

**TOWN OF WETHERSFIELD, CONNECTICUT**

**JUNE 30, 2007**

# TOWN OF WETHERSFIELD, CONNECTICUT

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## Report of Independent Accountants

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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, Connecticut, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 11 and budgetary comparison information on pages 40 through 43 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2007 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

*Blum, Shapiro & Company, P.C.*

December 24, 2007

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

This discussion and analysis of the Town of Wethersfield, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2007. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

**Financial Highlights**

- The Town's total net assets at the close of the fiscal year were \$58.4 million, an increase of \$4.3 million or 7.9% over the previous fiscal year. Of the Town's total net assets at June 30, 2007, \$10.9 million or 18.9% 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 \$8.3 million, an increase of \$1 million from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2007, \$8 million represents unreserved fund balance. Unreserved General Fund fund balance represents approximately 10.7% of total General Fund expenditures (\$74.3 million). The Town of Wethersfield's governmental funds reported combined ending fund balances of \$13.2 million a decrease of \$196 thousand 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 decrease of \$2.7 million (approximately 7.5%) as of the end of the fiscal year.
- Total cost of all of the Town's programs was \$79 million with no new programs added this year.
- The resources available for appropriation were \$1.3 million 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 nonmajor 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**

<u>Type of Statements</u>	<u>Government-wide Financial Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<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"> <li>➤ Statement of net assets</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures and changes in fund balances.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of net assets.</li> <li>➤ Statement of revenues, expenses, changes in fund net assets.</li> <li>➤ Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of fiduciary net assets.</li> <li>➤ Statement of changes in fiduciary net assets.</li> </ul>
<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* (Exhibits 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* (Exhibits 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* (Exhibits 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.

Net assets of the Town's governmental activities increased approximately 7.9% (\$54.1 million compared to \$58.4 million). The amount of \$47.5 million of net assets at June 30, 2007 is restricted as to the trust purposes they can be used for (\$639 thousand) or are invested in capital assets (\$46.9 million - buildings, roads, bridges, and so on). The remaining balance of \$10.9 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 \$10.0 million at June 30, 2006 to \$10.9 million at June 30, 2007, for a total increase of \$.9 million. This change in unrestricted governmental net assets resulted primarily because of a significant increase in investment income.

The most significant portion of the Town of Wethersfield's assets (77%) reflects its investment in capital assets (i.e., land, buildings, vehicles, machinery and 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)**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 23,420	\$ 21,027
Capital assets, net of accumulated depreciation *	79,470	77,421
Total assets	<u>102,890</u>	<u>98,448</u>
Current liabilities	7,221	4,313
Long-term liabilities outstanding	37,277	40,004
Total liabilities	<u>44,498</u>	<u>44,317</u>
Net assets:		
Investment in capital assets, net of related debt	46,859	43,489
Restricted for trust purposes	639	598
Unrestricted	<u>10,894</u>	<u>10,044</u>
Total Net Assets	<u>\$ 58,392</u>	<u>\$ 54,131</u>

\* Prior year balance restated to reflect the retroactive reporting of net infrastructure assets acquired prior to July 1, 2002 - net increase \$850 thousand.

**TABLE 2**  
**CHANGE IN NET ASSETS**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Revenues:		
Program revenues:		
Charges for services	\$ 2,698	\$ 3,137
Operating grants and contributions	11,058	10,777
Capital grants and contributions	1,534	1,414
General revenues:		
Property taxes	64,822	59,863
Unrestricted grants	1,128	1,206
Unrestricted investment earnings	1,617	1,134
Miscellaneous	367	76
Total revenues	<u>83,224</u>	<u>77,607</u>
Expenses:		
Public safety	8,521	7,607
Public works	7,859	7,508
Recreation and parks	1,616	1,590
Social services	1,011	1,061
Library	1,471	1,384
General government	7,659	6,050
Education	49,396	45,306
Interest on long-term debt	1,430	1,482
Total expenses	<u>78,963</u>	<u>71,988</u>
Change in net assets	<u>\$ 4,261</u>	<u>\$ 5,619</u>

The Town's total revenue was \$83.2 million. The total cost of all programs and services was \$79.0 million. Our analysis below separately considers the operations of governmental activities.

**Governmental Activities**

Approximately 77.9% of the revenues were derived from property taxes, followed by 15.1% generated from operating and capital grants, then 1.9% from other unrestricted grants, and the remaining 5.1% of revenues were generated from program and other miscellaneous revenues.

Major revenue factors include:

- An increase in the property taxes and associated interest and lien fees by \$5.0 million during the year.
- The Town's current levy collected tax rate was 98.99%, a slight decrease from the previous year.
- Operating grants for governmental activities continued to increase as a result of an aggressive grant application strategy undertaken by the Town begun last year. The Town has also had continued support from our Legislators for grant entitlements for the functional area of Education.
- Unrestricted investment earnings had a significant increase due to unanticipated higher interest earnings rates in the market and a temporary increase in cash flow availability from bonded projects.

For governmental activities 9.7% of the Town’s expenditures relate to general government, 62.6% relate to education, 10.8% relate to public safety, 9.9% relate to public works, 3.9% relate to civic and cultural, 1.3% relate to public welfare and the remaining 1.8% relate to interest payments on long-term debt.

Major expenditure factors include a Town initiative to address infrastructure improvements while trying to find other revenue sources such as grants to help fund them. The taxpayer burden is taken very seriously. When the Town expenditure budget is being developed much consideration is given to the viability of the services being offered as well as looking at new ways of providing those services with a savings. One way that this is being accomplished is through shared services with other Towns. 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.

**TABLE 3  
GOVERNMENTAL  
ACTIVITIES  
(In Thousands)**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Public safety	\$ 8,521	\$ 7,607	\$ 7,960	\$ 7,103
Public works	7,859	7,508	6,739	7,035
Recreation and parks	1,616	1,590	1,322	1,259
General government	7,659	6,050	6,275	4,362
Education	49,396	45,306	37,995	33,151
All other	3,912	3,927	3,383	3,750
Totals	\$ <u>78,963</u>	\$ <u>71,988</u>	\$ <u>63,674</u>	\$ <u>56,660</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 spendable 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 \$13.2 million, a decrease from \$13.4 million as of June 30, 2006. This decrease 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 \$8.0 million while total fund balance reached \$8.3 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 10.7% of the total General Fund expenditures.

- At June 30, 2007, the Town’s General Fund increased by \$1.0 million over the previous year. The key factors contributing to this increase mirror the governmental activities analysis highlighted in Exhibit IV.

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 \$93.6 thousand. The Internal Service fund, which is part of the Governmental activities, decreased due to reserves for the Town and Board of Education health self-insurance programs having some highly unusual claims during the fiscal year. Most of the unusual claims did reach the stop loss threshold which only made the Town responsible for the first \$100,000 of each of those claims. The Town is carefully monitoring the claims and will be addressing the future funding requirements of the fund during the next budgetary process.

**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 \$1.3 million and expenditures were less than budgetary estimates by \$484 thousand, thus eliminating the need to draw upon additional fund balance. Overall revenues over expenditures on the budgetary basis were \$1.5 million. In the current year, revenues increased by 6.5% over the prior year as expenditures increased by 6.8%.

The major factors are as follows:

- The Town’s property tax revenue increased approximately 7.73%.
- Board of Education expenditures increased by approximately \$2.6 million or 6.49%.
- Investment earnings increased by approximately \$389 thousand or 38.1%.

The Town’s General Fund balance of \$8.3 million reported on Exhibit III differs from the General Fund’s budgetary fund balance of \$8 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes a \$291 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, 2007, amount to \$79.5 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 \$2.0 million or approximately 2.6%.

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, 2007 was \$11.7 million. This amount includes:

➤ Town Hall Renovations Phase 1	\$ 3,205,742
➤ Webb/Stillman/Physical Services Renovation	7,077,672
➤ Town Hall Renovations Phase 2	1,149,012
➤ Community Center Gym Floor	32,255
➤ Library Telephone System	26,346
➤ Wethersfield High School HVAC and AC Projects	198,488
➤ Roof Repairs	32,448
➤ Keeney Center Energy Savings	10,321
➤ Solomon Welles House Improvements	10,165
Total	\$ 11,742,449

**TABLE 4**  
**CAPITAL ASSETS (Net of Depreciation)**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<u>2007</u>	<u>2006</u>
Land	\$ 2,450	\$ 2,450
Buildings	42,626	40,662
Improvements other than buildings	9,015	9,245
Rolling equipment	3,926	3,955
Furniture and fixtures	1,769	2,194
Infrastructure	7,941	4,953 *
Construction in progress	<u>11,743</u>	<u>13,962</u>
Totals	<u>\$ 79,470</u>	<u>\$ 77,421</u>

\* Restated - see Note 6

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

Capital Improvements and Other Equipment	\$ 1,085,101
Silas Deane Middle School	33,704
Emerson Williams HVAC	97,354
Stillman Building	3,066,632
Roads and Sidewalks	2,360,208
Capital Nonrecurring (Public Safety vehicles, Equipment)	<u>402,252</u>
Total	<u>\$ 7,045,251</u>

Town's fiscal-year 2007-08 capital budget calls for it to spend another \$1.4 million for capital projects, principally for pavement mill and overlay, various drainage repairs, park improvements, building improvements, architectural studies 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 \$33.8 million in bonds and notes outstanding versus \$36.6 million last year - a decrease of 7.5% as shown in Table 5.

**TABLE 5**  
**OUTSTANDING DEBT**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<u>2007</u>	<u>2006</u>
General obligation bonds	<u>\$ 33,840</u>	<u>\$ 36,580</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 \$420.1 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**

The Town is continuously working on ways to improve upon its business friendly approach and its plan for its economic future as we look for ways to expand the tax base:

- The Town is in the midst of implementing a plan for revitalization of the Town's major commercial corridor, the Silas Deane Highway through a streetscape improvement program, a façade improvement program and a design review process.
- The Redevelopment Agency is well along in its process to review and identify potential redevelopment opportunities on the Silas Deane Highway and in other business districts in Town. During the next year the Agency hopes to begin the work necessary to develop partnerships with property owners that will lead to significant development opportunities over the next few years.
- The Town continues its program to actively retain and promote its existing business base through business visits, recognition and promotion.
- Additionally, the Town's Tourism Commission is nearing completion of a strategic plan for the Town's historic district through the Preserve America program that will be used as a blueprint for implementation strategies in the years to come.
- The Town has also initiated a more aggressive marketing, public relations and promotion program to highlight the Town as a destination for visitors and new business development.

The Town of Wethersfield's unemployment rate of 3.7% as of the October, 2007 was less than the Hartford Labor Market Area of 4.3% and the Connecticut State overall rate of 4.7% for the same time period.

The consumer price index for the United States City Average at June, 2007 was at a level of 208.35. The Northeast Region of the United States was at a level of 221.58 at the same time.

These indicators were taken into account when adopting the General Fund budget for 2007-08. Amounts available for appropriation in the General Fund budget are \$78.8 million, an increase of approximately 5% over the final 2007 budget of \$74.7 million. Property taxes (benefiting from the 2007 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 2008 budget.

During the fiscal year, unreserved fund balance in the General Fund increased to \$7.3 million. The Town has appropriated \$700,000 of this amount in the fiscal year 2007-2008 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, 2007

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 19,432,562
Investments	44,386
Receivables, net	3,795,562
Prepaid items	147,959
Capital assets not being depreciated	14,192,498
Capital assets being depreciated, net	65,277,024
Total assets	<u>102,889,991</u>
Liabilities:	
Accounts payable and accrued items	3,280,511
Unearned revenue	1,800,465
Due to fiduciary funds	2,139,930
Noncurrent liabilities:	
Due within one year	4,569,251
Due in more than one year	32,707,818
Total liabilities	<u>44,497,975</u>
Net Assets:	
Invested in capital assets, net of related debt	46,858,585
Restricted for trust purposes:	
Expendable trusts	576,576
Nonexpendable trusts	62,607
Unrestricted	<u>10,894,248</u>
Total Net Assets	<u>\$ 58,392,016</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF WETHERSFIELD, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Public safety	\$ 8,521,352	\$ 407,760	\$ 153,590	\$	\$ (7,960,002)
Public works	7,858,978	107,729	209,656	802,963	(6,738,630)
Recreation and parks	1,616,194	195,317	41,601	57,763	(1,321,513)
Social services	1,010,987	13,899	43,102		(953,986)
Library	1,470,439	14,302	57,785	360,000	(1,038,352)
General government	7,659,036	1,072,243	311,358		(6,275,435)
Education	49,396,050	886,536	10,201,620	312,738	(37,995,156)
Interest on long-term debt	1,430,142		39,373		(1,390,769)
<b>Total</b>	<b>\$ 78,963,178</b>	<b>\$ 2,697,786</b>	<b>\$ 11,058,085</b>	<b>\$ 1,533,464</b>	<b>(63,673,843)</b>
General revenues:					
Property taxes					64,822,488
Unrestricted grants					1,128,079
Unrestricted investment earnings					1,617,036
Miscellaneous					366,851
Total general revenues					67,934,454
Change in Net Assets					4,260,611
Net Assets at Beginning of Year - as restated					54,131,405
Net Assets at End of Year					\$ 58,392,016

The accompanying notes are an integral part of the financial statements

## TOWN OF WETHERSFIELD, CONNECTICUT

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,706,878	\$ 2,509,650	\$ 1,489,531	\$ 16,706,059
Investments			44,386	44,386
Receivables, net:				
Property taxes receivable (net)	786,535			786,535
Intergovernmental	906,312		314,916	1,221,228
Other receivables	316,998	5,605	502,215	824,818
Due from other funds	3,157,921	867,535	2,639,125	6,664,581
Other assets	35,917		16,690	52,607
Total Assets	<u>\$ 17,910,561</u>	<u>\$ 3,382,790</u>	<u>\$ 5,006,863</u>	<u>\$ 26,300,214</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued items	\$ 1,115,940	\$ 1,493,554	\$ 357,086	\$ 2,966,580
Due to other funds	5,773,530	922,884	156,547	6,852,961
Due to other governments	8,584			8,584
Deferred revenue	2,745,674	3,600	531,495	3,280,769
Total liabilities	<u>9,643,728</u>	<u>2,420,038</u>	<u>1,045,128</u>	<u>13,108,894</u>
Fund balances:				
Reserved:				
Encumbrances	291,495			291,495
Purpose of trust			19,346	19,346
Retirement benefits			1,471,547	1,471,547
Unreserved, reported in:				
General Fund	7,975,338			7,975,338
Special Revenue Funds			2,427,581	2,427,581
Capital Project Funds		962,752		962,752
Permanent Fund			43,261	43,261
Total fund balances	<u>8,266,833</u>	<u>962,752</u>	<u>3,961,735</u>	<u>13,191,320</u>
Total Liabilities and Fund Balances	<u>\$ 17,910,561</u>	<u>\$ 3,382,790</u>	<u>\$ 5,006,863</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				79,469,522
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				2,210,296
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.				93,612
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(36,572,734)</u>
Net Assets of Governmental Activities (Exhibit I)				<u>\$ 58,392,016</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF WETHERSFIELD, CONNECTICUT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes, interest and lien fees	\$ 64,617,241	\$	\$	\$ 64,617,241
Intergovernmental revenues	10,009,012	1,486,239	2,250,243	13,745,494
Other local revenues	3,418,816	53,779	1,203,676	4,676,271
Total revenues	<u>78,045,069</u>	<u>1,540,018</u>	<u>3,453,919</u>	<u>83,039,006</u>
Expenditures:				
Current:				
Public safety	7,718,911		44,260	7,763,171
Public works	7,129,457			7,129,457
Recreation and parks	1,442,244		3,597	1,445,841
Social services	1,009,128		1,859	1,010,987
Library	1,422,872		23,381	1,446,253
General government	6,154,978		888,177	7,043,155
Education	45,250,664		2,468,336	47,719,000
Capital outlay		4,804,539	725,929	5,530,468
Debt service	4,147,019			4,147,019
Total expenditures	<u>74,275,273</u>	<u>4,804,539</u>	<u>4,155,539</u>	<u>83,235,351</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,769,796</u>	<u>(3,264,521)</u>	<u>(701,620)</u>	<u>(196,345)</u>
Other Financing Sources (Uses):				
Transfers in		1,406,751	1,484,122	2,890,873
Transfers out	(2,735,706)	(53,223)	(101,944)	(2,890,873)
Total other financing sources (uses)	<u>(2,735,706)</u>	<u>1,353,528</u>	<u>1,382,178</u>	<u>-</u>
Net Change in Fund Balances	1,034,090	(1,910,993)	680,558	(196,345)
Fund Balances at Beginning of Year	<u>7,232,743</u>	<u>2,873,745</u>	<u>3,281,177</u>	
Fund Balances at End of Year	<u>\$ 8,266,833</u>	<u>\$ 962,752</u>	<u>\$ 3,961,735</u>	

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,048,324
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	59,577
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.	3,004,171
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.	(19,975)
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)	<u>(635,141)</u>
Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 4,260,611</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WETHERSFIELD, CONNECTICUT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**

**JUNE 30, 2007**

	<b>Governmental            Activities</b> <hr/> <b>Internal            Service Funds</b> <hr/>
<b>Assets:</b>	
Cash and cash equivalents	\$ 2,726,503
Accounts receivable	592,119
Due from other funds	<u>111,610</u>
Total assets	<u>3,430,232</u>
<b>Liabilities:</b>	
Current:	
Accounts payable	15,218
Due to other funds	2,063,160
Claims incurred but not reported	821,431
Noncurrent:	
Claims incurred but not reported	<u>436,811</u>
Total liabilities	<u>3,336,620</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$ 93,612</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WETHERSFIELD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2007**

		<b>Governmental Activities</b>
		<b>Internal Service Fund</b>
Operating Revenues:		
Contributions	\$	<u>7,996,533</u>
Operating Expenses:		
Salaries, wages and employee benefits		7,710,900
Other expenses		<u>1,050,486</u>
Total operating expenses		<u>8,761,386</u>
Operating Income		(764,853)
Nonoperating Revenue:		
Income on investments		<u>129,712</u>
Change in Net Assets		(635,141)
Net Assets at Beginning of Year		<u>728,753</u>
Net Assets at End of Year	\$	<u><u>93,612</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WETHERSFIELD, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u><b>Governmental Activities Internal Service Fund</b></u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 8,627,577
Payment to suppliers	(7,564,651)
Payment to employees	(1,040,566)
Net cash provided by operating activities	<u>22,360</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>129,712</u>
Net Increase in Cash and Cash Equivalents	152,072
Cash and Cash Equivalents at Beginning of Year	<u>2,574,431</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,726,503</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ (764,853)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Increase in accounts receivable	(109,492)
Decrease in loans to other funds	776,550
Increase (decrease) in accounts payable and accrued expenses	<u>120,155</u>
Net Cash Provided by Operating Activities	<u>\$ 22,360</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF WETHERSFIELD, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and cash equivalents	\$ 1,080,298	\$ 1,686,516
Investments:		
U.S. government obligations	13,023,153	
Common stock	7,040,706	
Corporate obligations	4,019,664	
Open-end mutual funds	41,341,263	
Contribution receivable	511	
Prepaid expenses	277,173	
Due from other funds	<u>1,423,625</u>	<u>731,635</u>
Total assets	<u>68,206,393</u>	<u>\$ 2,418,151</u>
Liabilities:		
Accounts payable		\$ 22,032
Due to other funds		15,330
Due to student groups and others		<u>2,380,789</u>
Total liabilities	<u>-</u>	<u>\$ 2,418,151</u>
Net Assets:		
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 68,206,393</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF WETHERSFIELD, CONNECTICUT**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS**  
**PENSION TRUST FUND**

**FOR THE YEAR ENDED JUNE 30, 2007**

Additions:	
Contributions:	
Employer	\$ 982,985
Plan members	923,401
Total	<u>1,906,386</u>
Investment income:	
Net appreciation in fair value of investments	5,696,335
Interest and dividends	3,213,910
Net investment income	<u>8,910,245</u>
Total additions	<u>10,816,631</u>
Deductions:	
Benefits	3,337,416
Administration expense	161,690
Total deductions	<u>3,499,106</u>
Net Increase	7,317,525
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>60,888,868</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 68,206,393</u>

The accompanying notes are an integral part of the financial statements

# TOWN OF WETHERSFIELD, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS

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### 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 activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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.

The *General Fund* is 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 Project Funds* account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

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

### **Proprietary Funds**

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

*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 pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

The 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 noncurrent 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) 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 of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$36,572,734 difference are as follows:

Bonds payable	\$ 33,840,000
Deferred amounts on refunding and other issuances (to be amortized as interest expense)	107,629
Accrued interest payable	290,129
Capital leases payable	788,396
Compensated absences	<u>1,546,580</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u>\$ 36,572,734</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 \$2,048,324 difference are as follows:

Capital outlay	\$ 4,822,727
Depreciation expense	<u>(2,774,403)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 2,048,324</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 \$3,004,171 difference are as follows:

Principal repayments:	
General obligation debt	\$ 2,740,000
Capital leases	<u>264,171</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 3,004,171</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 \$(19,975) difference are as follows:

Compensated absences	\$ (28,285)
Accrued interest	30,616
Amortization of deferred amounts on refunding and other issuances	<u>(22,306)</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (19,975)</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 no supplemental budgetary appropriations made during the year.

**B. Deficit Fund Equity**

The Senior Net Lab Fund (nonmajor governmental fund) had a deficit fund balance of \$50 which will be funded through future contributions and revenues. Additionally, the Hospital Medical Insurance Internal Service Fund has a deficit of \$30,773 which will be funded by General Fund appropriations.

**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, 2007:

Deposits:	
Demand accounts	\$ 10,266,660
Petty cash	4,965
Cash equivalents:	
State Short-Term Investment Fund (STIF)	3,799,016
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)	7,103,769
Pension Fund - Wachovia Securities	1,024,585
Nonmajor Governmental Funds - Banc of America	<u>381</u>
Total Cash and Cash Equivalents	\$ <u><u>22,199,376</u></u>

## Deposits

At June 30, 2007 the carrying amount of the Town deposits was \$10,266,660 and the bank balance was \$11,077,610.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Of the June 30, 2007 bank balance, \$672,239 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 \$1,040,537, based on June 30, 2007 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$9,364,834 was uninsured and uncollateralized.

## Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2007 the Town's cash equivalents amounted to \$11,927,751. 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
Banc of America			X

## B. Investments

Investments as of June 30, 2007 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:	\$	
U.S. government obligations	13,023,153	5.75
Corporate bonds	4,019,664	4.75
Other Investments:		
Common stock	7,040,706	
Pooled open-end mutual fund accounts:		
Pension Trust Funds	41,341,263	
Liberty Trust Fund	<u>44,386</u>	
Total	<u>\$ 65,469,172</u>	

Portfolio weighted average maturity for interest bearing investments 5.51

*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	11%	
Aa1 to Aa3	28%	
A1 to A3	33%	
Less than A3	28%	
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, 2007, the Town's investments, other than open-end mutual funds and other pooled accounts that are not categorized as to custodial credit risk, were uninsured and unregistered securities held by the counterparty, or by its trust department or agent, and were not in the Town's name.

## 5. RECEIVABLES

Receivables as of year end for the Town's individual major funds, 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</u>	<u>Total</u>
Receivables:				
Taxes	\$ 1,043,721	\$	\$	\$ 1,043,721
Accounts and other*	295,925	2,005	1,094,845	1,392,775
Special assessments	21,073	3,600		24,673
Intergovernmental	<u>906,312</u>		<u>314,916</u>	<u>1,221,228</u>
Gross receivables	2,267,031	5,605	1,409,761	3,682,397
Less: allowance for uncollectibles	<u>257,186</u>			<u>257,186</u>
Net Total Receivables	<u>\$ 2,009,845</u>	<u>\$ 5,605</u>	<u>\$ 1,409,761</u>	<u>\$ 3,425,211</u>

\*Does not include accrued interest on property taxes of \$370,862.

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 principal	\$ 570,392	\$
Property taxes collected in advance		1,268,970
School building grants	906,312	
Capital Projects:		
Assessments	3,600	
Nonmajor Governmental Funds		
Unearned grants and other		<u>531,495</u>
 Total Deferred/Unearned Revenue for Governmental Funds	 <u>\$ 1,480,304</u>	 <u>\$ 1,800,465</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 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	\$ 2,450,048	\$	\$	\$ 2,450,048
Construction in progress	13,962,216	1,450,730	(3,670,496)	11,742,450
Total capital assets not being depreciated	<u>16,412,264</u>	<u>1,450,730</u>	<u>(3,670,496)</u>	<u>14,192,498</u>
Capital assets, being depreciated:				
Buildings	59,248,343	3,162,034		62,410,377
Improvements other than buildings	11,448,752	138,571		11,587,323
Rolling equipment	7,840,108	402,250	(46,551)	8,195,807
Furniture and fixtures	10,174,030	105,626	(44,500)	10,235,156
Infrastructure	22,521,853	3,236,769		25,758,622
Total capital assets being depreciated	<u>111,233,086</u>	<u>7,045,250</u>	<u>(91,051)</u>	<u>118,187,285</u>
Less accumulated depreciation for:				
Buildings	(18,586,639)	(1,198,326)		(19,784,965)
Improvements other than buildings	(2,203,569)	(369,084)		(2,572,653)
Rolling equipment	(3,884,896)	(429,774)	45,222	(4,269,448)
Furniture and fixtures	(7,980,249)	(528,520)	43,072	(8,465,697)
Infrastructure	(17,568,799)	(248,699)		(17,817,498)
Total accumulated depreciation	<u>(50,224,152)</u>	<u>(2,774,403)</u>	<u>88,294</u>	<u>(52,910,261)</u>
Total capital assets being depreciated, net	<u>61,008,934</u>	<u>4,270,847</u>	<u>(2,757)</u>	<u>65,277,024</u>
Governmental Activities Capital Assets, Net	<u>\$ 77,421,198</u>	<u>\$ 5,721,577</u>	<u>\$ (3,673,253)</u>	<u>\$ 79,469,522</u>

\* The beginning balance of capital assets has been restated to reflect the retroactive reporting of infrastructure assets acquired prior to July 1, 2002 (net increase \$849,748).

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

Governmental activities:		
Public safety	\$	796,838
Public works		519,977
Recreation and parks		167,586
General government		41,255
Education		<u>1,248,747</u>
 Total Depreciation Expense - Governmental Activities	\$	<u><u>2,774,403</u></u>

### Construction Commitments

The Town has active construction projects as of June 30, 2007. At year end, the Town's commitments are as follows:

<u>Project</u>	<u>Remaining Spent-to-Date</u>	<u>Commitment</u>
Police Facility/Communications System/Town Hall		
Phase 1 renovations	\$ 13,822,000	\$ 331,425
Silas Deane Middle School renovations	13,217,559	7,441
Webb/Stillman School renovations	10,626,350	32,577
Town Hall Phase 2 renovations	2,316,025	2,883,975
Road and Sidewalk Improvements	<u>2,676,468</u>	<u>243,532</u>
 Total	 \$ <u><u>42,658,402</u></u>	 \$ <u><u>3,498,950</u></u>

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

### 7. INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances, which represent temporary activity and budgetary policies, as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 922,884
	Nonmajor Governmental Funds	156,547
	Internal Service Funds	2,063,160
	Agency Funds	15,330
Capital Projects	General Fund	867,535
Nonmajor Governmental Funds	General Fund	2,639,125
Agency Funds	General Fund	731,635
Pension	General Fund	1,423,625
Internal Service	General Fund	<u>111,610</u>
 Total		 \$ <u><u>8,931,451</u></u>

Interfund transfers:

	<b>Transfers In</b>		
	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Transfers out:			
General Fund	\$ 1,304,807	\$ 1,430,899	\$ 2,735,706
Capital Projects		53,223	53,223
Nonmajor Governmental	101,944		101,944
 Total Transfers Out	 \$ <u>1,406,751</u>	 \$ <u>1,484,122</u>	 \$ <u>2,890,873</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, 20067, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 274,421
2009	166,392
2010	166,392
2011	166,392
2012	69,330
Total minimum lease payments	842,927
Less amount representing interest	<u>(54,531)</u>
 Present Value of Minimum Lease Payments	 \$ <u>788,396</u>

## 9. LONG-TERM DEBT

### Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 36,580,000	\$	\$ 2,740,000	\$ 33,840,000	\$ 2,735,000
Less deferred amounts	(178,455)		(22,306)	(156,149)	
Total bonds payable	<u>36,401,545</u>		<u>2,717,694</u>	<u>33,683,851</u>	<u>2,735,000</u>
Capital leases	1,052,567		264,171	788,396	251,281
Compensated absences	1,518,295	28,285		1,546,580	761,539
Risk management liability	<u>1,153,305</u>	<u>104,937</u>		<u>1,258,242</u>	<u>821,431</u>
Governmental Activity Long-Term Liabilities	<u>\$ 40,125,712</u>	<u>\$ 133,222</u>	<u>\$ 2,981,865</u>	<u>\$ 37,277,069</u>	<u>\$ 4,569,251</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 \$906,312 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, 2007</u>
General obligation bonds	09/15/91	\$ 5,000,000	5.75-7.75	09/15/11	\$ 250,000	\$ 1,250,000
General obligation bonds	09/01/96	1,920,000	4.35-5.9	09/01/12	125,000- 130,000	750,000
General obligation bonds	01/15/98	1,370,000	3.85-5.8	01/15/09	125,000	245,000
General obligation bonds	10/15/01	7,000,000	3.25-5.25	10/15/21	350,000	5,250,000
General obligation bonds	08/01/02	7,000,000	4.0-4.625	01/15/22	375,000	5,625,000
General obligation bonds	03/15/03	8,970,000	2.5-3.4	08/15/22	180,000 - 720,000	6,510,000
General obligation bonds	06/15/05	15,000,000	3.0-5.0	08/15/25	785,000 - 790,000	<u>14,210,000</u>
Total						<u>\$ 33,840,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,585,000	970,704	3,555,704
2012	2,575,000	879,501	3,454,501
2013-2017	9,590,000	3,251,309	12,841,309
2018-2022	8,490,000	1,534,892	10,024,892
2023-2025	2,540,000	192,470	2,732,470
Total	<u>\$ 33,840,000</u>	<u>\$ 10,343,937</u>	<u>\$ 44,183,937</u>

### Authorized But Unissued

The total of authorized but unissued bonds at June 30, 2007 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 (in thousands):

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 135,338	\$ 20,710	\$ 114,628
Schools	270,675	24,707	245,968
Sewers	225,563	6,331	219,232
Urban renewal	195,488		195,488
Pension deficit	180,450		180,450

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 \$5.8 million or 7.7% of the District debt.

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation (\$421.1 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, 2007, 2006 or 2005.

## 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:

		<b>Accrued Liability Beginning of Fiscal Year</b>	<b>Current Year Claims Paid and Changes in Estimates</b>		<b>Accrued Liability End of Fiscal Year</b>	
2005-06	\$	562,071	\$	(55,845)	\$	506,226
2006-07		506,226		(36,014)		470,212

## 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 2007, total claims expense of \$7,705,602 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, 2007.

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, 2007 of \$788,030.

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, 2007 and 2006, is presented below:

		<b>Accrued Liability Beginning of Fiscal Year</b>		<b>Current Year Claims Paid and Changes in Estimates</b>		<b>Accrued Liability Claim Payments</b>		<b>Accrued Liability End of Fiscal Year</b>
2005-06	\$	565,283	\$	5,858,069	\$	(5,776,273)	\$	647,079
2006-07		647,079		7,705,602		(7,564,651)		788,030

## 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 2006-07 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2006-07 was \$244,655. 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 Town management and counsel to result in a judgment or judgments which would have a material adverse effect on the Town's financial position.

**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 \$398,401 for the fiscal year ended June 30, 2007. Currently, 110 retirees meet the eligibility requirements.

**13. EMPLOYEE RETIREMENT PLANS**

**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, 2006 Plan membership consisted of the following:

Retirees, disabled individuals, and beneficiaries currently receiving benefits	202
Terminated employees entitled to benefits, but not yet receiving them	33
Current employees	<u>341</u>
 Total	 <u><u>576</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, 2007, the Town’s required contribution was \$982,985, which represents 7.1% of covered payroll of \$13,775,647.

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 for the year ended June 30, 2007 are as follows:

Annual required contribution	\$ 982,985
Interest on net pension obligation	(7,488)
Adjustment to annual required contribution	<u>5,739</u>
Annual pension cost	981,236
Contributions made	<u>982,985</u>
Increase (decrease) in net pension obligation	(1,749)
Net pension obligation (asset) - beginning of year	<u>(93,603)</u>
Net Pension Obligation (Asset) - End of Year	<u>\$ (95,352)</u>

The annual required contribution for the current year was determined as part of the July 1, 2003 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</u>
6/30/05	\$ 586,446	\$ 596,661	102 %	\$ (127,875)
6/30/06	779,966	745,694	96	(93,603)
6/30/07	981,236	982,985	100	(95,352)

## F. Pension Plan Required Supplementary Information

### Schedule of Funding Progress (thousands)

<b>Plan Year</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age (b)</b>	<b>(Unfunded) AAL (UAAL) (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (a-b)/c)</b>
7/01/2001	\$ 56,567	\$ 42,087	\$ (14,480)	134.4 %	N/A	N/A
7/01/2002	51,954	44,609	(7,345)	116.5	\$ 12,099	(60.7) %
7/01/2003	53,118	47,731	(5,387)	111.3	N/A	N/A
7/01/2004	53,114	50,754	(2,360)	104.6	11,973	(19.7)
7/01/2005	53,637	54,860	1,223	97.8	13,007	9.4
7/01/2006	55,733	59,097	3,364	94.3	13,776	24.4

### Schedule of Employer Contributions

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/02		N/A
6/30/03		N/A
6/30/04	\$ 454,299	100 %
6/30/05	595,859	100
6/30/06	782,508	95
6/30/07	982,985	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 \$2.7 million on behalf of Wethersfield teachers for the fiscal year ended June 30, 2007.

## 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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes, interest and lien fees	\$ 64,351,592	\$ 64,351,592	\$ 64,617,241	\$ 265,649
Intergovernmental revenues:				
State of Connecticut - General Government	1,424,303	1,424,303	1,474,911	50,608
State of Connecticut - Board of Education	5,842,520	5,842,520	5,820,090	(22,430)
Total intergovernmental revenues	<u>7,266,823</u>	<u>7,266,823</u>	<u>7,295,001</u>	<u>28,178</u>
Licenses, fees and permits:				
Engineering	10,350	10,350	11,120	770
Town Clerk	3,500	3,500	3,725	225
Transfer station	30,000	30,000	28,993	(1,007)
Police	3,950	3,950	4,875	925
Building inspections	250,000	250,000	285,499	35,499
Total licenses, fees and permits	<u>297,800</u>	<u>297,800</u>	<u>334,212</u>	<u>36,412</u>
Charges for services:				
Town Clerk	500,000	500,000	485,789	(14,211)
Police	239,000	239,000	333,683	94,683
Recreation and parks	169,250	169,250	169,323	73
Rents	9,800	9,800	9,602	(198)
Library	15,000	15,000	12,184	(2,816)
Community Center	39,575	39,575	39,601	26
Refuse disposal	34,730	34,730	46,720	11,990
Youth Service Counseling	5,500	5,500	2,579	(2,921)
White goods pickup	7,500	7,500	7,800	300
False alarms	40,600	40,600	39,825	(775)
Dial-A-Ride membership	11,820	11,820	11,321	(499)
Nature Center	55,150	55,150	57,763	2,613
Computer services	16,575	16,575	16,575	-
Cell tower rental fees	122,184	122,184	118,278	(3,906)
Returned check fee	2,350	2,350	2,300	(50)
Tree services	27,000	27,000	24,760	(2,240)
Other	40,000	40,000	46,167	6,167
Total charges for services	<u>1,336,034</u>	<u>1,336,034</u>	<u>1,424,270</u>	<u>88,236</u>

(Continued on next page)

## TOWN OF WETHERSFIELD, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Fines and penalties	\$ <u>35,000</u>	\$ <u>35,000</u>	\$ <u>37,951</u>	\$ <u>2,951</u>
Sale of Town property	<u>-</u>	<u>-</u>	<u>2,300</u>	<u>2,300</u>
Interest on investments	<u>550,000</u>	<u>550,000</u>	<u>1,410,662</u>	<u>860,662</u>
Other revenues	<u>189,500</u>	<u>189,500</u>	<u>209,421</u>	<u>19,921</u>
Total	\$ <u><u>74,026,749</u></u>	\$ <u><u>74,026,749</u></u>	75,331,058	\$ <u><u>1,304,309</u></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			<u>2,714,011</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds Exhibit IV			\$ <u><u>78,045,069</u></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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government:				
Town Council	\$ 79,191	\$ 79,886	\$ 78,457	\$ 1,429
Town Manager	315,812	356,663	355,769	894
Personnel	32,300	45,674	45,673	1
Town Attorney	135,000	160,000	141,343	18,657
Town Clerk	242,765	239,846	231,902	7,944
Registrar of Voters	89,287	94,970	94,924	46
Town Treasurer	3,085	3,085	3,085	-
Finance/Accounting	425,040	423,695	410,510	13,185
Information processing	320,438	324,683	318,832	5,851
Tax collection	184,974	184,974	183,904	1,070
Assessment	264,911	265,981	263,317	2,664
Central office services	243,257	243,257	216,795	26,462
Town-wide Radio system	223,662	220,660	218,235	2,425
Probate court	30,500	30,500	27,041	3,459
Economic Development	66,567	79,827	73,789	6,038
Planning	190,850	190,850	183,135	7,715
Zoning Board of Appeals	5,783	5,783	4,165	1,618
Total general government	<u>2,853,422</u>	<u>2,950,334</u>	<u>2,850,876</u>	<u>99,458</u>
Public Safety:				
Police	6,445,423	6,567,852	6,550,700	17,152
Fire suppression	591,050	592,771	583,474	9,297
Fire prevention	99,662	99,662	96,040	3,622
Fire facilities and maintenance	63,969	64,548	60,496	4,052
Emergency Medical Services	29,017	29,017	20,202	8,815
Street lighting	410,696	410,696	408,711	1,985
Total public safety	<u>7,639,817</u>	<u>7,764,546</u>	<u>7,719,623</u>	<u>44,923</u>
Public Works:				
Engineering	494,024	514,024	513,234	790
Traffic and sidewalk maintenance	99,469	99,469	98,490	979
Building inspection and services	654,548	654,548	643,597	10,951
Physical services	3,006,052	2,951,069	2,943,135	7,934
Refuse and recycling services	1,858,415	1,902,580	1,902,578	2
Vehicle maintenance	1,035,161	1,046,468	1,042,670	3,798
Total public works	<u>7,147,669</u>	<u>7,168,158</u>	<u>7,143,704</u>	<u>24,454</u>

(Continued on next page)

## TOWN OF WETHERSFIELD, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Social Services:				
Tri-Town Health District	\$ 107,014	\$ 107,014	\$ 107,014	\$ -
Social and youth services	888,994	904,864	902,114	2,750
Total public works	996,008	1,011,878	1,009,128	2,750
Library	1,513,095	1,513,095	1,423,341	89,754
Recreation and parks	1,441,963	1,450,213	1,440,949	9,264
Contingency	340,000	41,825	-	41,825
Insurance	683,650	718,969	718,969	-
Metropolitan District Commission	2,347,297	2,358,397	2,357,544	853
Reserve - employees/retirees	388,388	347,537	239,887	107,650
Debt service:				
Principal retirement	2,740,000	2,740,000	2,740,000	-
Interest	1,407,021	1,407,021	1,407,019	2
Bond Issuance Cost	75,000	46,630	-	46,630
Total debt service	4,222,021	4,193,651	4,147,019	46,632
Board of Education	42,483,440	42,483,440	42,467,045	16,395
Total expenditures	72,056,770	72,002,043	71,518,085	483,958
Other Financing Uses:				
Transfers out	2,680,979	2,735,706	2,735,706	-
Total	\$ 74,737,749	\$ 74,737,749	74,253,791	\$ 483,958
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			2,714,011	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			43,177	
Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 77,010,979	

## TOWN OF WETHERSFIELD, CONNECTICUT

## GENERAL FUND

## COMPARATIVE BALANCE SHEET

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,706,878	\$ 9,694,714
Property taxes receivable, net	786,535	578,914
Other receivables	1,223,310	1,279,969
Prepaid expenses	35,917	
Due from other funds	<u>3,157,921</u>	<u>2,189,932</u>
Total Assets	<u>\$ 17,910,561</u>	<u>\$ 13,743,529</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued items	\$ 1,115,940	\$ 1,112,007
Due to other funds	5,773,530	3,702,283
Due to other governments	8,584	7,102
Deferred revenues	<u>2,745,674</u>	<u>1,689,394</u>
Total liabilities	<u>9,643,728</u>	<u>6,510,786</u>
Fund balance:		
Reserved for encumbrances	291,495	334,672
Unreserved:		
Designated for subsequent year's budget	700,000	700,000
Undesignated	<u>7,275,338</u>	<u>6,198,071</u>
Total fund balance	<u>8,266,833</u>	<u>7,232,743</u>
Total Liabilities and Fund Balance	<u>\$ 17,910,561</u>	<u>\$ 13,743,529</u>

## TOWN OF WETHERSFIELD, CONNECTICUT

## GENERAL FUND

## REPORT OF TAX COLLECTOR

## FOR THE YEAR ENDED JUNE 30, 2007

Grand List	Uncollected Taxes June 30, 2006 and Current Levy	Lawful Corrections		Transfers To Suspense	Adjusted Tax Levy	Collections					Uncollected Taxes June 30, 2007
		Additions	Deletions			Taxes	Interest	Liens	Refunds	Total	
2005	\$ 64,744,056	\$ 81,604	\$ 199,243	\$	\$ 64,626,417	\$ 64,035,129	\$ 189,022	\$ 168	\$ 63,525	\$ 64,160,794	\$ 654,813
2004	413,702	32,568	84,065		362,205	319,557	51,331	1,776	112,868	259,796	155,516
2003	100,016	28,586	2,548		126,054	68,852	16,520	264	1,977	83,659	59,179
2002	57,260	810	683		57,387	12,006	8,759	48	471	20,342	45,852
2001	52,308	80	304		52,084	3,039	1,708	24	304	4,467	49,349
2000	8,519		291		8,228	1,101	1,639		1,590	1,150	8,717
45 1999	4,003				4,003				(5)		3,998
1998	12,247				12,247						12,247
1997	13,035				13,035						13,035
1996	17,787				17,787						17,787
1995	10,661				10,661						10,661
1994	8,965				8,965						8,965
1993	1,849				1,849						1,849
1992	896				896						896
1991	857				857						857
	\$ <u>65,446,161</u>	\$ <u>143,648</u>	\$ <u>287,134</u>	\$ <u>-</u>	\$ <u>65,302,675</u>	64,439,684	268,979	2,280	180,730	64,530,213	\$ <u>1,043,721</u>
Advance collections, 2006 List						1,268,970				1,268,970	
Collections on suspense						3,090	2,737			5,827	
Total						\$ <u>65,711,744</u>	\$ <u>271,716</u>	\$ <u>2,280</u>	\$ <u>180,730</u>	\$ <u>65,805,010</u>	

TOWN OF WETHERSFIELD, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

Special Revenue Funds

	Special Revenue Funds							
	Capital and Nonrecurring Expenditures	Animal Control	School Cafeteria	State and Federal Grants			Cove Preservation	Land Acquisition
				Municipal	Education	Police		
<b>ASSETS</b>								
Cash and cash equivalents	\$	\$	\$ 226,886	\$	\$	\$ 121,862	\$ 139,439	\$ 226,075
Investments								
Accounts receivables, net		4,615	2,837	440				
Due from other governments			61,345	124,847	128,724			
Due from other funds	1,018,506	33,879					23,479	77,084
Inventory			16,690					
Total Assets	\$ <u>1,018,506</u>	\$ <u>38,494</u>	\$ <u>307,758</u>	\$ <u>125,287</u>	\$ <u>128,724</u>	\$ <u>121,862</u>	\$ <u>162,918</u>	\$ <u>303,159</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable and accrued items	\$ 241,531	\$ 12	\$ 67,835	\$ 25,581	\$ 5,599	\$ 701	\$ 962	\$
Deferred revenue					37,247			
Due to other funds				48,111	85,878	21,645		
Total liabilities	<u>241,531</u>	<u>12</u>	<u>67,835</u>	<u>73,692</u>	<u>128,724</u>	<u>22,346</u>	<u>962</u>	<u>-</u>
Fund Balances:								
Reserved for purposes of trust								
Reserved for retirement benefits								
Unreserved:								
Unreserved and undesignated	<u>776,975</u>	<u>38,482</u>	<u>239,923</u>	<u>51,595</u>		<u>99,516</u>	<u>161,956</u>	<u>303,159</u>
Total fund balance	<u>776,975</u>	<u>38,482</u>	<u>239,923</u>	<u>51,595</u>	<u>-</u>	<u>99,516</u>	<u>161,956</u>	<u>303,159</u>
Total Liabilities and Fund Balances	\$ <u>1,018,506</u>	\$ <u>38,494</u>	\$ <u>307,758</u>	\$ <u>125,287</u>	\$ <u>128,724</u>	\$ <u>121,862</u>	\$ <u>162,918</u>	\$ <u>303,159</u>

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**TOWN OF WETHERSFIELD, CONNECTICUT**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2007**

**Special Revenue**

	<u>Edic Loan Repayment</u>	<u>Senior Net Lab</u>	<u>Wethersfield Weekend</u>	<u>Small Cities Housing Rehabilitation</u>	<u>Katherine E. Smith</u>	<u>Frank Weston</u>	<u>Mayor's Volunteer Recognition</u>	<u>Agricultural Land Preservation</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$	\$	\$ 3,014	\$ 80,311	\$ 19,207	\$ 139,459	\$ 2,653	\$ 367,219
Investments								
Accounts receivables, net	11,042			483,206				
Due from other governments								
Due from other funds	67,660					9,203		
Inventory								
Total Assets	<u>\$ 78,702</u>	<u>\$ -</u>	<u>\$ 3,014</u>	<u>\$ 563,517</u>	<u>\$ 19,207</u>	<u>\$ 148,662</u>	<u>\$ 2,653</u>	<u>\$ 367,219</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable and accrued items	\$	\$	\$	\$	\$	\$ 85	\$	\$
Deferred revenue	11,042			483,206				
Due to other funds		50						
Total liabilities	<u>11,042</u>	<u>50</u>	<u>-</u>	<u>483,206</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Reserved for purposes of trust								
Reserved for retirement benefits								
Unreserved:								
Unreserved and undesignated	67,660	(50)	3,014	80,311	19,207	148,577	2,653	367,219
Total fund balance	<u>67,660</u>	<u>(50)</u>	<u>3,014</u>	<u>80,311</u>	<u>19,207</u>	<u>148,577</u>	<u>2,653</u>	<u>367,219</u>
Total Liabilities and Fund Balances	<u>\$ 78,702</u>	<u>\$ -</u>	<u>\$ 3,014</u>	<u>\$ 563,517</u>	<u>\$ 19,207</u>	<u>\$ 148,662</u>	<u>\$ 2,653</u>	<u>\$ 367,219</u>

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**TOWN OF WETHERSFIELD, CONNECTICUT**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2007

	<u>Special Revenue Funds</u>					<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>	
	<u>Terlicki Trust</u>	<u>Moeller Home Renovations</u>	<u>Cottone Field Donations</u>	<u>Capital Reserve</u>	<u>Postemployment Benefits</u>	<u>Total</u>		<u>Public Library</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 15,134		\$ 22,511		\$ 106,539	\$ 1,470,309	\$ 19,222	\$ 1,489,531
Investments						-	44,386	44,386
Accounts receivables, net						502,140	75	502,215
Due from other governments						314,916		314,916
Due from other funds		1,275		28,464	1,379,575	2,639,125		2,639,125
Inventory						16,690		16,690
<b>Total Assets</b>	<b><u>\$ 15,134</u></b>	<b><u>\$ 1,275</u></b>	<b><u>\$ 22,511</u></b>	<b><u>\$ 28,464</u></b>	<b><u>\$ 1,486,114</u></b>	<b><u>\$ 4,943,180</u></b>	<b><u>\$ 63,683</u></b>	<b><u>\$ 5,006,863</u></b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable and accrued items					14,567	356,873	213	357,086
Deferred revenue						531,495		531,495
Due to other funds						155,684	863	156,547
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>14,567</u></b>	<b><u>1,044,052</u></b>	<b><u>1,076</u></b>	<b><u>1,045,128</u></b>
<b>Fund Balances:</b>								
Reserved for purposes of trust						-	19,346	19,346
Reserved for retirement benefits					1,471,547	1,471,547		1,471,547
<b>Unreserved:</b>								
Unreserved and undesignated	15,134	1,275	22,511	28,464		2,427,581	43,261	2,470,842
<b>Total fund balance</b>	<b><u>15,134</u></b>	<b><u>1,275</u></b>	<b><u>22,511</u></b>	<b><u>28,464</u></b>	<b><u>1,471,547</u></b>	<b><u>3,899,128</u></b>	<b><u>62,607</u></b>	<b><u>3,961,735</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 15,134</u></b>	<b><u>\$ 1,275</u></b>	<b><u>\$ 22,511</u></b>	<b><u>\$ 28,464</u></b>	<b><u>1,486,114</u></b>	<b><u>\$ 4,943,180</u></b>	<b><u>\$ 63,683</u></b>	<b><u>\$ 5,006,863</u></b>

## TOWN OF WETHERSFIELD, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Special Revenue Funds</b>							
	<b>Capital and Nonrecurring Expenditures</b>	<b>Animal Control</b>	<b>School Cafeteria</b>	<b>State and Federal Grants</b>			<b>Cove Preservation</b>	<b>Land Acquisition</b>
				<b>Municipal</b>	<b>Education</b>	<b>Police</b>		
Revenues:								
Intergovernmental revenues	\$	\$	\$ 351,415	\$ 171,901	\$ 1,316,104	\$ 102,170	\$	\$
Licenses, fees and permits		13,509						
Charges for services		4,524	884,701				25,994	
Interest and dividends			439			3,480	6,614	10,723
Investment gain								
Donations								
Other revenue	63,554	429	1,835	14,448		10,915		79,884
Total revenues	<u>63,554</u>	<u>18,462</u>	<u>1,238,390</u>	<u>186,349</u>	<u>1,316,104</u>	<u>116,565</u>	<u>32,608</u>	<u>90,607</u>
Expenditures:								
Current:								
Public safety		8,840				35,420		
Recreation and parks							3,597	
Social services								
Library								
General government				181,404				2,800
Education			1,152,232		1,316,104			
Capital outlay	725,429							
Total expenditures	<u>725,429</u>	<u>8,840</u>	<u>1,152,232</u>	<u>181,404</u>	<u>1,316,104</u>	<u>35,420</u>	<u>3,597</u>	<u>2,800</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(661,875)</u>	<u>9,622</u>	<u>86,158</u>	<u>4,945</u>	<u>-</u>	<u>81,145</u>	<u>29,011</u>	<u>87,807</u>
Other Financing Sources (Uses)								
Transfers in	1,069,510							
Transfers out	(83,450)							
Total other financing sources (uses)	<u>986,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	324,185	9,622	86,158	4,945		81,145	29,011	87,807
Fund Balances at Beginning of Year	<u>452,790</u>	<u>28,860</u>	<u>153,765</u>	<u>46,650</u>	<u>-</u>	<u>18,371</u>	<u>132,945</u>	<u>215,352</u>
Fund Balances at End of Year	<u>\$ 776,975</u>	<u>\$ 38,482</u>	<u>\$ 239,923</u>	<u>\$ 51,595</u>	<u>\$ -</u>	<u>\$ 99,516</u>	<u>\$ 161,956</u>	<u>\$ 303,159</u>

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**TOWN OF WETHERSFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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	<u>Special Revenue</u>							
	<u>Edic Loan Repayment</u>	<u>Senior Net Lab</u>	<u>Wethersfield Weekend</u>	<u>Small Cities Housing Rehabilitation</u>	<u>Katherine E. Smith</u>	<u>Frank Weston</u>	<u>Mayor's Volunteer Recognition</u>	<u>Agricultural Land Preservation</u>
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$ 272,878	\$	\$	\$	\$
Licenses, fees and permits								
Charges for services								
Interest and dividends			143	4,639	911	16,973	126	17,418
Investment gain								
Donations		2,476						
Other revenue	1,458							
Total revenues	<u>1,458</u>	<u>2,476</u>	<u>143</u>	<u>277,517</u>	<u>911</u>	<u>16,973</u>	<u>126</u>	<u>17,418</u>
Expenditures:								
Current:								
Public safety								
Recreation and parks								
Social services		1,859						
Library								
General government	13,798			290,534		1,240		
Education								
Capital outlay								
Total expenditures	<u>13,798</u>	<u>1,859</u>	<u>-</u>	<u>290,534</u>	<u>-</u>	<u>1,240</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(12,340)</u>	<u>617</u>	<u>143</u>	<u>(13,017)</u>	<u>911</u>	<u>15,733</u>	<u>126</u>	<u>17,418</u>
Other Financing Sources (Uses)								
Transfers in	40,000							
Transfers out				(18,494)				
Total other financing sources (uses)	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>(18,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	27,660	617	143	(31,511)	911	15,733	126	17,418
Fund Balances at Beginning of Year	<u>40,000</u>	<u>(667)</u>	<u>2,871</u>	<u>111,822</u>	<u>18,296</u>	<u>132,844</u>	<u>2,527</u>	<u>349,801</u>
Fund Balances at End of Year	<u>\$ 67,660</u>	<u>\$ (50)</u>	<u>\$ 3,014</u>	<u>\$ 80,311</u>	<u>\$ 19,207</u>	<u>\$ 148,577</u>	<u>\$ 2,653</u>	<u>\$ 367,219</u>

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**TOWN OF WETHERSFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Special Revenue Funds</u>					<u>Total</u>	<u>Permanent</u>	<u>Total</u>
	<u>Terlicki</u>	<u>Moeller</u>	<u>Cottone</u>	<u>Capital</u>	<u>Postemployment</u>		<u>Public</u>	
	<u>Trust</u>	<u>Home</u>	<u>Field</u>	<u>Reserve</u>	<u>Benefits</u>		<u>Library</u>	<u>Governmental</u>
								<u>Funds</u>
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$ 28,464	\$	\$ 2,242,932	\$ 7,311	\$ 2,250,243
Licenses, fees and permits						13,509		13,509
Charges for services						915,219	2,118	917,337
Interest and dividends	718		385		5,053	67,622	4,286	71,908
Investment gain						-	4,754	4,754
Donations			2,000		10,016	14,492	9,153	23,645
Other revenue						172,523		172,523
Total revenues	<u>718</u>	<u>-</u>	<u>2,385</u>	<u>28,464</u>	<u>15,069</u>	<u>3,426,297</u>	<u>27,622</u>	<u>3,453,919</u>
Expenditures:								
Current:								
Public safety						44,260		44,260
Recreation and parks						3,597		3,597
Social services						1,859		1,859
Library							23,381	23,381
General government					398,401	888,177		888,177
Education						2,468,336		2,468,336
Capital outlay		500				725,929		725,929
Total expenditures	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>398,401</u>	<u>4,132,158</u>	<u>23,381</u>	<u>4,155,539</u>
Excess (Deficiency) of Revenues over Expenditures	<u>718</u>	<u>(500)</u>	<u>2,385</u>	<u>28,464</u>	<u>(383,332)</u>	<u>(705,861)</u>	<u>4,241</u>	<u>(701,620)</u>
Other Financing Sources (Uses)								
Transfers in					374,612	1,484,122		1,484,122
Transfers out						(101,944)		(101,944)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,612</u>	<u>1,382,178</u>	<u>-</u>	<u>1,382,178</u>
Net Change in Fund Balances	718	(500)	2,385	28,464	(8,720)	676,317	4,241	680,558
Fund Balances at Beginning of Year	<u>14,416</u>	<u>1,775</u>	<u>20,126</u>	<u>-</u>	<u>1,480,267</u>	<u>3,222,811</u>	<u>58,366</u>	<u>3,281,177</u>
Fund Balances at End of Year	<u>\$ 15,134</u>	<u>\$ 1,275</u>	<u>\$ 22,511</u>	<u>\$ 28,464</u>	<u>\$ 1,471,547</u>	<u>\$ 3,899,128</u>	<u>\$ 62,607</u>	<u>\$ 3,961,735</u>

## TOWN OF WETHERSFIELD, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

JUNE 30, 2007

	<u>Heart and Hypertension</u>	<u>Hospital Medical Insurance</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 485,909	\$ 2,240,594	\$ 2,726,503
Accounts receivable		592,119	592,119
Due from other funds	<u>111,610</u>		<u>111,610</u>
Total assets	<u>597,519</u>	<u>2,832,713</u>	<u>3,430,232</u>
Liabilities:			
Current:			
Accounts payable	2,922	12,296	15,218
Due to other funds		2,063,160	2,063,160
Risk management claims	<u>33,401</u>	<u>788,030</u>	<u>821,431</u>
Total current liabilities	36,323	2,863,486	2,899,809
Noncurrent:			
Claims incurred but not reported	<u>436,811</u>		<u>436,811</u>
Total liabilities	<u>473,134</u>	<u>2,863,486</u>	<u>3,336,620</u>
Net Assets	<u>\$ 124,385</u>	<u>\$ (30,773)</u>	<u>\$ 93,612</u>

## TOWN OF WETHERSFIELD, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Heart and Hypertension</u>	<u>Hospital Medical Insurance</u>	<u>Total</u>
Operating Revenues:			
Contributions	\$ 150,000	\$ 7,846,533	\$ 7,996,533
Operating Expenses:			
Salaries, wages and employee benefits	5,298	7,705,602	7,710,900
Other expenses		1,050,486	1,050,486
Total operating expenses	<u>5,298</u>	<u>8,756,088</u>	<u>8,761,386</u>
Operating Income	144,702	(909,555)	(764,853)
Nonoperating Revenue:			
Income on investments	<u>23,048</u>	<u>106,664</u>	<u>129,712</u>
Change in Net Assets	167,750	(802,891)	(635,141)
Net Assets at Beginning of Year	<u>(43,365)</u>	<u>772,118</u>	<u>728,753</u>
Net Assets at End of Year	<u>\$ 124,385</u>	<u>\$ (30,773)</u>	<u>\$ 93,612</u>

## TOWN OF WETHERSFIELD, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Heart and Hypertension</u>	<u>Hospital Medical Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 2,376	\$ 8,625,201	\$ 8,627,577
Payments to suppliers		(7,564,651)	(7,564,651)
Payments to employees	(2,376)	(1,038,190)	(1,040,566)
Net cash provided by operating activities	<u>-</u>	<u>22,360</u>	<u>22,360</u>
Cash Flows from Investing Activities:			
Income on investments	<u>23,048</u>	<u>106,664</u>	<u>129,712</u>
Net Increase in Cash and Cash Equivalents	23,048	129,024	152,072
Cash and Cash Equivalents at Beginning of Year	<u>462,861</u>	<u>2,111,570</u>	<u>2,574,431</u>
Cash and Cash Equivalents at End of Year	<u>\$ 485,909</u>	<u>\$ 2,240,594</u>	<u>\$ 2,726,503</u>
Reconciliation of Operating Income to Net Cash			
Provide by Operating Activities:			
Operating income	\$ <u>144,702</u>	\$ <u>(909,555)</u>	\$ <u>(764,853)</u>
Adjustments to reconcile operating income to net cash provided by used in operating activities:			
(Increase) decrease in receivable		(109,492)	(109,492)
Increase (decrease) in loans to other funds	(111,610)	888,160	776,550
Increase (decrease) in accounts payable and accrued expenses	(33,092)	153,247	120,155
Total adjustments	<u>(144,702)</u>	<u>931,915</u>	<u>787,213</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 22,360</u>	<u>\$ 22,360</u>

## TOWN OF WETHERSFIELD, CONNECTICUT

## AGENCY FUNDS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>School Escrow</b>				
Assets:				
Cash and cash equivalents	\$ 539,685	\$ 695,488	\$ 730,016	\$ 505,157
Liabilities:				
Fiduciary deposits	\$ 539,685	\$ 695,488	\$ 730,016	\$ 505,157
<b>Town Escrow</b>				
Assets:				
Cash and cash equivalents	\$ 1,044,738	\$ 911,729	\$ 775,108	\$ 1,181,359
Accounts receivable	9,175		9,175	-
Due from other funds	588,579	103,624		692,203
Total Assets	<u>\$ 1,642,492</u>	<u>\$ 1,015,353</u>	<u>\$ 784,283</u>	<u>\$ 1,873,562</u>
Liabilities:				
Accounts payable	\$ 15,264	\$ 6,768		\$ 22,032
Due to other funds		15,330		15,330
Fiduciary deposits	1,627,228	993,255	784,283	1,836,200
Total Liabilities	<u>\$ 1,642,492</u>	<u>\$ 1,015,353</u>	<u>\$ 784,283</u>	<u>\$ 1,873,562</u>
<b>Retiree Health</b>				
Assets:				
Due from other funds	\$ -	\$ 39,432	\$ -	\$ 39,432
Liabilities:				
Fiduciary deposits	\$ -	\$ 39,432	\$ -	\$ 39,432

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## TOWN OF WETHERSFIELD, CONNECTICUT

## AGENCY FUNDS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

## FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Total All Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,584,423	\$ 1,607,217	\$ 1,505,124	\$ 1,686,516
Accounts receivable	9,175		9,175	-
Due from other funds	<u>588,579</u>	<u>143,056</u>	<u>                    </u>	<u>731,635</u>
Total Assets	<u>\$ 2,182,177</u>	<u>\$ 1,750,273</u>	<u>\$ 1,514,299</u>	<u>\$ 2,418,151</u>
Liabilities:				
Accounts payable	\$ 15,264	\$ 6,768	\$	\$ 22,032
Due to other funds		15,330		15,330
Fiduciary deposits	<u>2,166,913</u>	<u>1,728,175</u>	<u>1,514,299</u>	<u>2,380,789</u>
Total Liabilities	<u>\$ 2,182,177</u>	<u>\$ 1,750,273</u>	<u>\$ 1,514,299</u>	<u>\$ 2,418,151</u>

**TOWN OF WETHERSFIELD, CONNECTICUT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**COMPARATIVE SCHEDULE BY SOURCE**

**JUNE 30, 2007**

(In Thousands)

Total tax collections, including interest and lien fees, received by Treasurer for year ended June 30, 2007					\$ 60,142
Reimbursement for loss on: Tax relief for elderly - elderly freeze					<u>8</u>
BASE					<u>\$ 60,150</u>
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 135,338	\$	\$	\$	\$
4-1/2 times base		270,675			
3-3/4 times base			225,563		
3-1/4 times base				195,488	
3 times base					180,450
Total debt limitation	<u>135,338</u>	<u>270,675</u>	<u>225,563</u>	<u>195,488</u>	<u>180,450</u>
Indebtedness:					
Bonds payable	16,917	16,923			
Bonds authorized - unissued	3,793	8,690			
Town share of Metropolitan District debt			6,331		
Less school and other grants		(906)			
Total indebtedness	<u>20,710</u>	<u>24,707</u>	<u>6,331</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 114,628</u>	<u>\$ 245,968</u>	<u>\$ 219,232</u>	<u>\$ 195,488</u>	<u>\$ 180,450</u>

Note: In no event shall total debt exceed seven times annual receipts from taxation (\$421.1 million).