

TOWN OF ENFIELD, CONNECTICUTNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**HISTORY AND ORGANIZATION**

The Town of Enfield, Connecticut was settled in 1683. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter (last revised 1996): police, highways and streets, sanitation, social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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 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.

B. 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 fiduciary 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 revenues 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 non-tax 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.

Expenditure reimbursement type grants, certain intergovernmental revenues, operating transfers, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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 general government, except those required to be accounted for in another fund.

The *Water Pollution Control Fund* accounts for collection of user charges in relation to the cost of water pollution control and the financing of sanitary sewer improvements or services deemed to benefit the properties against which special assessments are levied.

The *Insurance Fund* accounts for reimbursements from insurance companies which may become a basis for potential self-insurance in the future.

The *Bonded Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases.

The *Capital Nonrecurring Fund* accounts for the accumulation of monies for future capital projects.

Additionally, the government reports the following fund types:

The Education Scholarship Fund is a *Private-Purpose Trust Fund* which is used to account for resources legally held in trust for students. All resources of the fund, including any earnings on invested resources, may not be used to support the government's activities.

The *Pension Trust Funds* account for the activities of the Enfield Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 all taxes.

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.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Deposits - The Town considers cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

With respect to the Town's assets in the Employees' and Policemen's Retirement Funds, all plan assets are in the custody of CIGNA and are invested in pools with other investors according to the Town's investment strategy.

Investments for the Town are reported at fair value. State Treasures Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the fixed income investments were invested in SEC registered pools.

2. Receivables and Payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

b. Property Taxes and Other Receivables

All trade, property tax, sewer use, sewer assessment, and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2 to 26 percent of outstanding receivable balances at June 30, 2003, and are calculated based upon prior collections.

Loan receivables consist of Community Development Block Grant loans. The Town provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

Property taxes are assessed on property as of October 1. Real estate and personal property taxes are due and payable in two installments on July 1 and the following January 1. Motor vehicle taxes are due and payable July 1, and motor vehicle supplemental taxes are due and payable January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date. All property taxes receivable at June 30, 2003, have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current fiscal year.

C. **Assets, Liabilities, and Net Assets or Equity (continued)**

3. **Restricted Assets**

The Library Trust Funds are restricted to expenditure of the investment income only for the donor designated purpose.

4. **Capital Assets**

Capital assets, which include property, plant, equipment (and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements (and \$100,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50 - 75
Building improvements	20 - 75
Machinery and equipment	10 - 30
Vehicles	10 - 30
Infrastructure:	
Roads	50
Sidewalks	25
Drainage	50
Sewer lines	100

The Town has recorded capital assets on a prospective basis only.

5. **Compensated Absences**

Town employees are granted vacation leave based upon length of employment. In the event of termination, employees are compensated for accumulated vacation time.

The Board of Education has employment contracts, which provide for the accrual of sick pay based on length of service.

The Town has recorded a liability of \$93,463 in the general fund for lump sum payments of accrued compensated absences payable upon retirement during the next fiscal year.

C. **Assets, Liabilities, and Net Assets or Equity (continued)**

6. **Long-Term Obligations**

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

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

7. Fund Equity and Net Assets

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

In the government-wide financial statements, net assets are classified into the following categories:

Invested in Capital Assets, net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets

This category represents the net assets of the Town which are not restricted.

8. Estimates

The preparation of the 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 and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund and Water Pollution Control Plant Fund financial statements.

By Charter, the Town Manager submits proposed budgets for the General Fund and Water Pollution Control Plant Fund to the Town Council 75 days prior to fiscal year end. The operating budgets include proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer amounts without approval of the Town Council within departments. Transfers between departments (within functions) can only be made by the Town Council and only within the last three months of the fiscal year.
- The Department of Education is not a separate legal entity, but a separate function of the Town. Its Board is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Town Council approval and, if necessary, approval at a public hearing or referendum.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund and at the fund level for the Water Pollution Control Plant Fund.
- Budgeted amounts shown are as amended by the Town Council during the course of the year. There were additional appropriations totaling \$105,174 during the year.
- Generally, all appropriations lapse at year end, except those for the Capital Projects Fund. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (Exhibit F), is as follows:

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE</u>
<u>GENERAL FUND</u>			
BALANCE, BUDGETARY BASIS, EXHIBIT F - JUNE 30, 2003	\$ 95,444,215	\$ 91,963,839	\$ 12,782,336
Encumbrances outstanding at June 30, 2003 charged to budgetary expenditures.....		(2,966,246)	2,966,246
Encumbrances outstanding at June 30, 2002 and June 30, 2003			1,508,740
Encumbrances liquidated during the year		2,130,279	
State Teachers' Retirement on-behalf payment.....	2,205,917	2,205,917	
Special Education Excess Cost Grant	436,342	436,342	
	<hr/>	<hr/>	
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2003 ...	<u>\$ 98,086,474</u>	<u>\$ 93,770,131</u>	<u>\$ 17,257,322</u>
<u>WATER POLLUTION CONTROL FUND</u>			
BALANCE, BUDGETARY BASIS, EXHIBIT F - JUNE 30, 2003	\$ 842,081	\$ 4,568,138	\$ (465,538)
Encumbrances outstanding at June 30, 2003 charged to budgetary expenditures.....		(934,728)	934,728
Encumbrances outstanding at June 30, 2002 and June 30, 2003.....			540,076
Encumbrances liquidated during the year		550,482	
		<hr/>	
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2003 ...	<u>\$ 842,081</u>	<u>\$ 4,183,892</u>	<u>\$ 1,009,266</u>

C. Donor Restricted Endowments

The Town has received certain endowments for the Library. The amounts are reflected in net assets as restricted for libraries. Investment income (including appreciation) is approved for expenditure by the Library Board.

D. Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2003:

<u>2003</u>	<u>CAPITAL PROJECT</u>	<u>AUTHORIZATION</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CUMULATIVE BALANCE EXPENDITURES</u>	<u>JUNE 30, 30,</u>
	Elementary school bond fund.....	\$35,737,000	\$14,669,071	\$28,827,232	\$ 6,909,768
	Road 2000 fund.....	21,635,000	4,016,573	13,288,277	8,346,723
	Senior center bond fund	4,300,000	2,122,636	3,872,131	427,869
	Enfield high school library.....	6,265,000	314,773	322,566	5,942,434
		<hr/>	<hr/>	<hr/>	
	TOTAL	<u>\$67,937,000</u>	<u>\$21,123,053</u>	<u>\$46,310,206</u>	<u>\$31,576,794</u>

III. DETAILED NOTES

A. Cash and Investments

1. **Deposits** - At June 30, 2003, the carrying amount of the Town's deposits, including \$9,257,609 of certificates of deposits classified as investments, was \$12,311,497, and the bank balance was \$14,061,076. Of the bank balance, \$1,167,520 was covered by Federal Depository Insurance and \$1,339,355 was collateralized at risk category 3.

Risk category 3 is defined as deposits for which collateral is held by the pledging financial institution, or by its trust department or agent, but not in the Town's name. The balance of deposits of \$11,554,201 was uninsured and uncollateralized (risk category 3).

In the event that a financial institution becomes insolvent and is placed under FDIC receivership, this collateral is subject to FDIC requirements for perfecting security interests under federal law. In the opinion of the State of Connecticut Attorney General, these requirements have not been met.

Due to significantly higher cash flows at certain times of the year, the amount of the Town's deposits and/or investments that were in risk category 3 were substantially higher at other times during the fiscal year than at year end.

2. **Investments** - In accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board, the Town's investments must be categorized to give an indication of the level of risk assumed by the Town at year end. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent, but not in the Town's name.

At June 30, 2003, the Town's investments consisted of the following:

<u>TYPE OF INVESTMENT</u>	<u>FAIR VALUE</u>	<u>RISK CATEGORY</u>
Certificates of Deposit.....	\$ 9,257,609	**
Pooled Fixed Income.....	31,804,496	*
Mutual Funds:		
Equities.....	22,833,045	*
International Equities.....	4,649,827	*
Fixed Income.....	6,274,373	*
Government Securities.....	2,517,098	*
Guaranteed Interest Contracts.....	22,616,349	*
Bonds and Notes.....	3,032,809	3
Common Stock.....	<u>2,735,189</u>	3
Total.....	<u>\$ 105,720,795</u>	

* Not applicable, since the Town does not own identifiable securities, but invests as a shareholder of the investment pool.

** Covered by collateralization under Public Act 91-245 as described under "Deposits".

Of the \$31,804,499 of pooled fixed income, \$28,487,725 was invested in the Short Term Investment Fund (STIF). STIF is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c – 3-27e. Investment guidelines are adopted by the

Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance was invested in SEC registered pools.

B. Receivables

Receivables as of year end for the Town’s government-wide financial statements by type including the applicable allowances for uncollectibles, are as follows:

	<u>PROPERTY TAXES</u>			
	<u>TAXES</u>	<u>INTEREST & LIEN FEES</u>	<u>TOTAL</u>	
Current Portion.....	<u>\$ 1,202,926</u>	<u>\$ 575,161</u>	<u>\$ 1,778,087</u>	
Long-term Portion.....	\$ 1,979,536	\$ 742,083	\$ 2,721,619	
Less Allowance for Uncollectibles	<u>(367,284)</u>	<u>(342,394)</u>	<u>(709,678)</u>	
Net Long-term Portion.....	<u>\$ 1,612,252</u>	<u>\$ 399,689</u>	<u>\$ 2,011,941</u>	
Total Receivable.....	<u>\$ 3,182,462</u>	<u>\$ 1,317,244</u>	<u>\$ 4,499,706</u>	

	<u>SEWER ASSESSMENTS</u>			
	<u>ASSESSMENTS</u>	<u>INTEREST & LIEN FEES</u>	<u>TOTAL</u>	<u>CDBG LOANS</u>
Current Portion.....	<u>\$ 29,324</u>	<u>\$ 64,530</u>	<u>\$ 93,854</u>	<u>\$ 133,945</u>
Long-term Portion.....	\$ 82,743	\$ 182,082	\$ 264,825	\$ 1,243,700
Less Allowance for Uncollectibles	<u>(2,241)</u>	<u>(4,932)</u>	<u>(7,173)</u>	<u>(28,343)</u>
Net Long-term Portion.....	<u>\$ 80,502</u>	<u>\$ 177,150</u>	<u>\$ 257,652</u>	<u>\$ 1,215,357</u>
Total Receivable.....	<u>\$ 112,067</u>	<u>\$ 246,612</u>	<u>\$ 358,679</u>	<u>\$ 1,337,645</u>

The Town is also owed \$564,424 for user fees from the State of Connecticut.

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

DEFERRED REVENUE:	
Delinquent property taxes receivable (general fund).....	\$ 3,182,462
Special assessments not yet due (water pollution control fund).....	112,067
Loan receivable not yet earned.....	1,377,645
Note receivable not yet earned.....	13,792
UNEARNED REVENUE:	
Advance tax collections.....	357,880
Grant draw downs prior to meeting all eligibility requirements.....	<u>144,832</u>
TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS ..	<u>\$ 5,188,678</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary Government

	BALANCE JULY 1, 2002 (AS RESTATED)	INCREASES	BALANCE JUNE 30, 2003
<u>Governmental Activities:</u>			
<u>Capital Assets, not being Depreciated:</u>			
Land.....	\$ 9,939,165	\$ 385,800	\$ 10,324,965
Construction in progress.....	25,614,935	21,558,874	47,173,809
Total Capital Assets, not being Depreciated.....	35,554,100	21,944,674	57,498,774
<u>Capital Assets, being Depreciated:</u>			
Buildings.....	35,861,530	306,516	36,168,046
Buildings improvements.....	4,350,456	279,186	4,629,642
Machinery and equipment.....	2,711,066	304,084	3,015,150
Vehicles.....	5,353,713	1,089,381	6,443,094
Infrastructure.....		432,939	432,939
Total Capital Assets, being Depreciated.....	48,276,765	2,412,106	50,688,871
<u>Less Accumulated Depreciation for:</u>			
Buildings.....	13,135,509	562,220	13,697,729
Buildings improvements.....	272,735	90,190	362,925
Machinery and equipment.....	541,430	117,361	658,791
Vehicles.....	1,620,047	407,400	2,027,447
Infrastructure.....		1,415	1,415
Total Accumulated Depreciation.....	15,569,721	1,178,586	16,748,307
Total Capital Assets, being Depreciated, net.....	32,707,044	1,233,520	33,940,564
Governmental Activities Capital Assets, net.....	\$ 68,261,144	\$ 23,178,194	\$ 91,439,338

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

<u>Governmental Activities:</u>	
General administration.....	\$ 101,425
Public safety.....	167,736
Public works.....	482,057
Health/social services.....	25,768
Libraries.....	14,356
Recreation.....	40,290
Education.....	346,954
Total depreciation expense - Governmental Activities.....	\$ 1,178,586

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (continued)

Construction commitments

The Town has active construction projects as of June 30, 2003. The projects include schools, roads, and the senior center. At year end, the Town's commitments with contractors are as follows:

<u>PROJECT</u>	<u>COMMITMENT</u>
Elementary School.....	\$ 1,953,772
Enfield High School Library	4,294,929
Roads	3,722,391
Senior Center	<u>490,925</u>
Total	<u>\$ 10,462,017</u>

D. Interfund Accounts

1. Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2003 is as follows:

	<u>CORRESPONDING FUND</u>	<u>DUE FROM</u>	<u>DUE TO</u>
MAJOR FUNDS:			
GENERAL FUND:			
Water pollution control	N/A	\$ 1,424,064	\$ 156,998
Bonded projects.....	N/A	4,352,142	1,863,494
Capital and nonrecurring expenditure fund.....	N/A	3,047,357	
General government grants	N/A		22,129
Dog fund	N/A	7	27,993
Open space acquisition.....	N/A		80,192
Revaluation	N/A		95,073
Community development	N/A		36,708
Social services fund.....	N/A		152,344
Emergency fuel bank.....	N/A		5,441
Drug enforcement education grants.....	N/A		43,369
Town memorial fund.....	N/A		22,238
Recreation programs	N/A		22,662
Performance bonds.....	N/A		174,767
Cultural arts commission.....	N/A	1,792	
Purple heart museum fund.....	N/A		<u>4,307</u>
TOTAL GENERAL FUND		<u>8,825,362</u>	<u>2,707,715</u>
WATER POLLUTION CONTROL FUND.....	General Fund		<u>1,267,066</u>
BONDED PROJECTS:			
Bonded projects.....	General Fund	1,384,176	3,872,824
Bonded projects.....	Capital Nonrecurring		<u>4,958</u>
TOTAL BONDED PROJECTS FUNDS		<u>1,384,176</u>	<u>3,877,782</u>
CAPITAL NONRECURRING:			
Capital nonrecurring.....	Bonded Projects	4,958	
Capital nonrecurring.....	General Fund		<u>3,047,357</u>
TOTAL CAPITAL NONRECURRING		<u>4,958</u>	<u>3,047,357</u>

1. Interfund Payables and Receivables (continued)

	CORRESPONDING FUND	DUE FROM	DUE TO
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
General government grants	General Fund	\$ 22,129	\$
Dog fund	General Fund	27,986	
School miscellaneous fund	Scholarship Funds		3,629
Open space acquisition	General Fund	80,192	
Revaluation	General Fund	95,073	
Community development	General Fund	36,708	
Social services fund	General Fund	152,344	
Emergency fuel bank	General Fund	5,441	
Drug enforcement grants	General Fund	43,369	
Town memorial fund	General Fund	22,238	
Recreation programs	General Fund	22,662	
TOTAL SPECIAL REVENUE FUNDS		<u>508,142</u>	<u>3,629</u>
TOTAL GOVERNMENTAL FUNDS		<u>10,722,638</u>	<u>10,903,549</u>
FIDUCIARY FUNDS:			
Performance bonds	General Fund	174,767	
	School Miscellaneous		
Scholarship funds	Fund	3,629	
Cultural arts commission	General Fund		1,792
National purple heart museum fund	General Fund	4,307	
TOTAL FIDUCIARY FUNDS		<u>182,703</u>	<u>1,792</u>
GRAND TOTAL		<u>\$ 10,905,341</u>	<u>\$ 10,905,341</u>

All interfund balances resulted from the time lag between the date payments occurred between funds for various activities.

2. Interfund Transfers

A summary of interfund transfers as of June 30, 2003 is as follows:

	CORRESPONDING FUND	TRANSFERS IN	TRANSFERS OUT
MAJOR FUNDS:			
GENERAL FUND:			
Water pollution control	N/A	\$	\$ 1,730,652
Bonded projects	N/A		49,200
Capital nonrecurring	N/A	208,816	2,045,000
General government grants	N/A	51,732	
Revaluation	N/A		100,000
Social services fund	N/A		1,045,723
TOTAL GENERAL FUND		<u>260,548</u>	<u>4,970,575</u>
WATER POLLUTION CONTROL FUND	General Fund	<u>1,730,652</u>	
BONDED PROJECTS:			
Bonded projects	General Fund	49,200	
Bonded projects	Capital Nonrecurring	2,173,049	
TOTAL BONDED PROJECTS FUNDS		<u>2,222,249</u>	<u>--</u>

2. Interfund Transfers (continued)

	CORRESPONDING FUND	TRANSFERS IN	TRANSFERS OUT
CAPITAL NONRECURRING:			
Capital and nonrecurring.....	Social Services	\$ 400,000	\$
Capital and nonrecurring.....	Open Space Acquisition		90,000
Capital and nonrecurring.....	General Fund	2,045,000	208,816
Capital and nonrecurring.....	Bonded Projects		2,173,049
TOTAL CAPITAL NONRECURRING		2,653,816	2,680,681
NONMAJOR FUNDS:			
General government grants	General Fund		51,732
Open space acquisition.....	Capital Nonrecurring	90,000	
Revaluation	General Fund	100,000	
Social services fund.....	General Fund	1,045,723	
Social services fund.....	Capital Nonrecurring		400,000
TOTAL NONMAJOR FUNDS.....		1,235,723	451,732
GRAND TOTAL		\$ 8,102,988	\$ 8,102,988

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

E. Changes in Long-Term Obligations

1. Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003	CURRENT PORTION
BONDS									
General Purpose:									
Improvement bond	\$10,000,000	10/15/99	2009	4.1%-6%	\$ 8,000,000	\$	\$1,000,000	\$7,000,000	\$1,000,000
Improvement bond	4,025,000	03/01/02	2016	3%-5%	4,025,000		300,000	3,725,000	300,000
Improvement bond	5,000,000	04/01/03	2018	2.5%-4.5%		5,000,000		5,000,000	335,000
Total General Purpose					12,025,000	5,000,000	1,300,000	15,725,000	1,635,000
Schools:									
School bond.....	9,975,000	03/01/02	2016	3%-5%	9,975,000		700,000	9,275,000	700,000
School bond.....	9,500,000	04/01/03	2018	2.5%-4.5%		9,500,000		9,500,000	665,000
Total Schools.....					9,975,000	9,500,000	700,000	18,775,000	1,365,000
TOTAL BONDS					22,000,000	14,500,000	2,000,000	34,500,000	3,000,000
COMPENSATED ABSENCES.....					6,047,763	98,484	54,475	6,091,772	1,218,354
EARLY RETIREMENT INCENTIVE.....					58,499		37,166	21,333	16,333
NET PENSION OBLIGATION (POLICE)					457,161		90,770	366,391	90,770
LANDFILL POST-CLOSURE COSTS					390,000		15,000	375,000	12,500
TOTAL GENERAL LONG-TERM OBLIGATIONS.....					\$ 28,953,423	\$ 14,598,484	\$ 2,197,411	\$ 41,354,496	\$ 4,337,957

All long-term liabilities are generally liquidated by the General Fund.

The following is a summary of bond maturities:

<u>FISCAL</u> <u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>EARLY</u> <u>RETIREMENT</u> <u>INCENTIVE</u>
2004	\$ 3,000,000	\$ 1,329,250	\$ 16,333
2005	3,000,000	1,208,625	5,000
2006	3,000,000	1,088,500	
2007	3,000,000	973,000	
2008	3,000,000	867,500	
2009	2,950,000	756,000	
2010	2,950,000	630,000	
2011	1,950,000	537,500	
2012	1,950,000	466,625	
2013	1,950,000	393,375	
2014	1,950,000	317,688	
2015	1,950,000	239,562	
2016	1,950,000	160,188	
2017	950,000	77,188	
2018	950,000	39,187	
TOTAL	\$ 34,500,000	\$ 5,791,625	\$ 21,333

2. Statutory Debt Limitations

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

<u>CATEGORY</u>	<u>DEBT LIMIT</u>	<u>NET</u> <u>INDEBTEDNESS</u>	<u>BALANCE</u>
General purpose	\$159,698,556	\$ 17,343,821	\$142,354,735
Schools	319,397,112	20,395,000	299,002,112
Sewers	266,164,260		266,164,260
Urban renewal	230,675,692		230,675,692
Pension deficit	212,931,408		212,931,408

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$496,839,952.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds/notes issued by the fire districts located within the Town borders.

3. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require landfill closures to meet certain standards. The Town landfill is closed. Monitoring costs for the next 25 years at \$15,000 per year total \$375,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations.

4. Authorized/Unissued Bonds

As of June 30, 2003, the Town had no authorized unissued general obligation bonds.

F. Fund Balance Designations

Fund balance designations at June 30, 2003 are as follows:

<u>Designated for</u>	<u>General Fund</u>
Subsequent year's budget	\$2,000,000
Capital fund	1,697,260
Debt service	<u>3,000,000</u>
Total	<u>\$6,697,260</u>

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to public officials' liability, police liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town purchases commercial insurance for all risks of loss except workers' compensation. Neither the Town nor its insurer has settled any claims, which exceeded insurance coverage in the last three years, and there have been no significant reductions in insurance from amounts held in prior years.

The Town currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation coverage. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$750,000 for each insured occurrence.

B. Commitments and Litigation

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by legal counsel to be likely to result in a judgment or judgments, which would materially affect the Town's financial position.

The Town has received State and Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Pension Plans

1. Plan Description

The Town of Enfield administers two single-employer, contributory defined benefit pension plans (Town and Police Plans). The two plans, Town and Police, are included in the financial statements as pension trust funds. The plans do not issue stand alone financial statements. Plan contribution requirements and benefits are established by the Town Council through adoption of plan documents.

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when earned and expenses (benefits, administration, and refunds of contributions) are recognized when incurred.

b. Valuation of Investments

All funds are invested and administered through a Group Annuity Contract with the Group Pension Division of the Connecticut General Life Insurance Company and are reported at fair value. There are no investments in any one organization that represents 5% or more of net assets available for benefits.

3. Classes of Employees Covered

The membership of the Plan consisted of the following as of July 1, 2003, the date of the latest actuarial valuation:

	<u>TOWN</u>	<u>POLICE</u>
Retirees and beneficiaries currently receiving benefits	166	35
Terminated Plan members entitled to benefits but not yet receiving them	28	4
Active Plan members	458	94
Inactive with vested benefits	<u>3</u>	<u>-</u>
Total	<u>655</u>	<u>133</u>

4. Benefit Provisions

Town Plan

The Town of Enfield Pension Plan covers all employees working more than nineteen hours a week and for more than five (5) months per calendar year except teachers covered under the State of Connecticut Teachers' Retirement System and Police. The Town provides all retirement benefits through a single employer, contributory, defined benefit plan. All employees are 100% vested after five (5) years of continuous service. Employees who retire at normal retirement at age 65 receive a retirement benefit.

Police Plan

The Town of Enfield Police Pension Plan covers all employees working more than thirty-five hours a week and for more than five (5) months per calendar year. The Town provides all retirement benefits through a single employer, contributory, defined benefit plan. All employees are 100% vested after ten (10) years of continuous service. Employees who retire at normal retirement age of the later of age 50 or 20 years of service receive a retirement benefit.

Contributions

Town employees contribute 3.5% of earnings and Police employees contribute 7% of earnings. The Town is required to contribute the amounts necessary to finance the benefits for its employees. Administration costs are financed from investment earnings.

5. Schedule of Employer Contributions

Town Plan		
<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1998	\$ 489,008	100%
1999	539,727	100%
2000	583,163	100%
2001	611,792	100%
2002	643,032	100%
2003	808,752	100%

Police Plan		
<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1998	\$ 434,609	100%
1999	334,526	100%
2000	521,718	100%
2001	422,778	100%
2002	359,180	100%
2003	306,645	100%

6. Actuarial Assumptions

Town Plan

The annual required contribution for the current year was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) 5% projected salary increases. Both (a) and (b) included an inflation component of 3.5%. The assumptions do not include post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability was fully amortized as of June 30, 2003.

Police Plan

The annual required contribution for the current year was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) 5% projected salary increases. Both (a) and (b) included an inflation component of 3.5%. The assumptions do not include post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of July 1, 2003 was 15 years.

7. **Annual Pension Cost and Net Pension Obligation (NPO)**

	<u>TOWN</u>	<u>POLICE</u>
Annual required contribution	\$ 808,752	\$ 306,645
Interest on net pension obligation	(56,156)	36,573
Adjustment to annual required contribution.....	<u>194,987</u>	<u>(127,343)</u>
Annual pension cost	947,583	215,875
Contributions made	<u>808,752</u>	<u>306,645</u>
Increase (decrease) in net pension obligation	138,831	(90,770)
Net pension obligation (asset), July 1, 2002	<u>(701,953)</u>	<u>457,161</u>
Net pension obligation (asset), June 30, 2003.....	<u>\$(563,122)</u>	<u>\$ 366,391</u>

The required and actual contributions for the past three years were as follows:

Town Plan

Fiscal Year <u>Ending</u>	Annual Pension Costs (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ 715,938	\$ 611,792	85.45%	\$(823,186)
6/30/02	764,265	643,032	84.14%	(701,953)
6/30/03	947,583	808,752	85.35%	(563,122)

Police Plan

Fiscal Year <u>Ending</u>	Annual Pension Costs (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ 353,892	\$ 422,778	119.47%	\$ 536,442
6/30/02	279,899	359,180	128.32%	457,161
6/30/03	215,875	306,645	142.05%	366,392

D. Other Post-Employment Benefits

The Town provides post-employment benefits to retirees. The benefit consists of medical insurance for all retirees age 65 and over. For the fiscal year 2003, the payments totaled \$154,018 for the 72 eligible retirees. The amount is funded on an annual basis by general fund appropriations, which are approved under the authority of the Town Council.

E. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State of Connecticut to the State Teachers' Retirement Plan was \$2,205,917.

F. Restatements

As of July 1, 2002, the Town has implemented the following Governmental Accounting Standards Board pronouncements:

- GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- GASB Statement No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*
- GASB Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- GASB Statement No. 38 - *Certain Financial Statement Note Disclosures*

These pronouncements define the new financial reporting requirements for state and local governments.

As a result of implementing these pronouncements, the following restatements were made to the beginning fund balance and net asset balances as of July 1, 2002:

Governmental Fund Financial Statements

Fund Balance as of June 30, 2002	\$ 49,519,416
Add: Reclassification of certain nonexpendable trust funds to permanent funds	<u>59,528</u>
Fund Balance as of July 1, 2002.....	<u>\$ 49,578,944</u>

Government-Wide Financial Statements

Beginning net assets for governmental activities was determined as follows:

Fund Balances of General, Special Revenue, Debt Service, Capital Projects and Permanent Funds as of June 30, 2002	\$ 49,578,944
Add: Governmental Capital Assets (including infrastructure) net of accumulated depreciation as of June 30, 2002	68,261,144
Add Net Pension Asset as of June 30, 2002.....	701,953
Add: Deferred revenues for property taxes and other receivables and recording of receivables for property tax interest and liens	5,693,021
Deduct: Bonds payable and other long-term liabilities outstanding as of June 30, 2002	(28,953,423)
Deduct: Accrued interest payable on long-term obligations	<u>(260,677)</u>
Fund Balance as of July 1, 2002.....	<u>\$ 95,020,962</u>