

TOWN OF WETHERSFIELD, CONNECTICUT

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JUNE 30, 2005

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

INDEPENDENT AUDITORS' REPORT

To the Members of the Town Council
Town of Wethersfield
Wethersfield, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wethersfield, Connecticut, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

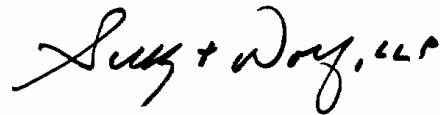
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wethersfield as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 44 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Susan + Wong, LLP". The signature is written in a cursive, flowing style.

December 2, 2005

TOWN OF WETHERSFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

As management of the Town of Wethersfield, Connecticut we offer readers of the financial statements this overview and analysis of the financial performance of the Town of Wethersfield for the fiscal year ended June 30, 2005. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Town's total net assets at the close of the fiscal year were \$47.7 million an increase of \$5.6 million or 13.2 percent over the previous fiscal year. Of the Town's total net assets at June 30, 2005, \$7.4 million or 15.4 percent is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the total fund balance for the *General Fund* was \$5.8 million, an increase of \$813 thousand from the prior fiscal year. Of the total General Fund - fund balance as of June 30, 2005, \$5.6 million represents unreserved fund balance. Unreserved General Fund - fund balance represents approximately 9.0 percent of total General Fund expenditures (\$62.2 million). The Town of Wethersfield's governmental funds reported *combined* ending fund balances of \$13.1 million an increase of \$7.5 million from the prior fiscal year. The combined governmental funds include the General Fund, Capital Projects fund and other non-major funds.
- The Town maintains a General Fund undesignated fund balance at a level that meets the guidelines established by rating agencies. Rating agencies evaluate municipalities to determine the financial condition of the community and assign a bond rating that influences the rate of interest paid on debt issues. Accordingly, a strong fund balance demonstrates a town's commitment to fiscal responsibility, reduces bonding costs, and indicates the ability to meet unforeseen emergencies.
- The Town of Wethersfield's total *bonded* debt had a net increase of \$13.1 million (approximately 51.3 percent) as of the end of the fiscal year.
- Total cost of all of the Town's programs was \$65.7 million with no new programs added this year.
- The resources available for appropriation were \$636 thousand more than budgeted for the General Fund. Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) an additional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status (Exhibits I and II, respectively).
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements (Exhibits III to IX).
 - The governmental funds statements tell how general government services such as police, fire and parks were financed in the short term as well as what remains for future spending.

- Proprietary funds statements offer short and long-term financial information about the activities the government operates like business, such as the Town’s Medical and Heart and Hypertension Fund.
- Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information that further explains and supports the information in the financial statements.

Major Features of the Basic Financial Statements - Figure A-1

Type of Statements	Fund Financial Statements			
	Government-wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Town government (except fiduciary activities)	The activities of the Town that are not proprietary or fiduciary, such as police, fire and parks.	Activities the Town operates similar to businesses.	Instances in which the Town administers resources on behalf of someone else such as student activity funds.
<i>Required financial statements</i>	<ul style="list-style-type: none"> ➤ Statement of net assets ➤ Statement of activities 	<ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures and changes in fund balances. 	<ul style="list-style-type: none"> ➤ Statement of net assets. ➤ Statement of revenues, expenses, changes in fund net assets. ➤ Statement of cash flows. 	<ul style="list-style-type: none"> ➤ Statement of fiduciary net assets. ➤ Statement of changes in fiduciary net assets.
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both financial and capital, and short-term and long-term.
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash are received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions and deductions during the year regardless of when cash is received or paid.

Figure A-1 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information that they contain. The remainder of this overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements (Exhibits I and II). The government-wide financial statements are designed to provide readers with a broad overview of the Town of Wethersfield’s finances. The statement of net assets and the statement of activities present financial information on all of the Town’s assets, liabilities, costs and revenues regardless of actual collections or disbursements. The statements provide both long-term and short-term information about the Town’s overall financial status.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's assets and liabilities.

- Over time, increases or decreases in the Town's net assets can be an indicator of whether its financial health is improving or deteriorating, respectively.
- Other non-financial indicators need to be considered such as changes in the Town's property tax base, growth in school enrollment and the condition of the Town's infrastructure, i.e., roads, etc.

The statement of net assets presents information on all of Wethersfield's assets and liabilities with the difference reported as net assets. The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal year, such as uncollected receivables for tax revenue and earned but unpaid expenses.

In the statement of net assets and the statement of activities the Town reports its activities:

- *Governmental activities* represent most of the Town's basic services such as fire and police protection, public works, social and human services, parks and recreation, education and general administration. Property taxes, charges for services and state and federal grants finance most of these activities.

The government-wide financial statements (statement of net assets and statement of activities) can be found in Exhibits I and II of this report.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the Town's funds, focusing on its most significant or "major" funds and not the Town as a whole. Funds are a method of providing an accounting mechanism in order to provide accountability over resources that have been segregated for specific activities or objectives. The Town of Wethersfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Wethersfield has three types of funds:

- *Governmental funds* (Exhibit III and IV) include most of the Town's basic services which focus on how much cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. These statements provide a detailed short-term view that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Town's programs. The government-wide statement of activities provides a broader view of the governmental activities than the governmental fund focus. The statement of net activities can be compared with the fund financial statements to better understand the long-term impact of the Town'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.

- Proprietary funds (Exhibit V, VI and VII) are generally used for reporting charges for services for which the Town charges a fee. They are reported in the same way as the government-wide statements. The Town has one type of proprietary fund which is the internal service fund.

The *internal service fund* is used to report activities that provide self-insured medical services and Heart and Hypertension payments which are funded by other Town programs or activities.

- Fiduciary funds (Exhibit VIII and IX) 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 provide services to the Town's constituency. The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries.

Notes to the financial statements 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 financial statements can be found on immediately following Exhibit IX of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial status. The Town's assets exceeded liabilities by \$47.7 million at the close of the recent fiscal year.

Net assets of the Town's governmental activities increased approximately 13.2 percent (\$42.1 million compared to \$47.7 million). The amount of \$40.3 million of net assets at June 30, 2005, is restricted as to the trust purposes they can be used for (\$587 thousand) or are invested in capital assets (\$39.7 million - buildings, roads, bridges, and so on). The remaining balance of \$7.4 million is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors. The unrestricted net assets increased from \$6.5 million at June 30, 2004 to \$7.4 million at June 30, 2005, for a total increase of \$866 thousand. This change in unrestricted governmental net assets resulted primarily because of a significant increase invested in capital assets including the renovations of public buildings.

The most significant portion of the Town of Wethersfield's assets (78 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, machinery & equipment and infrastructure). The Town uses these capital assets to provide services to citizens. Although the Town of Wethersfield'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 capital assets themselves may not be used to liquidate these liabilities.

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

Table 1
Net Assets
(in thousands)

	Governmental Activities	
	<u>2005</u>	<u>2004*</u>
Current and other assets.....	\$20,502	\$16,863
Capital assets, net of accumulated depreciation	<u>74,116</u>	<u>62,149</u>
Total assets	<u>94,618</u>	<u>79,012</u>
Current liabilities	4,699	8,406
Long-term liabilities outstanding	<u>42,256</u>	<u>28,510</u>
Total liabilities	<u>46,955</u>	<u>36,916</u>
Net assets:		
Invested in capital assets, net of related debt.....	39,709	34,973
Restricted	587	621
Unrestricted	<u>7,367</u>	<u>6,502</u>
Total net assets	<u>\$47,663</u>	<u>\$42,096</u>

*Restated

Table 2
Changes In Net Assets
(in thousands)

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,245	\$ 2,244
Operating grants and contributions	8,141	7,225
Capital grants and contributions.....	3,336	2,975
General revenues:		
Property taxes	55,551	51,079
Unrestricted grants	1,323	1,333
Unrestricted investment earnings	443	199
Miscellaneous	<u>196</u>	<u>65</u>
Total revenues.....	<u>71,235</u>	<u>65,120</u>
Expenses:		
Public safety	7,119	6,805
Public works.....	7,014	5,655
Recreation and parks	1,537	1,441
Social services.....	1,093	1,012
Library.....	1,162	1,098
General government	5,706	4,400
Education.....	40,942	38,567
Interest on long-term debt	<u>1,095</u>	<u>1,950</u>
Total expenses	<u>65,668</u>	<u>60,928</u>
Change in net assets	<u>\$ 5,567</u>	<u>\$ 4,192</u>

The Town's total revenues were \$71.2 million. The total cost of all programs and services was \$65.7 million. Our analysis on the next page separately considers the operations of governmental activities.

Governmental Activities

Approximately 78.0 percent of the revenues were derived from property taxes, followed by 18.0 percent generated from operating and capital grants, then .6 percent from other unrestricted grants, and the remaining 3.4 percent of revenues were generated from program and other miscellaneous revenues.

Major revenue factors include:

- An increase in the property taxes by \$4.4 million during the year.
- The Town’s current levy collected tax rate was 99.2 percent, same percent as the previous year.
- Operating grants for governmental activities increased as a result of a continued aggressive grant application strategy undertaken by the Town. The new grant awards furnished resources to support three of the Town’s functions: public safety, highways and streets and recreation.

For governmental activities 8.7 percent of the Town’s expenditures relate to general government, 62.3 percent relate to education, 10.8 percent relate to public safety, 10.7 percent relate to public works, 4.1 percent relate to Civic and Cultural, 1.7 percent relate to public welfare and the remaining 1.7 percent relate to interest payments on long-term debt.

Major expenditure factors include a Town initiative to reduce expenditures in order to ease some of the burden of additional property tax increases. Table 3 below presents the cost of each of the Town’s five largest programs – public safety, public works, recreation and parks, general government, and education – 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.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Public safety	\$ 7,119	\$ 6,805	\$ 6,944	\$ 6,657
Public works.....	7,014	5,655	6,445	5,330
Recreation and parks	1,537	1,441	728	1,132
General government	5,706	4,400	4,541	3,184
Education	40,942	38,567	30,128	28,285
All other	<u>3,350</u>	<u>4,060</u>	<u>3,160</u>	<u>3,897</u>
Totals.....	<u>\$65,668</u>	<u>\$60,928</u>	<u>\$51,946</u>	<u>\$48,485</u>

FINANCIAL ANALYSIS OF THE TOWN’S FUND FINANCIAL STATEMENTS

Governmental funds. The focus of the Town of Wethersfield’s governmental funds is to provide information on near-term inflows, outflows and balances of spend-able resources. This information is useful in assessing the Town’s financial requirements. The unreserved fund balance can serve as a useful measure of the Town’s net resources available for spending at the end of the fiscal year.

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported combined fund balances of \$13.1 million, an increase from \$5.6 million as of June 30, 2004. This increase is mainly due to the timing of the issuance of bonds.

The General Fund is the chief operating fund for the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5.6 million while total fund balance reached \$5.8 million. 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 approximately 8.8 percent of the total General Fund expenditures.

At June 30, 2005, the Town's General Fund increased by \$813 thousand over the previous year. The key factors contributing to this increase mirror the governmental activities analysis highlighted in Exhibit IV. In addition, these other changes in fund balances should be noted:

- The Town expects to receive intergovernmental revenues and bond proceeds for the Capital Projects fund. Bond anticipation notes were issued at the end of the fiscal year to meet cash flow requirements. The ending fund balance in that fund reflects a negative fund balance in the amount of \$4.7 million.
- The most significant decrease, before transfers, in the other non-major funds balance was in the Capital and Non-recurring Expenditures fund in the amount of \$589 thousand which was for expenditures that were made during the current fiscal year for purposes in which they were originally designated for.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Internal Service fund at the end of the year amounted to a negative (\$154 thousand). This negative balance was reduced from the prior fiscal year amount of (\$175 thousand). The Internal Service fund, which is part of the Governmental activities, increased due to management's decision to build an appropriate reserve for the Town and Board of Education health and heart and hypertension self-insurance programs.

General Fund Budgetary Highlights

There were no significant differences between the original budget and the final amended budget. During the year; however, revenues exceeded budgetary estimates by \$636 thousand and expenditures were less than budgetary estimates by \$668 thousand, thus eliminating the need to draw upon additional fund balance. Overall revenues over expenditures on the budgetary basis were \$796 thousand. In the current year, revenues increased by 8.7 percent over the prior year as expenditures increased by 7.8 percent.

The major factors are as follows:

- The Town's property tax revenue increased approximately 7.6 percent.
- Board of Education expenditures increased by approximately \$2.5 million or 7.2 percent.

The Town's General Fund balance of \$5.8 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$5.6 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes a \$208 thousand of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Town of Wethersfield’s investment in capital assets for its governmental type activities as of June 30, 2005, amount to \$74.1 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, other improvements, rolling equipment, furniture and fixtures and infrastructure – Table 4. The total increase in the Town’s investment in capital assets for the current fiscal year was \$12.0 million or approximately 19 percent.

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

- There are a variety of projects that span over a number of years with construction in progress as of the close of the fiscal year. The total construction in progress for governmental activities at June 30, 2005 was \$11.3 million. This amount includes:

➤ Town Hall Renovations Phase 1	\$ 1,707,294
➤ Webb/Stillman/Maintenance Renovations	9,533,892
➤ Town Hall Renovations Phase 2	92,590
➤ Road and Sidewalk Improvements	<u>30,504</u>
Total Construction in Progress Projects	<u>\$11,364,280</u>

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

	Governmental	
	Activities	
	<u>2005</u>	<u>2004</u>
Land	\$ 2,450	\$ 2,297
Buildings	41,082	29,153
Improvements other than buildings	9,724	8,884
Rolling equipment.....	4,173	3,189
Furniture and fixtures.....	2,313	2,623
Infrastructure.....	3,010	218
Construction in progress	<u>11,364</u>	<u>15,785</u>
Totals	<u>\$74,116</u>	<u>\$62,149</u>

This year's major additions to assets being depreciated included:

Silas Deane Middle School	\$ 4,608,634
New Police Facility	3,600,850
Physical Services Building Renovation	466,673
Capital Non-recurring – Fire Apparatus, Heavy Equipment.....	3,058,107
Moeller Home – New Nature Center	1,055,806
Radio Communication System.....	1,415,722
Cottone Field Artificial Turf	1,289,000
Church Street and Other Road Improvements.....	666,866
Capital Improvements and Other Equipment	609,830
Infrastructure	<u>2,093,315</u>
 TOTAL.....	 <u>\$18,864,803</u>

The Town's fiscal-year 2005-06 capital budget calls for it to spend another \$1.4 million for capital projects, principally for pavement maintenance program – pavement Mill & Overlay, Sidewalk improvements, various drainage repairs, flood study, Park improvements, Building improvements and other infrastructure improvements.

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

Long-Term Debt

At year-end the Town had \$38.5 million in bonds and notes outstanding versus \$25.5 million last year – an increase of 51.3 percent as shown in Table 5.

Table 5		
<i>Outstanding Debt, at Year-end</i>		
<i>(in thousands)</i>		
	Governmental	
	<u>Activities</u>	
	<u>2005</u>	<u>2004</u>
General obligation bonds	<u>\$38,535</u>	<u>\$25,470</u>

The Town's general obligation bond rating continues to carry the Aa3 rating from Moody's for general obligation debt. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The overall debt limit for the Town of Wethersfield is equal to seven times annual receipts from taxation or \$389.8 million. The Town's outstanding general obligation debt is significantly below state-imposed limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Over the past year, the Town's emphasis on economic development has resulted in an increase of 50% in building permit activity over the same time frame as last year and 40 new business starts which added about 200 jobs. At the present time, there are over 25 commercial projects in the development pipeline which are expected to add about 250 additional jobs to the Town's economy. The Town has developed a more business friendly attitude. The Town continues to plan for its economic future as we look for ways to expand the tax base. The Town has recently retained a design team to prepare a revitalization plan for the Town's major commercial corridor, the Silas Deane Highway. This plan will identify development opportunities that would be suitable for redevelopment based on the realities of the marketplace. Additionally, the Town's Tourism Commission is in the midst of completing a strategic plan for tourism that will be used as a blueprint for tourism strategies in the years to come.

The Town of Wethersfield's unemployment rate of 4.7 percent as of the November, 2005 was less than the Hartford Labor Market Area of 5.0 percent and the Connecticut State overall rate of 4.8 percent for the same time period.

The consumer price index for the United States City Average at June, 2005 was at a level of 194.5. The Northeast Region of the United States was at a level of 206.2 at the same time.

These indicators were taken into account when adopting the General Fund budget for 2005-06. Amounts available for appropriation in the General Fund budget are \$69.6 million, an increase of 7.57 percent over the final 2005 budget of \$64.1 million. Property taxes (benefiting from the 2005 rate increases and increases in assessed valuations) and intergovernmental revenue are expected to lead this increase.

The Town will use these increases in revenues to finance programs currently offered and to off-set the effect that we expect inflation to have on program costs. The Town has not added any major new programs or initiatives to the 2006 budget.

During the fiscal year, unreserved fund balance in the General Fund increased to \$5.6 million. The Town has appropriated \$500,000 of this amount in the fiscal year 2005-2006 budget to assist with the budgetary needs for the Town and Board of Education.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Wethersfield's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed in writing to the Office of the Finance Director, Town of Wethersfield, 505 Silas Deane Highway, Wethersfield, Connecticut 06109

TOWN OF WETHERSFIELD, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2005

		GOVERNMENTAL ACTIVITIES
<hr/>		
ASSETS:		
Cash and cash equivalents		\$16,602,765
Investments		51,939
Receivables (net)		2,884,405
Inventories		6,133
Due from fiduciary funds		829,399
Capital assets - net		74,115,935
Prepaid items		<u>127,875</u>
 Total assets		 <u>94,618,451</u>
LIABILITIES:		
Accounts payable and accrued items		4,475,597
Unearned revenue		224,109
Noncurrent liabilities:		
Due within one year		3,686,564
Due in more than one year		<u>38,569,142</u>
 Total liabilities		 <u>46,955,412</u>
NET ASSETS:		
Invested in capital assets, net of related debt		39,708,828
Restricted for trust purposes:		
Expendable trusts		497,180
Nonexendable trusts		89,692
Unrestricted		<u>7,367,339</u>
 Total net assets		 <u><u>\$47,663,039</u></u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN ..NET ASSETS..
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					GOVERNMENTAL ACTIVITIES
Governmental activities:					
Public safety	\$ 7,119,266	\$ 109,962	\$ 54,365	\$ 11,221	\$ (6,943,718)
Public works	7,014,390	90,502	64,483	414,333	(6,445,072)
Recreation and parks	1,536,651	231,504	15,000	562,567	(727,580)
Social services	1,092,607	14,844	76,906		(1,000,857)
Library	1,161,367	33,295	11,848		(1,116,224)
General government	5,706,326	905,783	125,530	133,668	(4,541,345)
Education	40,941,880	859,144	7,740,024	2,214,556	(30,128,156)
Interest on long-term debt	1,095,225		52,365		(1,042,860)
Total	<u>\$65,667,712</u>	<u>\$2,245,034</u>	<u>\$8,140,521</u>	<u>\$3,336,345</u>	<u>(51,945,812)</u>
General revenues:					
Property taxes					55,551,267
Unrestricted grants					1,322,638
Unrestricted investment earnings					442,954
Miscellaneous					<u>195,937</u>
Total general revenues					<u>57,512,796</u>
Change in net assets					5,566,984
Net assets, July 1, 2004 - as restated					<u>42,096,055</u>
Net assets, June 30, 2005					<u>\$ 47,663,039</u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>				
Cash and cash equivalents	\$ 7,810,617	\$6,289,746	\$1,061,068	\$15,161,431
Investments			51,939	51,939
Receivables - net:				
Property taxes receivable (net)	572,608			572,608
Intergovernmental	1,201,031		37,128	1,238,159
Other receivables	191,719	71,770	71,978	335,467
Due from other funds	2,970,990	1,043,793	1,651,061	5,665,844
Inventories			6,133	6,133
TOTAL	<u>\$12,746,965</u>	<u>\$7,405,309</u>	<u>\$2,879,307</u>	<u>\$23,031,581</u>
<u>L I A B I L I T I E S</u> A N D <u>F U N D B A L A N C E S</u>				
Liabilities:				
Accounts payable and accrued items	\$ 1,760,446	\$2,151,911	\$ 193,593	\$ 4,105,950
Due to other funds	3,343,359	568,013	37,526	3,948,898
Due to other governments	6,543			6,543
Deferred revenue	1,818,216	7,200	38,089	1,863,505
Total liabilities	<u>6,928,564</u>	<u>2,727,124</u>	<u>269,208</u>	<u>9,924,896</u>
Fund balances:				
Reserved:				
Encumbrances	208,200			208,200
Purpose of trust			19,346	19,346
Postemployment benefits			1,325,893	1,325,893
Unreserved, reported in:				
General Fund	5,610,201			5,610,201
Special Revenue Funds			1,194,514	1,194,514
Capital Project Funds		4,678,185		4,678,185
Permanent Fund			70,346	70,346
Total fund balances	<u>5,818,401</u>	<u>4,678,185</u>	<u>2,610,099</u>	<u>13,106,685</u>
TOTAL	<u>\$12,746,965</u>	<u>\$7,405,309</u>	<u>\$2,879,307</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				74,115,935
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds				2,405,098
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets				(154,459)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(41,810,220)
Net assets of governmental activities				<u>\$ 47,663,039</u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Property taxes, interest and lien fees	\$55,510,706			\$55,510,706
Intergovernmental revenues	7,925,090	\$ 2,620,143	\$ 1,520,401	12,065,634
Other local revenues	2,034,336	146,049	1,444,645	3,625,030
Total revenues	65,470,132	2,766,192	2,965,046	71,201,370
Expenditures:				
Current:				
Public safety	6,380,766		42,701	6,423,467
Public works	6,391,415			6,391,415
Recreation and parks	1,271,127		840	1,271,967
Social services	992,943		99,664	1,092,607
Library	1,144,215			1,144,215
General government	5,172,214		442,579	5,614,793
Education	37,724,952		2,093,257	39,818,209
Capital outlay		13,550,904	1,286,328	14,837,232
Debt service	3,085,970	55,110		3,141,080
Total expenditures	62,163,602	13,606,014	3,965,369	79,734,985
Excess (deficiency) of revenues over expenditures	3,306,530	(10,839,822)	(1,000,323)	(8,533,615)
Other financing sources (uses):				
Proceeds of bonds		15,000,000		15,000,000
Transfers in		1,191,936	1,471,057	2,662,993
Transfers out	(2,493,244)	(169,749)		(2,662,993)
Capital lease		1,039,440		1,039,440
Total other financing sources (uses)	(2,493,244)	17,061,627	1,471,057	16,039,440
Net change in fund balances	813,286	6,221,805	470,734	7,505,825
Fund balance, July 1, 2004	5,005,115	(1,543,620)	2,139,365	
Fund balance, June 30, 2005	<u>\$ 5,818,401</u>	<u>\$ 4,678,185</u>	<u>\$ 2,610,099</u>	
Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period				11,967,284
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds				6,272
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments				(13,766,980)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds				(166,240)
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI)				20,823
Change in net assets of governmental activities (Exhibit II)				<u>\$ 5,566,984</u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2005

	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUNDS
ASSETS:	
Cash and cash equivalents	\$1,441,334
Accounts receivable	<u>437,555</u>
Total assets	<u>1,878,889</u>
LIABILITIES:	
Current:	
Accounts payable and accrued items	18,447
Due to other funds	887,547
Claims incurred but not reported	784,490
Noncurrent:	
Claims incurred but not reported	<u>342,864</u>
Total liabilities	<u>2,033,348</u>
NET ASSETS:	
Unrestricted	<u>\$ (154,459)</u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

		GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUNDS
Operating revenues:		
	Contributions	<u>\$6,028,113</u>
Operating expenses:		
	Salaries, wages and employee benefits	5,350,974
	Other expenses	<u>852,322</u>
	Total operating expenses	<u>6,203,296</u>
19	Operating income (loss)	<u>(175,183)</u>
Nonoperating revenues:		
	Income on investments	27,054
	Adjustment to claims payable - prior period	<u>168,952</u>
	Total nonoperating revenues	<u>196,006</u>
	Change in net assets	20,823
	Total net assets, July 1, 2004	<u>(175,282)</u>
	Total net assets, June 30, 2005	<u><u>\$ (154,459)</u></u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

		GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUNDS
<hr/>		
Cash flows from (to) operating activities:		
Receipts from customers and users		\$ 6,077,100
Payments to suppliers		(852,806)
Payments to employees		<u>(5,229,356)</u>
Net cash provided (used) by operating activities.....		(5,062)
Cash flows from (to) investing activities:		
Interest on investments		<u>27,054</u>
Net increase in cash and cash equivalents.....		21,992
Cash and cash equivalents, July 1, 2004.....		<u>1,419,342</u>
Cash and cash equivalents, June 30, 2005.....		<u>\$ 1,441,334</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss).....		<u>\$(175,183)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase in accounts receivable.....		231,852
Decrease in loans to other funds.....		17,809
Increase (decrease) in accounts payable and accrued expenses.....		<u>(79,540)</u>
Total adjustments.....		<u>170,121</u>
Net cash provided (used) by operating activities.....		<u>\$ (5,062)</u>
Noncash transactions:		
Adjustment to claims payable - prior period		<u>\$168,952</u>

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

TOWN OF WETHERSFIELD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	PENSION TRUST FUNDS	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ 474,531	\$1,467,635
Investments:		
U.S. government obligations	13,472,827	
Common stock	19,167,670	
Corporate obligations	4,437,995	
Open-end mutual funds	20,603,662	
Contribution receivable	44,147	
Other receivable		5,843
Due from other funds		<u>648,505</u>
Total assets	<u>58,200,832</u>	<u>\$2,121,983</u>
LIABILITIES:		
Accounts payable	195	\$ 29,798
Due to other funds	1,477,904	
Due to student groups and others		<u>2,092,185</u>
Total liabilities	<u>1,478,099</u>	<u>\$2,121,983</u>
NET ASSETS:		
Held in trust for pension benefits and other purposes	<u>\$56,722,733</u>	

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

TOWN OF WETHERSFIELD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2005

Additions:	
Contributions:	
Employer	\$ 596,661
Plan members	<u>832,718</u>
Total	1,429,379
Investment income:	
Net appreciation in fair value of investments ..	\$4,403,087
Interest and dividends	<u>1,344,324</u>
Net investment income	<u>5,747,411</u>
Total additions	7,176,790
Deductions:	
Benefits	3,164,128
Administration expense	<u>210,918</u>
Total deductions	<u>3,375,046</u>
Net increase	3,801,744
Net assets held in trust for pension benefits, July 1, 2004	<u>52,920,989</u>
Net assets held in trust for pension benefits, June 30, 2005	<u><u>\$56,722,733</u></u>

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

TOWN OF WETHERSFIELD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1822. It operates under a charter as revised on November 8, 1994. The Town operates under a Town Council-Town Manager form of government. The financial statements include all of the funds of the Town that meet the criteria for inclusion as set forth in *Statement of Governmental Accounting Standards No. 14* issued by the Governmental Accounting Standards Board.

The Wethersfield Housing Authority (the "WHA"), although governed by a commission which is appointed by the Town Council, is considered to be a separate governmental body because the Town has no budgetary authority over the WHA and has no authority over the funds of the WHA. Financial data for the WHA are not included in the financial statements of the Town. However, the Town has received several state and federal grants for the renovation of Westfield Heights, a housing development maintained by the WHA. The receipt and expenditure of these grants are being accounted for as Special Revenue Funds of the Town.

The Central Connecticut Health District (the "CCHD"), a tri-town health district, was created pursuant to State statute. CCHD is overseen by a seven-member board of which three members are appointed by the Town. Funding for CCHD is partially obtained through an assessment levied on the participating towns. The Town has no governing or budgeting authority over CCHD. CCHD is considered a separate governmental body and is, therefore, not included in the Town's financial statements.

B. Government-Wide and Fund Financial Statements

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

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

Governmental Funds

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

General Fund - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

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

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

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

Proprietary Funds

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

Internal Service Funds - account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Heart and Hypertension and Hospital Medical Insurance Fund are the Town's internal service funds.

Fiduciary Funds

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

Pension Trust Fund - accounts for the Employee Retirement System.

Agency Funds - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The School Escrow and Town Escrow Fund are the Town's agency funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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 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 are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for construction and acquisition of major capital assets.

Additionally, the Town reports the following fund types:

The Internal Service Fund is used to account for the Town's heart and hypertension and self-insurance program for accident and health insurance coverage of the Town and Board of Education employees.

The Pension Trust Fund is used to account for the activities of the Town's defined benefit plan 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 statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Deposits and Investments

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

The Town's property tax is levied on July 1 on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. Real and personal property tax bills in excess of \$200 are due and payable in two installments, on July 1 following the date of the Grand List and on January 1 of the subsequent year. Motor vehicle taxes and real and personal property taxes less than \$200 are payable in one installment on July 1.

Additional property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1.

Property assessments are made at 70% of appraised market value, based on the assessed value of the property at the prior October 1.

It is the policy of the Town to record deferred revenue for property taxes receivable at June 30 that have not been collected prior to September 1. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections (deferred revenue).

The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year-end. Property taxes receivable not expected to be collected during the available period are reflected in deferred revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements.

F. Inventories and Prepaid Items

All materials and supplies are recorded as expenditures in the year purchased, except for food and supplies inventory of the Cafeteria Special Revenue Fund. Purchased inventories of the Cafeteria Fund are stated at cost on a first-in, first-out basis. Inventories of donated commodities are stated at fair market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) acquired subsequent to July 1, 2002, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five 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.

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>
Buildings.....	50
Building improvements	25-50
Public domain infrastructure.....	25-70
Vehicles	7
Office equipment	7
Computer equipment	7

H. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The entire liability is recognized in the government-wide financial statements.

I. Long-Term Obligations

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

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

J. Fund Equity

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$41,810,220 difference are as follows:

Bonds payable	\$38,535,000
Deferred amounts on refunding and other issuances (to be amortized as interest expense).....	136,449
Accrued interest payable	344,657
Capital leases payable.....	1,327,858
Compensated absences	<u>1,466,256</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$41,810,220</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$11,967,284 difference are as follows:

Capital outlay	\$14,596,500
Depreciation expense.....	<u>(2,629,216)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$11,967,284</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$13,766,980 difference are as follows:

Debt issued or incurred:	
Bonds issued	\$15,000,000
Capital lease.....	1,039,440
Principal repayments:	
General obligation debt.....	(1,935,000)
Capital leases	(282,350)
Other	<u>(55,110)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$13,766,980</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$166,240 difference are as follows:

Compensated absences.....	\$196,613
Accrued interest	(241)
Amortization of deferred amounts on refunding and other issuances.....	22,306
Termination benefits	<u>(52,438)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$166,240</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General Fund, Capital Nonrecurring Expenditures Fund and Animal Control Fund are authorized annually by the Town Council. Annual budgets are not adopted for any major Special Revenue Funds and, accordingly, are not included in the basic financial statements as permitted by accounting principles generally accepted in the United States of America.

In accordance with the Town Charter, Section 708, the Town uses the following procedures in establishing the budgetary data included in the basic financial statements:

Prior to the second Monday in April, the Town Manager submits to the Town Council a proposed operating budget for the General Fund for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. On the fourth Monday in April, a public hearing is conducted to obtain taxpayers' comments. Prior to the 15th of May, the budget is legally adopted through passage of an ordinance.

No department or board may involve the Town in any obligation to spend money for any purpose in excess of the amount appropriated. However, upon approval of the Director of Finance and the Town Manager, transfers from one budgetary line item to another may be made within a department or major division. The Board of Education has a similar budgetary control system with approval of such transfers by the Board of Education Business Manager. In addition, under Section 709 of the Town Charter, the Town Council may, by resolution, transfer monies from the contingency account to other line items at any time during the fiscal year and may transfer from any account during the last three months of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the activity level. All unencumbered appropriation balances lapse at the end of the fiscal year for which they were made, except that an appropriation made for a capital outlay does not lapse until the project for which the appropriation was made has been accomplished or no expenditure from or encumbrance of the appropriation has been made for three consecutive fiscal years.

Special Revenue Funds are administered in the same manner as the General Fund, except that the level of control for these funds is extended to encompass budget variations for expenditures insofar as projected revenues fluctuate within a fiscal period.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than generally accepted accounting principles (GAAP). The major difference between the budgetary and GAAP basis fund balance is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as reservations of fund balance.

There were \$8,200 supplemental budgetary appropriations made during the year.

B. Deficit Fund Equity

The Senior Net Lab and the Moeller Home Renovations funds (nonmajor governmental funds) had deficit fund balances of \$1,084 and \$23,168, respectively. These amounts will be funded through future bonding, contributions and future revenues. Additionally, the internal service funds have a combined deficit of \$154,459. The Town intends to address the deficit status within the 2005-2006 budget cycle.

4. 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 does 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.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2005:

Deposits:	
Demand accounts	\$10,594,693
Petty cash	4,804
Cash equivalents:	
State Short-Term Investment Fund (STIF)	2,586,921
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS).....	4,935,131
Pension Fund - Wachovia Securities.....	<u>423,382</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>\$18,544,931</u>

Deposits

At June 30, 2005 the carrying amount of the Town deposits was \$10,594,693 and the bank balance was \$11,192,139.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Of the June 30, 2005 bank balance, \$486,981 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio. A minimum of \$1,110,484, based on June 30, 2005 deposits, was

collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$9,594,674 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2005 the Town's cash equivalents amounted to \$7,945,434. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor's</u>	<u>Fitch Ratings</u>	<u>Not Rated</u>
State Short-Term Investment Fund (STIF)	AAAm		
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS)		AAA	
Wachovia Securities.....			X

B. Investments

Investments as of June 30, 2005 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
U.S. government obligations.....	\$13,472,827	6.20
Corporate bonds	4,437,995	4.51
Other Investments:		
Common stock	19,167,670	
Pooled open-end mutual fund accounts:		
Pension Trust Funds	20,603,662	
Library Trust Fund.....	<u>51,939</u>	
TOTAL.....	<u>\$57,734,093</u>	
Portfolio weighted average maturity for interest bearing investments		5.78

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town’s investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Moody’s Investor Service</u>	<u>Not Rated</u>
Corporate bonds:		
Aaa	14%	
Aa1 to Aa3	31%	
A1 to A3.....	36%	
Less than A3.....	19%	
Pooled open-end mutual funds:		
Pension Trust Fund.....		X
Library Trust Fund.....		X

Concentration of Credit Risk – The Town’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the Town’s total investments.

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2005, the Town’s investments, other than open-end mutual funds and other pooled accounts that are not categorized as to custodial credit risk, were uninsured and unregistered securities held by the counterparty, or by its trust department or agent, and were not in the Town’s name.

5. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 711,328			\$ 711,328
Accounts and other*..	170,030	\$64,570	\$559,523	794,123
Special assessments*.	21,689	7,200		28,889
Intergovernmental	1,201,031		37,128	1,238,159
Gross receivables.....	2,104,078	71,770	596,651	2,772,499
Less: allowance for uncollectibles.....	138,720			138,720
Net total receivables	<u>\$1,965,358</u>	<u>\$71,770</u>	<u>\$596,651</u>	<u>\$2,633,779</u>

*Does not include interest on property taxes (\$299,342) and special assessments (\$1,274).

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

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Delinquent property taxes receivable.....	\$ 409,476	
Property taxes collected in advance		\$186,020
School building grants	1,201,031	
Sidewalk assessments.....	21,689	
Capital projects:		
Assessments	7,200	
Nonmajor Governmental Funds:		
Unearned grants and other	<u> </u>	<u>38,089</u>
Total deferred/unearned revenue for governmental funds	<u>\$1,639,396</u>	<u>\$224,109</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 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.....	\$ 2,297,274	\$ 152,774		\$ 2,450,048
Construction in progress.....	15,785,357*	11,878,031	\$(16,299,108)	11,364,280
Total capital assets not being depreciated	<u>18,082,631</u>	<u>12,030,805</u>	<u>(16,299,108)</u>	<u>13,814,328</u>
Capital assets, being depreciated:				
Buildings	45,386,123	13,098,362		58,484,485
Improvements other than buildings	10,384,772	1,289,000		11,673,772
Rolling equipment	6,222,211	1,425,951		7,648,162
Furniture and fixtures	9,632,869	214,704		9,847,573
Infrastructure	217,705	2,836,786		3,054,491
Total capital assets being depreciated	<u>71,843,680</u>	<u>18,864,803</u>		<u>90,708,483</u>
Less accumulated depreciation for:				
Buildings	(16,232,879)	(1,169,800)		(17,402,679)
Improvements other than buildings	(1,501,360)	(448,376)		(1,949,736)
Rolling equipment	(3,033,049)	(442,430)		(3,475,479)
Furniture and fixtures	(7,010,372)	(523,880)		(7,534,252)
Infrastructure		(44,730)		(44,730)
Total accumulated depreciation.....	<u>(27,777,660)</u>	<u>(2,629,216)</u>		<u>(30,406,876)</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Total capital assets, being depreciated, net	\$ 44,066,020	\$16,235,587		\$ 60,301,607
Governmental activities capital assets, net	\$ 62,148,651	\$28,266,392	\$(16,299,108)	\$ 74,115,935

*Balance restated by \$4,835,864 for assets that were not to be capitalized.

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

Governmental activities:

Public safety	\$ 789,396
Public works	317,186
Recreation and parks	252,802
General government	38,877
Education	<u>1,230,955</u>
Total depreciation expense - governmental activities	<u>\$2,629,216</u>

Construction Commitments

The Town has active construction projects as of June 30, 2005. At year end, the Town's commitments are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Police Facility/Communications System/Town Hall		
Phase 1 renovations.....	\$12,246,967	\$ 778,213
Silas Deane Middle School renovations	13,069,678	155,322
Webb/Stillman School renovations.....	10,000,566	658,361
Town Hall Phase 2 renovations	92,590	5,107,410
Road and Sidewalk Improvements	<u>30,504</u>	<u>2,889,496</u>
TOTAL	<u>\$35,440,305</u>	<u>\$9,588,802</u>

The commitments are being financed with general obligation bonds and state and federal grants.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances, which represent temporary activity and budgetary policies, as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 568,013
	Nonmajor Governmental Funds	37,526
	Pension Trust Fund	1,477,904
	Internal Service Funds	887,547
Capital Projects	General Fund	1,043,793
Nonmajor Governmental Funds	General Fund	1,651,061
Town Escrow	General Fund	<u>648,505</u>
TOTAL		<u>\$6,314,349</u>

Interfund transfers:

	.....<u>Transfer In</u>		
	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:			
General Fund.....	\$1,191,936	\$1,301,308	\$2,493,244
Capital Projects		169,749	169,749
Total	<u>\$1,191,936</u>	<u>\$1,471,057</u>	<u>\$2,662,993</u>

8. LEASES

Capital Leases

The Town has entered into a lease agreement as lessee for financing the acquisition of rolling equipment, fire apparatus and police communications equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 316,095
2007	293,257
2008	274,421
2009	166,392
2010	166,392
2011-2012.....	<u>235,722</u>
Total minimum lease payments.....	
	1,452,279
Less: amount representing interest.....	<u>(124,421)</u>
Present value of minimum lease payments.....	<u>\$1,327,858</u>

9. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005, is 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	\$25,470,000	\$15,000,000	\$1,935,000	\$38,535,000	\$1,955,000
Less deferred amounts	(223,068)		(22,306)	(200,762)	
Total bonds payable	25,246,932	15,000,000	1,912,694	38,334,238	1,955,000
Capital leases	570,768	1,039,440	282,350	1,327,858	275,291
Compensated absences.....	1,269,643	788,973	592,360	1,466,256	671,783
Risk management liability	1,370,340		242,986	1,127,354	784,490
Employee termination benefits	52,438		52,438		
Governmental activity long-term liabilities	<u>\$28,510,121</u>	<u>\$16,828,413</u>	<u>\$3,082,828</u>	<u>\$42,255,706</u>	<u>\$3,686,564</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. School building grants of \$1,021,031 will be used to repay respective debt; however, the Town is liable for all outstanding bonds. General obligation bonds currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate %</u>	<u>Date of Maturity</u>	<u>Annual Principal</u>	<u>Principal Outstanding June 30, 2005</u>
General obligation bonds .	09/15/91	\$5,000,000	5.75-7.75	09/15/11	\$250,000	\$ 1,750,000
General obligation bonds .	09/01/96	\$1,920,000	4.35-5.9	09/01/12	\$125,000 - \$130,000	1,010,000
General obligation bonds .	01/15/98	\$1,370,000	3.85-5.8	01/15/09	\$125,000	495,000
General obligation bonds .	10/15/01	\$7,000,000	3.25-5.25	10/15/21	\$550,000 - \$450,000	5,950,000
General obligation bonds .	08/01/02	\$7,000,000	4.0-4.625	01/15/22	\$275,000 - \$375,000	6,375,000
General obligation bonds .	03/15/03	\$8,970,000	2.5-3.4	08/15/22	\$180,000 - \$730,000	7,955,000
General obligation bonds .	06/15/05	\$15,000,000	3.0-5.0	08/15/25	\$785,000- \$790,000	<u>15,000,000</u>
TOTAL						<u>\$38,535,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 1,955,000	\$ 1,483,934	\$ 3,438,934
2007	2,740,000	1,407,019	4,147,019
2008	2,735,000	1,283,785	4,018,785
2009	2,730,000	1,167,310	3,897,310
2010	2,595,000	1,063,966	3,658,966
2011-2015	11,350,000	4,006,594	15,356,594
2016-2020	8,500,000	2,230,891	10,730,891
2021-2024	5,930,000	591,392	6,521,392
TOTAL	\$38,535,000	\$13,234,891	\$51,769,891

Authorized But Unissued

The total of authorized but unissued bonds at June 30, 2005 is \$12.5 million. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

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

Category	Debt Limit	(in thousands) Indebtedness	Balance
General purpose	\$125,280	\$21,351	\$103,929
Schools	\$250,560	\$19,736	\$230,824
Sewers	\$208,800	\$6,940	\$201,860
Urban renewal	\$180,960		\$180,960
Pension deficit	\$167,040		\$167,040

Sewer indebtedness includes overlapping debt of the Metropolitan District. As a member of the Metropolitan District (a quasi-municipal corporation that provides water supply and sewerage collection and disposal facilities for members), the Town is contingently liable for \$6.9 million or 7.75% of the District debt.

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation (\$389.8 million).

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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except as disclosed below. Settled claims from these risks did not exceed commercial insurance coverage during the years ended June 30, 2005, 2004 or 2003.

Heart and Hypertension

The Town is exposed to risk of loss for claims from police officers, hired before 1995, who incur hypertension or heart problems as a result of work conditions. The Town accounts for this activity through use of an internal service fund, which is funded by transfers from the general fund. An analysis of the claims liability is as follows:

	Accrued Liability Beginning of Fiscal Year	Current Year Claims Paid and Changes in Estimates	Accrued Liability End of Fiscal Year
2003-04	\$1,158,214	\$(231,539)	\$926,675
2004-05	926,675	(364,604)	562,071

Medical Self-Insurance

The Town’s self-insurance program is used to account for health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis. The program also covers retired employees. Under the program, the Town is obligated for claim payments. A stop loss insurance contract executed with an insurance carrier covers claims in excess of 125% of expected claim payments in the aggregate and over \$100,000 per individual, per year. During 2005, total claims expense of \$5,350,974 was incurred, which did not exceed 125% of expected claim payments. This expense represents claims processed and an estimate for claims incurred but not reported as of June 30, 2005.

The Fund establishes claims liabilities based on estimates of claims that have been incurred but not reported; accordingly, the Fund recorded an additional liability at June 30, 2005 of \$565,283.

Premium payments are reported as quasi-external interfund transactions for the General Fund and, accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the General Fund.

A schedule of changes in the claims liability for the years ended June 30, 2005 and 2004, is presented below:

	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2003-04	\$443,270	\$4,420,357	\$(4,419,962)	\$443,665
2004-05	443,665	5,350,974	(5,229,356)	565,283

Interlocal Risk Pool

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes.

The Town participates in CIRMA’s Workers’ Compensation Pool, a risk-sharing pool, which was begun on July 1, 1980. The Workers’ Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers’ Compensation Act. CIRMA currently has 220 members in the Workers’ Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period 2004-05 will be evaluated at 18, 30 and 42 months after the effective date of coverage.

The deposit contribution (premium) paid in 2004-05 was \$193,189. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$1,000,000 per occurrence. Claims over \$1,000,000 are reinsured.

11. CONTINGENT LIABILITIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could 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 expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

12. OTHER POSTEMPLOYMENT BENEFITS

The Town provides certain health care benefits for retired employees. Substantially all of the Town's employees (except Board of Education) may become eligible for these benefits, as provided by union contracts and Town personnel policies, if they reach normal retirement age while working for the Town. The Town pays a portion of the cost of the health insurance. Spouse and dependent coverage up to age 25 is also provided. The Town recognizes the cost of providing these benefits on a pay-as-you-go basis by expensing the annual insurance premiums, which were approximately \$345,628 for the fiscal year ended June 30, 2005. Currently, 106 retirees meet the eligibility requirements.

13. EMPLOYEE RETIREMENT PLAN

A. Plan Description

The Town is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits to substantially all full-time employees, except certified personnel of the Board of Education who are covered under the State Teachers' Retirement System. Employee and employer obligations to contribute to the Plan are established and may be amended by the Town. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. A stand-alone financial report is not prepared for the PERS.

At July 1, 2003 Plan membership consisted of the following:

Retirees, disabled individuals, and beneficiaries currently receiving benefits	196
Terminated employees entitled to benefits, but not yet receiving them	13
Current employees:	
Vested	107
Nonvested	<u>212</u>
TOTAL	<u><u>528</u></u>

B. Summary of Significant Accounting Policies

Basis of Accounting - PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments - Investments are reported at fair value. Investment income is recognized as earned.

C. Contributions

Police employees are required to contribute 8.5% of monthly earnings, employees of AFSCME Local 1303-40 are required to contribute 5%, employees of the Town Administrative Group and AFSCME Local 818 are required to contribute 5% of their monthly earnings, other employees not mentioned above are required to contribute 2.25% for the first \$6,600 and 5% thereafter.

The Town is required to contribute the amount necessary to finance the benefits for its employees. For fiscal year ended June 30, 2005, the Town's required contribution was \$595,859, which represents 5.0% of covered payroll of \$11,972,697.

Administrative costs of the Plan are financed through investment earnings.

D. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension asset to the Town of Wethersfield Pension Plan for the year ended June 30, 2005 are as follows:

Annual required contribution (ARC).....	\$ 595,859
Interest on net pension asset	(9,413)
Adjustment to annual required contribution	<u>- 0 -</u>
Annual pension cost	586,446
Contributions made.....	<u>596,661</u>
Increase (decrease) in net pension obligation.....	(10,215)
Net pension obligation (asset), July 1, 2004.....	<u>(117,660)</u>
Net pension obligation (asset), June 30, 2005	<u><u>\$(127,875)</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2001 actuarial valuation using the entry age normal cost method for the Plan. The actuarial assumptions included (a) an 8% investment rate of return and (b) 4.5% projected salary increases. The cost of living adjustment (for police only) was 2.5%, compounded annually. The unfunded actuarial accrued liability is being amortized on a 20-year closed period for the Town and a 10-year closed period for the police beginning July 1, 2000 for all plans.

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/03	\$(15,598)	\$ - 0 -	0%	\$(104,331)
6/30/04	440,970	454,299	103	(117,660)
6/30/05	586,446	596,661	102	(127,875)

F. Pension Plan Required Supplementary Information

**Schedule of Funding Progress
(thousands)**

<u>Plan Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) --Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((a-b)/c)</u>
7/1/1998	\$46,791	\$37,144	\$ (9,647)	126.0%	N/A	N/A
7/1/1999	51,205	39,589	(11,616)	129.3	\$10,679	(108.8)%
7/1/2000	56,567	42,087	(14,480)	134.4	N/A	N/A
7/1/2001	51,954	44,609	(7,345)	116.5	12,099	(60.7)
7/1/2002	53,118	47,731	(5,387)	111.3	N/A	N/A
7/1/2003	53,114	50,754	(2,360)	104.6	11,973	(19.7)

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/00		N/A
6/30/01		N/A
6/30/02		N/A
6/30/03		N/A
6/30/04	\$454,299	100%
6/30/05	595,859	100

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

State of Connecticut Teachers' Retirement System

Certified teachers employed by the Wethersfield Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System. This system is a cost-sharing multi-employer defined benefit PERS with the State acting as a non-employer contributor, which is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). The State of Connecticut Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Full-time certified staff who are employed for an average of at least one-half of a school day are required to participate. A member who completes 10 years of service in Connecticut public schools is eligible for a vested benefit commencing at age 60. Members are required to contribute 7.25% of their annual salary while the contributions by the State are determined on an actuarial reserve basis described in CGS Sections 10-1831 and 10-183z.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not contribute to the Connecticut Teachers' Retirement System nor has any legal obligation for benefits. The State paid \$1.2 million on behalf of Wethersfield teachers for the fiscal year ended June 30, 2005.

TOWN OF WETHERSFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2005

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
Property taxes, interest and lien fees	\$55,510,200	\$55,510,200	\$55,510,706	\$ 506
Intergovernmental revenues:				
State of Connecticut - General Government	1,375,439	1,375,439	1,429,555	54,116
State of Connecticut - Board of Education	5,296,401	5,296,401	5,313,468	17,067
Total intergovernmental revenues	6,671,840	6,671,840	6,743,023	71,183
Licenses, fees and permits:				
Engineering	9,000	9,000	9,350	350
Town Clerk	3,200	3,200	3,512	312
Transfer station	35,000	35,000	36,221	1,221
Police	3,800	3,800	3,310	(490)
Building inspections	215,000	215,000	290,955	75,955
Total licenses, fees and permits	266,000	266,000	343,348	77,348
Charges for services:				
Town Clerk	400,000	400,000	589,466	189,466
Police	2,400	2,400	2,919	519
Recreation and parks	169,114	169,114	169,420	306
Rents	6,000	6,000	6,000	
Library	13,000	13,000	19,965	6,965
Community Center	31,500	31,500	31,670	170
Refuse disposal	500	500	26,795	26,295
Youth Service Counseling	4,500	4,500	5,544	1,044
White goods pickup	6,000	6,000	6,635	635
False alarms	18,000	18,000	13,175	(4,825)
Dial-A-Ride membership	10,750	10,750	9,300	(1,450)
Nature Center	68,800	68,800	30,414	(38,386)
Other	6,000	6,000	84,093	78,093
Total charges for services	736,564	736,564	995,396	258,832
Fines and penalties	24,120	24,120	41,055	16,935
Interest on investments	250,000	250,000	379,980	129,980
Other revenues	193,300	193,300	274,557	81,257
TOTAL	<u>\$63,652,024</u>	<u>\$63,652,024</u>	64,288,065	<u>\$636,041</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			1,182,067	
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV			<u>\$65,470,132</u>	

TOWN OF WETHERSFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2005

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
General government:				
Town Council	\$ 132,460	\$ 130,271	\$ 120,212	\$ 10,059
Town Manager	265,975	274,975	273,940	1,035
Personnel	38,100	44,800	42,640	2,160
Town Attorney	171,000	178,028	178,028	
Town Clerk	211,374	218,490	216,300	2,190
Registrar of Voters	67,754	88,724	87,914	810
Town Treasurer	3,236	3,236	3,236	
Finance/accounting	290,702	305,892	300,089	5,803
Information processing	241,535	245,524	238,534	6,990
Tax collection	155,150	168,388	168,387	1
Assessment	226,212	232,412	231,822	590
Central office services	213,767	179,008	172,590	6,418
Town-wide Radio System	165,795	158,486	155,006	3,480
Probate Court	28,204	29,839	29,589	250
Economic Development	80,641	65,164	61,164	4,000
Planning	103,308	107,508	104,195	3,313
Zoning Board of Appeals	5,406	5,406	4,934	472
Total general government.....	2,400,619	2,436,151	2,388,580	47,571
Public safety:				
Police	5,895,839	5,592,354	5,572,242	20,112
Fire suppression	333,516	324,516	309,974	14,542
Fire prevention	83,172	87,911	86,170	1,741
Fire facilities and maintenance	47,700	47,700	46,423	1,277
Emergency Medical Services	18,512	18,512	17,402	1,110
Street lighting	330,650	330,650	330,201	449
Total public safety.....	6,709,389	6,401,643	6,362,412	39,231
Public works:				
Engineering	426,798	433,930	433,006	924
Traffic and sidewalk maintenance	64,575	64,575	12,095	52,480
Building inspection and services	527,753	533,513	524,570	8,943
Physical services	2,496,054	2,678,664	2,661,400	17,264
Refuse and recycling services	1,715,616	1,732,811	1,732,805	6
Vehicle maintenance	854,991	990,785	990,784	1
Total public works.....	6,085,787	6,434,278	6,354,660	79,618
Social Services:				
Tri-Town Health District	102,921	102,921	102,921	
Social and youth services	886,137	875,137	843,775	31,362
Total social services.....	989,058	978,058	946,696	31,362

TOWN OF WETHERSFIELD, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	..... BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
Library	\$ 1,151,552	\$ 1,140,592	\$ 1,136,215	\$ 4,377
Recreation and parks	1,284,351	1,309,733	1,271,127	38,606
Contingency	330,000			
Insurance	655,474	710,423	709,311	1,112
Metropolitan District Commission	2,052,765	2,054,044	2,054,044	
Capital improvements	1,347,278	97,562	97,562	
CENF contribution	592,912			
Reserve - employees/retires	465,186			
Debt service:				
Principal retirement	1,935,000	1,935,000	1,935,000	
Interest	1,036,569	1,053,412	1,053,408	4
Total debt service.....	2,971,569	2,988,412	2,988,408	4
Board of Education	37,116,084	37,116,084	36,689,945	426,139
Total expenditures.....	64,152,024	61,666,980	60,998,960	668,020
Other financing sources:				
Transfer out		2,493,244	2,493,244	
TOTAL	<u>\$64,152,024</u>	<u>\$64,160,224</u>	63,492,204	<u>\$668,020</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			1,182,067	
Encumbrances for purchase 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			(17,425)	
Total expenditures and other financing sources as reported on the statement of revenues, expenditures,				
and changes in fund balances - governmental funds - Exhibit IV			<u>\$64,656,846</u>	

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TOWN OF WETHERSFIELD, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2005 AND 2004

	2005	2004
<u>A S S E T S</u>		
Cash and cash equivalents	\$ 7,810,617	\$ 8,406,357
Property taxes receivable (net)	572,608	654,312
Other receivables	1,392,750	1,946,175
Due from other funds	<u>2,970,990</u>	<u>3,533,482</u>
TOTAL	<u>\$12,746,965</u>	<u>\$14,540,326</u>
L I A B I L I T I E S A N D <u>F U N D B A L A N C E</u>		
Liabilities:		
Accounts payable and accrued items	\$ 1,760,446	\$ 1,266,277
Due to other funds	3,343,359	6,427,243
Due to other governments	6,543	5,479
Deferred revenue	<u>1,818,216</u>	<u>1,836,212</u>
Total liabilities	<u>6,928,564</u>	<u>9,535,211</u>
Fund balance:		
Reserved for encumbrances	208,200	190,775
Unreserved:		
Designated for subsequent year's budget	500,000	500,000
Undesignated	<u>5,110,201</u>	<u>4,314,340</u>
Total fund balance	<u>5,818,401</u>	<u>5,005,115</u>
TOTAL	<u>\$12,746,965</u>	<u>\$14,540,326</u>

TOWN OF WETHERSFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2005

	.....SPECIAL REVENUE.....							
	CAPITAL AND		.....STATE AND FEDERAL GRANTS....					
	NONRECURRING EXPENDITURES	ANIMAL CONTROL	SCHOOL CAFETERIA	MUNICIPAL	EDUCATION	POLICE	COVE PRESERVATION	LAND AQUISITION
<u>A S S E T S</u>								
Cash and cash equivalents			\$104,074			\$34,436	\$ 71,829	\$207,948
Investments								
Accounts receivable (net)		\$ 3,345	55,597	\$ 383			300	
Due from other governments					\$37,128			
Due from other funds	\$227,074	17,365		36,912	7,918		46,473	
Inventory			6,133					
TOTAL	<u>\$227,074</u>	<u>\$20,710</u>	<u>\$165,804</u>	<u>\$37,295</u>	<u>\$45,046</u>	<u>\$34,436</u>	<u>\$118,602</u>	<u>\$207,948</u>
<u>L I A B I L I T I E S</u> A N D <u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued items	\$ 43,180	\$ 22	\$ 68,854	\$13,093	\$ 6,957	\$ 1,140	\$ 299	
Deferred revenue					38,089			
Due to other funds						25,879		
Total liabilities.....	<u>43,180</u>	<u>22</u>	<u>68,854</u>	<u>13,093</u>	<u>45,046</u>	<u>27,019</u>	<u>299</u>	
Fund balance (deficit):								
Reserved for purpose of trust								
Reserved for retirement benefits								
Unreserved:								
Designated for specific projects						7,417	118,303	\$207,948
Unreserved and undesignated	<u>183,894</u>	<u>20,688</u>	<u>96,950</u>	<u>24,202</u>				
Total fund balance (deficit)	<u>183,894</u>	<u>20,688</u>	<u>96,950</u>	<u>24,202</u>		<u>7,417</u>	<u>118,303</u>	<u>207,948</u>
TOTAL	<u>\$227,074</u>	<u>\$20,710</u>	<u>\$165,804</u>	<u>\$37,295</u>	<u>\$45,046</u>	<u>\$34,436</u>	<u>\$118,602</u>	<u>\$207,948</u>

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TOWN OF WETHERSFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2005

	.....SPECIAL REVENUE.....							
	EDIC LOAN REPAYMENT	SENIOR NET LAB	WETHERSFIELD WEEKEND	SMALL CITIES HOUSING REHABILITATION	KATHERINE E. SMITH	FRANK WESTON	MAYOR'S VOLUNTEER RECOGNITION	AGRICULTURAL LAND PRESERVATION
<u>A S S E T S</u>								
Cash and cash equivalents			\$10,103	\$14,914	\$22,580	\$ 99,833	\$3,209	\$337,129
Investments								
Accounts receivable (net)		\$12,000						
Due from other governments								
Due from other funds	\$15,000					25,651		
Inventory								
TOTAL	<u>\$15,000</u>	<u>\$12,000</u>	<u>\$10,103</u>	<u>\$14,914</u>	<u>\$22,580</u>	<u>\$125,484</u>	<u>\$3,209</u>	<u>\$337,129</u>
<u>L I A B I L I T I E S</u> A N D <u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued items		\$ 4,288						
Deferred revenue								
Due to other funds		8,796	\$ 1,001		\$ 1,050		\$ 800	
Total liabilities		<u>13,084</u>	<u>1,001</u>		<u>1,050</u>		<u>800</u>	
Fund balance (deficit):								
Reserved for purpose of trust								
Reserved for retirement benefits								
Unreserved:								
Designated for specific projects								
Unreserved and undesignated	\$15,000	(1,084)	9,102	\$14,914	21,530	\$125,484	2,409	\$337,129
Total fund balance (deficit)	<u>15,000</u>	<u>(1,084)</u>	<u>9,102</u>	<u>14,914</u>	<u>21,530</u>	<u>125,484</u>	<u>2,409</u>	<u>337,129</u>
TOTAL	<u>\$15,000</u>	<u>\$12,000</u>	<u>\$10,103</u>	<u>\$14,914</u>	<u>\$22,580</u>	<u>\$125,484</u>	<u>\$3,209</u>	<u>\$337,129</u>

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TOWN OF WETHERSFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2005

	.....SPECIAL REVENUE.....				PERMANENT	TOTAL	
	TERLICKI	MOELLER	COTTONE	POSTEMPLOYMENT	..FUND..	NONMAJOR	
	TRUST	HOME	FIELD	BENEFITS	PUBLIC	GOVERNMENTAL	
		RENOVATIONS	DONATIONS		LIBRARY	FUNDS	
				TOTAL			
<u>A S S E T S</u>							
Cash and cash equivalents	\$13,890		\$19,906	\$ 97,809	\$1,037,660	\$23,408	\$1,061,068
Investments						51,939	51,939
Accounts receivable (net)					71,625	353	71,978
Due from other governments					37,128		37,128
Due from other funds		\$20,287		1,231,939	1,628,619	22,442	1,651,061
Inventory					6,133		6,133
TOTAL	<u>\$13,890</u>	<u>\$20,287</u>	<u>\$19,906</u>	<u>\$1,329,748</u>	<u>\$2,781,165</u>	<u>\$98,142</u>	<u>\$2,879,307</u>
<u>L I A B I L I T I E S</u>							
A N D							
<u>F U N D B A L A N C E</u>							
Liabilities:							
Accounts payable and accrued items		\$ 43,455		\$ 3,855	\$ 185,143	\$ 8,450	\$ 193,593
Deferred revenue					38,089		38,089
Due to other funds					37,526		37,526
Total liabilities		<u>43,455</u>		<u>3,855</u>	<u>260,758</u>	<u>8,450</u>	<u>269,208</u>
Fund balance (deficit):							
Reserved for purpose of trust						19,346	19,346
Reserved for retirement benefits				1,325,893	1,325,893		1,325,893
Unreserved:							
Designated for specific projects			\$19,906				
Unreserved and undesignated	\$13,890	(23,168)			1,194,514	70,346	1,264,860
Total fund balance (deficit)	<u>13,890</u>	<u>(23,168)</u>	<u>19,906</u>	<u>1,325,893</u>	<u>2,520,407</u>	<u>89,692</u>	<u>2,610,099</u>
TOTAL	<u>\$13,890</u>	<u>\$ 20,287</u>	<u>\$19,906</u>	<u>\$1,329,748</u>	<u>\$2,781,165</u>	<u>\$98,142</u>	<u>\$2,879,307</u>

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TOWN OF WETHERSFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	.....SPECIAL REVENUE.....							
	CAPITAL AND NONRECURRING EXPENDITURES	ANIMAL CONTROL	SCHOOL CAFETERIA	.....STATE AND FEDERAL GRANTS.... MUNICIPAL	EDUCATION	POLICE	COVE PRESERVATION	LAND AQUISITION
Revenues:								
Intergovernmental revenues	\$ 10,000		\$ 278,802	\$16,528	\$965,687	\$18,649		
Licenses, fees and permits		\$12,241						
Charges for services		14,809	769,882					
Interest and dividends			189			617	\$ 1,283	\$ 3,716
Investment gain (loss)						2,000		
Donations						2,042		
Other revenue	81,628	50	89,262	6,380			20,481	
Total revenues.....	91,628	27,100	1,138,135	22,908	965,687	23,308	21,764	3,716
Expenditures:								
Current:								
Public safety		17,526				25,175		
Recreation and parks							840	
Social services								
General government				22,172				
Education			1,127,570		965,687			
Capital outlay	680,593							
Total expenditures.....	680,593	17,526	1,127,570	22,172	965,687	25,175	840	
Excess (deficiency) of revenues over expenditures	(588,965)	9,574	10,565	736		(1,867)	20,924	3,716
Other financing sources:								
Transfers in	757,661							
Net change in fund balances	168,696	9,574	10,565	736		(1,867)	20,924	3,716
Fund balance, July 1, 2004	15,198	11,114	86,385	23,466	- 0 -	9,284	97,379	204,232
Fund balance (deficit), June 30, 2005	<u>\$ 183,894</u>	<u>\$20,688</u>	<u>\$ 96,950</u>	<u>\$24,202</u>	<u>\$ - 0 -</u>	<u>\$ 7,417</u>	<u>\$118,303</u>	<u>\$207,948</u>

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TOWN OF WETHERSFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

.....SPECIAL REVENUE.....										
	EDIC LOAN REPAYMENT	SENIOR NET LAB	WETHERSFIELD WEEKEND	SMALL CITIES HOUSING REHABILITATION	KATHERINE E. SMITH	FRANK WESTON	MAYOR'S VOLUNTEER RECOGNITION	AGRICULTURAL LAND PRESERVATION		
Revenues:										
Intergovernmental revenues				\$14,742						
Licenses, fees and permits										
Charges for services										
Interest and dividends			\$ 181	166	\$ 404	\$ 12,953	\$ 58	\$ 6,023		
Investment gain (loss)										
Donations		\$32,001								
Other revenue										
Total revenues.....		32,001	181	14,908	404	12,953	58	6,023		
Expenditures:										
Current:										
Public safety										
Recreation and parks										
Social services		37,912								
General government				18,783			800			
Education										
Capital outlay										
Total expenditures.....		37,912		18,783			800			
Excess (deficiency) of revenues over expenditures		(5,911)	181	(3,875)	404	12,953	(742)	6,023		
Other financing sources:										
Transfers in	\$15,000									
Net change in fund balances	15,000	(5,911)	181	(3,875)	404	12,953	(742)	6,023		
Fund balance, July 1, 2004	- 0 -	4,827	8,921	18,789	21,126	112,531	3,151	331,106		
Fund balance (deficit), June 30, 2005	\$15,000	\$(1,084)	\$9,102	\$14,914	\$21,530	\$125,484	\$2,409	\$337,129		

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TOWN OF WETHERSFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	.....SPECIAL REVENUE.....				PERMANENT	TOTAL
	TERLICKI	MOELLER	COTTONE	POSTEMPLOYMENT	..FUND..	NONMAJOR
	TRUST	HOME	FIELD	BENEFITS	PUBLIC	GOVERNMENTAL
		RENOVATIONS	DONATIONS		LIBRARY	FUNDS
				TOTAL		
Revenues:						
Intergovernmental revenues		\$211,780		\$1,516,188	\$ 4,213	\$ 1,520,401
Licenses, fees and permits				12,241		12,241
Charges for services				784,691		784,691
Interest and dividends	\$ 248		\$ 183	\$ 1,747	4,272	32,040
Investment gain (loss)					3,517	3,517
Donations		355,787	1,560	391,348	7,635	398,983
Other revenue				199,843	13,330	213,173
Total revenues.....	248	567,567	1,743	1,747	2,932,079	32,967
Expenditures:						
Current:						
Public safety				42,701		42,701
Recreation and parks				840		840
Social services				37,912	61,752	99,664
General government			2,758	398,066		442,579
Education				2,093,257		2,093,257
Capital outlay		605,735		1,286,328		1,286,328
Total expenditures.....		605,735	2,758	398,066	3,903,617	61,752
Excess (deficiency) of revenues over expenditures	248	(38,168)	(1,015)	(396,319)	(971,538)	(28,785)
Other financing sources:						
Transfers in		15,000		683,396	1,471,057	1,471,057
Net change in fund balances	248	(23,168)	(1,015)	287,077	499,519	(28,785)
Fund balance, July 1, 2004	13,642	- 0 -	20,921	1,038,816	2,020,888	118,477
Fund balance (deficit), June 30, 2005	\$13,890	\$(23,168)	\$19,906	\$1,325,893	\$2,520,407	\$ 89,692

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TOWN OF WETHERSFIELD, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005

	HEART AND HYPERTENSION	HOSPITAL MEDICAL INSURANCE	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 486,033	\$ 955,301	\$1,441,334
Accounts receivable		437,555	437,555
Total assets	486,033	1,392,856	1,878,889
LIABILITIES			
Current:			
Accounts payable and accrued items	945	17,502	18,447
Due to other funds	388,049	499,498	887,547
Risk management claims	219,207	565,283	784,490
Total current liabilities	608,201	1,082,283	1,690,484
Noncurrent:			
Claim incurred but not reported	342,864		342,864
Total liabilities	951,065	1,082,283	2,033,348
NET ASSETS:			
Unrestricted	<u>\$ (465,032)</u>	<u>\$ 310,573</u>	<u>\$ (154,459)</u>

TOWN OF WETHERSFIELD, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	HEART AND HYPERTENSION	HOSPITAL MEDICAL INSURANCE	TOTAL
Operating revenues:			
Contributions	\$ 123,000	\$5,905,113	\$6,028,113
Operating expenses:			
Salaries, wages and employee benefits		5,350,974	5,350,974
Other expenses		852,322	852,322
Total operating expenses.....		6,203,296	6,203,296
Operating income	123,000	(298,183)	(175,183)
Nonoperating revenues:			
Income on investments	8,683	18,371	27,054
Adjustment to claims payable - prior period	168,952		168,952
Total nonoperating revenues.....	177,635	18,371	196,006
Change in net assets.....	300,635	(279,812)	20,823
Total net assets, July 1, 2004	(765,667)	590,385	(175,282)
Total net assets, June 30, 2005	<u>\$(465,032)</u>	<u>\$ 310,573</u>	<u>\$ (154,459)</u>

TOWN OF WETHERSFIELD, CONNECTICUT

INTERNAL SERVICE FUND

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	HEART AND HYPERTENSION	HOSPITAL MEDICAL INSURANCE	TOTAL
Cash flows from (to) operating activities:			
Receipts from customers and users		\$ 6,077,100	\$ 6,077,100
Payments to suppliers		(852,806)	(852,806)
Payments to employees		(5,229,356)	(5,229,356)
Net cash provided (used) by operating activities.....		(5,062)	(5,062)
Cash flows from investing activities:			
Income on investments	\$ 8,683	18,371	27,054
Net increase in cash and cash equivalents	8,683	13,309	21,992
Cash and cash equivalents, July 1, 2004	477,350	941,992	1,419,342
Cash and cash equivalents, June 30, 2005	<u>\$486,033</u>	<u>\$ 955,301</u>	<u>\$ 1,441,334</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 123,000	\$(298,183)	\$(175,183)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Increase) decrease in receivable		231,852	231,852
Increase (decrease) in loans to other funds	77,674	(59,865)	17,809
Increase (decrease) in accounts payable and accrued expenses	(200,674)	121,134	(79,540)
Total adjustments.....	(123,000)	293,121	170,121
Net cash provided (used) by operating activities	<u>\$ - 0 -</u>	<u>\$ (5,062)</u>	<u>\$ (5,062)</u>
Noncash transactions:			
Adjustment to claims payable - prior period	<u>\$168,952</u>		

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>SCHOOL ESCROW</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$576,419	\$768,022	\$780,494	\$563,947
<u>LIABILITIES</u>				
Fiduciary deposits	\$576,419	\$768,022	\$780,494	\$563,947
<u>TOWN ESCROW</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 889,327	\$ 14,361		\$ 903,688
Accounts receivable	2,177	3,666		5,843
Due from other funds	506,550	141,955		648,505
Total assets	\$1,398,054	\$159,982	\$ - 0 -	\$1,558,036
<u>LIABILITIES</u>				
Accounts payable	\$ 11,521	\$ 23,277	\$5,000	\$ 29,798
Fiduciary deposits	1,386,533	141,705		1,528,238
Total liabilities	\$1,398,054	\$164,982	\$5,000	\$1,558,036
<u>TOTAL ALL FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$1,465,746	\$782,383	\$780,494	\$1,467,635
Accounts receivable	2,177	3,666		5,843
Due from other funds	506,550	141,955		648,505
TOTAL.....	\$1,974,473	\$928,004	\$780,494	\$2,121,983
<u>LIABILITIES</u>				
Accounts payable	\$ 11,521	\$ 23,277	\$ 5,000	\$ 29,798
Fiduciary deposits	1,962,952	909,727	780,494	2,092,185
TOTAL.....	\$1,974,473	\$933,004	\$785,494	\$2,121,983

TOWN OF WETHERSFIELD, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCOMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2005 AND 2004

	2005	2004
Governmental funds capital assets:		
Land	\$ 2,450,048	\$ 2,297,274
Buildings	58,484,485	45,386,123
Improvements other than buildings	11,673,772	10,384,772
Rolling equipment	7,648,162	6,222,211
Furniture and fixtures	9,847,573	9,632,869
Infrastructure	3,054,491	217,705
Construction in progress	<u>11,364,280</u>	<u>20,621,221</u>
TOTAL	<u>\$104,522,811</u>	<u>\$94,762,175</u>
Investments in governmental funds capital assets by source:		
General Fund	\$ 11,123,697	\$11,123,697
Special Revenue Funds	1,828,903	1,828,903
Capital Project Funds	91,534,310	81,773,674
Fiduciary Funds	<u>35,901</u>	<u>35,901</u>
TOTAL	<u>\$104,522,811</u>	<u>\$94,762,175</u>

TOWN OF WETHERSFIELD, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2005

	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	ROLLING EQUIPMENT	FURNITURE AND FIXTURES	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTAL
General government			\$ 711,466	\$ 81,808	\$ 459,904	\$ 1,799,884		\$ 3,053,062
Public safety	\$ 489,462	\$10,434,185	189,977	4,608,205	2,680,474			18,402,303
Public works	200,215	4,115,215	123,826	2,686,997	583,152	30,504	\$2,977,887	10,717,796
Recreation and parks ..	1,447,470	4,918,671	3,183,508	160,581	73,858		76,604	9,860,692
Education	312,901	39,016,414	7,464,995	110,571	6,050,185	9,533,892		62,488,958
TOTAL	<u>\$2,450,048</u>	<u>\$58,484,485</u>	<u>\$11,673,772</u>	<u>\$7,648,162</u>	<u>\$9,847,573</u>	<u>\$11,364,280</u>	<u>\$3,054,491</u>	<u>\$104,522,811</u>

TOWN OF WETHERSFIELD, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL FUNDS CAPITAL ASSETS JULY 1, 2004	ADDITIONS AND ADJUSTMENTS	DEDUCTIONS AND ADJUSTMENTS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2005
General government	\$ 1,463,444	\$ 1,673,382	\$ 83,764	\$ 3,053,062
Public safety	20,079,915	304,929	1,982,541	18,402,303
Public works	9,026,465	1,691,331		10,717,796
Recreation and parks	5,455,670	4,405,022		9,860,692
Social services	473,104		473,104	
Education	53,427,713	9,399,922	338,677	62,488,958
TOTAL	<u>\$89,926,311</u>	<u>\$17,474,586</u>	<u>\$2,878,086</u>	<u>\$104,522,811</u>

TOWN OF WETHERSFIELD, CONNECTICUTSTATEMENT OF DEBT LIMITATION
JUNE 30, 2005

(in thousands)

Total tax collections (including interest and lien fees) received by Treasurer for year ended June 30, 2005.....	\$55,667
Reimbursement for revenue loss on: Tax relief for elderly - elderly freeze.....	<u>13</u>
BASE.....	<u>\$55,680</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.....	\$125,280				
4-1/2 times base.....		\$250,560			
3-3/4 times base.....			\$208,800		
3-1/4 times base.....				\$180,960	
3 times base.....					\$167,040
Total debt limitation ..	<u>125,280</u>	<u>250,560</u>	<u>208,800</u>	<u>180,960</u>	<u>167,040</u>
Indebtedness:					
Bonds payable.....	17,598	20,937			
Bond authorized - unissued	3,793	8,690			
Town share of Metropolitan District debt			6,940		
School and other grants	<u>(40)</u>	<u>(9,891)</u>			
Total indebtedness	<u>21,351</u>	<u>19,736</u>	<u>6,940</u>		
Debt limitation in excess of outstanding and authorized debt.....	<u>\$103,929</u>	<u>\$230,824</u>	<u>\$201,860</u>	<u>\$180,960</u>	<u>\$167,040</u>

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation \$389.8 million.