



TOWN OF ENFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

Management of the Town of Enfield offers readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2003. Readers of this report are encouraged to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 4-8 of this report. Since this is the first year of implementing Governmental Accounting Standards Board Statement No. 34, certain comparative information is not available.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$104,431,300 (*net assets*). Of this amount, \$14,182,571 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$9,410,338. Approximately one-third of this increase is attributable to grants and contributions not restricted to specific programs.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$48,514,141, a decrease of \$1,064,803 in comparison with the prior year. Approximately half of this total amount, \$24,232,490, is *available for spending* at the government's discretion (*unreserved fund balance*) and an additional \$6,697,260 is designated by the legislative body for specific purposes.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$5,890,256, or 5.97% percent of total general fund expenditures.
- The Town of Enfield's total debt increased by \$12,500,000 (56.82 percent) during the current fiscal year. The key factor in this increase was the issuance of \$14,500,000 general obligation bonds for the various elementary schools and the senior center building projects. This debt issuance completes the funding for both of these projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Enfield's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present only governmental activities whose functions are principally supported by taxes and intergovernmental revenues, since the Town does not operate any business-type activities. The governmental activities of the Town include general government, public safety, recreation, public works, health/social services, library, planning and development, and education.

The government-wide financial statements can be found on pages 20-21 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual budget for its general fund, water pollution control fund and social service fund. Budgetary comparison statements have been provided, as a basic financial statement for the general fund and water pollution control fund (major funds) and as a schedule for the social services fund (nonmajor fund) to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 22-48 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary type funds.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30-48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 50-67 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$104,431,300 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (69.58%) reflects its investment in capital assets (e.g., land, buildings, building improvements, machinery and equipment, vehicles and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF ENFIELD'S NET ASSETS
JUNE 30, 2003**

	Governmental Activities
Current and other assets.....	\$ 62,441,707
Capital assets.....	<u>91,439,338</u>
Total assets.....	<u>153,881,045</u>
Long-term liabilities outstanding.....	41,354,496
Other liabilities.....	<u>8,095,249</u>
Total liabilities.....	<u>49,449,745</u>
Net assets:	
Invested in capital assets, net of related debt.....	72,664,338
Restricted.....	17,584,391
Unrestricted.....	<u>14,182,571</u>
Total net assets.....	<u>\$ 104,431,300</u>

Management's Discussion and Analysis (continued)

An additional portion of the Town's net assets (16.84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,182,571) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole.

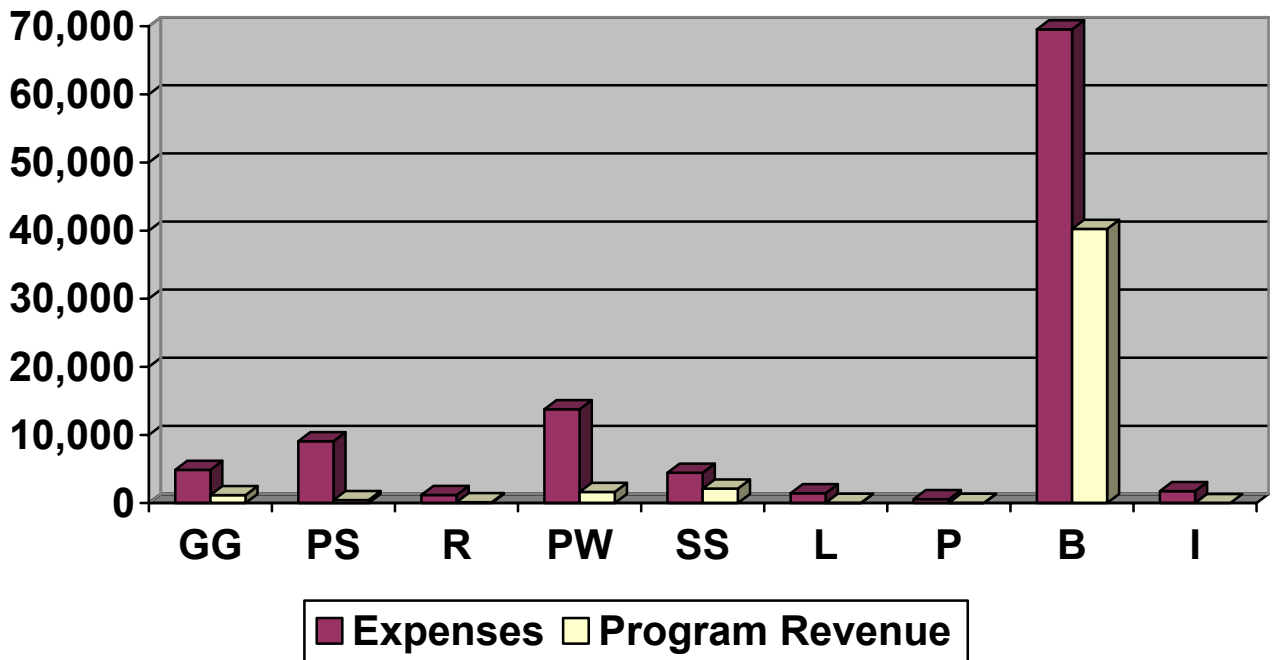
The Town's net assets increased by \$9,410,338 during the current fiscal year. About one-third of this increase represents the degree to which increases in revenues have exceeded similar increases in expenses. Approximately another third is attributable to a one-time infusion of resources from grants and contributions not restricted to specific programs. The remainder of this growth largely reflects rate increases.

Governmental activities. Governmental activities increased the Town's net assets by \$9,410,338, with the greatest part of this increase being related to construction of assets, rather than accumulation of cash or other current assets. This is due to the use of accrual accounting at the government-wide financial statement level where capital expenditures are capitalized. In the current year, capital assets added net of related debt was \$11,856,780. Deficit operations of the water pollution control contributed approximately 1.6 million and accounted for most of the off-setting decrease in net assets.

**TOWN OF ENFIELD'S CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

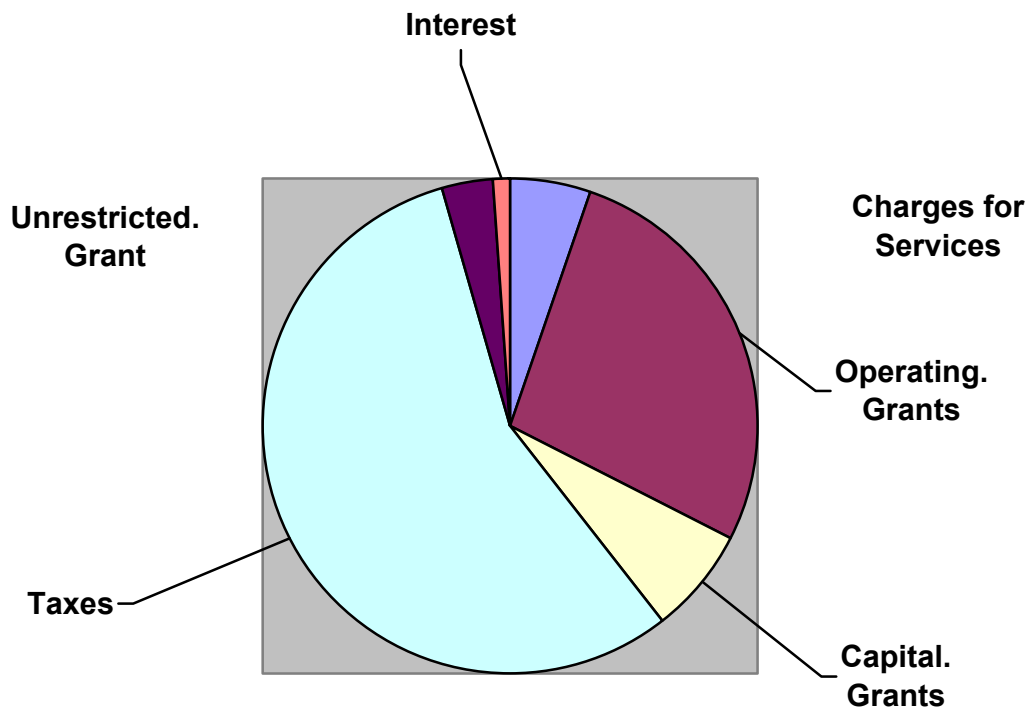
	Governmental Activities
Revenues:	
Program revenues:	
Charges for services.....	\$ 6,257,255
Operating grants and contributions.....	31,390,896
Capital grants and contributions.....	8,145,092
General revenues:	
Property taxes.....	64,971,573
Other taxes.....	
Grants and contributions not restricted to specific programs.....	3,932,299
Other.....	<u>1,399,562</u>
Total revenues.....	<u>116,096,677</u>
Expenses:	
General government.....	4,874,822
Public safety.....	9,071,418
Recreation.....	1,194,270
Public Works.....	13,776,416
Health/Social Service.....	4,445,159
Library.....	1,448,510
Planning & Development.....	584,850
Intergovernmental & Interagency.....	375,528
Board of Education.....	69,543,946
Interest expense.....	<u>1,371,420</u>
Total expenses.....	<u>106,686,339</u>
Increase in net assets.....	9,410,338
Net assets - July 1, 2002.....	<u>95,020,962</u>
Net assets - June 30, 2003.....	<u>\$104,431,300</u>

Expenses and Program Revenues - Governmental Activities



This chart shows the expenses of the Town compared to the program revenues that support them. This a graphical representation of the statement of changes in net assets (Exhibit B). This chart shows the extent of reliance on property taxes for each of the services the Town provides.

Revenues by Source - Governmental Activities



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The most significant increases from the prior year were for education and debt service.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$48,514,141. Approximately sixty percent of this total amount (\$30,929,750) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$6,022,725), 2) to pay commitments (\$11,334,805), 3) to account for long-term receivable items (\$194,820), or 4) for endowments (\$32,041).

The general fund is the operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,587,516. Of this amount, \$6,697,260 was designated for debt service payments, capital fund projects and next year's budget, while total fund balance reached \$17,257,322. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.99% of total general fund expenditures and other financing uses, undesignated fund balance represents 6.08%, and total fund balance represents 17.80% of that same amount.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and represent transfers to cover negotiated/approved salary increases and miscellaneous items. Investment income was significantly below estimates due to the low rates, but this was offset by less than budgeted spending in the public works, employee benefits and debt service functions.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2003, amounts to \$91,439,338 (net of accumulated depreciation). This investment in capital assets includes land, buildings, buildings improvements, machinery and equipment, vehicles, infrastructure (roads, sewer lines, sidewalks).

Major capital asset events during the current fiscal year included the following:

- Construction was substantially completed on a new senior citizens center; the total construction cost as of the close of the fiscal year was \$2,122,636.
- A variety of street construction projects in existing and new residential developments continued under the Town's Road 2000 program; construction in progress as of the end of the current fiscal year had reached \$4,016,573.
- Various school building additions and improvements were completed in the Town of Enfield at a cost of \$14,983,844.

TOWN OF ENFIELD'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities
Land	\$ 10,324,965
Buildings and system.....	22,470,317
Building improvements	4,266,717
Machinery and equipment.....	2,356,359
Vehicles.....	4,415,647
Infrastructure.....	431,524
Construction in progress.....	47,173,809
 Total.....	 \$ 91,439,338

Additional information on the Town's capital assets can be found in Note III. C. on pages 39-40 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$34,500,000. All of this debt comprises debt backed by the full faith and credit of the government.

TOWN OF ENFIELD'S OUTSTANDING DEBT
GENERAL; OBLIGATION BONDS

	Governmental Activities
General obligation bonds - Town improvements.....	\$ 15,725,000
General obligation bonds - School improvements.....	18,775,000
 Total.....	 \$ 34,500,000

The Town's total debt increased by \$12,500,000 (56.8%) during the current fiscal year. The key factor in this increase was a \$14,500,000 general obligation bond issuance for the Town's elementary school projects, road 2000 project and Enfield high school project.

The Town maintains an "AA" rating from Standard & Poor's and an "Aa3" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$496,839,952, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III. E. on pages 42-44 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 4.6%, which is an increase from a rate of 4.1% a year ago. This compares favorably to the state's average unemployment rate of 4.7%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$12,587,516. The Town has appropriated \$2,000,000 of this amount for spending in the 2004 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Gregory Simmons, CPA Town of Enfield, 820 Enfield Street, Enfield, CT 06082.