

Town of Rocky Hill Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

Comprehensive Annual Financial Report

of the

Town of Rocky Hill Connecticut

For the Year Ended June 30, 2016

Prepared by:
Finance Department
Director of Finance
John Mehr

TOWN OF ROCKY HILL, CONNECTICUT
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Introductory Section

TOWN OF ROCKY HILL, CONNECTICUT

JUNE 30, 2016

PRINCIPAL OFFICIALS

TOWN COUNCIL

Claudia Baio, Mayor

Nadine Bell
John Emmanuel
Joe Kochanek
Anthony LaRosa

William O'Sullivan
Frank Szeps
Catherine Vargas
Henry Vasel

BOARD OF EDUCATION

Frank Morse, Chairman

Brian A. Dillon
Jennifer Allison
John J. Bedlack
Dilip D. Desai

Maria Mennella
James Moriarty
Danielle Plona
Rene Rivard

GENERAL GOVERNMENT

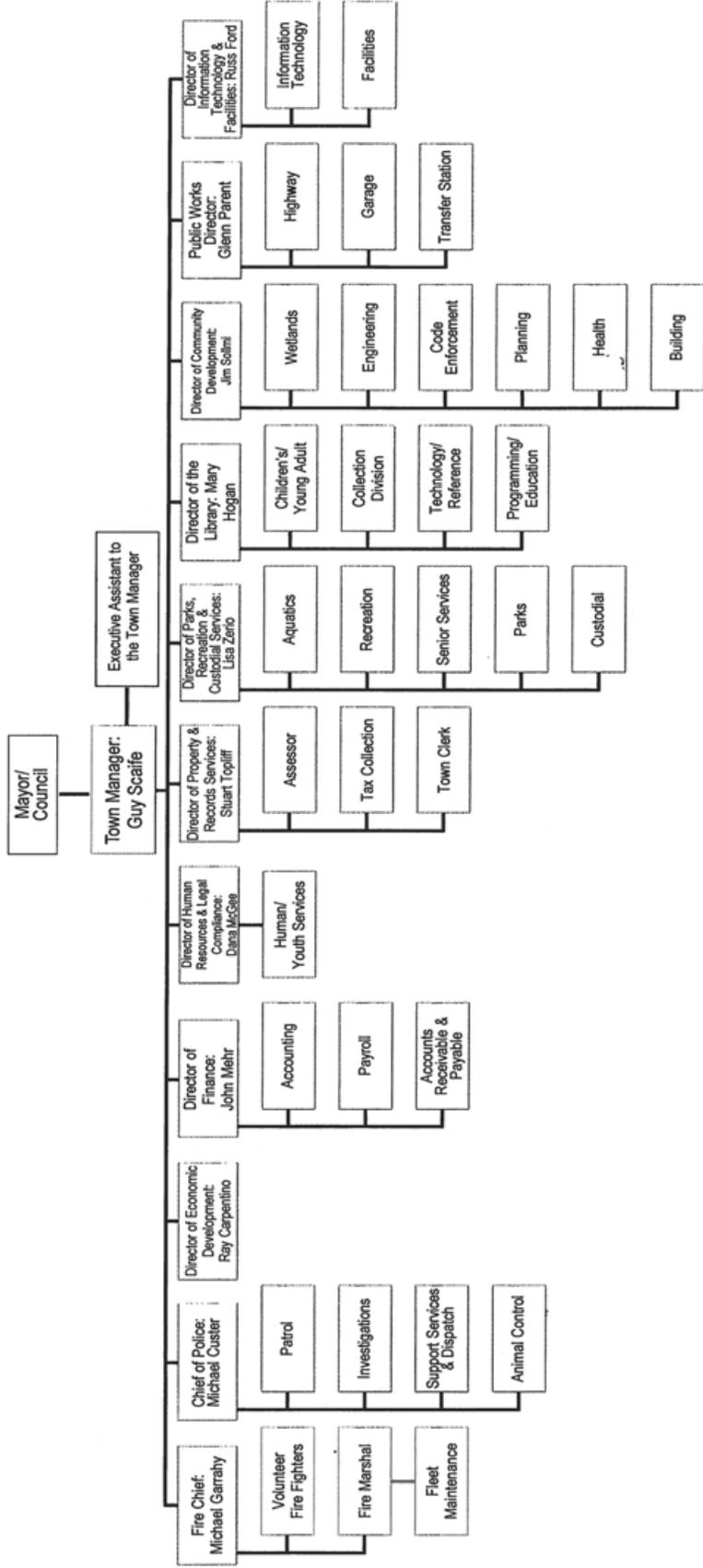
Town Manager
Town Attorney
Director of Finance
Town Treasurer
Town Clerk
Assessor
Tax Collector
Director of Human Resources and Legal Compliance
Director of Human Services
Economic Development
Director of Information Technology and Facilities
Director of Parks, Recreation, and Custodian Services
Director of Community Development Services
Town Engineer
Town Planner
Building Official
Public Works Director
Library Director
Police Chief
Fire Chief
Fire Marshal

Guy Scaife
Rome McGuigan, P.C.
John Mehr
Mona McKim
Stuart Topliff
Stuart Topliff
Elaine McKim
Dana McGee
Melissa Hicks
Raymond Carpentino
Russell Ford
Lisa Zerio
James Sollmi
Stephen Sopolak
Kimberly Ricci
Peter Langlois
Glenn Parent
Mary Hogan
Michael Custer
Michael Garrahy
Richard Renstrom

EDUCATION

Superintendent of Schools
Assistant Superintendent for Finance & Operations

Mark F. Zito, Ed.D.
Charles Zettergren





Town of Rocky Hill

761 OLD MAIN STREET • ROCKY HILL, CONNECTICUT 06067 • (860) 258-2700 • FAX (860) 258-7638

December 22, 2016

To the Town Manager, Finance Committee, Members of the Town Council, Board of Education, Superintendent of Schools, Director of Finance and Operations and the Citizens of The Town of Rocky Hill.

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Blum, Shapiro & Company, P.C., Certified Public Accountants, have issued an unmodified (clean) opinion on the Town of Rocky Hill's financial statements for the year ended June 30, 2016. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Town of Rocky Hill was settled in 1650 as part of Wethersfield and was incorporated as a separate town in 1843. The Town covers an area of 13.9 square miles with a population of 20,021. It is situated on the west bank of the Connecticut River, eight miles south of Hartford. Major roads that traverse the Town are State Routes 3, 99 and 160 and Interstate 91. The Town is also accessible by water and air transportation. Contiguous towns are Berlin, Glastonbury, Wethersfield, Newington and Cromwell. The Town is empowered to levy a property tax on both real and personal property located within its boundaries. This includes motor vehicles which are garaged or registered as being in the Town.

The Town adopted a Council-Manager form of government in November 1966. The Town Council is the legislative and policy making body of the Town, and consists of nine members elected at-large for two-year terms. The Mayor, one of the nine Council members, is separately elected and presides over all meetings of the Town Council. The Mayor submits recommendations for appointments under the Council's jurisdiction and, as directed by the Council, appoints such special subcommittees of the Council as are needed to effectively conduct the Council's business. The Town's Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing the heads of the Town's departments.



The Town provides a full range of services, which include general government services such as Finance, Town Clerk, Tax Collection, Assessment; Public Safety, which includes fire and police protection; physical services for the management, care and maintenance of all public buildings, public roadways, town vehicles and various construction activities; environmental services, which includes the collection of solid waste and recyclable by a contract vendor; Parks and Recreation; Human and Youth Services; Engineering, Town Planning and Economic Development; Library; and Education, which is under the control of the elected Board of Education, and operates a high school, middle school and two elementary schools.

Upon completion of public hearings, the Town Council has to adopt a town budget and to fix the tax rate in mills by the third Monday in May. If the Town Council fails to adopt a budget by that date, the proposed budget and tax levy recommended by the Town Manager shall be the adopted budget for the town. The annual budget services as the foundation for the Town of Rocky Hill's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within their own department with the Town Manager's approval. Transfers between departments, however, need special approval from the Town Council.

Local Economy

Rocky Hill has many national/international companies located in the Town. It is home to the North American Headquarters of the German company Henkel's Loctite Corporation, an internationally known adhesive manufacturer. Also, SYSCO, a food distributor, has located a regional facility in Town. Other companies include Burris Refrigerator Logistics, Sheraton, Paychex, Walmart, Kohl's and Arburg, a German manufacturer of plastic mold injection machines, which relocated to Rocky Hill in the September 2015. The Meredith Corporation local television station WFSB, the Hartford area CBS-TV affiliate, relocated to Rocky Hill from Hartford has been broadcasting from Rocky Hill since July of 2007. The Town has developed a 240 plus acre Industrial Park that has over one million square feet of manufacturing and distributor businesses. There is also a substantial commercial economic presence that includes a number of national retail facilities. Within the Town are fourteen quasi State agencies including the State of Connecticut Veterans Home and Hospital which has approximately 600 patients, the Connecticut State Lottery headquarters, and the Office of the Chief State's Attorney.

The Town's geographical location and access to major highways has helped with its growth. Employment data reflected a labor force of 11,476 for June 2016. The unemployment rate increased from 3.9% to 4.6% in Rocky Hill while the Hartford region also increased from 5.6% to 6.1% for the same period from June 2015 to June 2016. During the past ten years, the unemployment rate increased from 3.5% in Rocky Hill to 4.6 % in June 2016. The number of business establishments and employment has increased steadily since 2001. Between 2013 and 2014, the number of business establishments saw an increase of 3.5% while employment jumped 1.5%. As of 2016, the Town has 1,298 business establishments.

Development has been taking place in the Brook Street area of town, primarily on the property of a former nursery. Winbrook Business Park has 189,000 square feet of flex space in three separate buildings. Solar City, a manufacturer and service provider of solar energy products is currently developing a 3.9 MW solar farm that will provide solar generated energy. Burris Refrigerated Logistics has a northeast distribution facility. Altere Apartments, a 144 unit market rate apartment complex is completed and is fully occupied. A project that is endorsed by the Town's Redevelopment Agency is the Town Center West development project located on Cromwell Avenue and West Street. This development project is 70,000 square feet of mixed-use residential/retail/office/restaurant space. The project is currently under construction with a target occupancy date in the first quarter of 2017. In addition to the 70,000 square feet of commercial space, 144 of one and two bedroom luxury rental apartments are being constructed on site. The redevelopment of the former Connecticut Foundry property is underway. Now called River's Edge, this will be mixed-use consisting of 77 condominium

units and 8,000 square feet of retail, office, and restaurant located along the banks of the Connecticut River. This development recently received Connecticut Department of Transportation approval to move forward with construction. Arburg, Inc. a German manufacturer relocated from Newington, built in Rocky Hill its new 30,000 square foot headquarters completed in September of 2015. On the real estate transaction ledger, in July of 2014, the 250,000 square foot former Ames Department Stores corporate headquarters was auctioned. The new owners have plans to redevelop the property into a residential/commercial mixed use project.

The Town Council has implemented a business development incentive policy to encourage long-term investment in Rocky Hill by providing tax abatements to businesses that locate within the community or want to expand its operations. Several businesses including WFSB, Burris Refrigerator Logistics, Simoniz, and most recently a 90 room Hampton Inn / Suite are receiving tax abatements. This program is helpful in attracting new industry and keeping existing businesses.

The Town is completing a comprehensive Town-wide Zoning Regulations and Zoning Map update that encouraged quality development and expansion of the tax base while preserving natural resources with a completion date in the first quarter of 2017. Recently, the Town has finished updating the Town's Plan of Conservation and Development in July of 2015. During the year, 9 lots were created through subdivision approval process. The Town did issue permits for 16 single family residences, which includes active adult units. Also, the Town has a number of apartment complexes with the largest being Century Hills with 940 apartments.

Long-Term Financial Planning

Unassigned fund balance in the general fund is 6.23% of total general fund expenditures and falls within the policy guidelines set by the Town Council for budgetary and planning purposes which must be no less than 5% of general fund expenditures. The Town Council has been using the general fund budgeting process to fund the Town's Capital Improvement Program. In February 2006, the Town Council passed a resolution that any funds in the unassigned fund balance from the preceding fiscal year that exceed 6% of general fund expenditures be applied to the capital improvement budget as determined by the Town Council. By budgeting for capital purchases on a yearly basis, the Town Council is trying to be less reliant on referendums. For the 2016 - 2017 budget, \$1.1 million of unassigned fund balance was applied to the capital improvements budget.

Relevant Financial Policies

The State budget for FY 2016 extended the conveyance tax rate on real estate sales paid to municipalities. After much debate, the rate of \$2.50 per \$1,000 of the real estate sales price will continued through June 30, 2016, but then will revert back to \$1.10 per \$1,000. During this fiscal year, the Town received \$249,003 in conveyance tax. If the State had not passed this law, the Town would have received about \$139,400 less in conveyance tax.

The Town has implemented new assessed property values for the October 1, 2013 Grand List based on a State mandated revaluation that impacted budgets starting with the 2014 - 2015 Town Budget. After implementing the new assessed property values, the Town received 29 cases, 3 residential and 26 commercial, challenging the new assessed properties values in Superior Court. The assessment differences in dispute is \$29.5 million. The Town has settled all but 9 cases with a remaining assessment difference of \$7.2 million. The Town policy is to minimize the impact that any of these settlements would have on the current fiscal year. Any of these assessment appeals case that are settled in the current fiscal year, the settlement will be reflected on future grand lists. Therefore, as property value cases are settled, those grand list changes will affect future Town budgets.

As part of recent union contract negotiations, all Town five general employees' union contracts, non-bargaining employees, and the police union contract have in place a Defined Contribution Pension Plan for its employees. Depending on the date of hire, all newly hire employees will be put into the defined contribution plan. The general employees and non-bargaining employees will contribute six (6) percent of their salary and the Town will match at three (3) percent of salary. The police union employees will contribute seven (7) percent of their salary and the Town will match at five (5) percent of salary.

In November 2015, the voters of Rocky Hill approved a referendum for changes, amendments, and provisions made by the 2015 Charter Revision Commission to the Rocky Hill Town Charter and approved by the Town Council. The revised Town Charter takes effect on December 3, 2015. The last time the Town Charter was revised was December 1989.

Major Initiatives

The Town has received a number of CT Small Town Economic Assistance Program (STEAP) State grants that total \$1.7 million to assist with storefront improvements for businesses located on the Silas Deane Highway and for the Silas Deane Streetscape. The last grant was awarded in September of 2010 to the Town for \$250,000 to continue the Silas Deane Revitalization Project. The Town construction of Phase One of the Streetscape project for the Silas Deane / Old Main Street section of town was completed November of 2012. The Town has received from the State a grant for \$422,000 to start Phase 2 of the Silas Deane Streetscape project that is currently under design... The Town also received from the State a grant for \$444,000 for the replacement of field turf at the Rocky Hill High School football field that was completed in September of 2015 and a grant for \$800,000 to construct a "Miracle Field" for special needs children at Elm Ridge Park with completion in September of 2016.

In the 2015-2016 budget year, the Town did take delivery of two new Ford Police Intercepts for patrol, two new Ford Fusions for the police administrators, and three new Ford F-350 XL Super Crew Cab Pickup Trucks for the Fire Department. The Town also upgraded the Town's communication system with the installation of a VOIP telephone system.

The Town received a \$700,000 Small Cities Community Development Block Grant in 2012 for public housing modernization through the State of Connecticut Department of Economic and Community Development. This grant was used to rehabilitate private residential senior housing located on Willow Road and work was completed in the winter of 2014. The Town was awarded in 2016 an \$800,000 Small Cities Community Development Block Grant for the rehabilitation of a second senior housing project located on School Street. The project is going out to bid in the fall of 2016 with construction to begin in early 2017.

The Town discontinued pursuing, through exercising its power of eminent domain, the Foundry property, an 11 acre parcel of land along the Connecticut River, with the intent of making it a public park. However, the Town has signed an agreement with the owner/developer of the property to renovate the parcel as multi-use with residential development. The Town has committed \$670,000 towards the demolition of vacant buildings and the remediation of this property. Now called River's Edge, the developer has received all approvals from local land use boards and final plans have been filed in the land use records. The remediation work on this property started in January 2012 and is ongoing.

The Town Council approved entering into an agreement with Solar City to lease 15 acres in the Town's Industrial Park for Solar City to construct a 3 megawatt photo voltaic facility. Some of this solar power will be used by the Town and is projected to reduce its annual utility costs for electricity by as much as \$200,000 per year. The land lease payments from Solar City will generate \$90,000 of revenue per year. The project is currently in the process of obtaining approval from the electric utility Eversource to connect to the energy grid.

The Town has been experiencing an increase student enrollment at its elementary schools. For the school year starting September 2016, the Town leased four modular classrooms at one of its elementary school for four years. These modular classrooms were installed during the 2016 school summer break at a cost of \$520,000. During the 2015 – 2016 period, the Town also completed \$2.2 million of the school improvement projects that included: the installation of a new boiler and water heater at the middle school; the replacement of the track surface and surrounding fencing at the high school football field; the installation of fire sprinklers and an elevator at an elementary school; and the renovation of a lavatory at an elementary school. For public safety, in September of 2016, the Town completed the renovation of the police dispatch center with the installation of new furniture and radio equipment. Also nearing completion is the upgrading of the police jail cells. The fire department has acquired \$434 thousand of self-contained breathing apparatus. The fire department is in the process of downsizing its fleet by acquiring six new fire trucks while disposing of nine fire trucks from its current fleet. These public safety projects are part of the November 2015 referendum for public safety appropriations approved by the voters of Rocky Hill.

In a referendum vote held in June 2012, the voters of Rocky Hill approved an appropriation in the amount of \$44.955 million for the modernization and expansion of the Rocky Hill High School. The Town has hired an architectural firm and a construction manager for this project. In February 2014, the State General Assembly passed a resolution approving up to \$5.045 million additional appropriation for the Rocky Hill High School Project. The Rocky Hill Town Council approved this Legislation thus making this a renovate as new high school project for \$50 million. The Town awarded 18 trade contracts and entered into a Guaranteed Maximum Price Agreement with Construction Manager O & G Industries, Inc. of Torrington, CT in the amount of \$44.1 million. Construction began in September 2014 with a scheduled completion date in September of 2017. It is expected that this project will qualify for State of Connecticut School Construction Grant of approximately \$22 million.

In addition, the voters approved an appropriation of \$10 million for the preservation of farmland and passive open space in a referendum vote in November 2012. In August 2014, the Town Council approved the purchase of the development rights of 44 acres of farmland for \$2 million to preserve the land for agriculture in perpetuity with a closing in the winter of 2014. The Town is working with the State Department of Agriculture to purchase three additional farms. A \$10 million referendum for road improvements was passed on November 5, 2013. Road improvements began in the summer of 2014 with a \$1.5 million bridge replacement over Goff Brook that was completed in the fall of 2014 and with \$2 million road improvements paving projects (Phase One) of seven miles that was completed in 2014. In the summer of 2015, Phase Two started with five miles of road paving projects being completed. For the summer of 2016, the town completed eleven miles of road paving projects as part of Phase Three.

On the November 2016 ballot, the voters of Rocky Hill did approved two referendum questions. The first is for a \$48.35 million appropriation and bond authorization (expected to be paid from an estimated \$17.25 million state grant and \$31.1 million Town general obligation bonds) for the construction of a new Intermediate School. The second is for a \$1.3 million appropriation to purchase street lights and poles in the Town to install energy efficient lighting and to finance the appropriation with general obligation bonds, lease, or other financing of the Town. In November 2015, the voters of Rocky Hill did approved a referendum for public safety appropriations of \$6.45 million for fire department vehicles and equipment, and for the police department to replace its radio dispatch equipment and to make improvements to the police station.

In November 2016, the Town issued \$29.0 million in bond anticipated notes (BANS) that will mature in June 2017 to pay off \$29.0 million of BANS that were issued in February 2016. The BANS proceeds are being used for the high school project, public safety project, and for the road improvement program. The Town of Rocky Hill did issued \$18.1 million 20 year general obligation (GO) bonds for these three capital projects in October 2014 at a 2.76% true interest costs. In addition, Standard and Poor's upgraded the Towns rating for this bond issue to AA+ / Stable.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Rocky Hill for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period on one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Town Manager and especially to the Town Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Rocky Hill's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "John R. Mehr". The signature is written in a cursive, flowing style.

John R. Mehr
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Rocky Hill
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Financial Section

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Rocky Hill, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Rocky Hill, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Rocky Hill, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Rocky Hill, Connecticut, as of June 30, 2016 and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 57 through 60, and the pension schedules on pages 61 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Rocky Hill, Connecticut, as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 18, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2015 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the Town of Rocky Hill, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rocky Hill, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 22, 2016

**TOWN OF ROCKY HILL, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

This discussion and analysis of the Town of Rocky Hill, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to VI.

Financial Highlights

- Net position of our governmental activities increased by \$3.8 million or 11.7%.
- During the year, the Town had expenses that were \$3.8 million less than the \$82.4 million generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$78.6 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$6.0 million.
- The resources available for appropriation were \$109 thousand higher than budgeted for in the General Fund and expenditures were \$71 thousand below spending limits.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

In the statement of net position and the statement of activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, public works, health and human services, parks, recreation and facilities, and general administration. Property taxes, charges for services and state and federal grants finance most of these activities.

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 Town Council establishes many other funds to help control and manage financial activities for particular purposes (like the Recreation Program Fund) or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from the state and federal governments). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Fiduciary Funds (Exhibits V and VI)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's governmental activities net position increased from \$32.8 million to \$36.7 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

Table 1
NET POSITION

	Governmental Activities	
	2016	2015
Current and other assets	\$ 38,126,128	\$ 40,821,672
Capital assets, net of accumulated depreciation	83,999,079	64,704,123
Total assets	<u>122,125,207</u>	<u>105,525,795</u>
Deferred outflows of resources	<u>8,472,347</u>	<u>1,693,728</u>
Long-term debt outstanding	47,935,382	46,388,424
Other liabilities	34,771,507	20,561,312
Total liabilities	<u>82,706,889</u>	<u>66,949,736</u>
Deferred inflows of resources	<u>11,222,378</u>	<u>7,436,519</u>
Net Position:		
Net investment in capital assets	43,831,264	37,762,359
Restricted	50,439	50,427
Unrestricted	<u>(7,213,416)</u>	<u>(4,979,518)</u>
Total Net Position	<u>\$ 36,668,287</u>	<u>\$ 32,833,268</u>

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from (\$5.0) million at June 30, 2015 to (\$7.2) million at the end of this year.

**Table 2
CHANGE IN NET POSITION**

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 2,836,171	\$ 3,299,128
Operating grants and contributions	11,447,526	9,720,493
Capital grants and contributions	4,988,276	2,841,905
General revenues:		
Property taxes	60,308,693	59,582,736
Grants and contributions not restricted to specific purposes	1,971,061	2,037,305
Unrestricted investment earnings	113,735	81,183
Other general revenues	776,337	603,783
Total revenues	<u>82,441,799</u>	<u>78,166,533</u>
Program expenses:		
General government	11,196,129	10,521,025
Public safety	7,774,227	6,271,410
Public works	6,951,726	8,114,377
Health and human services	605,933	599,029
Parks, recreation and facilities	4,949,078	4,970,391
Library services	1,173,539	971,305
Education	45,033,876	42,884,635
Interest on long-term debt	922,272	777,964
Total program expenses	<u>78,606,780</u>	<u>75,110,136</u>
Change in Net Position	3,835,019	3,056,397
Beginning Net Position	<u>32,833,268</u>	<u>29,776,871</u>
Ending Net Position	<u>\$ 36,668,287</u>	<u>\$ 32,833,268</u>

The Town's total revenues were \$82.4 million. The total cost of all programs and services was \$78.6 million. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

More than 73% of the Town's revenues were derived from property taxes, followed by 14% from operating grants and contributions.

Major revenue factors included:

The Town's mill rate had a zero increase over fiscal year 2015 mill rate with the Net Taxable Grand List increasing by 1.4%. Property tax revenues for fiscal year 2016 increased 1.2% compared to fiscal year 2015.

Private Duty revenues were transferred from the General Fund and created in a Private Duty Special Revenue fund. Revenues collected for private duty police services were allocated to this fund and offset by the corresponding related expenditures.

Operating grants and contributions increased over the prior fiscal year due to the State of Connecticut's distribution formula for the Education Cost Sharing grant.

Capital Grants and contributions increased as result of school building grants for security at various schools and for fire sprinklers and an elevator at an elementary school.

Building department fees reflected a decrease of 53% from fiscal year 2015 which had a significantly higher rate comparatively due to a major project by a water utility company. The collections of real estate conveyance tax decreased 33% from the prior fiscal year.

More than 57% of the Town's expenses relate to education, 10% to public safety, 6% to parks, recreation and facilities, 14% to general government and 9% to public works.

Major expense factors included:

Increases in employee wages from negotiated step and general wage increases. The Town had a decrease in overtime costs due to a milder winter. The cost of employee benefits had a minimal increase in health insurance rates for fiscal year 2016.

Town has a third party supplier for "green power" electricity and locked in at a fixed kilowatt rate from January of 2014 through December of 2016. This has stabilized the Town's cost of electricity for its operations. LED lighting was installed throughout Town buildings for energy and cost savings measures.

The Town issued \$29 million of bond anticipation notes (BANS) to fund the high school renovation capital project, to fund the road improvements and to fund the public safety referendum projects. The Town did not budget for interest expense for the \$18.1 million bonds issued in October 2014. Instead, the Town used \$1.0 million of the \$1.2 million of the bond premium that the Town received when issuing these bonds for the interest expense.

The Town's legal expenses were higher as the Town defended legal challenges from those property owners challenging their property values as the result of the Town implementing a State mandated revaluation of the 2013 grand list that affected the 2015-16 fiscal years. Legal expenses also include labor counsel expenses for labor union contract negotiations during 2015-16.

The Board of Education also took over fiscal responsibility for the utilities and routine repairs of the schools. The budget and corresponding expenditures for these costs were transferred to the Board of Education.

The Town completed the installation of fire sprinklers and an elevator at an elementary school and a restroom upgrade. Also, as part of the maintenance program, the Town replaced the middle school boiler and water heater and made upgrades to the school security systems. In addition, the Town installed a new VOIP telephone system for Town offices.

Table 3 presents the cost of each of the Town's five largest programs - education, general government, public works, public safety, and parks, recreation and facilities - 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**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Education	\$ 45,033,876	\$ 42,884,635	\$ 29,500,573	\$ 30,876,467
General government	11,196,129	10,521,025	10,458,818	9,562,915
Public works	6,951,726	8,114,377	6,941,162	7,422,928
Public safety	7,774,227	6,271,410	6,703,062	4,948,044
Parks, recreation and facilities	4,949,078	4,970,391	3,128,438	4,227,867
All others	2,701,744	2,348,298	2,602,754	2,210,389
Total	<u>\$ 78,606,780</u>	<u>\$ 75,110,136</u>	<u>\$ 59,334,807</u>	<u>\$ 59,248,610</u>

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of (\$4.7) million, which is an decrease from last year's total of \$11.8 million. This decrease in combined fund balance is funded by short term borrowings which will be offset by long term debt. Included in this year's total change in fund balance is a decrease of \$286 thousand in the Town's General Fund. The primary reasons for the General Fund's decrease mirror the governmental activities analysis highlighted in Exhibit IV. In addition, these other changes in fund balances should be noted:

The fund balance of the Town of Rocky Hill's Capital Project Fund decreased by \$15.4 million. This was the result of the Town issuing \$29 million of Bond Anticipation Notes to finance the high school project, public safety project and the road improvement program project.

General Fund Budgetary Highlights

Tax collections were unfavorable by \$167 thousand due to budgeting for tax sale revenue which was collected in the prior year, earlier than anticipated. Charges for Services were unfavorable by \$45 thousand due to the decrease in recording and conveyance of real estate. Intergovernmental revenue was favorable by \$329 thousand due to increased funding from the State of Connecticut for Education Cost Sharing. Licenses and permits revenue was unfavorable by \$86 thousand due to the decrease in the issuance of building permits.

Interest from investment was favorable by \$58 thousand despite the continuing of low short-term interest rates.

Legal expenses were higher than the original budget due to the Town implementing a revaluation of the 2013 grand list that property values are being challenged by certain property owners and for legal counsel for labor contract negotiations.

Increased costs associated with Sanitation were due to the increase in third party contract rates.

The Town budgets for unanticipated and unbudgeted expenditures that occurred during the budget year. For the 2015-2016 budget years, the Town budgeted \$650 thousand for contingency. This provided the Town with a reserve to cover salary increases in labor agreements, retirement benefits, increased electric, heating and motor fuel costs and increases in overtime costs associated with snow removal.

The Town's General Fund balance of \$6.0 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$4.3 million reported in the budgetary comparison in the required supplementary information. This is principally because fund balance includes a \$618 thousand of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes and a \$1.1 million appropriation of fund balance to the 2016-2017 budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the Town had \$84 million invested in a broad range of capital assets, including land, buildings, park facilities, roads, vehicles and equipment - Table 4. This amount represents a net increase (including additions and deductions) of \$19.3 million or 29.8%, over last year.

**Table 4
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 6,485,349	\$ 5,837,249
Buildings and improvements	23,006,475	22,052,908
Furniture, vehicles and equipment	2,071,780	2,769,000
Infrastructure	19,463,137	18,863,803
Construction in progress	<u>32,972,338</u>	<u>15,181,163</u>
Total	<u>\$ 83,999,079</u>	<u>\$ 64,704,123</u>

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

Land (Development Rights)	\$.6
New Police Vehicles, Pickup Trucks, Fire SCBA tanks	.8
Construction - Rocky Hill High School Project	15.8
Various School Building Improvements	1.3
Public Safety referendum-Upgrading Dispatch and Jail Cells	<u>.8</u>
Total	<u>\$ 19.3</u>

The Town's fiscal year 2016-2017 capital budget calls for it to spend \$2.0 million for capital projects, principally for sidewalk improvements, vehicles for various departments, road improvements, town facilities improvements, school facilities improvements, and funding towards the replacement of the town pool.

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-Term Debt

At June 30, 2016, the Town had \$25.9 million in bonds outstanding versus \$28.2 million last year – a decrease of 8.16% - as shown in Table 5.

**Table 5
OUTSTANDING DEBT**

	Governmental Activities	
	2016	2015
General Obligation Bonds (Backed by the Town)	\$ 25,925,000	\$ 28,190,000

The Town of Rocky Hill issued in February of 2016 Bond Anticipation Notes (BANS) for \$29 million with the proceeds being used for the high school renovate as new project, public safety project and the road improvement program project. When Standard & Poor's Rating Services reviewed the \$18.1 million bond issue in October 2014, 'AA+' rating with a stable outlook was assigned. The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$422 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 budget and tax rate. One of those factors is the economy and the community's ability to pay for municipal services. As of June 2016, the Town's labor force stood at 11,476 with its unemployment rate being 4.6% compared to 6.1% in the greater Hartford region and 5.9% for the State. The Rocky Hill unemployment rate has increased from the June 2015 rate of 3.9% compared to the State rate that has also increased from 5.6% to 5.9%.

The consumer price index for June 2016 was 1.0% compared to 0.1% for June 2015 and 2.1% for June 2014. The Town has a business development incentive policy that provides tax abatements to help bring new business into the community and retain existing businesses.

These indicators were taken into account when adopting the General Fund Budget for 2016-2017. Amounts available for appropriation in the General Fund are \$72,778,087, a 6.14 percent increase over the 2015-2016 budget of \$68,566,648.

For 2016-2017, the Town's Net Taxable Grand List increased by .74% from the prior year. The mill rate used by the Town was 31.0 mills, an increase of 1.3 mills over 2015-2016 budget year.

The Town appropriated \$1.1 million from fund balance to the 2016-2017 budgets. This is an increase of \$493 thousand from the prior year. The use of \$1.1 million of fund balance relates to the Town Council resolution that funds in the unassigned fund balance from the preceding fiscal year that exceed 6% of general fund expenditures be applied to the capital improvement budget in the next budget year.

The Town is concerned about any budget problems that the State of Connecticut might have and the impact balancing the State budget might have on the Town. Approximately 9.3% of the Town's budget revenues are derived from revenues received from the State of Connecticut. About 64.7% of the State revenues come to the Town in the form of Educational Cost Sharing Grants (ECS) which assists the Town's school system.

The Town is concerned about the United States as well as the global economy and both its impact on the equities market. Like most towns, Rocky Hill has its pension trusts' assets invested with various mutual funds that hold investments in the stock market. The Town has seen these pension trusts' assets increase in value by 1.05% from July 1, 2016 to November 30, 2016. However, if the equities markets decline in value, the Town pension trusts have adequate amounts of US Treasuries account balances so that the trusts will be able to pay its pension obligations over a 12 month period without having to liquidate any of its mutual funds positions.

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 Rocky Hill, 761 Old Main Street, Rocky Hill, Connecticut 06067.

Basic Financial Statements

TOWN OF ROCKY HILL, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 35,669,849
Receivables, net	2,424,872
Inventory	5,961
Net pension assets	25,446
Capital assets not being depreciated	39,457,687
Capital assets being depreciated, net	44,541,392
Total assets	<u>122,125,207</u>
Deferred Outflows of Resources:	
Changes in pension actuarial experience	34,519
Changes in pension actuarial assumptions	3,715,784
Changes in pension projected investment earnings	4,722,044
Total deferred outflows of resources	<u>8,472,347</u>
Liabilities:	
Accounts and other payables	4,848,305
Unearned revenue	923,202
Notes payable	29,000,000
Noncurrent liabilities:	
Due within one year	2,899,317
Due in more than one year	45,036,065
Total liabilities	<u>82,706,889</u>
Deferred Inflows of Resources:	
Deferred charge on refunding	4,973
Advance property tax collections	7,639,619
Changes in pension actuarial experience	3,577,786
Total deferred inflows of resources	<u>11,222,378</u>
Net Position:	
Net investment in capital assets	43,831,264
Restricted for:	
Trust purposes:	
Nonexpendable	50,439
Unrestricted	<u>(7,213,416)</u>
Total Net Position	<u>\$ 36,668,287</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF ROCKY HILL, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 11,196,129	\$ 712,207	\$ 25,104	\$	\$ (10,458,818)
Public safety	7,774,227	866,211	73,554	131,400	(6,703,062)
Public works	6,951,726			10,564	(6,941,162)
Health and human services	605,933	1,163	60,082		(544,688)
Parks, recreation and facilities	4,949,078	691,857	1,128,783		(3,128,438)
Library services	1,173,539	29,008	8,737		(1,135,794)
Education	45,033,876	535,725	10,151,266	4,846,312	(29,500,573)
Interest on long-term debt	922,272				(922,272)
Total Governmental Activities	\$ 78,606,780	\$ 2,836,171	\$ 11,447,526	\$ 4,988,276	(59,334,807)
General revenues:					
Property taxes					60,308,693
Grants and contributions not restricted to specific programs					1,971,061
Unrestricted investment earnings					113,735
Miscellaneous					776,337
Total general revenues					<u>63,169,826</u>
Change in net position					3,835,019
Net Position at Beginning of Year					<u>32,833,268</u>
Net Position at End of Year					<u>\$ 36,668,287</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF ROCKY HILL, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 32,073,752	\$ 2,099,330	\$ 1,496,767	\$ 35,669,849
Receivables, net	1,519,547		905,325	2,424,872
Due from other funds	1,197,928	17,553,201	1,099,066	19,850,195
Inventory			5,961	5,961
Total Assets	<u>\$ 34,791,227</u>	<u>\$ 19,652,531</u>	<u>\$ 3,507,119</u>	<u>\$ 57,950,877</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts and contracts payable	\$ 1,479,254	\$ 2,596,118	\$ 518,183	\$ 4,593,555
Due to other funds	18,652,267	212,105	985,823	19,850,195
Unearned revenue	338,720		584,482	923,202
Notes payable		29,000,000		29,000,000
Total liabilities	<u>20,470,241</u>	<u>31,808,223</u>	<u>2,088,488</u>	<u>54,366,952</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	678,779			678,779
Advance property tax collections	7,639,619			7,639,619
Total deferred inflows of resources	<u>8,318,398</u>	<u>-</u>	<u>-</u>	<u>8,318,398</u>
Fund Balances:				
Nonspendable			56,400	56,400
Restricted			159,377	159,377
Committed		1,909,708	1,237,365	3,147,073
Assigned	1,733,105			1,733,105
Unassigned	4,269,483	(14,065,400)	(34,511)	(9,830,428)
Total fund balances	<u>6,002,588</u>	<u>(12,155,692)</u>	<u>1,418,631</u>	<u>(4,734,473)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,791,227</u>	<u>\$ 19,652,531</u>	<u>\$ 3,507,119</u>	<u>\$ 57,950,877</u>

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TOWN OF ROCKY HILL, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

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

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

Fund balances - total governmental funds (Exhibit III)	\$ (4,734,473)
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 147,759,045	
Less accumulated depreciation	<u>(63,759,966)</u>	
Net capital assets		83,999,079

Other long-term assets and deferred outflows of resources are
not available to pay for current-period expenditures and,
therefore, are not recorded in the funds:

Net pension asset	25,446
Property tax receivables greater than 60 days	510,353
Interest receivable on property taxes	168,426
Deferred outflows related to changes in pension actuarial experience	34,519
Deferred outflows related to changes in projected pension investment earnings	4,722,044
Deferred outflows related to changes in actuarial assumptions	3,715,784

Long-term liabilities, including bonds payable and deferred inflows of resources,
are not due and payable in the current period and, therefore,
are not reported in the funds:

Net pension liability	(7,851,694)
Bonds payable	(25,925,000)
Interest payable on bonds and notes	(254,750)
Compensated absences	(4,337,780)
Capital lease	(543,603)
Bond premium	(1,538,547)
Deferred charge on refunding	(4,973)
Net OPEB obligation	(7,738,758)
Deferred inflows related to pension actuarial experience	<u>(3,577,786)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 36,668,287</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF ROCKY HILL, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes and assessments	\$ 60,302,037	\$	\$	\$ 60,302,037
Intergovernmental	10,581,229	4,389,174	3,216,599	18,187,002
Charges for services	818,744		1,772,340	2,591,084
Income on investments	113,184	210	341	113,735
Miscellaneous	850,968	212,484	177,833	1,241,285
Total revenues	<u>72,666,162</u>	<u>4,601,868</u>	<u>5,167,113</u>	<u>82,435,143</u>
Expenditures:				
Current:				
General government	2,418,314		35,753	2,454,067
Public safety	6,192,277		509,017	6,701,294
Public works	5,909,559			5,909,559
Health and human services	551,466		45,003	596,469
Parks, recreation and facilities	3,694,591		1,091,483	4,786,074
Library services	939,663		23,650	963,313
Education	41,398,116		2,586,312	43,984,428
Miscellaneous	7,022,382		149,313	7,171,695
Capital outlay	1,622,895	20,942,823	604,984	23,170,702
Debt service	2,636,065		1,039,068	3,675,133
Total expenditures	<u>72,385,328</u>	<u>20,942,823</u>	<u>6,084,583</u>	<u>99,412,734</u>
Excess (Deficiency) of Revenues over Expenditures	<u>280,834</u>	<u>(16,340,955)</u>	<u>(917,470)</u>	<u>(16,977,591)</u>
Other Financing Sources (Uses):				
Transfers in		567,117		567,117
Transfers out	(567,117)			(567,117)
Issuance of capital lease		363,005		363,005
Total other financing sources (uses)	<u>(567,117)</u>	<u>930,122</u>	<u>-</u>	<u>363,005</u>
Net Change in Fund Balances	(286,283)	(15,410,833)	(917,470)	(16,614,586)
Fund Balances at Beginning of Year	<u>6,288,871</u>	<u>3,255,141</u>	<u>2,336,101</u>	<u>11,880,113</u>
Fund Balances at End of Year	<u>\$ 6,002,588</u>	<u>\$ (12,155,692)</u>	<u>\$ 1,418,631</u>	<u>\$ (4,734,473)</u>

(Continued on next page)

TOWN OF ROCKY HILL, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (16,614,586)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	21,265,214
Depreciation expense	(1,970,258)

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

Property tax receivable - accrual basis change	1,767
Property tax interest and lien revenue - accrual basis change	4,889
Changes in deferred outflows related to changes in pension actuarial experience	(1,107,819)
Changes in deferred outflows related to changes in actuarial assumptions	3,164,394
Changes in deferred outflows related to changes in projected investment earnings	3,929,750
Change in net pension assets	(1,522,393)

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

Bond principal payments	2,265,000
Capital lease issued	(363,005)
Capital lease payments	168,346

Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	267,052
Accrued interest	373,420
Amortization of deferred charge on refunding	(144)
Amortization of bond premiums	114,585
Net pension liability	(2,905,668)
OPEB obligations	(1,093,268)
Changes in deferred inflows related to changes in actuarial assumptions	42,326
Changes in deferred inflows related to changes in pension actuarial assumptions	(3,100,802)
Changes in deferred inflows related to changes in projected investment earnings	916,219

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 3,835,019</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF ROCKY HILL, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	Pension and OPEB Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 1,608,932	\$ 793,883
Investments:		
Certificate of deposits		177,255
Mutual funds	57,894,147	
Accounts receivable		20,569
	<u>59,503,079</u>	<u>\$ 991,707</u>
Total assets		
Liabilities:		
Deposits and amounts due to student groups and participants		\$ 991,707
Due to other funds	11,500	
	<u>11,500</u>	<u>\$ 991,707</u>
Total liabilities		
Net Position:		
Net position restricted for pensions and OPEB benefits	\$ <u>59,491,579</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF ROCKY HILL, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	Pension and OPEB Trust Funds
Additions:	
Contributions:	
Employer	\$ 2,734,302
Plan members	518,406
Total contributions	<u>3,252,708</u>
Investment income (loss):	
Net change in fair value of investments	(1,397,647)
Interest and dividends	1,675,698
Total investment income	<u>278,051</u>
Less investment expense	19,152
Net investment income	<u>258,899</u>
Total additions	<u>3,511,607</u>
Deductions:	
Benefits	3,780,035
Other expenses	91,507
Refunds	15,184
Total deductions	<u>3,886,726</u>
Change in Net Position	(375,119)
Net Position at Beginning of Year	<u>59,866,698</u>
Net Position at End of Year	<u>\$ 59,491,579</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Rocky Hill (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

Rocky Hill, settled in 1650 as part of Wethersfield, was incorporated as a separate Town in May 1843. The Town operates under a Council - Manager form of government. The Town Council is the legislative and policy making body of the Town, and consists of nine members elected at-large for two-year terms. The Mayor (one of the nine Council members) is separately elected and presides over all meetings of the Town Council. The Mayor submits recommendations for appointments under the Council jurisdiction and, as directed by the Council, appoints such special subcommittees of the Council as are needed to effectively conduct the Council's business.

The Town Manager is the Chief Executive and Administrative Officer of the Town and is responsible for the overall management of all departments of the Town except for the Board of Education. The Town Manager is directly responsible to the Town Council for the implementation of policies established by the Council and the appointment and supervision of all department heads and municipal employees, except for the Town Clerk, Clerk of the Town Council and the Town Attorney.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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. 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 Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

Additionally, the Town reports the following fund types:

The Pension and OPEB Trust Funds account for the activities of the Town Pension Plans and Other Post Employment Benefits Plans, which accumulate resources for pension benefit and healthcare payments to qualified Town employees.

The Agency Funds account for monies from various self-funding school activity programs and surety bonds.

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.

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

D. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are assessed as of October 1 and billed at 70% of assessed value on the following July 1. Generally, taxes are due in two installments. Taxes not paid within 30 days of the due date are subject to an interest charge of 1½% per month. As of June 30, liens are placed upon delinquent accounts in accordance with the provisions of the Connecticut General Statutes.

In the governmental fund financial statements, property taxes are recognized when they are available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time does not exceed 60 days.

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. The Town did not report any prepaid items in the current year.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported 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, except computer hardware (\$1,000), and an estimated useful life in excess of one year. 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.

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	35
Buildings and improvements	25-50
Vehicles	3-5
Office equipment	3-5
Computer equipment	3-5

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet as deferred inflows of resources. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. In addition, the Town reports a deferred charge on refunding and deferred inflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred inflow of resources related to pension results from differences between expected and actual experience or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

I. Compensated Absences

Municipal

Employees earn 12 to 18 days of sick leave per year. Employees earn from 5 to 25 days of vacation depending on the bargaining unit per fiscal year. All vacation days must be used within the fiscal year, however, 10 days can be carried forward to be used within 6 months after the end of that fiscal year period. Upon termination, an employee is entitled to be paid for all unused vacation time. Depending on the employee date of hire, upon termination an employee could be entitled to be paid for unused sick time at 20% to 60% of its value depending on the employee's length of service.

Board of Education

Employees earn from 12.5 to 25 days of sick leave per year depending on their bargaining unit. Maximum sick leave accrual also varies by bargaining unit from 70 to 221 days. All employees, with exception of teachers, paraprofessionals and cafeteria workers, earn from 5 to 25 days of vacation leave per year. All vacation days must be used within the fiscal year earned except for five days, which may be carried forward to the next year. Upon termination of employment, employees are paid for all earned and unused vacation leave. Unused sick leave may also be paid subject to the terms and limits of each bargaining unit contract.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

K. Net Pension Liability (Asset)

The net pension liability (asset) is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability (asset) is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

L. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town Council) by adoption of an ordinance prior to the end of the fiscal year. Amounts remain committed until action is taken by the Town Council to remove or revise the limitations.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by the Finance Director that has been delegated authority to assign amounts by the Town Charter. Assignments exist temporarily and an additional action is not required to be taken for the removal of an assignment.

Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

M. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The budget for the General Fund is authorized annually by the Town on a modified accrual basis of accounting except for encumbrances.

Unencumbered appropriations for the General Fund shall lapse at the end of the fiscal year, unless otherwise provided for by Council resolution. Additional appropriations, up to \$300,000 for each item, can be made by the Town Council. Additional appropriations over \$300,000 require the approval of the electors. The legal level of control on which expenditures may not exceed appropriations is on the functional level. Transfers between line items within a department may be made by the Town Manager. The Council may, by resolution, transfer any unencumbered appropriation balance or portion from one department, office or agency, except the Board of Education, to another. There were no additional appropriations of fund balance approved during the fiscal year. The General Government and Public Works functions were over expended during the year by \$7,243 and \$64,367 respectively.

Budgetary accounting uses encumbrance accounting. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all budgeted governmental type funds. Encumbrances outstanding at year end are reported in the GAAP financial statements as assignments of fund balance since they do not constitute expenditures or liabilities.

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The differences between the budgetary and GAAP basis of accounting are as follows:

- Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the purchase order is issued, and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year but are shown as an assignment of fund balance on a GAAP basis.
- State of Connecticut payments on behalf of Town of Rocky Hill teachers for the State Teachers' Retirement System are reported for GAAP purposes only.

B. Deficit Fund Equity

The Capital Projects Fund, and the Recreation Program Fund (a nonmajor special revenue fund) had fund balance deficits of \$12,155,692 and \$34,511, respectively. The deficits will be funded through future charges for services, and the permanent financing of the bond anticipation notes.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

**TOWN OF ROCKY HILL, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$34,318,666 of the Town's bank balance of \$36,471,649 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 30,732,209
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>3,586,457</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 34,318,666</u>

B. 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, 2016, the Town's cash equivalents amounted to \$3,090,256. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

C. Investments

Investments as of June 30, 2016 in all funds are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)*</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of deposit	*	\$ 177,255	\$ <u>177,255</u>	\$ <u>-</u>	\$ <u>-</u>
Other investments:					
Pooled open-end mutual funds	N/A	<u>57,894,147</u>			
Total Investments		\$ <u>58,071,402</u>			

* Subject to coverage by Federal Depository Insurance and collateralization

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 pooled open-end mutual funds accounts above are not rated by the nationally recognized statistical rating organizations.

Concentration of Credit Risk

The Town does not have an investment policy that allows for an investment in any one issuer that is in excess of 5% 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. The Town does not have a policy for custodial credit risk. At June 30, 2016, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Fair Value Disclosure

The Town adopted new accounting guidance, GASB Statement No. 72, Fair Value Measurement and Application. The new disclosure is presented below:

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
Mutual funds	\$ 57,894,147	\$ 57,894,147	\$ -	\$ -

Mutual funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

4. RECEIVABLES

Receivables as of year end for the Town’s major funds and nonmajor governmental and fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:			
Interest	\$ 168,425	\$	\$ 168,425
Taxes	671,327		671,327
Accounts	704,795	813,323	1,518,118
Intergovernmental		112,571	112,571
Gross receivables	<u>1,544,547</u>	<u>925,894</u>	<u>2,470,441</u>
Less allowance for uncollectibles	<u>(25,000)</u>		<u>(25,000)</u>
Net Total Receivables	<u>\$ 1,519,547</u>	<u>\$ 925,894</u>	<u>\$ 2,445,441</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,837,249	\$ 648,100	\$	\$ 6,485,349
Construction in progress	15,181,163	18,302,513	(511,338)	32,972,338
Total capital assets not being depreciated	<u>21,018,412</u>	<u>18,950,613</u>	<u>(511,338)</u>	<u>39,457,687</u>
Capital assets being depreciated:				
Buildings and improvements	51,299,185	1,704,330		53,003,515
Furniture, vehicles and equipment	15,844,311	1,121,609	(513,719)	16,452,201
Infrastructure	38,845,642			38,845,642
Total capital assets being depreciated	<u>105,989,138</u>	<u>2,825,939</u>	<u>(513,719)</u>	<u>108,301,358</u>
Less accumulated depreciation for:				
Buildings and improvements	(29,246,277)	(750,763)		(29,997,040)
Furniture, vehicles and equipment	(14,380,895)	(513,245)	513,719	(14,380,421)
Infrastructure	(18,676,255)	(706,250)		(19,382,505)
Total accumulated depreciation	<u>(62,303,427)</u>	<u>(1,970,258)</u>	<u>513,719</u>	<u>(63,759,966)</u>
Total capital assets being depreciated, net	<u>43,685,711</u>	<u>855,681</u>	<u>-</u>	<u>44,541,392</u>
Governmental Activities Capital Assets, Net	<u>\$ 64,704,123</u>	<u>\$ 19,806,294</u>	<u>\$ (511,338)</u>	<u>\$ 83,999,079</u>

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

Governmental activities:	
General government	\$ 380,993
Public safety	215,358
Public works	833,765
Health and human services	11,136
Parks, recreation and facilities	178,484
Library services	42,580
Education	<u>307,942</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,970,258</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Construction Commitments

The Town has active construction projects as of June 30, 2016. The following is a summary of capital projects as of June 30, 2016.

	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>
Capital and nonrecurring	\$ 9,397,828	\$ 7,649,926
Fire apparatus	3,843,000	385,490
Road improvements	10,000,000	5,031,945
Land acquisition	10,000,000	2,065,806
Rocky Hill High School renovation	50,000,000	31,517,291
Police referendum	<u>2,338,988</u>	<u>805,732</u>
 Total Capital Projects	 <u>\$ 85,579,816</u>	 <u>\$ 47,456,190</u>

6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

A summary of interfund balances at June 30, 2016 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 985,823
General Fund	Capital Projects Fund	212,105
Capital Projects Fund	General Fund	17,553,201
Nonmajor Governmental	General Fund	<u>1,099,066</u>
 Total		 <u>\$ 19,850,195</u>

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

Interfund transfers:

	<u>Transfers In</u>
	<u>Capital Projects</u>
	<u>Fund</u>
Transfers out:	
General Fund	\$ <u>567,117</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

**TOWN OF ROCKY HILL, CONNECTICUT
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JUNE 30, 2016**

7. LEASES

Capital Leases

The Town has entered into lease agreements as lessee for financing vehicles, equipment for several Town departments, computers and related equipment for the Board of Education. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Asset:		
Furniture, vehicle and equipment	\$	1,282,640
Less accumulated depreciation		<u>(720,009)</u>
Total	\$	<u>562,631</u>

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2016:

Fiscal Year Ending June 30,

2017	\$	178,128
2018		178,125
2019		113,604
2020		<u>85,202</u>
Total future minimum lease payments		555,059
Interest on future lease payments		<u>(11,456)</u>
Principal Balance of Future Minimum Payments	\$	<u>543,603</u>

**TOWN OF ROCKY HILL, CONNECTICUT
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8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 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	\$ 28,190,000	\$	\$ (2,265,000)	\$ 25,925,000	\$ 2,250,000
Issuance premium	<u>1,653,132</u>	<u> </u>	<u>(114,585)</u>	<u>1,538,547</u>	<u> </u>
Total bonds payable	29,843,132	-	(2,379,585)	27,463,547	2,250,000
Capital leases	348,944	363,005	(168,346)	543,603	171,860
Net pension liability	4,946,026	2,905,668		7,851,694	
Compensated absences	4,604,832	35,184	(302,236)	4,337,780	477,457
Net OPEB obligation	<u>6,645,490</u>	<u>1,093,268</u>	<u> </u>	<u>7,738,758</u>	<u> </u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 46,388,424</u>	<u>\$ 4,397,125</u>	<u>\$ (2,850,167)</u>	<u>\$ 47,935,382</u>	<u>\$ 2,899,317</u>

Compensated absences are generally liquidated by the General Fund. Net pension liability and net OPEB obligation are liquidated by Pension Trust Fund and Other Post Employment Benefits Trust Fund, respectively.

Bonds payable amounting to \$25,925,000 are secured by the general revenue raising powers of the municipality. There are presently two issues outstanding that bear interest at rates ranging from 2% to 5% with annual maturities in varying amounts until 2034.

A summary of debt service requirements by year for long-term bonded debt is presented below:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Total</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 2,250,000	\$ 946,338	\$ 3,196,338
2018	2,110,000	856,563	2,966,563
2019	2,055,000	770,387	2,825,387
2020	2,020,000	680,613	2,700,613
2021	1,965,000	592,937	2,557,937
2022-2026	7,590,000	1,938,723	9,528,723
2027-2031	5,085,000	930,712	6,015,712
2032-2035	<u>2,850,000</u>	<u>178,127</u>	<u>3,028,127</u>
Total	<u>\$ 25,925,000</u>	<u>\$ 6,894,400</u>	<u>\$ 32,819,400</u>

**TOWN OF ROCKY HILL, CONNECTICUT
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The Town is subject to the General Statutes of Connecticut, which limits the amount of debt outstanding at June 30, 2016 to the following:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 135,592,787	\$ 37,816,485	\$ 97,776,302
Schools	271,185,575	51,180,515	220,005,060
Sewers	225,987,979	52,560,989	173,426,990
Urban renewal	195,856,248		195,856,248
Pension deficit	180,790,383		180,790,383

Total debt outstanding may not exceed seven times annual receipts from taxation (\$421,844,227).

The Town is a member of the Metropolitan District Commission, a quasi-municipal corporation that provides water supply, sewerage collection and disposal facilities for members. Member towns are assessed a portion of the Metropolitan District's budget each year, based on the applicable town's property tax receipts. Total outstanding debt of the Metropolitan District Commission as of June 30, 2016 was \$914,104,156. The Town's share of the debt at June 30, 2016 was 5.75% or \$52,560,989. The estimated percentage is calculated based upon the proration of tax collection from the eight member towns.

Bonds authorized and unissued as of June 30, 2016 are summarized below:

	<u>Authorization</u>	<u>Bonds Issued</u>	<u>Self-Funded Pay Down</u>	<u>Bonds Authorized Unissued</u>
School improvements	\$ 54,957,000	\$ 15,812,800	\$ 40,000	\$ 39,104,200
Various improvements	52,175,000	28,207,200		23,967,800
Total	<u>\$ 107,132,000</u>	<u>\$ 44,020,000</u>	<u>\$ 40,000</u>	<u>\$ 63,072,000</u>

9. SHORT-TERM DEBT

The following is a summary of bond anticipation note activity for the year ended June 30, 2016:

<u>Project</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Outstanding June 30, 2016</u>
High School Renovation	6/29/2015	\$13,500,000	1.25%	\$ 13,500,000	\$	\$ 13,500,000	\$ -
Road Improvement	6/29/2015	1,000,000	1.25%	1,000,000		1,000,000	-
High School Renovation	2/25/2016	24,000,000	2.00%		24,000,000		24,000,000
Road Improvement	2/25/2016	2,000,000	2.00%		2,000,000		2,000,000
Public Safety	2/25/2016	3,000,000	2.00%		3,000,000		3,000,000
							<u>\$ 29,000,000</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

11. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 5,961	\$ 5,961
Permanent funds			50,439	50,439
Restricted for:				
Parks, recreation and facilities grants			6,011	6,011
Community development grants			138,495	138,495
General government grants			14,871	14,871
Committed to:				
General government			563,851	563,851
Library services			19,502	19,502
Public safety			117,899	117,899
Health and human services			188,559	188,559
Education			190,781	190,781
Debt service payments			156,773	156,773
Land acquisition		34,194		34,194
Other general government capital projects		1,875,514		1,875,514
Assigned to:				
Subsequent year's budget	1,114,769			1,114,769
Education - encumbrances	219,801			219,801
General government - encumbrances	29,605			29,605
Public safety - encumbrances	1,837			1,837
Parks, recreation and facilities - encumbr	27,709			27,709
Other capital projects- encumbrances	339,384			339,384
Unassigned	<u>4,269,483</u>	<u>(14,065,400)</u>	<u>(34,511)</u>	<u>(9,830,428)</u>
Total Fund Balances	<u>\$ 6,002,588</u>	<u>\$ (12,155,692)</u>	<u>\$ 1,418,631</u>	<u>\$ (4,734,473)</u>

Encumbrances of \$618,336 and \$101,323, at June 30, 2016 are contained in the above table in the assigned and committed categories of the General Fund and Capital Project Funds, respectively.

12. CONTINGENT LIABILITIES

A number of claims are presently pending against the Town. It is the opinion of management and legal counsel that the final settlement of these matters will not have a material adverse effect on the financial condition of the Town.

13. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town provides postretirement health care benefits for Town and Board of Education employees, in accordance with various labor and personnel contracts, to employees meeting specific service and age requirements. The postretirement health care benefits program is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial report as the Other Post Employment Benefits Trust Fund. The Town does not issue stand-alone financial statements for this program. The Town and Board of Education postretirement health care benefits plans are single-employer defined benefit plans administered by the Town.

At July 1, 2014, plan membership consisted of the following:

	<u>Town Plan</u>	<u>Board of Education Plan</u>
Active plan members	107	284
Retired members	42	25
Total Participants	<u>149</u>	<u>309</u>

B. Funding Policy

The Town’s funding and payment of postemployment benefits for the year ended June 30, 2016 are accounted for in the Other Post Employment Benefits Trust Fund. The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees.

**TOWN OF ROCKY HILL, CONNECTICUT
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C. Annual OPEB Cost and Net OPEB Obligations

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

	Town Retiree Healthcare Plan	Board of Education Retiree Healthcare Plan
Annual required contribution (ARC)	\$ 1,725,195	\$ 188,380
Interest on net OPEB obligation	255,931	9,890
Adjustment to annual required contribution	<u>(316,881)</u>	<u>(16,267)</u>
Annual OPEB cost	1,664,245	182,003
Contributions made	<u>(692,779)</u>	<u>(60,201)</u>
Change in net OPEB obligation	971,466	121,802
Net OPEB obligation at beginning of year	<u>6,398,277</u>	<u>247,213</u>
Net OPEB Obligation at End of Year	<u>\$ 7,369,743</u>	<u>\$ 369,015</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for the last three fiscal years is presented below.

Town Employees				
Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2014	\$ 1,621,435	\$ 472,975	29.2%	\$ 5,346,887
6/30/2015	1,589,774	538,384	33.9	6,398,277
6/30/2016	1,664,245	692,779	41.6	7,369,743
Board of Education Employees				
Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2014	\$ 163,936	\$ 59,260	36.1%	\$ 131,032
6/30/2015	176,997	60,816	34.3	247,213
6/30/2016	182,003	60,201	33.1	369,015

**TOWN OF ROCKY HILL, CONNECTICUT
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D. Schedule of Funding Progress

Town Employees						
Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/10	\$ 181,020	\$ 11,414,937	\$ (11,233,917)	1.6%	\$ 9,162,154	(122.61%)
7/1/12	321,287	13,948,210	(13,626,923)	2.3	9,832,453	(138.6)
7/1/14	721,148	16,225,361	(15,504,213)	4.4	9,515,627	(162.9)

Board of Education Employees						
Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/10	\$ -	\$ 1,319,431	\$ (1,319,431)	0.0%	N/A	N/A
7/1/12	-	1,296,253	(1,296,253)	0.0	N/A	N/A
7/1/14	-	1,471,384	(1,471,384)	0.0	N/A	N/A

E. Schedule of Employer Contributions

Town Employees		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 1,154,905	24.8%
2012	1,180,473	27.1
2013	1,557,365	20.7
2014	1,653,224	28.6
2015	1,634,879	32.9
2016	1,725,195	40.2

Board of Education Employees		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 136,648	115.3%
2012	154,814	110.9
2013	157,897	65.3
2014	164,998	35.9
2015	180,143	33.7
2016	188,380	32.0

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

**TOWN OF ROCKY HILL, CONNECTICUT
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In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The annual required contribution (ARC) reflects a 30-year open period, level amortization of the unfunded actuarial accrued liability (AAL). The actuarial assumptions include a 4% interest rate of return on investments, 2.5% inflation rate, participant annual salary increase of 3.5% and annual payroll growth rate of 2.5%. The annual healthcare cost trend rate is 9% initially with an ultimate rate of 5.0%.

F. Other Postemployment Healthcare Benefit Trust Funds

The Town maintains two postretirement health care benefit plans. The following schedules present the net position held in trust for other postemployment benefits at June 30, 2016 and changes in net position for the year then ended.

	Town Retiree Healthcare Plan	Board of Education Retiree Healthcare Plan	Total Healthcare Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Investments	\$ 1,085,020	\$ _____	\$ 1,085,020
Net Position:			
Restricted for OPEB Benefits	\$ <u>1,085,020</u>	\$ <u> </u> -	\$ <u>1,085,020</u>

**TOWN OF ROCKY HILL, CONNECTICUT
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	<u>Town Retiree Healthcare Plan</u>	<u>Board of Education Retiree Healthcare Plan</u>	<u>Total Healthcare Trust Funds</u>
Additions:			
Contributions:			
Employer	\$ 692,779	\$ 60,201	\$ 752,980
Investment income (loss):			
Net depreciation in fair value of investments	(88,546)		(88,546)
Interest and dividends	96,356		96,356
Total investment income	7,810	-	7,810
Less investment expense	9,586		9,586
Net investment loss	(1,776)	-	(1,776)
Total additions	691,003	60,201	751,204
Deductions:			
Benefit payments	492,779	60,201	552,980
Net increase	198,224	-	198,224
Net Position Restricted for OPEB Benefits at Beginning of Year	886,796	-	886,796
Net Position Restricted for OPEB Benefits at End of Year	<u>\$ 1,085,020</u>	<u>\$ -</u>	<u>\$ 1,085,020</u>

14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Town Pension Plans

A. Plan Description and Benefits Provided

The Town is the administrator of four single-employer Public Retirement Systems (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS are considered to be part of the Town's financial reporting entity and are included in the Town's financial reports as Pension Trust Funds. The PERS do not issue stand-alone financial statements. The authority of the Town Council established these plans.

**TOWN OF ROCKY HILL, CONNECTICUT
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The overall responsibility for all four pension plans rest with the Town Council, which consists of nine publicly elected officials. The management duties of these four pension plans rest with the Trustee, which is the Town Manager. To assist and guide the Trustee in the interpretation and administration of three of the plans, the Town Manager appoints members to a Pension Committee for each plan to serve without compensation and meet on a regular schedule basis and/or on an as need basis. The makeup of the pension committee for each plan is as follows:

- General Employees - at least five members are appointed;
- Police Officers - at least three members are appointed;
- Firefighters - at least five members are appointed;

For the Ambulance plan, the Town Manager functions as the plan administrator. The primary responsibility of the administrator is to administer the Ambulance Plan for the benefit of the participants and their beneficiaries.

The PERS membership, as of the latest actuarial valuation, consisted of the following:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Ambulance</u>
Retirees and beneficiaries currently receiving benefits	134	23	23	9
Terminated plan members entitled to benefits but not yet receiving them	18		107	6
Current employees:				
Vested	131	23	47	44
Nonvested	41	9	18	
Total	<u>324</u>	<u>55</u>	<u>195</u>	<u>59</u>

The Town’s General Employee Pension System covers all full-time employees not covered under one of the other plans. Employees become participants on the first of September coinciding with or the next September following their completion of six full months of continuous service and attainment of age 18. The normal retirement date is the first day of the month coinciding with age 62 with 5 years of participation. The retirement benefit is 1.25% of average monthly earnings plus .6% of average monthly earnings in excess of \$650, all multiplied by years of credited service (to a maximum of 30 years). Certain employees designated by the Town Council shall receive 1.5% of average monthly earnings plus .6% of average monthly earnings in excess of \$500, all multiplied by years of credited service (to a maximum of 30 years). Average monthly earnings are the employee’s earnings averaged for the highest five years of employment with the Town. The employee’s rate of contribution is 3% of earnings.

The Town’s Police Officers Pension System covers all full-time police officers. Employees become participants on the first of September coinciding with or next following their completion of six full months of continuous service and attainment of age 21. The normal retirement date is the first day of the month coinciding with age 45 with 25 years of continuous service, but no later than age 65. The retirement benefit is 2.8% of average monthly earnings multiplied by years of credited service (to a

TOWN OF ROCKY HILL, CONNECTICUT
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maximum of 25 years). Average monthly earnings are the employee's earnings averaged for the highest three years of employment with the Town. The employee's rate of contribution is 7% of earnings; however, any employee who has been a participant for 25 years shall no longer be required to make a contribution.

The Town's Firefighters Pension System covers all volunteer firefighters who have not attained age 42 at their first day of service. Employees become participants on the first day of service or, if later, attainment of age 19. The normal retirement date is the first day of the month coinciding with age 62 with 20 years of service. The retirement benefit shall be in accordance with the schedule below plus \$5 per month for each year of service in excess of 20 years:

<u>Service Years</u>	<u>Amount</u>
10 years	\$ 50
11 years - 14 years	75
15 years - 19 years	100
20 years or more	315

The Town's Ambulance Pension System covers all volunteer ambulance personnel who perform emergency medical services, administration, public relations or other related duties for the Town. All participants become eligible at the minimum age of 19. The normal retirement date of the plan is the first month following the participant's 62nd birthday or the 5th anniversary of joining the plan, if later. A participant who has reached normal retirement date shall be entitled to receive a retirement according to the following schedule plus \$5 for each year in excess of 20 years:

<u>Service Years</u>	<u>Monthly Benefit</u>
At least 10 years	\$ 50
11 years - 14 years	75
15 years - 19 years	100
20 years or more	315 (plus \$5.00 for each year in excess of 20)

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

Financial statements are prepared using the accrual basis of accounting for the four defined benefit pension plans. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

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

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C. Funding Status and Progress

Employees covered under the General Employees and Police Officers plans are required to contribute 3% and 7% of earnings, respectively, to the PERS. The Firefighters and Ambulance plans are noncontributory. The Town is required to contribute the remaining amounts necessary to finance the benefits for its employees. The Town Council is the authoritative body governing all plans. Administrative costs for the General Employees, Police Officers and Firefighters plans are financed by each plan. Administrative costs for the Ambulance Pension plan are financed by the General Fund.

D. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation	
	Firefighters, Ambulance and Police Officers	General Employee's
U.S. Equity - Large Cap	27.50%	27.22%
U.S. Equity - Small/Mid-Cap	11.15%	11.23%
Non-U.S. Equity - Developed	13.13%	12.94%
Non-U.S. Equity - Emerging	6.66%	6.47%
U.S. Corporate Bonds - Core	18.73%	19.32%
U.S. Corporate Bonds - High Yield	4.01%	1.78%
Non-U.S. Debt - Developed	1.72%	4.14%
U.S. Treasuries (Cash Equivalents)	2.88%	2.87%
Real Estate	7.32%	7.21%
Hedge Funds	4.40%	4.29%
Commodities	2.50%	2.53%

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Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the General Employees, Police Officers, Firefighters and Ambulance pension plans are presented in the table below. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	<u>Annual Money- Weighted Rate of Return</u>
General Employee's	0.68%
Police Officers	0.17%
Firefighters	0.13%
Ambulance	-0.15%

Deferred Retirement Option Program (DROP)

The Police Officers Pension System offers a Deferred Retirement Option Program (DROP) to its bargaining unit employees upon completing the 25th year of service until the completion of 29 years of service. The DROP is intended to provide an alternative retirement option to police employees who are eligible to retire. An employee is considered eligible upon completing the 25th year of service until the completion of 29 years of service. During the DROP period, pension payments will be made monthly equal to 96% of the accrued benefit. Amounts held by the Police Officers Pension System DROP investments at June 30, 2016 were \$82,196.

E. Net Pension Liability (Asset) of the Town

The components of the net pension liability (asset) of the Town at June 30, 2016, were as follows:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Ambulance</u>
Total pension liability	\$ 41,687,915	\$ 22,374,654	\$ 1,538,963	\$ 631,275
Plan fiduciary net position	<u>34,968,325</u>	<u>21,569,643</u>	<u>1,211,870</u>	<u>656,721</u>
Net Pension Liability (Asset)	<u>\$ 6,719,590</u>	<u>\$ 805,011</u>	<u>\$ 327,093</u>	<u>\$ (25,446)</u>
Plan fiduciary net position as a percentage of the total pension liability	83.88%	96.40%	78.75%	104.03%

**TOWN OF ROCKY HILL, CONNECTICUT
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Actuarial Assumptions

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation date as listed below using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Ambulance</u>
Actuarial Valuation Date	9-1-14	9-1-14	7-1-14	7-1-15
Actuarial Assumptions:				
Investment rate of return	7.0%	7.0%	7.0%	7.0%
Projected salary increases	3.00%	4.5%	N/A	N/A
Inflation	2.25%	2.25%	2.25%	0.0%
Mortality	SOA RP- 2014 Total Dataset Mortality with MP-2016 Scaling	SOA RP- 2014 Total Dataset Mortality with MP- 2016 Scaling	SOA RP- 2014 Total Dataset Mortality with MP- 2016 Scaling	SOA RP- 2014 Total Dataset Mortality with MP- 2016 Scaling

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following tables:

General Employees / Police Officers / Firefighters / Ambulance	
<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Equity - Large Cap	7.89%
U.S. Equity - Small/Mid-Cap	8.23%
Non-U.S. Equity - Developed	8.02%
Non-U.S. Equity - Emerging	9.11%
U.S. Corporate Bonds - Core	4.58%
U.S. Corporate Bonds - High Yield	6.81%
Non-U.S. Debt - Developed	3.70%
U.S. Treasuries (Cash Equivalents)	3.15%
Real Estate	6.75%
Hedge Funds	6.16%
Commodities	4.84%

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Discount Rate

The discount rate used to measure the total pension liabilities were as follows:

	<u>Discount Rate</u>
General Employee's	7.00%
Police Officers	7.00%
Firefighters	7.00%
Ambulance	7.00%

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

F. Changes in Net Pension Liability

	<u>General Employees' Pension Plan</u>		
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances as of June 30, 2015	\$ 39,797,353	\$ 35,097,376	\$ 4,699,977
Changes for the year:			
Service cost	1,002,384		1,002,384
Interest on total pension liability	2,980,336		2,980,336
Differences between expected and actual experience	(2,983,587)		(2,983,587)
Changes in assumptions	2,850,690		2,850,690
Employer contributions		1,340,000	(1,340,000)
Employee contributions		293,620	(293,620)
Net investment income (loss)		229,847	(229,847)
Benefit payments, including refund to employee contributions	(1,959,261)	(1,959,261)	-
Administrative expenses		(33,257)	33,257
Net changes	<u>1,890,562</u>	<u>(129,051)</u>	<u>2,019,613</u>
Balances as of June 30, 2016	\$ <u>41,687,915</u>	\$ <u>34,968,325</u>	\$ <u>6,719,590</u>

Amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.50% to 7.00%, a decrease in projected salary increases from 5.00% per year to 3.00% per year, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Police Officers' Pension Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 20,600,592	\$ 21,979,832	\$ (1,379,240)
Changes for the year:			
Service cost	490,958		490,958
Interest on total pension liability	1,534,059		1,534,059
Differences between expected and actual experience	(34,994)		(34,994)
Changes in assumptions	973,735		973,735
Employer contributions		559,822	(559,822)
Member contributions		224,786	(224,786)
Net investment income (loss)		32,949	(32,949)
Benefit payments, including refund to employee contributions	(1,189,696)	(1,189,696)	-
Administrative expenses		(38,050)	38,050
Net changes	<u>1,774,062</u>	<u>(410,189)</u>	<u>2,184,251</u>
Balances as of June 30, 2016	<u>\$ 22,374,654</u>	<u>\$ 21,569,643</u>	<u>\$ 805,011</u>

Amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.50% to 7.00%, a decrease in projected salary increases from 5.00% per year to 4.50% per year, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Firefighters' Pension Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2015	\$ 1,460,604	\$ 1,214,555	\$ 246,049
Changes for the year:			
Service cost	15,979		15,979
Interest on total pension liability	108,315		108,315
Differences between expected and actual experience	(65,336)		(65,336)
Changes in assumptions	85,364		85,364
Employer contributions		81,500	(81,500)
Net investment income (loss)		478	(478)
Benefit payments, including refund to employee contributions	(65,963)	(65,963)	-
Administrative expenses		(18,700)	18,700
Net changes	<u>78,359</u>	<u>(2,685)</u>	<u>81,044</u>
Balances as of June 30, 2016	<u>\$ 1,538,963</u>	<u>\$ 1,211,870</u>	<u>\$ 327,093</u>

Amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.50% to 7.00%, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates

Volunteer Ambulance Pension Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2015	\$ 519,540	\$ 688,139	\$ (168,599)
Changes for the year:			
Service cost	11,691		11,691
Interest on total pension liability	31,978		31,978
Differences between expected and actual experience	37,229		37,229
Changes in assumptions	58,156		58,156
Net investment income (loss)		(2,599)	2,599
Benefit payments, including refund to employee contributions	(27,319)	(27,319)	-
Administrative expenses		(1,500)	1,500
Net changes	<u>111,735</u>	<u>(31,418)</u>	<u>143,153</u>
Balances as of June 30, 2016	<u>\$ 631,275</u>	<u>\$ 656,721</u>	<u>\$ (25,446)</u>

Amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 5.50% to 7.00%, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

The following presents the net pension liability of the General Employees, Police Officers, Firefighters and Ambulance pension plans, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower 6.00%, or 1 percentage point higher 8.00% than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
General Employees Net Pension Liability	\$ 11,575,302	\$ 6,719,590	\$ 2,614,116
Police Officer's Net Pension Liability (Asset)	3,864,969	805,011	(1,703,591)
Firefighters Net Pension Liability	557,625	327,093	141,029
Ambulance Net Pension Asset	(1,812)	(25,446)	(100,498)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$1,614,904, \$843,616, \$99,284 and \$7,509 for the General Employees, Police Officers, Firefighters and Volunteer Ambulance pension plans, respectively. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>General Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 3,092,540
Changes in assumptions	2,295,000	
Net difference between projected and actual earning on pension plan investments	<u>2,768,368</u>	
Total	<u>\$ 5,063,368</u>	<u>\$ 3,092,540</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

	Police Officers	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 375,505
Changes of assumptions	1,237,898	
Net difference between projected and actual earning on pension plan investments	<u>1,835,317</u>	
Total	<u>\$ 3,073,215</u>	<u>\$ 375,505</u>

	Firefighters	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 69,455
Changes of assumptions	128,963	
Net difference between projected and actual earning on pension plan investments	<u>97,207</u>	
Total	<u>\$ 226,170</u>	<u>\$ 69,455</u>

	Ambulance	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,519	\$ 40,286
Changes of assumptions	53,923	
Net difference between projected and actual earning on pension plan investments	<u>21,152</u>	
Total	<u>\$ 109,594</u>	<u>\$ 40,286</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Ambulance</u>
2017	\$ 511,911	\$ 637,653	\$ 47,265	\$ 4,469
2018	511,911	637,653	47,265	4,467
2019	511,913	637,654	34,681	18,578
2020	438,460	452,377	20,756	14,046
2021	(3,367)	130,864	2,656	5,102
Thereafter		201,509	4,092	22,646

G. Pension Plan Fiduciary Net Position

	<u>Pension Trust Funds</u>				
	<u>General Employees' Pension Plan</u>	<u>Police Pension Plan</u>	<u>Firefighters' Pension Plan</u>	<u>Volunteer Ambulance Pension Plan</u>	<u>Total Pension Trust Funds</u>
Assets:					
Cash and cash equivalents	\$ 1,003,412	\$ 558,388	\$ 34,928	\$ 12,204	\$ 1,608,932
Investments	33,972,413	21,015,255	1,176,942	644,517	56,809,127
Total Assets	<u>34,975,825</u>	<u>21,573,643</u>	<u>1,211,870</u>	<u>656,721</u>	<u>58,418,059</u>
Liabilities:					
Due to other funds	<u>7,500</u>	<u>4,000</u>	<u> </u>	<u> </u>	<u>11,500</u>
Net Position:					
Restricted for Pensions	<u>\$ 34,968,325</u>	<u>\$ 21,569,643</u>	<u>\$ 1,211,870</u>	<u>\$ 656,721</u>	<u>\$ 58,406,559</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

H. Changes in Pension Net Position

	Pension Trust Funds				
	General Employees' Pension Plan	Police Pension Plan	Firefighters' Pension Plan	Volunteer Ambulance Pension Plan	Total Pension Trust Funds
Additions:					
Contributions:					
Employer	\$ 1,340,000	\$ 559,822	\$ 81,500	\$ -	\$ 1,981,322
Employee	293,620	224,786			518,406
Total contributions	<u>1,633,620</u>	<u>784,608</u>	<u>81,500</u>	<u>-</u>	<u>2,499,728</u>
Investment income:					
Net depreciation in fair value of investments	(748,558)	(510,142)	(31,981)	(18,420)	(1,309,101)
Interest and dividends	982,405	547,212	33,066	16,659	1,579,342
Total investment income (loss)	<u>233,847</u>	<u>37,070</u>	<u>1,085</u>	<u>(1,761)</u>	<u>270,241</u>
Less investment expense	4,000	4,121	607	838	9,566
Net investment income (loss)	<u>229,847</u>	<u>32,949</u>	<u>478</u>	<u>(2,599)</u>	<u>260,675</u>
Total additions	<u>1,863,467</u>	<u>817,557</u>	<u>81,978</u>	<u>(2,599)</u>	<u>2,760,403</u>
Deductions:					
Benefit payments	1,944,077	1,189,696	65,963	27,319	3,227,055
Other expenses	33,257	38,050	18,700	1,500	91,507
Refunds	15,184				15,184
Total deductions	<u>1,992,518</u>	<u>1,227,746</u>	<u>84,663</u>	<u>28,819</u>	<u>3,333,746</u>
Net decrease	(129,051)	(410,189)	(2,685)	(31,418)	(573,343)
Net Position Restricted for Pensions at Beginning of Year	<u>35,097,376</u>	<u>21,979,832</u>	<u>1,214,555</u>	<u>688,139</u>	<u>58,979,902</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 34,968,325</u>	<u>\$ 21,569,643</u>	<u>\$ 1,211,870</u>	<u>\$ 656,721</u>	<u>\$ 58,406,559</u>

Teachers' Retirement System

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**TOWN OF ROCKY HILL, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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

At June 30, 2016, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>51,725,859</u>
Total	\$	<u>51,725,859</u>

**TOWN OF ROCKY HILL, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2016, the Town recognized pension expense and revenue of \$4,144,545 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

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

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (Non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

H. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

15. DEFINED CONTRIBUTION PLAN

The Town provides pension benefits for its employees through a defined contribution plan, dependent on date of hire. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Town matches contributions into the plan on a discretionary basis. Town matching contributions were \$31,593 for the year ended June 30, 2016.

**Required
Supplementary Information**

**TOWN OF ROCKY HILL, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Revenues from property taxes	\$ 60,204,735	\$ 60,204,735	\$ 60,069,914	\$ (134,821)
Interest and liens fees	265,000	265,000	232,123	(32,877)
Total property taxes	<u>60,469,735</u>	<u>60,469,735</u>	<u>60,302,037</u>	<u>(167,698)</u>
Intergovernmental:				
Education:				
Education Cost Sharing Grant	3,811,737	3,811,737	3,948,476	136,739
School Building Construction Grants	150,000	150,000	463,048	313,048
Transportation	60,395	60,395	54,099	(6,296)
Total education	<u>4,022,132</u>	<u>4,022,132</u>	<u>4,465,623</u>	<u>443,491</u>
Other:				
Reimbursement - elderly, veterans and disability exemptions	132,229	132,229	135,818	3,589
State tax-exempt property - in lieu of taxes and Tobacco Grant	950,956	950,956	845,179	(105,777)
LOCIP and Town Aid Road	676,073	676,073	662,812	(13,261)
Pequot Grant	284,549	284,549	281,506	(3,043)
Miscellaneous grants	41,601	41,601	45,746	4,145
Total other	<u>2,085,408</u>	<u>2,085,408</u>	<u>1,971,061</u>	<u>(114,347)</u>
Total intergovernmental	<u>6,107,540</u>	<u>6,107,540</u>	<u>6,436,684</u>	<u>329,144</u>
Licenses and permits:				
Building Department	450,000	450,000	367,099	(82,901)
Business licenses	3,000	3,000	633	(2,367)
Land Use Commission	20,000	20,000	17,286	(2,714)
Animal licenses	2,000	2,000	15	(1,985)
Other licenses and permits	10,860	10,860	14,369	3,509
Total licenses and permits	<u>485,860</u>	<u>485,860</u>	<u>399,402</u>	<u>(86,458)</u>
Investment income:				
Interest from investments	<u>55,000</u>	<u>55,000</u>	<u>113,184</u>	<u>58,184</u>

(Continued on next page)

TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Real estate conveyance tax	\$ 205,000	\$ 205,000	\$ 249,003	\$ 44,003
Recording - legal instruments	65,000	65,000	114,770	49,770
Recreation admission and fees	23,500	23,500		(23,500)
Vital statistics	25,000	25,000	27,174	2,174
Library fines and fees	10,000	10,000	11,918	1,918
Fire charges	2,000	2,000	2,410	410
All other	40,000	40,000	10,857	(29,143)
Total charges for services	<u>370,500</u>	<u>370,500</u>	<u>416,132</u>	<u>45,632</u>
Fines, forfeitures and penalties:				
Parking fines	<u>13,500</u>	<u>13,500</u>	<u>3,210</u>	<u>(10,290)</u>
Other revenues:				
Telephone access lines	64,600	64,600	66,855	2,255
Refunds and recoveries	20,000	20,000	25,035	5,035
Transit District	8,958	8,958	5,928	(3,030)
Sale of assets	3,000	3,000	11,217	8,217
Housing Authority PILOT	22,000	22,000	22,075	75
Recycling revenue	75,000	75,000	39,966	(35,034)
Workers comp insurance	20,000	20,000	6,038	(13,962)
Lease - Comm Towers	200,000	200,000	194,483	(5,517)
Other revenues	29,250	29,250	12,136	(17,114)
Total other revenues	<u>442,808</u>	<u>442,808</u>	<u>383,733</u>	<u>(59,075)</u>
Total Revenues	67,944,943	67,944,943	68,054,382	109,439
Other financing sources:				
Use of Fund Balance	<u>621,705</u>	<u>621,705</u>		<u>(621,705)</u>
Total	<u>\$ 68,566,648</u>	<u>\$ 68,566,648</u>	68,054,382	<u>\$ (512,266)</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	4,144,545
The Town budgets for certain revenues as credits to expenditure accounts which are reported as revenues under GAAP	479,193
Cancellation of prior year encumbrances are recognized as budgetary revenue	<u>(11,958)</u>

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 72,666,162

TOWN OF ROCKY HILL, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
General government:				
Mayor and Town Council	\$ 47,403	\$ 47,403	\$ 44,595	\$ 2,808
Town Manager	240,437	240,437	232,428	8,009
Personnel Administration	162,300	162,300	163,560	(1,260)
Finance and Accounting	520,238	520,238	518,834	1,404
Tax Assessor	339,857	339,857	340,899	(1,042)
Tax Collector	240,699	240,699	239,776	923
Central Services	72,349	72,349	70,397	1,952
Legal expenditures	200,000	314,800	345,597	(30,797)
Probate Court	31,400	31,400	31,572	(172)
Registrars of Voters	78,000	78,000	85,852	(7,852)
Town Clerk	164,187	164,187	150,814	13,373
Town Planner	131,719	108,919	106,409	2,510
Economic Development	109,383	109,383	106,482	2,901
Total general government	<u>2,337,972</u>	<u>2,429,972</u>	<u>2,437,215</u>	<u>(7,243)</u>
Public safety:				
Police	4,747,556	4,747,556	4,740,321	7,235
Fire Department	1,044,088	1,063,888	1,037,430	26,458
Building Department	272,294	295,094	282,769	12,325
Volunteer Ambulance Association	113,320	113,320	105,657	7,663
Total public safety	<u>6,177,258</u>	<u>6,219,858</u>	<u>6,166,177</u>	<u>53,681</u>
Public works:				
Highway Department	2,067,556	2,067,556	2,052,329	15,227
Engineering	456,007	456,007	461,755	(5,748)
Sanitation	3,319,787	3,319,787	3,393,633	(73,846)
Total public works	<u>5,843,350</u>	<u>5,843,350</u>	<u>5,907,717</u>	<u>(64,367)</u>
Health and human services:				
Public Health	101,770	101,770	101,766	4
Human Services	462,728	462,728	449,700	13,028
Total health and human services	<u>564,498</u>	<u>564,498</u>	<u>551,466</u>	<u>13,032</u>
Parks, recreation and facilities:				
Parks and Recreation	1,668,937	1,668,937	1,670,647	(1,710)
Facilities	1,992,183	2,027,583	2,026,245	1,338
Total parks, recreation and facilities	<u>3,661,120</u>	<u>3,696,520</u>	<u>3,696,892</u>	<u>(372)</u>
Library services:				
Cora Belden Public Library	954,243	954,243	939,663	14,580

(Continued on next page)

**TOWN OF ROCKY HILL, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Miscellaneous:				
Insurance - employee benefits	\$ 5,462,915	\$ 5,342,915	\$ 5,334,831	\$ 8,084
Insurance - property and liability	1,014,599	1,014,599	996,143	18,456
Contingency	650,000	236,884	212,215	24,669
Total miscellaneous	<u>7,127,514</u>	<u>6,594,398</u>	<u>6,543,189</u>	<u>51,209</u>
Capital outlays:				
Capital outlay - Town	<u>1,562,511</u>	<u>1,925,627</u>	<u>1,918,278</u>	<u>7,349</u>
Debt service:				
Debt redemption - principal	2,265,000	2,265,000	2,265,000	-
Debt redemption - interest	373,975	373,975	371,065	2,910
Total debt service	<u>2,638,975</u>	<u>2,638,975</u>	<u>2,636,065</u>	<u>2,910</u>
Board of Education	<u>37,132,090</u>	<u>37,132,090</u>	<u>37,132,090</u>	<u>-</u>
Transfers to other funds:				
Transfer to other funds	<u>567,117</u>	<u>567,117</u>	<u>567,117</u>	<u>-</u>
Total	<u>\$ 68,566,648</u>	<u>\$ 68,566,648</u>	68,495,869	<u>\$ 70,779</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	4,144,545
The Town budgets for certain revenues as credits to expenditure accounts which are reported as revenues under GAAP	479,193
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	<u>(167,162)</u>

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 72,952,445

TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES
LAST THREE FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 1,002,384	\$ 1,035,972	\$ 1,048,535
Interest	2,980,336	2,914,496	2,669,474
Differences between expected and actual experience	(2,983,587)	(1,141,889)	
Changes of assumptions	2,850,690		
Benefit payments, including refunds of member contributions	(1,959,261)	(1,640,714)	(1,338,800)
Net change in total pension liability	1,890,562	1,167,865	2,379,209
Total pension liability - beginning	39,797,353	38,629,488	36,250,279
Total pension liability - ending	<u>41,687,915</u>	<u>39,797,353</u>	<u>38,629,488</u>
Plan fiduciary net position:			
Contributions - employer	1,340,000	1,462,942	1,462,942
Contributions - member	293,620	301,208	299,540
Net investment income	229,847	1,066,924	5,400,306
Benefit payments, including refunds of member contributions	(1,959,261)	(1,640,714)	(1,338,800)
Administrative expense	(33,257)	(29,950)	(15,100)
Net change in plan fiduciary net position	(129,051)	1,160,410	5,808,888
Plan fiduciary net position - beginning	35,097,376	33,936,966	28,128,078
Plan fiduciary net position - ending	<u>34,968,325</u>	<u>35,097,376</u>	<u>33,936,966</u>
Town's Net Pension Liability - Ending	<u>\$ 6,719,590</u>	<u>\$ 4,699,977</u>	<u>\$ 4,692,522</u>
Plan fiduciary net position as a percentage of the total pension liability	83.88%	88.19%	87.85%
Covered-employee payroll	\$ 8,438,036	\$ 9,669,472	\$ 9,418,330
Town's net pension liability as a percentage of covered-employee payroll	79.63%	48.61%	49.82%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available

Notes to Schedule

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.50% to 7.00%, a decrease in projected salary increases from 5.00% per year to 3.00% per year, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
POLICE OFFICERS
LAST THREE FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 490,958	\$ 455,914	\$ 387,545
Interest	1,534,059	1,524,104	1,424,973
Changes of benefit terms		(794,661)	
Differences between expected and actual experience	(34,994)	(487,985)	
Changes of assumptions	973,735	553,775	
Benefit payments, including refunds of member contributions	<u>(1,189,696)</u>	<u>(1,013,729)</u>	<u>(882,022)</u>
Net change in total pension liability	1,774,062	237,418	930,496
Total pension liability - beginning	<u>20,600,592</u>	<u>20,363,174</u>	<u>19,432,678</u>
Total pension liability - ending	<u>22,374,654</u>	<u>20,600,592</u>	<u>20,363,174</u>
Plan fiduciary net position:			
Contributions - employer	559,822	523,044	571,380
Contributions - member	224,786	182,435	152,513
Net investment income	32,949	683,677	3,540,920
Benefit payments, including refunds of member contributions	(1,189,696)	(1,013,729)	(882,022)
Administrative expense	<u>(38,050)</u>	<u>(27,950)</u>	<u>(11,800)</u>
Net change in plan fiduciary net position	(410,189)	347,477	3,370,991
Plan fiduciary net position - beginning	<u>21,979,832</u>	<u>21,632,355</u>	<u>18,261,364</u>
Plan fiduciary net position - ending	<u>21,569,643</u>	<u>21,979,832</u>	<u>21,632,355</u>
Town's Net Pension Liability (Asset) - Ending	<u>\$ 805,011</u>	<u>\$ (1,379,240)</u>	<u>\$ (1,269,181)</u>
Plan fiduciary net position as a percentage of the total pension liability	96.40%	106.70%	106.23%
Covered-employee payroll	\$ 3,249,728	\$ 2,446,151	\$ 2,028,338
Town's net pension liability as a percentage of covered-employee payroll	24.77%	-56.38%	-62.57%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available

Notes to Schedule

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.50% to 7.00%, a decrease in projected salary increases from 5.00% per year to 4.50% per year, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS
LAST THREE FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 15,979	\$ 18,274	\$ 18,274
Interest	108,315	98,621	93,504
Differences between expected and actual experience	(65,336)	(23,854)	
Changes of assumptions	85,364	102,470	
Benefit payments, including refunds of member contributions	<u>(65,963)</u>	<u>(62,034)</u>	<u>(61,619)</u>
Net change in total pension liability	78,359	133,477	50,159
Total pension liability - beginning	<u>1,460,604</u>	<u>1,327,127</u>	<u>1,276,968</u>
Total pension liability - ending	<u>1,538,963</u>	<u>1,460,604</u>	<u>1,327,127</u>
Plan fiduciary net position:			
Contributions - employer	81,500	76,500	76,500
Net investment income	478	46,075	198,508
Benefit payments, including refunds of member contributions	(65,963)	(62,034)	(61,619)
Administrative expense	<u>(18,700)</u>	<u>(8,900)</u>	<u>(5,500)</u>
Net change in plan fiduciary net position	(2,685)	51,641	207,889
Plan fiduciary net position - beginning	<u>1,214,555</u>	<u>1,162,914</u>	<u>955,025</u>
Plan fiduciary net position - ending	<u>1,211,870</u>	<u>1,214,555</u>	<u>1,162,914</u>
Town's Net Pension Liability - Ending	<u>\$ 327,093</u>	<u>\$ 246,049</u>	<u>\$ 164,213</u>
Plan fiduciary net position as a percentage of the total pension liability	78.75%	83.15%	87.63%
Covered-employee payroll **	\$ N/A	\$ N/A	\$ N/A
Town's net pension liability as a percentage of covered-employee payroll **	N/A	N/A	N/A

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available

** Pay for volunteer firefighters is not available

Notes to Schedule

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 7.50% to 7.00%, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
AMBULANCE
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 11,691	\$ 12,451	\$ 11,777
Interest	31,978	33,110	34,346
Differences between expected and actual experience	37,229	(22,659)	(24,908)
Changes of assumptions	58,156		
Benefit payments, including refunds of member contributions	<u>(27,319)</u>	<u>(27,050)</u>	<u>(25,920)</u>
Net change in total pension liability	111,735	(4,148)	(4,705)
Total pension liability - beginning	<u>519,540</u>	<u>523,688</u>	<u>528,393</u>
Total pension liability - ending	<u>631,275</u>	<u>519,540</u>	<u>523,688</u>
Plan fiduciary net position:			
Contributions - employer		10,000	28,419
Net investment income (loss)	(2,599)	27,187	112,461
Benefit payments, including refunds of member contributions	(27,319)	(27,050)	(25,920)
Administrative expense	<u>(1,500)</u>	<u>(750)</u>	<u>(1,250)</u>
Net change in plan fiduciary net position	(31,418)	9,387	113,710
Plan fiduciary net position - beginning	<u>688,139</u>	<u>678,752</u>	<u>565,042</u>
Plan fiduciary net position - ending	<u>656,721</u>	<u>688,139</u>	<u>678,752</u>
Town's Net Pension Asset - Ending	<u>\$ (25,446)</u>	<u>\$ (168,599)</u>	<u>\$ (155,064)</u>
Plan fiduciary net position as a percentage of the total pension liability	104.03%	132.45%	129.61%
Covered-employee payroll *	N/A	N/A	N/A
Town's net pension liability as a percentage of covered-employee payroll **	N/A	N/A	N/A

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available

** Pay for volunteer ambulance is not available

Notes to Schedule

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from a decrease in the discount rate from 5.50% to 7.00%, and adjustments to assumed life expectancies as a result of adopting the SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling for the purpose of developing mortality rates.

**TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 1,414,908	\$ 1,421,628	\$ 1,461,942	\$ 1,461,942	\$ 1,203,931	\$ 1,203,931	\$ 1,023,081	\$ 1,023,081	\$ 1,183,469	1,183,469
Contributions in relation to the actuarially determined contribution	<u>1,340,000</u>	<u>1,462,942</u>	<u>1,462,942</u>	<u>1,450,207</u>	<u>1,203,931</u>	<u>1,023,081</u>	<u>1,023,081</u>	<u>1,183,470</u>	<u>1,183,469</u>	<u>1,009,124</u>
Contribution Deficiency (Excess)	\$ <u>74,908</u>	\$ <u>(41,314)</u>	\$ <u>(1,000)</u>	\$ <u>11,735</u>	\$ <u>-</u>	\$ <u>180,850</u>	\$ <u>-</u>	\$ <u>(160,389)</u>	\$ <u>-</u>	<u>174,345</u>
Covered-employee payroll	\$ 8,438,036	\$ 9,669,472	\$ 9,418,330	\$ 9,418,330	\$ 9,046,134	\$ 9,046,134	\$ 8,474,681	\$ 8,474,681	\$ 8,031,693	8,031,693
Contributions as a percentage of covered-employee payroll	15.88%	15.13%	15.53%	15.40%	13.31%	11.31%	12.07%	13.96%	14.73%	12.56%

Notes to Schedule

Valuation date: September 1, 2014
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed, with amortization bases created in accordance with the funding policy
Remaining amortization period	28 years
Asset valuation method	5-year asset average, subject to a 20% corridor around the market value of assets
Inflation	2.25%
Salary increases	3.00%
Investment rate of return	7.%, net of pension plan investment expenses
Retirement age	Graduated rates ages 62-70
Mortality	SOA RP-2014 Total Dataset Mortality with MP-2016 scaling

**TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 499,336	\$ 484,928	\$ 571,380	\$ 571,380	\$ 769,584	\$ 704,704	\$ 704,704	\$ 686,764	\$ 686,764	\$ 686,764
Contributions in relation to the actuarially determined contribution	<u>559,822</u>	<u>523,044</u>	<u>571,380</u>	<u>769,584</u>	<u>769,584</u>	<u>704,704</u>	<u>704,704</u>	<u>686,764</u>	<u>686,764</u>	<u>485,918</u>
Contribution Deficiency (Excess)	<u>\$ (60,486)</u>	<u>\$ (38,116)</u>	<u>\$ -</u>	<u>\$ (198,204)</u>	<u>\$ -</u>	<u>\$ 200,846</u>				
Covered-employee payroll	\$ 3,249,728	\$ 2,446,151	\$ 2,028,338	\$ 2,415,638	\$ 2,479,447	\$ 2,479,447	\$ 2,441,653	\$ 2,441,653	\$ 1,702,761	\$ 1,702,761
Contributions as a percentage of covered-employee payroll	17.23%	21.38%	28.17%	31.86%	31.04%	28.42%	28.86%	28.13%	40.33%	28.54%

Notes to Schedule

Valuation date: September 1, 2014
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed, with amortization bases created in accordance with the funding policy
Remaining amortization period	28 years
Asset valuation method	Five-year asset average, subject to a 20% corridor around the market value of assets
Inflation	2.25%
Salary increases	4.50%
Investment rate of return	7.00%
Retirement age	Normal Retirement Age
Mortality	SOA RP-2014 Total Dataset Mortality with MP-2016 scaling

**TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 49,697	\$ 49,697	\$ 76,430	\$ 76,430	\$ 69,719	\$ 69,719	\$ 41,594	\$ 41,594	\$ 54,958	\$ 54,958
Contributions in relation to the actuarially determined contribution	<u>81,500</u>	<u>76,500</u>	<u>76,500</u>	<u>72,325</u>	<u>69,719</u>	<u>50,000</u>	<u>50,000</u>	<u>55,000</u>	<u>94,557</u>	<u>54,557</u>
Contribution Deficiency (Excess)	<u>\$ (31,803)</u>	<u>\$ (26,803)</u>	<u>\$ (70)</u>	<u>\$ 4,105</u>	<u>\$ -</u>	<u>\$ 19,719</u>	<u>\$ (8,406)</u>	<u>\$ (13,406)</u>	<u>\$ (39,599)</u>	<u>\$ 401</u>
Covered-employee payroll*	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Pay for volunteer firefighters is not available

Notes to Schedule

Valuation date: July 1, 2014
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, closed, with amortization bases created in accordance with funding policy
Remaining amortization period	30 years, open
Asset valuation method	Five-year smoothed, subject to a 20% corridor around the market value of assets
Inflation	2.25%
Salary increases	N/A
Investment rate of return	7.00%
Retirement age	Normal Retirement Age
Mortality	SOA RP-2014 Total Dataset Mortality with MP-2016 Scaling

TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS
AMBULANCE
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ -	\$ -	\$ 6,286	\$ 14,998	\$ 12,288	\$ 27,339	\$ 35,635	\$ 22,164	\$ 30,475	\$ 35,250
Contributions in relation to the actuarially determined contribution	-	10,000	28,419	30,628	32,339	35,635	35,635	23,605	30,475	35,250
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ (22,133)</u>	<u>\$ (15,630)</u>	<u>\$ (20,051)</u>	<u>\$ (8,296)</u>	<u>\$ -</u>	<u>\$ (1,441)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll *	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Pay for volunteer ambulance is not available

Notes to Schedule

Valuation date: July 1, 2015

Measurement date: June 30, 2016

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, closed, with amortization bases created in accordance with funding policy
Remaining amortization period	30 years, open
Asset valuation method	Five-year smoothed, subject to a 20% corridor around the market value of assets
Inflation	2.25%
Investment rate of return	7.0% per annum
Retirement age	Normal retirement age
Mortality	SOA RP-2014 Total Dataset Mortality with MP-2016 scaling

**TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense:			
General Employees	0.68%	3.20%	19.11%
Police Officers	0.17%	3.21%	19.49%
Firefighters	0.13%	4.07%	20.81%
Ambulance	-0.15%	3.97%	19.74%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available

**TOWN OF ROCKY HILL, CONNECTICUT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 TEACHERS RETIREMENT PLAN
 LAST TWO FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>51,725,859</u>	<u>47,810,191</u>
Total	<u>\$ 51,725,859</u>	<u>\$ 47,810,191</u>
Town's covered-employee payroll	\$ 19,584,545	\$ 18,725,185
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.50%	61.51%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

The account for resources traditionally associated with governments that are not required to be accounted for in another fund.

**TOWN OF ROCKY HILL, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 32,073,752	\$ 34,690,657
Property taxes receivable, net of allowance for doubtful accounts of \$25,000 in 2016 and 2015	646,327	605,983
Accounts receivable	704,795	198,201
Interest receivable	168,425	163,537
Due from other funds	<u>1,197,928</u>	<u>528,638</u>
Total Assets	<u>\$ 34,791,227</u>	<u>\$ 36,187,016</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures	\$ 1,479,254	\$ 1,542,004
Due to other funds	18,652,267	20,803,834
Unearned revenue	<u>338,720</u>	<u>91,729</u>
Total liabilities	<u>20,470,241</u>	<u>22,437,567</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	678,779	672,123
Advance property tax collections	<u>7,639,619</u>	<u>6,788,455</u>
Total deferred inflows of resources	<u>8,318,398</u>	<u>7,460,578</u>
Fund Balances:		
Assigned for:		
Subsequent year's budget	1,114,769	621,705
Encumbrances	618,336	463,132
Unassigned	<u>4,269,483</u>	<u>5,204,034</u>
Total fund balances	<u>6,002,588</u>	<u>6,288,871</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,791,227</u>	<u>\$ 36,187,016</u>

**TOWN OF ROCKY HILL, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2016**

Grand List as of October 1,	Uncollected Taxes July 1, 2015	Lawful Corrections		Transfers to Suspense	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2016	
		Additions	Deductions			Taxes	Interest	Lien Fees	Suspense Taxes		Total
2014	\$ 60,372,178 *	\$ 117,583	\$ 429,753		\$ 60,060,008	\$ 59,652,805	\$ 99,062	\$ 1,023		\$ 59,752,890	\$ 407,203
2013	342,295	59,410	34,542		367,163	200,326	52,161	13,767		266,254	166,837
2012	194,355	45,193	21,273	82,535	135,740	91,891	27,598	2,621	470	122,580	43,849
2011	49,184	63,890	47,781		65,293	34,870	18,584	318	8,797	62,569	30,423
2010	23,297	510	4,097		19,710	14,408	12,382	216	8,584	35,590	5,302
2009	7,138	426	4,170		3,394	(754)	3,228	144	6,040	8,658	4,148
2008	2,540	567			3,107	983	87	24	1,444	2,538	2,124
2007	2,447	628			3,075				3,004	3,004	3,075
2006	1,588				1,588		65	24	2,578	2,667	1,588
2005	1,254				1,254	109	191	24	802	1,126	1,145
2004	1,432				1,432	100	194	24	1,207	1,525	1,332
2003	1,155				1,155	100	212	24	300	636	1,055
2002	1,125				1,125	11	25	24	245	305	1,114
2001	1,125				1,125	11	27	24	1,400	1,462	1,114
2000	1,029				1,029	11	26	24	1,596	1,657	1,018
	<u>\$ 61,002,142</u>	<u>\$ 288,207</u>	<u>\$ 541,616</u>	<u>\$ 82,535</u>	<u>\$ 60,666,198</u>	<u>\$ 59,994,871</u>	<u>\$ 213,842</u>	<u>\$ 18,281</u>	<u>\$ 36,467</u>	60,263,461	<u>\$ 671,327</u>

Property taxes receivable considered available:

June 30, 2015

(97,397)

June 30, 2016

135,973

Total Property Tax Revenue

\$ 60,302,037

* Includes motor vehicle supplement in the amount of \$631,984

**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
School Cafeteria	Sale of food and grants	School lunch programs
CDBG Small Cities	Federal grant	Income eligible individuals for housing activities
Federal and State School Programs	Federal and state grants	State and federal education prepayment grant
Industrial Park Development	Fees	Development of phase I and II industrial park
Recreation Program	User fee	Recreational activities
Insurance Loss	Claim reimbursements	Insurance property losses
Library Operating	Grants and donations	Library activities
Dog	Fees	Receipts and non-salary disbursements
Asset Forfeiture	Police operations	Drug related activities
Narcotics Enforcement	Grants	Drug enforcement programs (DEP) A20
Human Services	Donations	Volunteer care teams and services for chronically ill and at-risk residents
Miscellaneous Grants	State and federal grants	To account for miscellaneous state and federal grants
Youth Services	Fees and donations	Various youth activities administered through the Youth Services Department
Parks Grants	State grants	State DEP grants for the Parks Amphitheater, Ferry Landing and Skateboard Park projects
Economic Development Grants	State grants	Silas Deane Revitalization project
Police Private Duty	Police Operations	Highway Construction Safety
Town Clerk	Town clerk fees	Town clerk activities

Debt Service Fund

The debt service fund is used to account for bond premiums for the payment of future debt service interest payments.

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.

- Abigail Williams - To account for funds donated from Abigail Williams
- Adelaide Wright - To account for funds donated from Adelaide Wright
- Ruth Wilcox - To account for funds donated from Ruth Wilcox
- Center Cemetery - To account for funds for the maintenance of the Center Cemetery
- Land Preservation Trust - To account for funding capital improvements and nonrecurring expenses on land acquisition

**TOWN OF ROCKY HILL, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	<u>Special Revenue</u>								
	<u>School Cafeteria</u>	<u>CDBG Small Cities</u>	<u>Federal and State School Programs</u>	<u>Industrial Park Development</u>	<u>Recreation Program</u>	<u>Insurance Loss</u>	<u>Library Operating</u>	<u>Dog</u>	<u>Asset Forfeiture</u>
ASSETS									
Cash and cash equivalents	\$ 84,055	\$ 139,076	\$ 548,986	\$ 60,803	\$ 481,100	\$	\$	\$	\$
Accounts receivable		2,120							
Due from other governments	53,582		11,686						
Due from other funds	105,465					437,914	19,502	41,681	25,746
Inventory	5,961								
Total Assets	\$ 249,063	\$ 141,196	\$ 560,672	\$ 60,803	\$ 481,100	\$ 437,914	\$ 19,502	\$ 41,681	\$ 25,746
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued payroll	\$ 52,321	\$ 1,898	\$ 130,270	\$	\$ 6,566	\$	\$	\$ 652	\$
Due to other governments			495						
Due to other funds		803		32,141	354,470				
Unearned revenue			429,907		154,575				
Total liabilities	52,321	2,701	560,672	32,141	515,611	-	-	652	-
Fund balances:									
Nonspendable	5,961								
Restricted		138,495							
Committed	190,781			28,662		437,914	19,502	41,029	25,746
Unassigned					(34,511)				
Total fund balances	196,742	138,495	-	28,662	(34,511)	437,914	19,502	41,029	25,746
Total Liabilities and Fund Balances	\$ 249,063	\$ 141,196	\$ 560,672	\$ 60,803	\$ 481,100	\$ 437,914	\$ 19,502	\$ 41,681	\$ 25,746

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**TOWN OF ROCKY HILL, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2016**

	Special Revenue								Total
	Narcotics Enforcement	Human Services	Miscellaneous Grants	Youth Services	Parks Grants	Economic Development Grants	Town Clerk	Police Private Duty	
ASSETS									
Cash and cash equivalents	\$ 992	\$	\$	\$	\$	\$	\$	\$	\$ 1,315,012
Accounts receivable			103,255		687,379				792,754
Due from other governments						47,303			112,571
Due from other funds		97,665		92,678			15,132	51,124	886,907
Inventory									5,961
Total Assets	\$ 992	\$ 97,665	\$ 103,255	\$ 92,678	\$ 687,379	\$ 47,303	\$ 15,132	\$ 51,124	\$ 3,113,205
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued payroll	\$	\$ 1,784	\$	\$	\$ 318,555	\$ 5,642	\$	\$	\$ 517,688
Due to other governments									495
Due to other funds	992		88,384		362,813	41,661			881,264
Unearned revenue									584,482
Total liabilities	992	1,784	88,384	-	681,368	47,303	-	-	1,983,929
Fund balances:									
Nonspendable									5,961
Restricted			14,871		6,011				159,377
Committed		95,881		92,678			15,132	51,124	998,449
Unassigned									(34,511)
Total fund balances	-	95,881	14,871	92,678	6,011	-	15,132	51,124	1,129,276
Total Liabilities and Fund Balances	\$ 992	\$ 97,665	\$ 103,255	\$ 92,678	\$ 687,379	\$ 47,303	\$ 15,132	\$ 51,124	\$ 3,113,205

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**TOWN OF ROCKY HILL, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2016**

	<u>Debt Service</u>		<u>Permanent</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Debt Service</u>	<u>Abigail Williams</u>	<u>Adelaide Wright</u>	<u>Ruth Wilcox</u>	<u>Center Cemetery</u>	<u>Land Preservation Trust</u>	<u>Total</u>	
ASSETS								
Cash and cash equivalents	\$	\$	\$	\$ 154,990	\$	\$ 26,765	\$ 181,755	\$ 1,496,767
Accounts receivable							-	792,754
Due from other governments							-	112,571
Due from other funds	156,773	18,369	5,306		31,711		55,386	1,099,066
Inventory							-	5,961
Total Assets	\$ 156,773	\$ 18,369	\$ 5,306	\$ 154,990	\$ 31,711	\$ 26,765	\$ 237,141	\$ 3,507,119
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued payroll	\$	\$	\$	\$	\$	\$	\$ -	\$ 517,688
Due to other governments							-	495
Due to other funds				104,558		1	104,559	985,823
Unearned revenue							-	584,482
Total liabilities	-	-	-	104,558	-	1	104,559	2,088,488
Fund balances:								
Nonspendable		18,369	5,306			26,764	50,439	56,400
Restricted							-	159,377
Committed	156,773			50,432	31,711		82,143	1,237,365
Unassigned							-	(34,511)
Total fund balances	156,773	18,369	5,306	50,432	31,711	26,764	132,582	1,418,631
Total Liabilities and Fund Balances	\$ 156,773	\$ 18,369	\$ 5,306	\$ 154,990	\$ 31,711	\$ 26,765	\$ 237,141	\$ 3,507,119

**TOWN OF ROCKY HILL, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>								
	<u>School Cafeteria</u>	<u>CDBG Small Cities</u>	<u>Federal and State School Programs</u>	<u>Industrial Park Development</u>	<u>Recreation Program</u>	<u>Insurance Loss</u>	<u>Library Operating</u>	<u>Dog</u>	<u>Asset Forfeiture</u>
Revenues:									
Intergovernmental revenues	\$ 372,201		\$ 1,631,945				\$ 8,737		\$ 5,682
Charges for services	535,725				690,546		17,090	8,169	
Investment income		308		5					
Miscellaneous					1,311	106,629			
Total revenues	<u>907,926</u>	<u>308</u>	<u>1,631,945</u>	<u>5</u>	<u>691,857</u>	<u>106,629</u>	<u>25,827</u>	<u>8,169</u>	<u>5,682</u>
Expenditures:									
Current:									
General government									
Public safety								11,808	7,876
Health and human services									
Parks, recreation and facilities					633,889				
Library services							23,650		
Education	888,163		1,631,945						
Debt service									
Capital outlay									
Miscellaneous		13,961				112,039			
Total expenditures	<u>888,163</u>	<u>13,961</u>	<u>1,631,945</u>	<u>-</u>	<u>633,889</u>	<u>112,039</u>	<u>23,650</u>	<u>11,808</u>	<u>7,876</u>
Excess (Deficiency) of Revenues over Expenditures	<u>19,763</u>	<u>(13,653)</u>	<u>-</u>	<u>5</u>	<u>57,968</u>	<u>(5,410)</u>	<u>2,177</u>	<u>(3,639)</u>	<u>(2,194)</u>
Net Change in Fund Balances	19,763	(13,653)	-	5	57,968	(5,410)	2,177	(3,639)	(2,194)
Fund Balances at Beginning of Year	<u>176,979</u>	<u>152,148</u>	<u>-</u>	<u>28,657</u>	<u>(92,479)</u>	<u>443,324</u>	<u>17,325</u>	<u>44,668</u>	<u>27,940</u>
Fund Balances at End of Year	<u>\$ 196,742</u>	<u>\$ 138,495</u>	<u>\$ -</u>	<u>\$ 28,662</u>	<u>\$ (34,511)</u>	<u>\$ 437,914</u>	<u>\$ 19,502</u>	<u>\$ 41,029</u>	<u>\$ 25,746</u>

(Continued on next page)

**TOWN OF ROCKY HILL, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue								Total
	Narcotics Enforcement	Human Services	Miscellaneous Grants	Youth Services	Parks Grants	Economic Development Grants	Town Clerk	Police Private Duty	
Revenues:									
Intergovernmental revenues	\$	\$	\$ 112,200	\$ 4,654	\$ 1,062,578	\$ 15,602	\$ 3,000	\$	\$ 3,216,599
Charges for services				31,112			4,375	485,323	1,772,340
Investment income									313
Miscellaneous		33,883	18,127				11,381		171,331
Total revenues	-	33,883	130,327	35,766	1,062,578	15,602	18,756	485,323	5,160,583
Expenditures:									
Current:									
General government							35,753		35,753
Public safety	992		54,142					434,199	509,017
Health and human services		10,908		34,095					45,003
Parks, recreation and facilities					457,594				1,091,483
Library services									23,650
Education			66,204						2,586,312
Debt service									-
Capital outlay					604,984				604,984
Miscellaneous						15,602			141,602
Total expenditures	992	10,908	120,346	34,095	1,062,578	15,602	35,753	434,199	5,037,804
Excess (Deficiency) of Revenues over Expenditures	(992)	22,975	9,981	1,671	-	-	(16,997)	51,124	122,779
Net Change in Fund Balances	(992)	22,975	9,981	1,671	-	-	(16,997)	51,124	122,779
Fund Balances at Beginning of Year	992	72,906	4,890	91,007	6,011	-	32,129	-	1,006,497
Fund Balances at End of Year	\$ -	\$ 95,881	\$ 14,871	\$ 92,678	\$ 6,011	\$ -	\$ 15,132	\$ 51,124	\$ 1,129,276

(Continued on next page)

**TOWN OF ROCKY HILL, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Debt Service</u>	<u>Permanent</u>					<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Debt Service</u>	<u>Abigail Williams</u>	<u>Adelaide Wright</u>	<u>Ruth Wilcox</u>	<u>Center Cemetery</u>	<u>Land Preservation Trust</u>		
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$	\$	\$	\$	\$ 3,216,599
Charges for services								1,772,340
Investment income				16		12	28	341
Miscellaneous					6,502		6,502	177,833
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>6,502</u>	<u>12</u>	<u>6,530</u>	<u>5,167,113</u>
Expenditures:								
Current:								
General government								- 35,753
Public safety								- 509,017
Health and human services								- 45,003
Parks, recreation and facilities								- 1,091,483
Library services								- 23,650
Education								- 2,586,312
Debt service	1,039,068							- 1,039,068
Capital outlay								- 604,984
Miscellaneous					7,711		7,711	149,313
Total expenditures	<u>1,039,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,711</u>	<u>-</u>	<u>7,711</u>	<u>6,084,583</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,039,068)</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>(1,209)</u>	<u>12</u>	<u>(1,181)</u>	<u>(917,470)</u>
Net Change in Fund Balances	(1,039,068)	-	-	16	(1,209)	12	(1,181)	(917,470)
Fund Balances at Beginning of Year	<u>1,195,841</u>	<u>18,369</u>	<u>5,306</u>	<u>50,416</u>	<u>32,920</u>	<u>26,752</u>	<u>133,763</u>	<u>2,336,101</u>
Fund Balances at End of Year	<u>\$ 156,773</u>	<u>\$ 18,369</u>	<u>\$ 5,306</u>	<u>\$ 50,432</u>	<u>\$ 31,711</u>	<u>\$ 26,764</u>	<u>\$ 132,582</u>	<u>\$ 1,418,631</u>

**Capital
Projects Fund**

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

TOWN OF ROCKY HILL, CONNECTICUT
 CAPITAL PROJECTS FUND
 SCHEDULE OF EXPENDITURES - ACTUAL VS. APPROPRIATIONS
 FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Department	Project Name	Amended Budget	Expended Current Year	Total All Years	Open Purchase Orders	Total Expended	Project Balance
Capital and Nonrecurring - Fund 40:								
1999	Engineering	Sidewalks	\$ 544,725	\$ 54,528	\$ 382,947	\$ -	\$ 382,947	\$ 161,778
1999	Human Services	Elderly / Disable Bus	118,973	-	58,018	-	58,018	60,955
2000	Highway	Road Improvements	863,578	237	861,916	-	861,916	1,662
2004	Fire	Fire Department Training Center	124,991	4,614	97,178	-	97,178	27,813
2005	Town Council	Real Property Acquisition by the Town	116,613	-	116,613	-	116,613	-
2007	Facilities	Schools - Portable Classrooms	390,328	-	335,173	-	335,173	55,155
2007	Finance	Consultants - School Projects and GASB 43 & 45	137,082	-	137,082	-	137,082	-
2009	BOE	Repairs and Improvements to Schools	906,470	6,420	871,058	-	871,058	35,412
2010	Facilities	Repairs and Improvements to Cora Belden Library	84,741	26,153	84,741	-	84,741	-
2010	Engineering	Road Improvement Project - Old Main Street Goff Brook Bridge	332,322	-	332,322	-	332,322	-
2010	Facilities	Schools Communication Systems	75,552	-	75,552	-	75,552	-
2011	Facilities	Repairs and Improvements to Town Buildings	147,748	9,835	147,748	-	147,748	-
2012	Assessor	Revaluation - October 2018 Grand List	55,791	-	23,574	-	23,574	32,217
2012	Town Council	Foundry	719,963	-	670,135	-	670,135	49,828
2013	Town Council	Facade Improvement Program	16,143	-	16,143	-	16,143	-
2013	Public Safety	Online Electric Permitting	46,019	2,250	29,000	-	29,000	17,019
2013	Parks	Grounds Improvements - McVicar Field	200,000	79,560	79,560	-	79,560	120,440
2013	Town Council	Streetscape Project - Silas Deane	170,000	-	-	-	-	170,000
2014	BOE	School Improvements - Griswold, West Hill Stevens Air Conditioners	161,926	-	161,926	-	161,926	-
2014	BOE	School Improvements - West Hill Fire Sprinklers	1,011,615	-	1,011,615	-	1,011,615	-
2014	BOE	School Improvements - Security Upgrades	301,650	80,486	301,650	-	301,650	-
2014	Fire	Fire Department Expenditures	26,677	-	26,677	-	26,677	-
2014	BOE	Repairs and Improvements to Schools	168,358	66,920	163,014	-	163,014	5,344
2014	Police	Police Microwave Transmitter Communication System	370,000	-	370,000	-	370,000	-
2014	Planner	Updating Plan of Conservation	75,000	21,000	68,000	-	68,000	7,000
2014	Police	Police Department - Electronic Speed Signs	13,798	-	13,798	-	13,798	-
2015	Facilities	Building Improvements to Academy Hall	29,632	29,632	29,632	-	29,632	-
2015	Facilities	LOCIP From Town Clerk Fees	100,146	4,794	82,364	-	82,364	17,782
2015	Facilities	Building Improvements - Telephone System - VOIP	43,000	41,732	41,732	-	41,732	1,268
2015	Fire	Fire Department - Airpacks	162,000	162,000	162,000	-	162,000	-
2015	Parks	Parks Department - Elm Ridge Pool Upgrade	250,000	8,693	8,693	-	8,693	241,307
2015	Facilities	Building Improvements - Kennedy House Improvements	7,500	7,500	7,500	-	7,500	-
2015	Facilities	Building Improvements - Library Carpet Replacement	65,000	65,000	65,000	-	65,000	-
2015	Parks	Parks Department - Special Recreation Funds	300,000	-	5,000	-	5,000	295,000
2015	BOE	School Improvements - Stevens School Sprinklers	531,114	508,913	508,913	-	508,913	22,201
2015	BOE	School Improvements -West Hill Restroom Upgrades	159,288	159,288	159,288	-	159,288	-
2015	BOE	School Improvements - Griswold Boilers Replacement	57,834	2,000	2,000	-	2,000	55,834
2016	Police	Police Department - Dispatch Equipment	60,000	25,275	25,275	34,046	59,321	679
2016	Police	Police Department - Impound Lot	55,000	36,089	36,089	18,815	54,904	96
2016	BOE	School Improvements - RHHS Track Replacement	81,000	81,000	81,000	-	81,000	-
2016	Engineering	Engineering Department - MS4 Storm Water Study	10,000	-	-	-	-	10,000
2016	Police	Police Department - Parking Lot	87,000	-	-	-	-	87,000
2016	Parks	Parks Department - Field Use Improvements	35,350	-	-	-	-	35,350
2016	BOE	School Improvements - Capital Improvement Projects - 2016	128,122	-	-	-	-	128,122
2016	BOE	School Improvements - Surplus for Improvements	55,779	-	-	-	-	55,779
Total Capital and Nonrecurring - Fund 40			9,397,828	1,585,259	7,649,926	52,861	7,702,787	1,695,041
Fire Apparatus - Fund 43								
2016	Fire	Fire Apparatus	3,843,000	385,490	385,490	-	385,490	3,457,510
Road Improvements Fund - Fund 45:								
2014	Highway	Road Improvements	10,000,000	1,874,849	5,031,945	-	5,031,945	4,968,055
Land Acquisition Fund - Fund 51:								
2014	Town Council	Land Acquisition Open Space	10,000,000	4,900	2,065,806	-	2,065,806	7,934,194
Rocky Hill High School Renovation - Fund 56:								
2013	Facilities	Renovation as New - Rocky Hill High School	50,000,000	15,923,588	31,517,291	44,962	31,562,253	18,437,747
Police Referendum Fund - Fund 57								
2016	Police	Police Referendum	2,338,988	805,732	805,732	3,500	809,232	1,529,756
Total Capital Projects Fund			\$ 85,579,816	\$ 20,579,818	\$ 47,456,190	\$ 101,323	\$ 47,557,513	\$ 38,022,303

Fiduciary Funds

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent.

TRUST FUNDS

Healthcare Trust Funds Plan - To account for the receipts and disbursements for other post-employment benefits for Town and Board of Education employees.

Pension Trust Funds - To account for the receipts and disbursements for the general employees', police, firefighters', and volunteer ambulance pension plans.

AGENCY FUNDS

Surety Bonds - To account for cash bonds posted by contractors, developers and others.

School Activity Funds - To account for revenues and expenditures relating to the various student functions and activities.

TOWN OF ROCKY HILL, CONNECTICUT
COMBINING STATEMENT OF NET POSITION - TRUST FUNDS
JUNE 30, 2016

	<u>Trust Funds</u>		
	<u>Healthcare Trust Funds</u>	<u>Pension Trust Funds</u>	<u>Total</u>
Assets:			
Investments:			
Cash and cash equivalents	\$	\$ 1,608,932	\$ 1,608,932
Mutual funds	1,085,020	56,809,127	57,894,147
Total assets	<u>1,085,020</u>	<u>58,418,059</u>	<u>59,503,079</u>
Assets:			
Due to other funds	<u>-</u>	<u>11,500</u>	<u>11,500</u>
Net Position:			
Held in Trust for Pension and Other Benefits	\$ <u>1,085,020</u>	\$ <u>58,406,559</u>	\$ <u>59,491,579</u>

**TOWN OF ROCKY HILL, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN NET POSITION - TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Trust Funds		
	Healthcare Trust Funds	Pension Trust Funds	Total
Additions:			
Contributions:			
Employer	\$ 752,980	\$ 1,981,322	\$ 2,734,302
Plan members		518,406	518,406
Total contributions	<u>752,980</u>	<u>2,499,728</u>	<u>3,252,708</u>
Investment income (loss):			
Net depreciation in fair value of investments	(88,546)	(1,309,101)	(1,397,647)
Interest and dividends	96,356	1,579,342	1,675,698
Total investment income	<u>7,810</u>	<u>270,241</u>	<u>278,051</u>
Less investment expense	9,586	9,566	19,152
Net investment income (loss)	<u>(1,776)</u>	<u>260,675</u>	<u>258,899</u>
Total additions	<u>751,204</u>	<u>2,760,403</u>	<u>3,511,607</u>
Deductions:			
Benefits	552,980	3,227,055	3,780,035
Other expenses		91,507	91,507
Refunds		15,184	15,184
Total deductions	<u>552,980</u>	<u>3,333,746</u>	<u>3,886,726</u>
Change in Net Position	198,224	(573,343)	(375,119)
Net Position at Beginning of Year	<u>886,796</u>	<u>58,979,902</u>	<u>59,866,698</u>
Net Position at End of Year	<u>\$ 1,085,020</u>	<u>\$ 58,406,559</u>	<u>\$ 59,491,579</u>

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

TOWN OF ROCKY HILL, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2016	2015	2014 (2)	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 43,831	\$ 20,007	\$ 34,661	\$ 32,976	\$ 32,807	\$ 32,265	\$ 31,870	\$ 29,246	\$ 28,540	\$ 27,904
Restricted	50	50	50	50	50	51	132	141	147	147
Unrestricted	<u>(7,213)</u>	<u>12,776</u>	<u>(4,934)</u>	<u>(941)</u>	<u>(461)</u>	<u>(628)</u>	<u>(397)</u>	<u>1,397</u>	<u>1,916</u>	<u>2,838</u>
Total Governmental Activities Net Position	<u>\$ 36,668</u>	<u>\$ 32,833</u>	<u>\$ 29,777</u>	<u>\$ 32,085</u>	<u>\$ 32,396</u>	<u>\$ 31,688</u>	<u>\$ 31,605</u>	<u>\$ 31,323</u>	<u>\$ 33,959</u>	<u>\$ 28,259</u>

Note:

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

(2) The fiscal year 2014 governmental activities net position was restated as a result of implementing GASB No. 68

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

	FISCAL YEAR									
	2015	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General government	\$ 11,196	\$ 10,521	\$ 12,123	\$ 12,339	\$ 11,296	\$ 10,208	\$ 10,548	\$ 8,941	\$ 8,704	\$ 8,170
Public safety	7,774	6,271	6,959	6,673	6,269	6,541	6,540	6,719	6,570	6,445
Public works	6,952	8,114	7,969	6,517	6,214	6,079	5,657	6,647	6,393	5,513
Health and human services	606	599	686	684	658	686	603	632	599	565
Parks, recreation and facilities	4,949	4,970	6,962	6,576	6,091	6,340	6,123	6,105	6,656	6,094
Library services	1,174	971	1,049	973	912	917	900	933	943	892
Education	45,034	42,885	38,741	37,299	35,706	33,983	33,005	30,795	38,311	28,596
Interest on long-term debt	922	778	472	478	586	636	726	860	932	1,005
Total governmental activities expenses	78,607	75,109	74,961	71,539	67,732	65,390	64,102	61,632	69,108	57,280
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	712	911	872	934	1,433	600	567	763	833	749
Parks, recreation and facilities	692	561	751	688	658	708	764	772	707	669
Education	536	502	482	481	544	541	585	546	562	543
Other	896	1,325	1,023	890	503	615	465	590	1,061	855
Operating grants and contributions	11,448	9,720	10,613	9,416	9,277	7,973	8,502	7,404	15,762	6,243
Capital grants and contributions	4,988	2,842	40	11	78	185	1,477	67	537	56
Total governmental activities program revenues	19,272	15,861	13,781	12,420	12,493	10,622	12,360	10,142	19,462	9,115
Net Expense:										
Governmental activities	(59,335)	(59,248)	(61,180)	(59,119)	(55,239)	(54,768)	(51,742)	(51,490)	(49,646)	(48,165)
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	60,309	59,583	57,992	56,303	53,080	52,636	50,427	49,055	46,698	44,606
Grants and contributions not restricted to specific purposes	1,971	2,037	1,958	1,806	2,203	1,576	1,523	1,821	1,627	1,796
Unrestricted investment earnings	114	81	39	15	15	27	47	159	536	771
Other general revenues	776	604	643	684	650	612	566	636	499	558
Total governmental activities general revenues and other changes in net position	63,170	62,305	60,632	58,808	55,948	54,851	52,563	51,671	49,360	47,731
Changes in Net Position:										
Governmental Activities	\$ 3,835	\$ 3,057	\$ (548)	\$ (311)	\$ 709	\$ 83	\$ 821	\$ 181	\$ (286)	\$ (434)

Note:

Schedule prepared on the accrual basis of accounting.

TOWN OF ROCKY HILL, CONNECTICUT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$ 210	\$ 250	\$ 201	\$ 313
Unreserved							3,808	3,962	3,995	4,480
Nonspendable										
Restricted										
Committed										
Assigned	1,733	1,085	1,552	1,199	246	755				
Unassigned	<u>4,270</u>	<u>5,204</u>	<u>4,587</u>	<u>4,672</u>	<u>4,055</u>	<u>3,494</u>				
Total General Fund	<u>\$ 6,003</u>	<u>\$ 6,289</u>	<u>\$ 6,139</u>	<u>\$ 5,871</u>	<u>\$ 4,301</u>	<u>\$ 4,249</u>	<u>\$ 4,018</u>	<u>\$ 4,212</u>	<u>\$ 4,196</u>	<u>\$ 4,793</u>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$	\$	\$ 5	\$ 8	\$ 7	\$ 6
Unreserved, reported in:										
Special revenue funds							998	890	890	920
Capital projects funds							1,163	1,876	1,699	1,788
Permanent funds							132	141	147	147
Nonspendable	56	59	58	57	57	57				
Restricted	159	164	152	128	132	106				
Committed	3,147	6,475	3,922	3,281	1,279	1,149				
Assigned					1,975	1,430				
Unassigned	<u>(14,099)</u>	<u>(1,107)</u>	<u>(2,809)</u>	<u>(630)</u>						
Total All Other Governmental Funds	<u>\$ (10,737)</u>	<u>\$ 5,591</u>	<u>\$ 1,323</u>	<u>\$ 2,836</u>	<u>\$ 3,443</u>	<u>\$ 2,742</u>	<u>\$ 2,298</u>	<u>\$ 2,915</u>	<u>\$ 2,743</u>	<u>\$ 2,861</u>

Notes:

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

(2) The Town began to report new fund categories when it implemented GASB Statement No. 54 in fiscal year 2011.

TOWN OF ROCKY HILL, CONNECTICUT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Taxes and assessments	\$ 60,302	\$ 59,840	\$ 57,823	\$ 56,454	\$ 53,019	\$ 52,382	\$ 50,446	\$ 48,912	\$ 46,816	\$ 45,423
Intergovernmental	18,187	14,540	12,545	11,110	11,432	9,700	11,334	9,462	17,954	8,230
Charges for services	2,591	3,010	2,683	2,756	2,167	24,146	2,203	2,256	2,829	2,619
Income on investments	114	81	39	15	15	27	47	159	535	770
Miscellaneous	1,241	953	1,153	1,045	1,747	1,000	865	1,124	951	859
Total revenues	<u>82,435</u>	<u>78,424</u>	<u>74,243</u>	<u>71,380</u>	<u>68,380</u>	<u>87,255</u>	<u>64,895</u>	<u>61,913</u>	<u>69,085</u>	<u>57,901</u>
Expenditures:										
General government	2,454	2,387	2,388	2,400	2,464	2,270	2,313	2,066	1,943	1,924
Public safety	6,701	6,524	6,200	5,896	5,527	5,665	5,425	5,291	5,179	5,048
Public works	5,910	5,944	5,953	5,574	5,353	5,257	5,018	5,138	5,015	4,795
Health and human services	596	603	757	662	634	654	621	601	581	546
Parks, recreation and facilities	4,786	4,803	6,767	6,251	5,993	6,115	5,929	5,864	6,413	6,336
Library services	963	953	1,011	947	897	931	1,475	1,116	939	889
Education	43,984	41,074	37,844	35,802	35,068	33,401	32,863	30,871	38,357	27,707
Miscellaneous	7,172	7,455	8,172	7,955	7,660	6,667	6,440	6,731	6,545	5,797
Capital outlay	23,171	21,796	4,725	3,001	1,688	1,746	2,830	1,212	2,009	2,376
Debt service:										
Debt redemption - principal	2,265	1,555	1,555	1,555	1,765	1,735	1,985	1,995	2,015	1,795
Debt redemption - interest	1,410	407	116	680	620	627	910	872	942	1,012
Total expenditures	<u>99,412</u>	<u>93,501</u>	<u>75,488</u>	<u>70,723</u>	<u>67,669</u>	<u>65,068</u>	<u>65,809</u>	<u>61,757</u>	<u>69,938</u>	<u>58,225</u>
Excess of Revenue over (under) Expenditures	<u>(16,977)</u>	<u>(15,077)</u>	<u>(1,245)</u>	<u>657</u>	<u>711</u>	<u>22,187</u>	<u>(914)</u>	<u>156</u>	<u>(853)</u>	<u>(324)</u>
Other Financing Sources (Uses):										
Payment to refunded bond escrow				(7,676)			(7,316)			
Proceeds from capital leases	363			202	42	491		32	139	440
Proceeds from bond issues							7,420			
Proceeds from refunding bond issues				7,160						
Premium on sale of refunding bonds				620						
Transfers in	567	1,706	2,177	649	498	544	330	200	380	297
Transfers out	(567)	(1,706)	(2,177)	(649)	(498)	(544)	(330)	(200)	(380)	(297)
Total other financing sources	<u>363</u>	<u>-</u>	<u>-</u>	<u>306</u>	<u>42</u>	<u>491</u>	<u>104</u>	<u>32</u>	<u>139</u>	<u>440</u>
Net Change in Fund Balances	<u>\$ (16,614)</u>	<u>\$ (15,077)</u>	<u>\$ (1,245)</u>	<u>\$ 963</u>	<u>\$ 753</u>	<u>\$ 22,678</u>	<u>\$ (810)</u>	<u>\$ 188</u>	<u>\$ (714)</u>	<u>\$ 116</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>4.7%</u>	<u>2.6%</u>	<u>2.2%</u>	<u>3.2%</u>	<u>3.5%</u>	<u>3.7%</u>	<u>4.6%</u>	<u>4.7%</u>	<u>4.3%</u>	<u>5.0%</u>

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

**TOWN OF ROCKY HILL, CONNECTICUT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Real Property			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	Industrial							
2016	\$ 1,164,708,090	\$ 473,287,300	\$ 113,411,480	\$ 123,143,150	\$ 162,682,870	\$ 18,834,170	\$ 2,018,398,720	29.7	\$ 2,883,426,743	70%
2015(a)	1,158,076,430	458,778,710	111,735,820	117,595,150	159,711,790	17,395,540	1,988,502,360	29.7	2,840,717,657	70%
2014	1,322,398,835	450,838,960	131,081,650	118,465,065	157,276,509	18,133,665	2,161,927,354	26.6	3,088,467,649	70%
2013	1,316,944,405	448,547,310	132,822,760	116,887,995	161,670,930	20,538,675	2,156,334,725	25.9	3,080,478,179	70%
2012	1,312,431,885	461,887,329	130,400,970	119,688,923	151,233,698	19,774,679	2,155,868,126	24.5	3,079,811,609	70%
2011	1,305,769,606	513,034,291	133,000,560	120,705,074	146,961,011	19,268,062	2,200,202,480	23.8	3,143,146,400	70%
2010(a)	1,297,344,609	520,267,119	133,573,470	117,172,251	145,262,619	17,177,165	2,196,442,903	22.9	3,137,775,576	70%
2009	991,603,105	348,982,656	77,807,510	106,940,222	146,588,667	15,125,843	1,656,796,317	29.2	2,366,851,881	70%
2008	983,266,190	340,419,825	78,854,310	103,420,525	145,334,447	15,506,911	1,635,788,386	28.4	2,336,840,551	70%
2007	966,457,300	337,036,243	78,617,860	92,917,372	140,842,106	12,579,667	1,603,291,214	28.0	2,251,218,829	70%

Source: Town of Rocky Hill, Department of Finance, Office of Tax Assessor

(a) Revaluation year

**TOWN OF ROCKY HILL, CONNECTICUT
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Town Direct Rates			
	General Town Government Rate	Board of Education Rate	Debt Service Rate	Total Direct Rate
2016	12.448	16.109	1.143	29.700
2015 (a)	13.510	15.298	0.892	29.700
2014	13.215	12.709	0.676	26.600
2013	12.276	12.142	1.482	25.900
2012	11.575	11.953	0.972	24.500
2011	11.350	11.497	0.953	23.800
2010 (a)	10.839	10.960	1.102	22.900
2009	14.041	13.713	1.446	29.200
2008	13.827	13.130	1.443	28.400
2007	13.583	12.922	1.495	28.000

Note: Town of Rocky Hill has no Overlapping Property Tax Rates.

(a) Revaluation year

Source: Town of Rocky Hill, Finance Department

TABLE 7

**TOWN OF ROCKY HILL, CONNECTICUT
PRINCIPAL PROPERTY TAX PAYERS
2014 AND 2005
(In Thousands)**

Taxpayer	October 1, 2014			October 1, 2005		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value (a)	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value (b)
Century Hills Property Owner LLC	\$ 38,396	1	1.90%	\$ 36,228	1	2.26%
RP Glenbrook LLC	28,149	2	1.39%			
MKS 500 Enterprise LLC	24,870	3	1.23%	24,173	3	1.51%
Burriss Logistics Inc.	24,864	4	1.23%			
Henkel (Loctite Corporation)	20,734	5	1.03%	30,216	2	1.89%
Connecticut Light & Power	17,719	6	0.88%	12,249	5	0.76%
Sysco Corporation	14,817	7	0.73%	16,271	4	1.02%
Auxxi Horizon Commons LLC (RH Assoc)	13,111	8	0.65%	10,118	7	0.63%
Rocky Hill Properties LLC	11,875	9	0.59%			
Connecticut Natural Gas Corporation	11,730	10	0.58%	10,792	6	0.67%
Acadia Town Line LLC				9,415	10	0.59%
Corporate Ridge D/D Hotel Limited Prtshp.				9,520	9	0.59%
LM Rocky Hill Land Holdings LP				9,526	8	0.59%
Total	\$ <u>206,265</u>		<u>9.99%</u>	\$ <u>168,508</u>		<u>10.21%</u>

Source: Town of Rocky Hill, Office of Tax Assessor

(a) Based on Net Taxable Grand List of \$2,018,398,720 (amount not rounded)

(b) Based on Net Taxable Grant List of \$1,603,291,214 (amount not rounded)

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

Fiscal Year Ended June 30,	Tax Rate In Mills	Taxes Levied For This Fiscal Year	Collected Within The Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	29.700	\$ 60,050	\$ 59,618	99.28%	\$	\$ 59,618	99.28%
2015	29.700	59,330	58,987	99.42%	855	59,842	100.86%
2014	26.600	57,774	57,170	98.95%	421	57,591	99.68%
2013	25.900	56,110	55,562	99.02%	329	55,891	99.61%
2012	24.500	52,769	52,276	99.07%	434	52,710	99.89%
2011	23.800	52,851	51,728	97.88%	484	52,212	98.79%
2010	22.900	50,645	49,919	98.57%	339	50,258	99.24%
2009	29.200	49,207	48,453	98.47%	452	48,905	99.39%
2008	28.400	46,974	46,421	98.82%	324	46,745	99.51%
2007	28.000	45,277	45,037	99.47%	239	45,276	100.00%

TOWN OF ROCKY HILL, CONNECTICUT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Thousands, except per capita)

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	(a) Ratio of Debt to Taxable Assessed Value	(b) Debt Per Capita	(c) Debt Per Personal Income
2016	\$ 27,463	\$ 544	\$ 28,007	1.39%	\$ 1,399	\$ 371
2015	29,843	349	30,192	1.52%	1,503	459
2014	12,211	303	12,514	0.58%	628	228
2013	13,512	428	13,940	0.65%	707	275
2012	14,993	364	15,357	0.70%	779	348
2011	16,775	450	17,225	0.78%	872	391
2010	18,524	68	18,592	1.12%	988	422
2009	20,501	244	20,745	1.27%	1,100	471
2008	22,485	470	22,955	1.56%	1,220	521
2007	24,484	598	26,559	1.69%	1,332	602

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

(a) See Table 5 for taxable assessed value

(b) See Table 14 for population figures

(c) See Table 14 for total personal income

(#) revaluation year

**TOWN OF ROCKY HILL, CONNECTICUT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Thousands, except per capita amount)**

Fiscal Year	General Obligation Bonds	(b) Percentage of Estimated Actual Taxable Value of Property	(a) Debt Per Capita
2016	\$ 27,463	0.95%	\$ 1,372
2015	29,843	1.05%	1,485
2014	12,211	0.40%	613
2013	13,512	0.44%	685
2012	14,993	0.48%	760
2011	16,775	0.53%	849
2010	18,524	0.78%	984
2009	20,501	0.88%	1,087
2008	22,485	1.07%	1,196
2007	24,484	1.69%	1,302

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

(a) See Table 14 for population figures

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

(#) revaluation year

**TOWN OF ROCKY HILL, CONNECTICUT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016
(In Thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Estimated Shares of Direct and Overlapping Debt</u>
Overlapping debt:			
Metropolitan District	\$ 914,104	5.75%	\$ 52,561
Town direct debt	28,007	100.00%	<u>28,007</u>
Total			\$ <u><u>80,568</u></u>

Note: Metropolitan District overlapping debt for each member town is divided among the member towns in proportion to the total revenue each received from property taxation, as averaged over the prior three years. Rocky Hill reports overlapping debt on a net basis.

Source: The Metropolitan District, Hartford, Connecticut and Town of Rocky Hill Finance Department

**TOWN OF ROCKY HILL, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2016**

Total tax collections (including interest and lien fees) received by Treasurer for year ended June 30, 2016	\$ 60,263,461
Reimbursement for revenue loss on: Tax relief for elderly - freeze	-
Base	<u>\$ 60,263,461</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	\$ 135,592,787				
4-1/2 times base		\$ 271,185,575			
3-3/4 times base			\$ 225,987,979		
3-1/4 times base				\$ 195,856,248	
3 times base					\$ 180,790,383
Total debt limitation	<u>135,592,787</u>	<u>271,185,575</u>	<u>225,987,979</u>	<u>195,856,248</u>	<u>180,790,383</u>
Indebtedness:					
Bonds payable	13,848,685	12,076,315			
Bonds authorized - unissued	23,967,800	39,104,200			
Overlapping debt			52,560,989		
Total indebtedness	<u>37,816,485</u>	<u>51,180,515</u>	<u>52,560,989</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 97,776,302</u>	<u>\$ 220,005,060</u>	<u>\$ 173,426,990</u>	<u>\$ 195,856,248</u>	<u>\$ 180,790,383</u>

Note 1: In no case shall total indebtedness exceed \$421,844,227 or seven times annual receipts from taxation.

Note 2: The Town is a member of the Metropolitan District Commission, a regional sewer and water authority. Total outstanding debt of the Metropolitan District Commission as of June 30, 2016 was \$914,104,156. The Town's share of the debt at June 30, 2016 was 5.75% or \$52,560,989. The estimated percentage is calculated based upon the proration of the tax collection from the eight member towns.

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

	FISCAL YEAR									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt limitation	\$ 421,620	\$ 419,165	\$ 405,494	\$ 395,178	\$ 370,325	\$ 366,828	\$ 352,762	\$ 342,710	\$ 327,439	\$ 327,439
Total net debt applicable to limit	<u>141,558</u>	<u>119,413</u>	<u>123,955</u>	<u>104,895</u>	<u>85,913</u>	<u>34,912</u>	<u>31,730</u>	<u>29,002</u>	<u>28,946</u>	<u>28,946</u>
Legal Debt Margin	<u>\$ 280,062</u>	<u>\$ 299,752</u>	<u>\$ 281,539</u>	<u>\$ 290,283</u>	<u>\$ 284,412</u>	<u>\$ 331,916</u>	<u>\$ 321,032</u>	<u>\$ 313,708</u>	<u>\$ 298,493</u>	<u>\$ 298,493</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	33.57%	28.49%	30.57%	26.54%	23.20%	9.52%	8.99%	8.46%	8.84%	10.72%

Source: Comprehensive annual financial report - Schedule of Debt Limitation

Note: See Table 12 for calculation of current year debt limitation.

**TOWN OF ROCKY HILL, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population (1)	Per Capita Income (2)	Total Personal Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2016	20,021	\$ 43,207	\$ 75,442	43.4	2,623	4.6%
2015	20,094	42,229	65,814	43.4	2,608	3.9%
2014	19,915	39,785	63,343	43.7	2,487	4.8%
2013	19,729	38,180	61,161	44.0	2,422	6.1%
2012	19,723	36,021	55,798	44.0	2,464	5.9%
2011	19,754	29,701	44,090	40.6	2,532	7.3%
2010	18,827	29,701	44,090	40.6	2,590	7.5%
2009	18,852	29,701	44,090	40.6	2,640	6.6%
2008	18,808	29,701	44,090	40.6	2,622	4.7%
2007	18,835	29,701	44,090	40.6	2,621	3.9%

(1) Source: State of Connecticut, Department of Public Health, Office of Policy, Planning and Evaluation

(2) Source: Department of Commerce, U.S. Census Bureau - American FactFinder

(3) Source: Town of Rocky Hill, Board of Education Academic Year Basis

(4) Source: State of Connecticut Department of Labor

**TOWN OF ROCKY HILL, CONNECTICUT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Employer	Nature of Business	2016			2007		
		Employees	Rank	Percentage of Total Town Employment(a)	Employees	Rank	Percentage of Total Town Employment(b)
Henkel Corporation (Loctite)	Adhesives and Sealants	555	1	4.84%	400	3	3.10%
Town of Rocky Hill	Municipality	457	2	3.98%	439	2	3.41%
ISGN (formerly Fiserv and Integrated Loan Serv)	Finance - Loan Processing	340	3	2.96%	340	4	2.64%
SYSCO Food Services	Food Distribution Warehouse	327	4	2.85%	500	1	3.88%
State Veterans Home and Hospital	Hospital	314	5	2.74%	302	5	2.34%
Burris Logistics	Refrigerated Logistics Warehouse	308	6	2.68%			
Wal-Mart Store	Retail Store	167	7	1.46%			
Paychex	Financial Services	157	8	1.37%			
McKesson Drug Company	Pharmaceuticals, Warehouse	156	9	1.36%			
Aecom Technical	Engineering - Environmental	150	10	1.31%			
Nationwide	Insurance				215	6	1.67%
Compaq-Hewlett Packard	Technology				150	7	1.16%
Metropolitan Property & Casualty	Insurance				150	8	1.16%
Connecticut Student Loan	State of CT - Finance				150	9	1.16%
GMAC	Finance				140	10	1.09%
Total		2,931		25.54%	2,786		21.61%

Source: Town of Rocky Hill, Economic Development Department
(a) State of Connecticut, Department of Labor - Town employment of 11,476
(b) State of Connecticut, Department of Labor - Town employment of 12,892

**TOWN OF ROCKY HILL, CONNECTICUT
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>FISCAL YEAR</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government	18.0	18.5	18.5	18.0	18.0	18.0	22.0	22.0	22.0	21.0
Police	47.0	46.0	44.0	44.0	43.0	43.0	44.0	44.0	44.0	44.0
Fire	4.0	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Building Department	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Public Works:										
Engineering	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Highway	15.5	15.0	16.0	16.0	15.0	15.0	15.0	15.0	15.0	15.0
Human Services	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Parks and Recreation	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Facilities:										
Town	10.5	10.0	10.0	11.0	9.5	9.5	9.5	9.5	9.5	9.5
Schools	(b) -	-	24.0	23.0	24.5	24.5	25.5	25.5	25.5	25.5
Library	12.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0
Education (a)	<u>360.0</u>	<u>328.0</u>	<u>298.0</u>	<u>296.0</u>	<u>292.0</u>	<u>291.0</u>	<u>291.0</u>	<u>286.0</u>	<u>286.0</u>	<u>285.0</u>
Total	<u>493.0</u>	<u>458.0</u>	<u>451.0</u>	<u>448.0</u>	<u>441.0</u>	<u>440.0</u>	<u>446.0</u>	<u>441.0</u>	<u>441.0</u>	<u>439.0</u>

Source: Town of Rocky Hill, Finance Department

(a) Town of Rocky Hill, Board of Education

(b) The Town transferred responsibilities for 23 facilities/custodians positions to the Board of Education.

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

Function/Program	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Building Department:										
Permits Issued	1,345	1,373	1,252	1,319	1,424	1,245	1,153	896	1,287	1,537
Certificates of Occupancy	163	139	108	114	146	143	143	112	162	120
Number of Inspections	2,214	1,986	1,783	2,051	1,953	2,352	1,689	1,706	2,348	2,460
Police:										
Total Criminal Arrests	411	544	518	447	379	381	370	349	440	456
Total Town Tickets Issued	96	585	471	301	415	376	335	667	430	550
Medical Calls	3,132	2,729	2,878	2,722	2,813	2,734	2,503	2,421	2,404	2,594
Animal Complaints	354	273	305	256	307	267	274	213	270	323
Police Training Hours	4,664	3,414	4,805	3,462	2,427	3,498	3,753	3,216	4,782	5,067
Fire:										
Emergency responses	626	646	575	639	756	759	616	600	678	687
Inspections	843	809	698	672	958	571	573	500	647	535
Fire Training Man-hours	5,122	5,047	5,860	5,735	5,686	7,601	8,412	8,800	8,300	7,480
Sanitation:										
Commercial Solid Waste (tons)	6,138	6,244	6,547	7,440	5,322	4,879	4,839	5,203	6,592	7,326
Residential Solid Waste (tons)	5,445	5,540	5,620	5,592	5,748	5,975	6,232	6,198	6,602	6,762
Bulky waste (tons)	755	762	705	592	960	927	936	950	966	881
Highway Department:										
Snow and Ice Callouts	20	35	23	20	9	38	26	26	20	15
Leaf Pickups (Cubic Yards)	6,325	6,475	6,056	6,887	2,832	7,096	7,204	6,725	6,695	6,735
Catch Basin Repairs	35	40	26	31	21	34	27	27	39	13
Parks and Recreation:										
Number of Programs Offered	415	505	495	485	485	475	475	470	460	450
Number of Participants	10,000	10,150	10,100	10,100	10,100	10,000	10,000	9,700	9,600	9,500
Library:										
Volumes in Collection	60,294	59,134	58,769	59,678	61,235	62,621	65,377	64,369	63,984	70,911
Total Volumes Borrowed	235,346	244,820	253,340	252,186	246,833	261,324	267,098	271,041	284,833	283,483
Human Services:										
Number Elderly/Disabled: Individual Bus Trips	10,227	10,374	10,797	10,229	10,928	10,003	9,667	9,799	9,868	10,158

Source: Town of Rocky Hill various Town Departments

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

Function/Program	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Station	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Apparatus	11	11	11	11	11	11	11	11	11	11
Fire Rescue Boat	1	1	1	1	1	1	1	1	1	1
Highway Department										
Streets (miles)	66	66	66	66	66	66	66	66	66	66
Dump Trucks plus Equipment	41	41	41	40	40	40	40	40	40	40
Parks and Recreation:										
Acreage Maintained	180	180	180	180	180	180	180	180	180	180
Number of Parks	7	7	7	7	7	7	7	7	7	7
Baseball Fields	12	12	12	12	12	12	12	12	12	12
Soccer Fields	9	9	9	9	9	9	9	9	9	9
Football Field	1	1	1	1	1	1	1	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1
Lacrosse Field	1	1	1	1	1	1	1	1	0	0
Number of Pools	2	2	2	2	2	2	2	2	2	2
Amphitheater	1	1	1	1	1	1	1	1	1	1
Facilities:										
Number of Town Buildings	15	15	15	15	15	15	14	14	14	14
Number of Schools	4	4	4	4	4	4	5	5	5	5
Human Services:										
Mini-buses	3	3	3	3	4	4	4	3	3	3

Source: Town of Rocky Hill, various Town Departments