.

C. Funding Policy

Participants are required to contribute 5.0% (8.5% for police employees and 5.9% for "Rule of 80" employees) of their earnings to the PERS. The Town is required to contribute 10.2% (19.2% 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 \$3,854.

The annual required contribution for the current year was determined as part of the July 1, 2006 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 4.5% 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>
6/30/07	\$	3,854	\$	3,854	100	\$	-
6/30/06		3,085		3,085	100		-
6/30/05		2,894		2,894	100		-

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>
7/01/06	\$	117,216	\$	141,112	\$	23,896	83%	\$	31,025	77%
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%

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/07	\$	3,854	100%
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%

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, 2007 is \$9,919. There were 122 participants as of June 30, 2007. During the fiscal year ended June 30, 2007, employees contributed \$418 (exclusive of lump sum conversion amounts) and the Town contributed a matching employer contribution of \$418. Covered payroll totaled \$6,972. 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 8.0% of earnings for the year ended June 30, 2007. 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, 2007, 2006, and 2005 were \$495, \$450 and \$299, 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 \$41,302 or 69.87% of the total Board of Education payroll of \$59,110.

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, 2007 the

Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,187 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, 2007 is presented below:

General Fund:	
Reserved for encumbrances	\$ 975
Reserved for amount due from component unit	70
Special Revenue Funds:	
Reserved for encumbrances	126
Inventory	35
Capital Projects Funds:	
Reserved for encumbrances	7,732
Permanent Funds:	
Reserved for Trust Funds	3,054
Fiduciary Funds:	
Reserved for pension benefits	<u>133,266</u>
Total	\$ <u>145,258</u>

Restatements

The July 1, 2006 balance of governmental activities net assets has been restated as follows:

Net assets – as previously reported	\$ 64,273
Restatement due to infrastructure items omitted from financial reporting	1,347
Restatement resulting from lease obligations omitted from financial reporting	<u>(2,075)</u>
Net Assets – as Restated	\$ <u><u>63,545</u></u>

Required Supplementary Information

TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	General Fund				Fire District Fund			
	Original Budget	Revised Budget	Actual	Variance Over (Under)	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues:								
Property taxes, interest and lien fees	\$ 105,136	\$ 105,136	\$ 105,521	\$ 385	\$ 9,031	\$ 9,031	\$ 9,047	\$ 16
Intergovernmental revenue	32,680	32,818	32,854	36	202	202	194	(8)
Investment and interest income	1,200	1,200	1,675	475	85	115	96	(19)
Licenses, permits and fines	2,475	2,475	2,712	237				
Charges for goods and services	1,655	1,690	1,840	150	255	255	270	15
Other	100	106	492	386		1	9	8
Total revenues	<u>143,246</u>	<u>143,425</u>	<u>145,094</u>	<u>1,669</u>	<u>9,573</u>	<u>9,604</u>	<u>9,616</u>	<u>12</u>
Expenditures:								
Current:								
General government	5,116	5,170	4,965	205				
Public works	11,806	11,459	11,220	239				
Public safety	16,020	16,233	16,105	128	10,228	10,329	10,062	267
Human services	3,158	3,158	3,002	156				
Leisure services	5,006	5,007	4,830	177				
Employee benefits	2,542	2,542	2,365	177				
Other	495	370	134	236				
Education	89,346	89,381	89,379	2				
Internal service fund charges	2,897	3,772	3,772		385	385	385	
Debt service	5,388	5,388	4,337	1,051	240	240	222	18
Capital outlay					25	25	25	
Total expenditures	<u>141,774</u>	<u>142,480</u>	<u>140,109</u>	<u>2,371</u>	<u>10,878</u>	<u>10,979</u>	<u>10,694</u>	<u>285</u>
Excess (deficiency) of revenues over expenditures	<u>1,472</u>	<u>945</u>	<u>4,985</u>	<u>4,040</u>	<u>(1,305)</u>	<u>(1,375)</u>	<u>(1,078)</u>	<u>297</u>
Other financing sources (uses):								
Transfers in	1,384	1,384	1,381	(3)	1,758	1,758	1,772	14
Transfers out	(2,856)	(4,035)	(4,002)	33	(453)	(453)	(454)	(1)
Premium on bond sale			98	98				
Total other financing sources (uses)	<u>(1,472)</u>	<u>(2,651)</u>	<u>(2,523)</u>	<u>128</u>	<u>1,305</u>	<u>1,305</u>	<u>1,318</u>	<u>13</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>(1,706)</u>	<u>2,462</u>	\$ <u>4,168</u>	\$ <u>-</u>	\$ <u>(70)</u>	240	\$ <u>310</u>
Fund balance, beginning of year			<u>13,906</u>				<u>683</u>	
Fund balance, end of year			\$ <u>16,368</u>				\$ <u>923</u>	

TOWN OF MANCHESTER, CONNECTICUT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

BUDGET-TO-GAAP RECONCILIATION

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

	<u>General Fund</u>	<u>Fire District</u>
<u>R E V E N U E S</u>		
Non-GAAP budgetary basis – RSI-1	\$ 145,094	\$ 9,616
State of Connecticut “on-behalf” contributions to the Connecticut Teachers’ Retirement System for Town teachers are not budgeted	5,188	
Prior year encumbrances cancelled	<u>(405)</u>	<u>(9)</u>
GAAP basis – Exhibit IV	<u><u>\$ 149,877</u></u>	<u><u>\$ 9,607</u></u>
<u>E X P E N D I T U R E S</u>		
Non-GAAP budgetary basis – RSI-1	\$ 140,109	\$ 10,694
State of Connecticut “on-behalf” payments to the Connecticut State Teachers’ Retirement System for Town teachers are not budgeted	5,188	
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, 2006	1,022	2
June 30, 2007	<u>(918)</u>	<u></u>
GAAP basis – Exhibit IV	<u><u>\$ 145,401</u></u>	<u><u>\$ 10,696</u></u>

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

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

TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2007 AND 2006

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 9,465	\$ 108
Investments	12,024	21,637
Property taxes receivable, net	3,222	2,860
Accrued interest on taxes	968	818
Accounts receivable, net	30	54
Intergovernmental receivables	1,363	1,875
Due from component unit	70	77
Prepaid item	<u>20</u>	<u>5</u>
Total Assets	<u>\$ 27,162</u>	<u>\$ 27,434</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other payables	\$ 2,069	\$ 1,276
Accrued liabilities	378	495
Intergovernmental payables	67	93
Deferred revenues	<u>7,305</u>	<u>10,180</u>
Total liabilities	<u>9,819</u>	<u>12,044</u>
Fund balance:		
Reserved for encumbrances	975	1,484
Reserved for amount due from component unit	70	77
Unreserved:		
Designated for specific projects	5,348	5,349
Designated for subsequent year's budget	1,504	128
Undesignated	<u>9,446</u>	<u>8,352</u>
Total fund balance	<u>17,343</u>	<u>15,390</u>
Total Liabilities and Fund Balance	<u>\$ 27,162</u>	<u>\$ 27,434</u>

TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND
REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

Grand List	Uncollected Taxes July 1, 2006	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2007
		Additions(1)	Deductions			Taxes	Interest	Lien Fees	Total	
2005	\$ 112,879	\$ 2,171	\$ 345	\$ 29	\$ 114,676	\$ 112,401	\$ 458	\$ 2	\$ 112,861	\$ 2,275
2004	1,960	122	152	18	1,912	1,044	241	5	1,290	868
2003	714	27	44	10	687	236	78	1	315	451
2002	443		11	262	170	67	40		107	103
2001	104			1	103	23	10		33	80
2000	84			1	83	8	5		13	75
1999	46				46	6	4		10	40
1998	33				33	8	4		12	25
1997	25				25	4			4	21
1996	23				23	2			2	21
1995	23				23	4			4	19
1994	20				20	2			2	18
1993	17				17	3			3	14
1992	9				9	2			2	7
1991	3				3	2			2	1
Total	\$ <u>116,383</u>	\$ <u>2,320</u>	\$ <u>552</u>	\$ <u>321</u>	\$ <u>117,830</u>	113,812	840	8	114,660	\$ <u>4,018</u>
Suspense collections						<u>33</u>	<u>37</u>		<u>70</u>	
Total collections						\$ <u>113,845</u>	\$ <u>877</u>	\$ <u>8</u>	\$ <u>114,730</u>	

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

TOWN OF MANCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds							
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Lead Abatement Program	Cafeteria Fund	Community Use of Schools	Community Development Block Grant Fund
ASSETS								
Cash and cash Equivalents	\$	\$ 121	\$	\$ 541	\$ 75	\$ 601	\$ 6	\$
Investments								
Accounts receivable	115					24		35
Intergovernmental receivables			752	105		223		505
Due from other funds								
Prepaid Expenditures			1					
Inventory						35		
Total Assets	<u>\$ 115</u>	<u>\$ 121</u>	<u>\$ 753</u>	<u>\$ 646</u>	<u>\$ 75</u>	<u>\$ 883</u>	<u>\$ 6</u>	<u>\$ 540</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$	\$ 6	\$ 93	\$ 47	\$	\$ 53	\$	\$ 77
Accrued liabilities	17	3	77	4		33		3
Due to other funds								
Interfund payable	14		193					422
Deferred revenue		44	49	31				35
Total Liabilities	<u>31</u>	<u>53</u>	<u>412</u>	<u>82</u>	<u>-</u>	<u>86</u>	<u>-</u>	<u>537</u>
Fund Balance (deficit):								
Reserved for:								
Permanent accounts								
Encumbrances			1	4				121
Inventory						35		
Other purposes								
Unreserved:								
Designated		10						
Undesignated	84	58	340	560	75	762	6	(118)
Total fund balance (deficit)	<u>84</u>	<u>68</u>	<u>341</u>	<u>564</u>	<u>75</u>	<u>797</u>	<u>6</u>	<u>3</u>
Total Liabilities and Fund Balances	<u>\$ 115</u>	<u>\$ 121</u>	<u>\$ 753</u>	<u>\$ 646</u>	<u>\$ 75</u>	<u>\$ 883</u>	<u>\$ 6</u>	<u>\$ 540</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds							
	Housing Reb	Neighborhood Housing Predevelopment Fund	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund
ASSETS								
Cash and cash Equivalents	\$ 108	\$ 43	\$ 90	\$ 34	\$ 1	\$ 1,332	\$ 29	\$ 8
Investments								
Accounts receivable	45	84						
Intergovernmental receivables								
Due from other funds								
Prepaid Expenditures								
Inventory								
Total Assets	<u>153</u>	<u>127</u>	<u>90</u>	<u>34</u>	<u>1</u>	<u>1,332</u>	<u>29</u>	<u>8</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$ 2	\$	\$	\$	\$	\$	\$	\$
Accrued liabilities								
Due to other funds								
Interfund payable								
Deferred revenue	22	84						
Total Liabilities	<u>24</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (deficit):								
Reserved for:								
Permanent accounts								
Encumbrances								
Inventory								
Other purposes								
Unreserved:								
Designated								
Undesignated	129	43	90	34	1	1,332	29	8
Total fund balance (deficit)	<u>129</u>	<u>43</u>	<u>90</u>	<u>34</u>	<u>1</u>	<u>1,332</u>	<u>29</u>	<u>8</u>
Total Liabilities and Fund Balances	<u>\$ 153</u>	<u>\$ 127</u>	<u>\$ 90</u>	<u>\$ 34</u>	<u>\$ 1</u>	<u>\$ 1,332</u>	<u>\$ 29</u>	<u>\$ 8</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds				Permanent Funds			
	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds Held at the Board of Education	Total	Wilma D. Marlow Fund	Newton B. Taggart Fund	East Cemetery Trust Fund	Consolidated Cemetery Trust Fund
ASSETS								
Cash and cash Equivalents	\$ 22	\$ 4	\$ 60	\$ 1,653	\$ 8	\$	\$ 4	\$
Investments				1,422		807	250	317
Accounts receivable				303				
Intergovernmental receivables				1,585				
Due from other funds				-				
Prepaid Expenditures				1				
Inventory				35				
Total Assets	<u>22</u>	<u>4</u>	<u>60</u>	<u>4,999</u>	<u>8</u>	<u>807</u>	<u>254</u>	<u>317</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$	\$	\$	278	\$	\$ 1	\$	\$
Accrued liabilities				137				
Due to other funds				-				
Interfund payable				629				
Deferred revenue				265				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,309</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Fund Balance (deficit):								
Reserved for:								
Permanent accounts								
Encumbrances				126				
Inventory				35				
Other purposes				-	8	806	254	317
Unreserved:				-				
Designated				10				
Undesignated	<u>22</u>	<u>4</u>	<u>60</u>	<u>3,519</u>	<u>8</u>	<u>806</u>	<u>254</u>	<u>317</u>
Total fund balance (deficit)	<u>22</u>	<u>4</u>	<u>60</u>	<u>3,690</u>	<u>8</u>	<u>806</u>	<u>254</u>	<u>317</u>
Total Liabilities and Fund Balances	<u>\$ 22</u>	<u>\$ 4</u>	<u>\$ 60</u>	<u>\$ 4,999</u>	<u>\$ 8</u>	<u>\$ 807</u>	<u>\$ 254</u>	<u>\$ 317</u>

(Continued on next page)

TOWN OF MANCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Permanent Funds					
	Trust Funds Held at the Board of Education	Jarvis Library Fund	Library Trust Fund	Total	Interfund Eliminations	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash Equivalents	\$ 98	\$	\$ 39	\$ 149	\$	\$ 1,802
Investments		1,533		2,907		4,329
Accounts receivable				-		303
Intergovernmental receivables				-		1,585
Due from other funds				-		-
Prepaid Expenditures				-		1
Inventory				-		35
Total Assets	<u>98</u>	<u>1,533</u>	<u>39</u>	<u>3,056</u>	<u>-</u>	<u>8,055</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payable	\$	\$ 1		\$ 2	\$	\$ 280
Accrued liabilities				-		137
Due to other funds				-		-
Interfund payable				-		629
Deferred revenue				-		265
Total Liabilities	<u>-</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>1,311</u>
Fund Balance (deficit):						
Reserved for:						
Permanent accounts						-
Encumbrances				-		126
Inventory				-		35
Other purposes	98	1,532	39	3,054		3,054
Unreserved:				-		-
Designated				-		10
Undesignated				-		3,519
Total fund balance (deficit)	<u>98</u>	<u>1,532</u>	<u>39</u>	<u>3,054</u>	<u>-</u>	<u>6,744</u>
Total Liabilities and Fund Balances	<u>\$ 98</u>	<u>\$ 1,533</u>	<u>\$ 39</u>	<u>\$ 3,056</u>	<u>\$ -</u>	<u>\$ 8,055</u>

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

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds							
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Lead Abatement Program	Cafeteria Fund	Community Use of Schools	Community Development Block Grant Fund
Revenue:								
Intergovernmental revenue	\$	\$	\$ 6,749	\$ 1,299	\$	\$ 1,287	\$	\$ 895
Investment income						8		
Net increase in the fair value of investments								
Charges for goods and services	764	238				1,091	46	
Other		8	182	112	4			4
Total revenues	<u>764</u>	<u>246</u>	<u>6,931</u>	<u>1,411</u>	<u>4</u>	<u>2,386</u>	<u>46</u>	<u>899</u>
Expenditures:								
Current:								
General government								106
Public safety	636			251				
Human services				969				
Recreation		285						
Library				30				
Education			7,001			2,389	45	
Other				58				593
Capital outlay								201
Total expenditures	<u>636</u>	<u>285</u>	<u>7,001</u>	<u>1,308</u>	<u>-</u>	<u>2,389</u>	<u>45</u>	<u>900</u>
Excess (deficiency) of revenues over expenditures	128	(39)	(70)	103	4	(3)	1	(1)
Other financing sources (uses):								
Transfers in		30		152				
Transfers out				(14)				
Total other financing sources (uses)	<u>-</u>	<u>30</u>	<u>-</u>	<u>138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	128	(9)	(70)	241	4	(3)	1	(1)
Fund balance (deficit), beginning of year	<u>(44)</u>	<u>77</u>	<u>411</u>	<u>323</u>	<u>71</u>	<u>800</u>	<u>5</u>	<u>4</u>
Fund balance (deficit), end of year	<u>\$ 84</u>	<u>\$ 68</u>	<u>\$ 341</u>	<u>\$ 564</u>	<u>\$ 75</u>	<u>\$ 797</u>	<u>\$ 6</u>	<u>\$ 3</u>

(Continued on next page)

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

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds							
	Housing Reb	Neighborhood Housing Predevelopment Fund	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund
Revenue:								
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$	\$
Investment income			2	1		32		
Net increase in the fair value of investments			10			147		
Charges for goods and services							4	
Other								
Total revenues	-	-	12	1	-	179	4	-
Expenditures:								
Current:								
General government								
Public safety								
Human services								
Recreation								
Library						11		
Education								
Other			1					
Capital outlay								
Total expenditures	-	-	1	-	-	11	-	-
Excess (deficiency) of revenues over expenditures	-	-	11	1	-	168	4	-
Other financing sources (uses):								
Transfers in								
Transfers out				(2)				
Total other financing sources (uses)	-	-	-	(2)	-	-	-	-
Net change in fund balances	-	-	11	(1)	-	168	4	-
Fund balance (deficit), beginning of year	129	43	79	35	1	1,164	25	8
Fund balance (deficit), end of year	\$ 129	\$ 43	\$ 90	\$ 34	\$ 1	\$ 1,332	\$ 29	\$ 8

(Continued on next page)

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

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds				Permanent Funds			
	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds Held at the Board of Education	Total	Wilma D. Marlow Fund	Newton B. Taggart Fund	East Cemetery Trust Fund	Consolidated Cemetery Trust Fund
Revenue:								
Intergovernmental revenue	\$	\$	\$	\$ 10,230	\$	\$	\$	\$
Investment income			1	44	1	19	4	10
Net increase in the fair value of investments				157		83	14	35
Charges for goods and services				2,139			40	
Other				314				
Total revenues	-	-	1	12,884	1	102	58	45
Expenditures:								
Current:								
General government				106				
Public safety				887				
Human services				969				
Recreation				285				
Library				41		21		
Education			3	9,438				
Other				652			2	5
Capital outlay				201				
Total expenditures	-	-	3	12,579	-	21	2	5
Excess (deficiency) of revenues over expenditures	-	-	(2)	305	1	81	56	40
Other financing sources (uses):								
Transfers in				182				
Transfers out				(16)			(2)	(4)
Total other financing sources (uses)	-	-	-	166	-	-	(2)	(4)
Net change in fund balances	-	-	(2)	471	1	81	54	36
Fund balance (deficit), beginning of year	22	4	62	3,219	7	725	200	281
Fund balance (deficit), end of year	\$ 22	\$ 4	\$ 60	\$ 3,690	\$ 8	\$ 806	\$ 254	\$ 317

(Continued on next page)

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

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007

Permanent Funds					
Trust Funds Held at the Board of Education	Jarvis Library Fund	Library Trust Fund	Total	Interfund Eliminations	Total Nonmajor Governmental Funds
Revenue:					
Intergovernmental revenue	\$	\$	\$	\$	\$
Investment income	3	35	1	73	117
Net increase in the fair value of investments		20		152	309
Charges for goods and services				40	2,179
Other	1	1,481	6	1,488	1,802
Total revenues	4	1,536	7	1,753	14,637
Expenditures:					
Current:					
General government				-	106
Public safety				-	887
Human services				-	969
Recreation				-	285
Library		4	7	32	73
Education	3			3	9,441
Other				7	659
Capital outlay				-	201
Total expenditures	3	4	7	42	12,621
Excess (deficiency) of revenues over expenditures	1	1,532	-	1,711	2,016
Other financing sources (uses):					
Transfers in				-	180
Transfers out				(6)	(20)
Total other financing sources (uses)	-	-	-	(6)	160
Net change in fund balances	1	1,532	-	1,705	2,176
Fund balance (deficit), beginning of year	97		39	1,349	4,568
Fund balance (deficit), end of year	\$ 98	\$ 1,532	\$ 39	\$ 3,054	\$ 6,744

Internal Service Funds

INTERNAL SERVICE FUNDS

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

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

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

TOWN OF MANCHESTER, CONNECTICUT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2007
(In Thousands)

	Information Systems Fund	Manchester Self Insurance Program	Town of Manchester Medical Insurance Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 732	\$ 1,435	\$ 397	\$ 2,564
Investments		578	5,401	5,979
Prepaid Expenses		245	182	427
Total current assets	<u>732</u>	<u>2,258</u>	<u>5,980</u>	<u>8,970</u>
Noncurrent assets:				
Capital assets, net	<u>2,537</u>			<u>2,537</u>
Total assets	<u>3,269</u>	<u>2,258</u>	<u>5,980</u>	<u>11,507</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current liabilities:				
Accounts and other payables	13	10		23
Accrued liabilities	22	3		25
Claims payable		2,530	1,823	4,353
Compensated absences payable	83	14		97
Capital lease payable	<u>351</u>			<u>351</u>
Total current liabilities	<u>469</u>	<u>2,557</u>	<u>1,823</u>	<u>4,849</u>
Noncurrent liabilities:				
Compensated absences payable	209	28		237
Claims payable		3,723		3,723
Capital lease payable	<u>1,120</u>			<u>1,120</u>
Total noncurrent liabilities	<u>1,329</u>	<u>3,751</u>		<u>5,080</u>
Total liabilities	<u>1,798</u>	<u>6,308</u>	<u>1,823</u>	<u>9,929</u>
NET ASSETS				
Unrestricted	<u>\$ 1,471</u>	<u>\$ (4,050)</u>	<u>\$ 4,157</u>	<u>\$ 1,578</u>

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

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Information Systems Fund	Manchester Self Insurance Program	Town of Manchester Medical Insurance Fund	Total
Operating revenues:				
Charges for services	\$ 2,185	\$ 3,798	\$ 22,757	\$ 28,740
Other		94		94
Total operating revenues	<u>2,185</u>	<u>3,892</u>	<u>22,757</u>	<u>28,834</u>
Operating expenses:				
General operating	1,706	380	1,430	3,516
Claims expense		3,693	18,814	22,507
Depreciation expense	310			310
Total operating expenses	<u>2,016</u>	<u>4,073</u>	<u>20,244</u>	<u>26,333</u>
Operating income (loss)	169	(181)	2,513	2,501
Nonoperating revenues (expenses):				
Interest on investments	113	65	179	357
Interest expense				
Income (loss) before capital contributions and transfers	282	(116)	2,692	2,858
Transfer In	<u>5</u>			<u>5</u>
Change in net assets	287	(116)	2,692	2,863
Total net assets (deficit), beginning of year	<u>1,184</u>	<u>(3,934)</u>	<u>1,465</u>	<u>(1,285)</u>
Total net assets (deficit), end of year	<u>\$ 1,471</u>	<u>\$ (4,050)</u>	<u>\$ 4,157</u>	<u>\$ 1,578</u>

TOWN OF MANCHESTER, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

(In 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	\$ 2,185	\$ 3,798	\$ 22,757	\$ 28,740
Cash received from insurance proceeds		94		94
Cash paid to suppliers for goods and services	(803)	(286)		(1,089)
Cash paid to employees	(911)	(102)		(1,013)
Cash paid for insurance claims and premiums		(2,951)	(20,337)	(23,288)
Net cash provided (used) by operating activities	<u>471</u>	<u>553</u>	<u>2,420</u>	<u>3,444</u>
Cash flows from noncapital financing activities:				
Cash received from (paid to) other funds	<u>(981)</u>	<u>-</u>	<u>(48)</u>	<u>(1,029)</u>
Cash flows from (to) capital and related financing activities:				
Purchase of fixed assets	(32)			(32)
Principal payment – lease purchase	<u>(340)</u>			<u>(340)</u>
Net cash provided (used) by capital and related financing activities	<u>(372)</u>	<u>-</u>	<u>-</u>	<u>(372)</u>
Cash flows from investing activities:				
Interest received	113	65	179	357
Sale of investments				-
Purchase of investments		(108)	(2,154)	(2,262)
Net cash provided by investing activities	<u>113</u>	<u>(43)</u>	<u>(1,975)</u>	<u>(1,905)</u>
Net increase (decrease) in cash and cash equivalents	(769)	510	397	138
Cash and cash equivalents, beginning of year	<u>1,501</u>	<u>925</u>	<u>-</u>	<u>2,426</u>
Cash and cash equivalents, end of year	<u>\$ 732</u>	<u>\$ 1,435</u>	<u>\$ 397</u>	<u>\$ 2,564</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 169	\$ (181)	\$ 2,513	\$ 2,501
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	310			310
(Increase) decrease in accounts receivable and other prepaid assets		(245)	(182)	(427)
Increase (decrease) in accounts payable	(21)	(66)		(87)
Increase (decrease) in accrued expenses	(3)			(3)
Increase (decrease) in compensated absences payable	16	4		20
Increase (decrease) in claims payable		1,041	89	1,130
Net cash provided (used) by operating activities	<u>\$ 471</u>	<u>\$ 553</u>	<u>\$ 2,420</u>	<u>\$ 3,444</u>

Fiduciary 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, 2007

(In Thousands)

	<u>Plan Deposit Fund</u>	<u>Student Activity Fund</u>	<u>Senior Center Activities Fund</u>	<u>Maintenance Bond Fund</u>	<u>Redevelopment Agency Fund</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ <u>87</u>	\$ <u>393</u>	\$ <u>45</u>	\$ <u>1,066</u>	\$ <u>8</u>	\$ <u>1,599</u>
LIABILITIES						
Deposits held for others	\$ <u>87</u>	\$ <u>393</u>	\$ <u>45</u>	\$ <u>1,066</u>	\$ <u>8</u>	\$ <u>1,599</u>

TOWN OF MANCHESTER, CONNECTICUT

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Plan Deposit Fund				
Assets:				
Cash and cash equivalents	\$ <u>33</u>	\$ <u>279</u>	\$ <u>225</u>	\$ <u>87</u>
Liabilities:				
Deposits held for others	\$ <u>33</u>	\$ <u>279</u>	\$ <u>225</u>	\$ <u>87</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>432</u>	\$ <u>1,089</u>	\$ <u>1,128</u>	\$ <u>393</u>
Liabilities:				
Deposits held for others	\$ <u>432</u>	\$ <u>1,089</u>	\$ <u>1,128</u>	\$ <u>393</u>
Senior Center Activities Fund				
Assets:				
Cash and cash equivalents	\$ <u>47</u>	\$ <u>60</u>	\$ <u>62</u>	\$ <u>45</u>
Liabilities:				
Deposits held for others	\$ <u>47</u>	\$ <u>60</u>	\$ <u>62</u>	\$ <u>45</u>
Maintenance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>1,384</u>	\$ <u>122</u>	\$ <u>440</u>	\$ <u>1,066</u>
Liabilities:				
Deposits held for others	\$ <u>1,384</u>	\$ <u>122</u>	\$ <u>440</u>	\$ <u>1,066</u>
Redevelopment Agency Fund				
Assets:				
Cash and cash equivalents	\$ <u>4</u>	\$ <u>75</u>	\$ <u>71</u>	\$ <u>8</u>
Liabilities:				
Deposits held for others	\$ <u>4</u>	\$ <u>75</u>	\$ <u>71</u>	\$ <u>8</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ <u>1,900</u>	\$ <u>1,625</u>	\$ <u>1,926</u>	\$ <u>1,599</u>
Liabilities:				
Deposits held for others	\$ <u>1,900</u>	\$ <u>1,625</u>	\$ <u>1,926</u>	\$ <u>1,599</u>

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, CONNECTICUT**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE****JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 11,524	\$ 7,907
Land improvements	5,248	5,287
Buildings and improvements	59,852	59,845
Machinery and equipment	21,279	22,544
Infrastructure	85,222	83,283
Construction in progress	<u>45,147</u>	<u>13,056</u>
Total	<u>\$ 228,272</u>	<u>\$ 191,922</u>
Investments in governmental funds capital assets by source:		
General	\$ 15,615	\$ 15,177
Capital projects	94,073	56,274
Donations	2,067	1,087
Prior years' investment as of June 30, 1996	47,922	50,675
Prior years' investments for infructure as of June 30, 2005	<u>68,595</u>	<u>68,709</u>
Total	<u>\$ 228,272</u>	<u>\$ 191,922</u>

TOWN OF MANCHESTER, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITYFOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	<u>Total</u>	<u>Land</u>	<u>Improvements Other Than Building</u>	<u>Infrastructure</u>	<u>Buildings and Buildings Improvements</u>	<u>Equipment</u>	<u>Construction In Progress</u>
General government:							
Board of Directors	\$ 451	\$	\$	\$	\$ 437	\$ 14	\$
Probate	35		5		30		
Town Clerk	21					21	
Human Resources	5					5	
Assessment and Collection	15,851	10,064	88		5,661	38	
General Services	91					91	
Information Systems	4,526					4,526	
Total	<u>20,980</u>	<u>10,064</u>	<u>93</u>	<u>-</u>	<u>6,128</u>	<u>4,695</u>	<u>-</u>
Public works:							
Administration	38					38	
Highway	90,463			85,222	673	4,342	226
Engineering	324					324	
Cemetery	754	603	16		9	126	
Fleet Maintenance	1,489				1,187	302	
Parks	568					568	
Building Maintenance	87					87	
Building Inspection	93					93	
Total	<u>93,816</u>	<u>603</u>	<u>16</u>	<u>85,222</u>	<u>1,869</u>	<u>5,880</u>	<u>226</u>
Public Safety:							
Fire	8,570		23		4,187	4,360	
Police	9,576		5		6,600	2,971	
Total	<u>18,146</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>10,787</u>	<u>7,331</u>	<u>-</u>
Human Services:							
Health	78					78	
Elderly and Family Services	15					15	
Senior Center	974		291		601	82	
Total	<u>1,067</u>	<u>-</u>	<u>291</u>	<u>-</u>	<u>601</u>	<u>175</u>	<u>-</u>
Recreation	6,389		3,238		2,798	353	
Library	1,581				1,520	61	
Education	<u>86,293</u>	<u>857</u>	<u>1,582</u>		<u>36,149</u>	<u>2,783</u>	<u>44,922</u>
TOTAL	<u>\$ 228,272</u>	<u>\$ 11,524</u>	<u>\$ 5,248</u>	<u>\$ 85,222</u>	<u>\$ 59,852</u>	<u>\$ 21,278</u>	<u>\$ 45,148</u>

TOWN OF MANCHESTER, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITYFOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Governmental Funds Capital Assets July 1, 2006	Additions And Transfers	Deletions And Transfers	Governmental Funds Capital Assets June 30, 2007
General government:				
Board of Directors	\$ 451	\$	\$	\$ 451
Probate	35			35
General Manager				
Town Clerk	21			21
Human Resources	5			5
Assessment and Collection	12,158	3,696	3	15,851
General Services	91			91
Information Systems	4,501	25		4,526
Total	<u>17,262</u>	<u>3,721</u>	<u>3</u>	<u>20,980</u>
Public works:				
Administration	83		45	38
Highway	88,562	2,163	262	90,463
Engineering	193	131		324
Cemetery	754			754
Fleet Maintenance	1,514	7	32	1,489
Parks	3,719	70	3,221	568
Building Maintenance	120		33	87
Building Inspection	59	34		93
Total	<u>95,004</u>	<u>2,405</u>	<u>3,593</u>	<u>93,816</u>
Public Safety:				
Fire	7,874	696		8,570
Police	9,556	370	350	9,576
Total	<u>17,430</u>	<u>1,066</u>	<u>350</u>	<u>18,146</u>
Human Services:				
Health	78			78
Elderly and Family Services	34		19	15
Senior Center	974			974
Total	<u>1,086</u>	<u>-</u>	<u>19</u>	<u>1,067</u>
Recreation	<u>3,296</u>	<u>3,254</u>	<u>161</u>	<u>6,389</u>
Library	<u>1,572</u>	<u>9</u>	<u>-</u>	<u>1,581</u>
Education	<u>56,272</u>	<u>32,511</u>	<u>2,490</u>	<u>86,293</u>
Transfers between departments		<u>(3,552)</u>	<u>(3,552)</u>	
TOTAL	<u>\$ 191,922</u>	<u>\$ 39,414</u>	<u>\$ 3,064</u>	<u>\$ 228,272</u>

Supplementary Data

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

TABLE 1

TOWN OF MANCHESTER, CONNECTICUT

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(In Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005*</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 89,227	\$ 68,196	\$ 56,406	\$ 10,349	\$ 15,196	\$ 6,003
Restricted	4,634	2,749	2,515	2,455	2,329	2,974
Unrestricted	(3,330)	(6,672)	(1,422)	(2,576)	(7,134)	1,446
Total governmental activities net assets	<u>\$ 90,531</u>	<u>\$ 64,273</u>	<u>\$ 57,499</u>	<u>\$ 10,228</u>	<u>\$ 10,391</u>	<u>\$ 10,423</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 24,704	\$ 26,485	\$ 26,224	\$ 26,872	\$ 28,395	\$ 30,380
Unrestricted	29,208	25,672	21,773	21,817	19,675	17,701
Total business-type activities net assets	<u>\$ 53,912</u>	<u>\$ 52,157</u>	<u>\$ 47,997</u>	<u>\$ 48,689</u>	<u>\$ 48,070</u>	<u>\$ 48,081</u>
76 Primary government:						
Invested in capital assets, net of related debt	\$ 113,931	\$ 94,681	\$ 82,630	\$ 37,221	\$ 43,591	\$ 36,383
Restricted	4,634	2,749	2,515	2,455	2,329	2,974
Unrestricted	25,878	19,000	20,351	19,241	12,541	19,147
Total primary government net assets	<u>\$ 144,443</u>	<u>\$ 116,430</u>	<u>\$ 105,496</u>	<u>\$ 58,917</u>	<u>\$ 58,461</u>	<u>\$ 58,504</u>

*Restated - retroactive reporting of infrastructure

Notes:

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

TABLE 2

TOWN OF MANCHESTER, CONNECTICUT

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:						
Governmental activities:						
General government	\$ 4,291	\$ 5,730	\$ 5,725	\$ 7,881	\$ 4,595	\$ 4,955
Public works	16,434	15,552	10,567	10,294	10,684	10,067
Public safety	27,214	25,374	25,185	24,203	23,384	22,569
Human services	4,176	4,389	4,044	5,303	4,170	3,852
Leisure services	5,379	5,274	4,704	4,892	4,771	5,126
Employee benefits	2,365	2,123	1,775	1,468	1,358	1,330
Education	103,790	98,998	90,410	90,925	85,578	80,781
Interest on long-term debt	2,385	2,053	1,722	1,770	1,659	1,560
Other	4,993	3,729	3,733	3,398	3,151	3,220
Total governmental activities expenses	<u>171,027</u>	<u>163,222</u>	<u>147,865</u>	<u>150,134</u>	<u>139,350</u>	<u>133,460</u>
Business-type activities:						
Water	6,862	6,196	6,266	6,196	6,909	5,847
Sewer	4,869	5,500	5,098	4,959	4,903	5,023
Sanitation	6,445	5,651	5,795	5,610	4,894	5,823
Total business-type services	<u>18,176</u>	<u>17,347</u>	<u>17,159</u>	<u>16,765</u>	<u>16,706</u>	<u>16,693</u>
Total primary government expenses	<u>189,203</u>	<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	7,001	7,159	8,513	7,967	6,654	6,680
Operating grants and contributions	44,596	42,944	37,806	39,921	36,798	36,532
Capital grants and contributions	21,937	5,253	3,283	2,408	2,053	1,392
Total governmental activities program revenues	<u>73,534</u>	<u>55,356</u>	<u>49,602</u>	<u>50,296</u>	<u>45,505</u>	<u>44,604</u>
Business-type activities:						
Charges for services	19,801	18,312	16,198	16,453	16,683	17,748
Operating Grants and Contributions				94	74	100
Capital grants and contributions	238		65	1,277		
Total business-type activities program revenues	<u>20,039</u>	<u>18,312</u>	<u>16,263</u>	<u>17,824</u>	<u>16,757</u>	<u>17,848</u>
Total primary government program revenues	<u>93,573</u>	<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	(97,493)	(107,866)	(98,263)	(99,838)	(93,845)	(88,856)
Business-type activities	<u>1,863</u>	<u>965</u>	<u>(896)</u>	<u>1,059</u>	<u>51</u>	<u>1,155</u>
Total primary government net expense	<u>(95,630)</u>	<u>(106,901)</u>	<u>(99,159)</u>	<u>(98,779)</u>	<u>(93,794)</u>	<u>(87,701)</u>

TABLE 2

TOWN OF MANCHESTER, CONNECTICUT

**CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(In Thousands)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General revenues and other changes in net assets:						
Governmental activities:						
Property taxes	\$ 115,112	\$ 107,059	\$ 98,738	\$ 93,719	\$ 87,474	\$ 83,355
Grants and contributions not restricted to specific purposes	4,775	4,600	4,571	4,382	5,186	6,339
Unrestricted investment earnings	2,676	1,380	945	424	465	773
Miscellaneous	<u>572</u>	<u>1,085</u>	<u>499</u>	<u>400</u>	<u>288</u>	<u>1,072</u>
Total governmental activities	<u>123,135</u>	<u>114,124</u>	<u>104,753</u>	<u>98,925</u>	<u>93,413</u>	<u>91,539</u>
Business-type activities:						
Unrestricted investment earnings	1,185	663	675	310	338	616
Miscellaneous	<u>1,185</u>	<u>3,048</u>	<u>92</u>	<u>310</u>	<u>338</u>	<u>616</u>
Total business-type activities	<u>1,185</u>	<u>3,711</u>	<u>767</u>	<u>310</u>	<u>338</u>	<u>616</u>
Total primary government	<u>124,320</u>	<u>117,835</u>	<u>105,520</u>	<u>99,235</u>	<u>93,751</u>	<u>92,155</u>
Changes in net assets:						
Governmental activities	26,986	6,774	7,053	(163)	(32)	3,306
Business-type activities	<u>1,755</u>	<u>4,160</u>	<u>(692)</u>	<u>619</u>	<u>(11)</u>	<u>1,199</u>
Total primary government	<u>\$ 28,741</u>	<u>\$ 10,934</u>	<u>\$ 6,361</u>	<u>\$ 456</u>	<u>\$ (43)</u>	<u>\$ 4,505</u>

Notes:

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

TABLE 3

TOWN OF MANCHESTER, CONNECTICUT

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:						
Reserved	\$ 1,045	\$ 1,561	\$ 1,347	\$ 1,211	\$ 2,007	\$ 1,582
Unreserved	<u>16,298</u>	<u>13,829</u>	<u>10,591</u>	<u>7,960</u>	<u>5,919</u>	<u>7,953</u>
Total general fund	<u>17,343</u>	<u>15,390</u>	<u>11,938</u>	<u>9,171</u>	<u>7,926</u>	<u>9,535</u>
All other governmental funds:						
Reserved	10,947	33,567	9,533	3,540	3,825	7,878
Unreserved, reported in:						
Special revenue funds	4,452	3,791	3,211	3,176	2,732	2,606
Capital project funds	<u>(20,039)</u>	<u>(42,073)</u>	<u>(7,685)</u>	<u>3,621</u>	<u>(5,833)</u>	<u>(6,559)</u>
Total all other governmental funds	\$ <u><u>(4,640)</u></u>	\$ <u><u>(4,715)</u></u>	\$ <u><u>5,059</u></u>	\$ <u><u>10,337</u></u>	\$ <u><u>724</u></u>	\$ <u><u>3,925</u></u>

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

Note 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 SIX FISCAL YEARS
(In Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Property taxes, intrest and lien fees	\$ 114,568	\$ 107,098	\$ 99,321	\$ 94,287	\$ 87,261	\$ 83,515
Intergovernmental revenue	68,869	52,109	46,406	47,332	44,506	44,046
Investment and interest income	2,365	1,656	1,243	483	476	613
Licenses, permits and fines	3,291	2,801	2,759	2,368	2,031	1,869
Charges for goods and services	3,664	3,893	4,281	4,573	3,822	3,805
Other	2,212	674	1,151	1,004	847	2,652
Total revenues	<u>194,969</u>	<u>168,231</u>	<u>155,161</u>	<u>150,047</u>	<u>138,943</u>	<u>136,500</u>
Expenditures:						
General government	5,075	5,004	5,031	4,789	4,796	4,575
Public works	11,273	10,329	9,650	9,116	9,389	8,797
Public safety	27,224	25,115	24,292	23,029	22,311	22,447
Human services	3,972	4,162	4,098	4,982	3,881	3,617
Leisure services	5,196	5,108	4,774	4,712	4,628	4,566
Employee benefits	2,365	2,123	1,775	1,468	1,358	1,330
Education	103,878	98,454	90,198	89,430	83,265	79,126
Internal service fund charges	3,772	3,059	2,923	2,569	2,290	1,963
Other	1,178	670	579	815	861	1,257
Debt service	5,182	5,144	4,383	4,315	4,188	3,515
Capital outlay	43,191	16,501	10,602	7,915	12,527	8,467
Total expenditures	<u>212,306</u>	<u>175,669</u>	<u>158,305</u>	<u>153,140</u>	<u>149,494</u>	<u>139,660</u>
Excess of revenue over (under) expenditures	<u>(17,337)</u>	<u>(7,438)</u>	<u>(3,144)</u>	<u>(3,093)</u>	<u>(10,551)</u>	<u>(3,160)</u>
Other financing sources (uses):						
Transfers in	5,793	3,457	4,092	3,598	3,822	3,762
Transfers out	(4,476)	(2,941)	(3,478)	(2,797)	(3,371)	(3,139)
Other	98	600				
Proceeds from bond sale	17,624					
Refunding bonds issued			6,800	12,075		
Payments to escrow agent			(6,760)			
Discount on bond refunding			(21)			
Total other financing sources (uses)	<u>19,039</u>	<u>1,116</u>	<u>633</u>	<u>12,876</u>	<u>451</u>	<u>623</u>
Net change in fund balances	<u>\$ 1,702</u>	<u>\$ (6,322)</u>	<u>\$ (2,511)</u>	<u>\$ 9,783</u>	<u>\$ (10,100)</u>	<u>\$ (2,537)</u>
Debt service as a percentage of noncapital expenditures	<u>0.00%</u>	<u>3.23%</u>	<u>2.97%</u>	<u>2.97%</u>	<u>3.06%</u>	<u>2.68%</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 5

TOWN OF MANCHESTER, CONNECTICUT

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In Thousands)**

FISCAL YEAR	REAL PROPERTY		INDUSTRIAL	PERSONAL PROPERTY	MOTOR VEHICLE	LESS TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE	TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE
	RESIDENTIAL	COMMERCIAL								
2007	\$ 1,487,180	\$ 1,041,739	\$ 173,609	\$ 312,851	\$ 310,740	\$ 394,256	\$ 2,931,863	40.14	\$ 6,451,935	45.44%
2006	1,461,532	1,034,848	175,278	309,444	293,308	398,493	2,875,917	38	5,760,676	49.92%
2005	1,442,345	1,028,120	175,466	306,721	273,862	398,665	2,827,849	36.07	5,282,639	53.53%
2004	1,426,396	1,009,683	180,910	295,928	291,474	391,569	2,812,822	34.31	4,486,068	62.70%
2003	1,415,879	989,096	180,492	298,275	281,929	388,306	2,777,365	32.9	4,046,242	68.64%
2002	1,399,103	975,656	177,105	287,556	275,170	364,243	2,750,347	31.13	3,576,190	76.91%
2001	1,638,037	942,796	181,699	253,801	259,349	439,268	2,836,414	28.25	3,685,938	76.95%
2000	1,626,029	922,111	178,878	252,411	235,251	431,997	2,782,683	26.87	3,004,703	92.61%
1999	1,614,076	897,280	179,976	227,595	224,730	416,434	2,727,223	27.07	3,060,992	89.10%
1998	1,610,479	959,104	179,424	202,346	218,379	447,014	2,722,718	27.27	3,057,481	86.51%

Source: Town of Manchester Office of Tax Assessor

Note:

Estimated values are established by the State of Connecticut Office of Policy and Management and the Town of Manchester Assessor's Office based on the ratio of sales prices to assessed values. Certain prior year figures have been restated due to better information available at June 30, 2007.

TABLE 6

TOWN OF MANCHESTER, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

2005 AND 1995

(In Thousands)

TAXPAYER	OCTOBER 1, 2005			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	\$ 96,261	1	3.28			
J.C Penney Properties, Inc	60,059	2	2.01	\$ 52,098	1	2.00
Northland Pavilions, LLC	48,809	3	1.67			
Connecticut Light and Power Co.	34,150	4	1.28	23,448	3	0.90
Manchester Developers	26,432	5	0.9			
Plaza at Buckland Hills LLC	22,114	6	0.78	22,444	4	0.86
Federated/May Dept Stores	21,490	7	0.75	18,324	5	0.70
KOP Burr Corners LLC	19,486	8	0.66			
Walmart/Sam's Club	18,530	9	0.63	14,746	6	0.57
Cox Connecticut	17,431	10	0.54			
Avalon Properties dba Town Pavilions				33,986	2	1.30
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	0.40
TOTAL	\$ 364,762			\$ 212,486		

Source: Town of Manchester, Office of Tax Assessor

TABLE 7

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

FISCAL YEAR ENDED JUNE 30,	TAX RATE IN MILLS	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		PERCENTAGE OF LEVY	COLLECTION IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
			AMOUNT				AMOUNT	PERCENTAGE OF LEVY
2007	40.14	\$ 114,676	\$ 112,401		98.02	\$ 1,411	\$ 113,812	99.25%
2006	38.07	106,491	104,531		98.16	1,799	106,330	99.85%
2005	36.07	99,259	97,189		97.90	1,361	98,550	99.29%
2004	34.31	93,985	91,767		97.90	1,698	93,465	99.45%
2003	32.9	89,082	86,082		97.90	695	86,777	97.36%
2002	31.13	83,226	80,899		97.90	1,614	82,513	99.14%
2001	28.25	77,927	76,126		97.90	1,317	77,443	99.38%
2000	26.87	73,060	71,165		97.90	1,522	72,687	99.49%
1999	27.07	71,803	69,865		97.90	1,210	71,075	98.99%
1998	27.27	70,035	68,164		97.90	1,489	69,653	99.45%

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

TABLE 8

TOWN OF MANCHESTER, CONNECTICUT

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

<u>FISCAL YEAR</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	<u>RATIO OF DEBT TO TAXABLE ASSESSED VALUE</u>	<u>DEBT PER CAPITA</u>
	<u>GENERAL OBLIGATION BONDS</u>	<u>CAPITAL LEASES</u>	<u>WATER</u>	<u>SEWER</u>			
2007	\$ 49,249	\$ 3,709	\$	\$ 3,360	\$ 56,318	1.92%	\$ 1,012.00
2006	41,180	4,618		4,160	49,958	1.70%	898.98
2005	38,120	3,598		4,943	46,661	162.00%	817.32
2004	40,185	4,655		5,711	50,551	179.00%	884.27
2003	30,990	2,626		6,464	40,080	141.00%	727.62
2002	28,980	2,721		7,202	38,903	117.00%	711.47
2001	30,915	3,837		7,926	42,678	147.00%	779.65
2000	21,680	3,903		8,636	34,219	107.00%	651.12
1999	23,030	1,657		9,331	34,018	133.00%	658.54
1998	24,830	2,006	400	10,013	37,249	141.00%	726.68

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

TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2007

(In Thousands)

Total tax collections (including interest and lien fees) received for year ended June 30, 2007					\$ 114,730
Reimbursement for revenue loss on:					
Tax relief for elderly - freeze					<u>28</u>
BASE					<u>\$ 114,758</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	\$ 258,206	\$	\$	\$	\$
4-1/2 times base		516,411			
3-3/4 times base			430,343		
3-1/4 times base				372,964	
3 times base					<u>344,274</u>
Total debt limitation	<u>258,206</u>	<u>516,411</u>	<u>430,343</u>	<u>372,964</u>	<u>344,274</u>
Indebtedness:					
Bonds payable	24,250	23,884	3,360		
Bonds anticipation notes	692		750		
Debt authorized but unissued	12,988	31,045	700		
School construction grants receivable		<u>(4,270)</u>			
Net indebtedness	<u>37,930</u>	<u>50,659</u>	<u>4,810</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 220,276</u>	<u>\$ 465,752</u>	<u>\$ 425,533</u>	<u>\$ 372,964</u>	<u>\$ 344,274</u>

Note (1): In no case shall total indebtedness exceed \$803,306 (seven times annual base for debt limitation computations).

Note (2): Bond anticipation notes payable do not include water bond anticipation notes of \$8,097, which are considered to be self-financing.

TABLE 10

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Debt limitation	\$ 803,306	\$ 750,659	\$ 696,367	\$ 662,305	\$ 613,508	\$ 584,717	\$ 548,751	\$ 516,425	\$ 504,413	\$ 494,634
Total net debt applicable to limit	<u>93,399</u>	<u>38,860</u>	<u>41,306</u>	<u>62,839</u>	<u>50,505</u>	<u>53,570</u>	<u>48,947</u>	<u>42,623</u>	<u>42,343</u>	<u>35,473</u>
Legal debt margin	<u>\$ 709,907</u>	<u>\$ 711,799</u>	<u>\$ 655,061</u>	<u>\$ 599,466</u>	<u>\$ 563,003</u>	<u>\$ 531,147</u>	<u>\$ 499,804</u>	<u>\$ 473,802</u>	<u>\$ 462,070</u>	<u>\$ 459,161</u>
Total net debt applicable to the limit as a percentage of debt limit	11.63%	5.18%	5.93%	9.49%	8.23%	9.16%	8.92%	8.25%	8.39%	7.17%

Source: Comprehensive annual financial report - Statement of Debt Limitation

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

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

CALENDAR YEAR	POPULATION(1)	CAPITA INCOME(2)	MEDIAN AGE(2)	SCHOOL ENROLLMENT(3)	UNEMPLOYMENT RATE(4)
2007	55,650	\$ 25,989	36.5	7,360	4.50%
2006	55,650	25,989	36.5	7,463	4.8%
2005	55,389	25,989	36.5	7,715	4.7%
2004	55,331	25,989	36.5	7,811	4.6%
2003	55,359	25,989	36.5	7,628	4.5%
2002	55,024	25,989	36.5	7,778	3.3%
2001	54,839	25,989	36.5	7,641	2.1%
2000	54,789	25,989	36.5	7,703	2.9%
1999	51,657	25,989		7,798	3.1%
1998	51,259	23,311		7,720	4.9%

(1) Source: U.S. Department of Commerce, Bureau of Census., except CT Dept of Health 1998-99

(2) Source: U.S. Department of Commerce, Bureau of Census. (2000 data most current available)

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

(4) Source: Connecticut Department of Labor

TABLE 12

TOWN OF MANCHESTER, CONNECTICUT

PRINCIPAL EMPLOYERS

2007 AND 1997

EMPLOYER	NATURE OF BUSINESS	2007			EMPLOYER	NATURE OF BUSINESS	1997		
		EMPLOYEES	RANK	PERCENTAGE OF TOTAL TOWN EMPLOYMENT			EMPLOYEES	RANK	PERCENTAGE OF TOTAL TOWN EMPLOYMENT
Town of Manchester	Local Gov/Board of Ed	1,606	1	5.19%	Cheney Brothers	Velvets, Upholstery	325	1	1.30%
Smiths Aerospace	Parts Manufacturer	1,208	2	3.90%	Manchester Modes	Ladies' coats and suits	325	2	1.3
J.C. Penney Company	Warehouse/Distribution	1,200	3	3.88%	Multi Circuits	Printed Circuit Boards	275	3	1.1
Eastern CT Health Network	Management Services	1,200	3	3.88%	So New England Telephone	Communications	245	4	0.9
Manchester Memorial Hospital	General Hospital/ Management	1,000	5	3.23%	Lydall Inc	Shoe, Fiberboard	228	5	0.9
Journal Publishing Co.	Newspapers	560	6	1.81%	Pioneer Parachute	Parachutes	150	6	0.6
Manchester Health Care	Medical Offices	500	7	1.62%	Allied Printing Inc	Commercial Printing	135	7	0.5
Wal Mart Stores	Department Store	400	8	1.29%	Dean Machine Products	Aircraft Parts	122	8	0.5
Cox Communications	Broadcasting, Cable TV	375	9	1.21%	Rogers Corporation	Thermal Insulation	95	9	0.4
Teleflex Inc.	Plating & Polishing	332	10	1.07%	Control Data Corp	Business Forms	85	10	0.3
		8,381		27.08%			1,985		7.80%

Source: Town of Manchester, Official Statements/Budget Statistics

2007 Percentage based on total employed population of 30,958 per the State of Connecticut Department of Labor

TABLE 13

TOWN OF MANCHESTER, CONNECTICUT

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

<u>FUNCTION/PROGRAM</u>	<u>FULL-TIME-EQUIVALENT EMPLOYEES AS OF JUNE 30,</u>									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General government	92.50	92.25	97.25	97.25	95.50	97.00	92.00	97.50	93.00	104.00
Police	158.50	157.50	156.50	155.50	154.50	153.50	148.50	152.00	154.50	150.50
Fire	82.00	83.00	81.00	85.00	82.00	80.00	78.00	80.00	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	149.75	151.15	151.50	157.50	160.75	163.00	160.00	158.00	158.00	148.00
Parks and recreation	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Library	27.00	27.00	26.00	27.00	28.00	28.00	26.00	27.00	27.00	26.00
Education	<u>1,129.00</u>	<u>1,109.00</u>	<u>1,133.00</u>	<u>1,073.00</u>	<u>1,024.00</u>	<u>1,039.00</u>	<u>990.00</u>	<u>1,013.00</u>	<u>1,013.00</u>	<u>1,003.00</u>
TOTAL	<u><u>1,657.25</u></u>	<u><u>1,638.40</u></u>	<u><u>1,663.25</u></u>	<u><u>1,613.25</u></u>	<u><u>1,562.75</u></u>	<u><u>1,577.50</u></u>	<u><u>1,511.50</u></u>	<u><u>1,544.50</u></u>	<u><u>1,540.50</u></u>	<u><u>1,526.50</u></u>

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

Note: certain prior year figures have been restated due to better information available at June 30, 2007.

TABLE 14

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>FUNCTION/PROGRAM</u>										
General government:										
Building permits issued	3,340	3,744	4,160	3,618	2,752	2,181	2,126	2,383	2,626	2,464
Building inspections conducted	7,769	9,017	9,275	7,270	8,030	7,581	6,119	6,728	6,319	5,848
Police:										
Physical arrests	4,121	3,862	3,887	3,309	2,853	2,859	2,702	3,269	3,551	2,415
Parking violations (unavailable pre FY06)	3,220	2,467								
Traffic violations	6,367	4,587	4,587	4,339	4,763	4,000	4,292	4,391	3,765	5,879
Fire:										
Emergency responses	7730	6,456	7705	7,696	7,678	7,376	7,214	6,863	6,884	6,386
Structure Fires (fires extinguished)	53	36	49	43	52	50	58	60	68	64
Inspections	650	610	1079	977	895	800	858	1,370	1,300	580
Refuse collection:										
Refuse collected (tons per day)	44	45	44	43	43					
Recyclables collected (tons per day)	10	10	10	10	11					
Other public works:										
Street resurfacing (miles)	6.36	6.36	5.69	5.58	2.51	2.08	5.36	4.97	2.91	3.39
Potholes repaired (unavailable)										
Parks and recreation:										
Athletic field permits issued (unavailable)										
Community center admissions (unavailable)										
Library:										
Volumes in collection (thousands)	221.8	215.1	210.8	208.7	201.0	199.4	196.4	199	195.6	181.1
Total volumes borrowed (thousands)	747.1	739.4	769.0	859.8	886.7	866.3	800.4	772.6	723.8	692.1
Water:										
New connections	72	97	209	58	60	58	58	158	160	155
Water main breaks	14	4	13	14	6	9	12	15	4	3
Average daily consumption (thousands of gallons)	5,500	4,666	4,709	4,490	4,588	4,752	4,707	4,789	4,526	4,497
Peak daily consumption (thousands of gallons)	8,130	7,130	9,100	7,990	7,280	8,320	9,620	8,840	9,550	7,340
Wastewater:										
Average daily sewage treatment (thousands of gallons)	6,600	6,900	6,600	6,600	6,200	5,300	6,050	6,050	6,570	6,830
Sewer Enterprises:										
Average Daily Sewage Treatment (000)	6,600	5,929	5,885	5,991	5,142	4,226	5,636	5,230	5,486	6,331

Source: Internal Department Tracking Reports

Note: certain prior year figures have been restated due to better information available at June 30, 2007.

TABLE 15

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>FUNCTION/PROGRAM</u>										
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)	213.1	197.7	197.7	197.3	196.09	195.73	193.35	193.35	193.35	191.78
Streetlights	4,688	4,672	4,624	4,594	4,570	143	143	143	143	143
Traffic signals	50	50	49	49	49	48	51	52	52	52
Parks and recreation:										
Acreage	677	677	677	677	655	655	655	655	630	630
Playgrounds	23	22	22	22	22	22	22	22	22	22
Baseball/softball diamonds	23	23	23	22	22	22	22	20	20	20
Soccer/football fields	13	13	13	13	13	13	13	13	13	13
Water:										
Water mains (miles)	255	254	243	242	242	240	238	236	232	228
Fire hydrants	1,876	1,812	1,812	1,788	1,761	1,745	1,710	1,672	1,645	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)	161	181.5	181.5	181.5	181.5	181.5	181.5	181.5	181.5	181.5
Storm sewers (miles)	150	150	150	150	150	150	150	150	150	150
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

Note: certain prior year figures have been restated due to better information available at June 30, 2007.