



*Financial Statements and
Supplemental Schedules*

Town of Branford

*Year Ended June 30, 2003
With Independent Auditors' Report*



Scully & Wolf, LLP

*Certified Public Accountants
and Consultants*

TOWN OF BRANFORD, CONNECTICUT

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INDEPENDENT AUDITORS' REPORT

Board of Finance
Town of Branford
Branford, Connecticut

Dear Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Branford, Connecticut, as of and for the year ended June 30, 2003, 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 of Branford'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 *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Branford, Connecticut, as of June 30, 2003, 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 and budgetary comparison information on pages 3 through 10 and 42 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

As discussed in Note 1 to the basic financial statements, the Town has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, effective July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town Branford'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.

November 3, 2003

Scully + Wolf LLP

TOWN OF BRANFORD, CONNECTICUT

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

This discussion and analysis of the Town of Branford, Connecticut's ("Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2003. This is the first year of reporting in accordance with Statement No. 34 of the Governmental Accounting Standards Board. Certain prior year activity is not available to provide comparative information. Future management's discussion and analysis (MD&A) will be presented on a comparative basis. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX. All amounts in this MD&A are expressed in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- Net assets of our governmental activities increased by \$4,015, or 7.1 percent.
- During the year, the Town had expenses that were \$4,015 less than the \$76,342 generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$72,327 with no new programs added this year.
- The General Fund reported a fund balance this year of \$13,470.
- The resources available for appropriation were \$3,485 more than budgeted for the General Fund. Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by Charter. However, the Town establishes many other funds to help control and manage financial activities for particular purposes (like the Sewer Assessment Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received from the State of Connecticut). The Town's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibit III and IV)* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit V, VI, and VII)* – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Internal service funds (a component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities – such as the Town's Workers' Compensation Fund and Heart and Hypertension Fund.
- *Fiduciary funds (Exhibit VIII and IX)* – The Town is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from a year ago increasing from \$56,023 to \$60,038. 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	
<i>Net Assets</i>	
	Governmental Activities <u>2003</u>
Current and other assets	\$ 38,856
Capital assets.....	<u>93,785</u>
Total assets	<u>132,641</u>
Long-term debt outstanding	66,732
Other liabilities.....	<u>5,871</u>
Total liabilities.....	<u>72,603</u>
Net assets:	
Invested in capital assets, net of debt.....	33,771
Restricted	217
Unrestricted (deficit).....	<u>26,050</u>
Total net assets	<u>\$ 60,038</u>

Branford experienced an increase in net assets of its governmental activities of 7.1 percent as compared to the prior year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$27,394 at June 30, 2002 to \$26,050 at the end of this year.

This change in unrestricted governmental net assets was primarily due to the investment in capital assets. The net assets invested in capital assets, net of debt increased from \$28,406 to \$33,771. This was the result of significant capital asset acquisition during the year.

Table 2
Changes In Net Assets

	Governmental Activities 2003
Revenues:	
Program revenues:	
Charges for services.....	\$ 6,425
Operating grants and contributions.....	6,833
Capital grants and contributions.....	524
General revenues:	
Property taxes.....	60,216
Grants and contributions not restricted to specific purposes.....	1,819
Unrestricted investment earnings.....	465
Other general revenues.....	<u>60</u>
Total revenues	<u>76,342</u>
Program expenses:	
General government.....	3,948
Public safety.....	7,767
Public works and highway.....	7,318
Parks, recreation and libraries.....	2,051
Health and human services.....	1,867
Education.....	41,253
Pension and insurance.....	5,205
Interest and debt service.....	<u>2,918</u>
Total program expenses.....	<u>72,327</u>
Increase in net assets.....	<u>\$ 4,015</u>

The Town's total revenues were \$76,342. The total cost of all programs and services was \$72,327. Our analysis which follows considers the operations of governmental activities.

Governmental Activities

The General Fund contributed significantly to the Town's overall increase in net assets. Total revenues were \$3,485 higher than budgeted. Of this amount \$1,945 resulted from strong property tax collections which includes prior year levies, interest and penalties. Taxes on the current levy exceeded the budget by \$817 as the Town experienced one of its highest collection rates. Charges for services produced revenues that exceeded the budget by \$827. The increase was fueled by an increase in the number of deeds recorded coupled with the increase in real estate conveyance fees that went into effect in March 2003. Increased activity related to the disposal of contaminated soil, septage and building permit activity resulted in additional increases to this category.

Expenditures were \$652 less than anticipated due to vacancies in various departments that produced savings in direct wages and pension costs. Other areas of the budget in that were below budgeted estimates include sanitation and waste, contingency, and education.

Table 3 presents the cost of each of the Town's five largest programs – police, fire, public works, education, and parks and recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	<u>Total Cost of Services</u> <u>2003</u>	<u>Net Cost of Services</u> <u>2003</u>
General government.....	\$3,948	\$2,249
Public safety.....	\$7,767	\$6,503
Public works and highway	\$7,318	\$5,177
Education	\$41,253	\$35,414
Pension and insurance.....	\$5,205	\$5,108

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$17,071, which is an increase from last year's total of (\$1,775). Included in this year's total change in fund balance, is an increase of \$2,294 in the Town's General Fund. The primary reasons for the General Fund's increase are reflected in the governmental activities analysis highlighted above. The Town permanently financed \$20,930 of Clean Water Fund Project Loan Obligations issued to fund improvements at the wastewater treatment plant which caused the Capital Projects Fund fund balance to increase by \$16,483.

General Fund Budgetary Highlights

The Town's general fund budget remained essentially unchanged. Actual final expenditures plus encumbrances totaled \$67,923. Unexpended appropriations in public safety, public works, and pension and insurance coupled with smaller unexpended balances from other areas produced a favorable variance of \$652. Despite the overall positive experience with regard to expenditures the Town was required to allocate considerable resources to the legal budget. These transfers were required to cover the costs of reaching a settlement with an employee, as well as tax appeals and other legal disputes between developers and contractors. Revenues totaled \$70,061 and as stated earlier this amount reflects strong tax collections and charges for services.

The Town's General Fund balance of \$13,470 reported on Exhibit III differs from the General Fund's budgetary fund balance of \$12,939. This is principally because budgetary fund balance does not include \$531 of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the Town had \$93,785 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment – Table 4. This amount represents a net increase (including additions and deductions) of \$3,466, or 3.7 percent, over last year.

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

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
Land	\$ 5,812	\$ 5,812
Land improvements	244	271
Buildings	51,374	24,648
Machinery and equipment.....	8,010	3,232
Construction in progress	<u>28,345</u>	<u>56,356</u>
Totals	<u>\$93,785</u>	<u>\$90,319</u>

The Town has not implemented the provisions of the GASB Statement #34 which require the reporting of infrastructure assets acquired prior to July 1, 2002. Infrastructure reporting will begin by the transitional due date.

This year's major additions included over \$4 million in equipment purchases at the Wastewater Treatment Plant.

The Town's fiscal-year 2003-04 budget as adopted does not contemplate any major additions to capital assets. However, it is anticipated that the Town will authorize bonds during the 2003-04 fiscal year for various sanitary and pump station improvements. In addition, the wastewater treatment plant expenditures will move from the construction in progress category to the building category. More detailed information about the Town's capital assets is presented in Note 1 to the financial statements.

Long-term debt

At June 30, 2003 the Town had \$60,014 in bonds and notes outstanding versus \$43,524 last year – an increase of \$16,490 or 37 percent.

New debt resulted mainly from the permanent financing of \$20,930 of Clean Water Fund Project Loan Obligations. This debt will be repaid monthly with an interest rate of 2 percent per year and will be fully retired on September 30, 2022.

The Town's general obligation bond rating continues to carry the Aa3, a rating that has been assigned by Moody's a national rating agency since 2001. 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 Town's outstanding general obligation debt is significantly below this state-imposed limit of \$433,548.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when adopting the fiscal-year 2003-2004 budget and corresponding tax rates. The Branford economy compared favorably to the State and the region as measured by an unemployment rate of 3.3 percent. Town officials confronted a number of unique and vexing challenges while formulating the budget including, but not limited, to the uncertainty with regard to State assistance and its detrimental trickle down effect on municipalities; and the revaluation. The revaluation produced dramatic shifts in property values both within and among property classes. Faced with these challenges, Town officials felt compelled to constrain the increase in the Town's tax requirements. In developing the budget the Town established the following budget guidelines that provided the rational underpinnings for many of the budgetary decisions: maintain the current level of existing services while refraining from adding new programs; fund current and future liabilities; preserve the undesignated fund balance; continue to invest in new vehicles and equipment to ensure continued service delivery; preserve the Town's investment in its properties and buildings; and to continue to fund many capital items on a pay-as-you-go basis so as to limit the amount of outstanding debt.

As a result of these efforts and adherence to the above guidelines, Branford adopted a General Fund budget of \$72,106 for 2003-2004 which represents an increase of \$3,531 or 5.15 percent. Increased property taxes (benefiting from the 2003 rate increases and increases in assessed valuations) of \$2,996 will offset a large portion of this amount coupled with an increase in appropriated fund balance of \$445 and growth in other non tax sources.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Branford, 1019 Main Street, Branford, Connecticut 06405.

Financial Statements

TOWN OF BRANFORD, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2003

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and cash equivalents	\$ 21,257,026
Investments	160,294
Receivables, net	17,357,796
Inventory	7,161
Prepaid items	73,314
Capital assets, net	<u>93,785,414</u>
Total assets	<u>132,641,005</u>
LIABILITIES:	
Accounts and other payables	4,473,142
Due to Agency Funds	11,640
Deferred revenue	1,385,840
Noncurrent liabilities:	
Due within one year	4,862,440
Due in more than one year	<u>61,869,671</u>
Total liabilities	<u>72,602,733</u>
NET ASSETS:	
Invested in capital assets, net of related debt	33,771,423
Restricted for Trusts:	
Expendable	111,745
Nonexpendable	105,074
Unrestricted	<u>26,050,030</u>
Total net assets	<u>\$ 60,038,272</u>

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

TOWN OF BRANFORD, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2003

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental activities:					
General government.....	\$ 3,947,973	\$1,677,051	\$ 22,037	\$ 42,491	\$ (2,248,885)
Public safety.....	7,766,772	1,046,085	175,077	451,856	(6,503,119)
Public works and highway.....	7,317,513	1,440,694	247,583	13,819	(5,177,380)
Parks, recreation and libraries.....	2,051,286	168,551	75,000	15,816	(1,793,916)
Health and human services.....	1,866,553	486,445	902,893		(461,399)
Education.....	41,253,025	1,508,594	4,330,283		(35,414,148)
Pension and insurance.....	5,205,494	97,168			(5,108,326)
Interest and debt service.....	2,918,265		1,080,363		(1,837,902)
Total governmental activities.....	\$72,326,881	\$6,424,588	\$6,833,236	\$523,982	(58,545,075)
General revenues:					
Property taxes.....					60,216,203
Grants and contributions not restricted to specific programs.....					1,818,518
Unrestricted investment earnings.....					465,308
Miscellaneous.....					59,847
Total general revenues.....					62,559,876
Change in net assets.....					4,014,801
Net assets, July 1, 2002.....					56,023,471
Net assets, June 30, 2003.....					\$ 60,038,272

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

TOWN OF BRANFORD, CONNECTICUT
GOVERNMENTAL FUNDS

BALANCE SHEET
 JUNE 30, 2003

	GENERAL	CAPITAL PROJECTS	SEWER ASSESSMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>					
Cash and cash equivalents	\$17,397,099	\$ 886,978	\$ 504,738	\$1,915,237	\$20,704,052
Investments				160,294	160,294
Receivables (Net)	13,875,189	17,910	2,338,389	1,126,308	17,357,796
Due from other funds	691,500	822,836		599,827	2,114,163
Inventories				7,161	7,161
Prepaid items	73,314				73,314
TOTAL	\$32,037,102	\$1,727,724	\$2,843,127	\$3,808,827	\$40,416,780
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>					
Liabilities:					
Accounts and other payables	\$ 3,515,996	\$ 317,668	\$ 1,894	\$ 359,098	\$ 4,194,656
Due to other funds	1,544,312	1,630	281,190	463,671	2,290,803
Deferred revenue	13,506,447		2,338,389	1,015,828	16,860,664
Total liabilities	18,566,755	319,298	2,621,473	1,838,597	23,346,123
Fund balances:					
Reserved:					
Unreserved, reported in:					
General Fund	531,082	109,025		187,435	827,542
Special Revenue Funds	12,939,265		221,654	1,671,050	12,939,265
Capital Project Fund		1,299,401			1,892,704
Permanent Funds				111,745	1,299,401
Total fund balances	13,470,347	1,408,426	221,654	1,970,230	17,070,657
TOTAL	\$32,037,102	\$1,727,724	\$2,843,127	\$3,808,827	

Amounts reported for governmental activities in the statement of net assets are different because:
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds
 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
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds
 Net assets of governmental activities
\$ 60,038,272

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

TOWN OF BRANFORD, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	GENERAL	CAPITAL PROJECTS	SEWER ASSESSMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Property taxes	\$60,901,360				\$ 60,901,360
Assessments and interest			\$879,284	\$ 70,492	949,776
Intergovernmental	5,390,976	\$ 75,000		3,588,993	9,054,969
Charges for services	3,408,367			1,662,410	5,070,777
Income on investments	430,024	4,534	2,992	24,951	462,501
Miscellaneous	1,341,189	7,876	491	622,580	1,972,136
Total revenues	71,471,916	87,410	882,767	5,969,426	78,411,519
Expenditures:					
Current:					
General government	3,418,644			474,055	3,892,699
Public safety	7,319,414			202,210	7,521,624
Public works and highway	6,276,967		14,150	736,714	7,027,831
Parks, recreation and libraries	1,713,185			290,900	2,004,085
Health and human services	1,250,873			816,589	2,067,462
Education	36,856,408			3,515,059	40,371,467
Pension and insurance	5,223,141			5,223,141	10,446,282
Capital outlay	576,791	4,427,133		66,091	5,003,924
Debt service	5,752,705	737,048	828,196		7,384,040
Total expenditures	68,388,128	5,164,181	842,346	6,101,618	80,496,273
Excess (deficiency) of revenues over expenditures	3,083,788	(5,076,771)	40,421	(132,192)	(2,084,754)
Other financing sources (uses):					
Transfers in	9,763	629,617		356,754	996,134
Transfers out	(799,937)			(196,197)	(996,134)
Loan proceeds		20,929,997			20,929,997
Total other financing sources (uses)	(790,174)	21,559,614		160,557	20,929,997
Change in fund balances	2,293,614	16,482,843	40,421	28,365	18,845,243
Fund balance (deficit), July 1, 2002	11,176,733	(15,074,417)	181,233	1,941,865	
Fund balance, June 30, 2003	\$13,470,347	\$ 1,408,426	\$221,654	\$1,970,230	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. This is the amount of loss on disposals. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 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. 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. 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).

Change in net assets of governmental activities (Exhibit II) \$ 4,014,801

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

TOWN OF BRANFORD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2003

	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUNDS
ASSETS:	
Cash and cash equivalents	\$ 552,974
Due from other funds	165,000
Total assets	<u>717,974</u>
LIABILITIES:	
Accounts and other payables	64,755
Risk management claims	807,490
Total liabilities	<u>872,245</u>
NET ASSETS:	
Unrestricted	<u><u>\$ (154,271)</u></u>

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

TOWN OF BRANFORD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	GOVERNMENTAL ACTIVITIES... INTERNAL SERVICE FUNDS
Operating revenues:	
Contributions for benefits	\$1,022,300
Refunds	<u>893</u>
Total operating revenues.....	<u>1,023,193</u>
Operating expenses:	
Benefit claims	926,324
Claims administration	<u>85,000</u>
Total operating expenses.....	<u>1,011,324</u>
Operating income.....	11,869
Nonoperating revenue:	
Income on investments	<u>9,884</u>
Change in net assets.....	21,753
Total net assets, July 1, 2002.....	<u>(176,024)</u>
Total net assets, June 30, 2003.....	<u>\$ (154,271)</u>

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

TOWN OF BRANFORD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

GOVERNMENTAL
..ACTIVITIES..
INTERNAL
SERVICE FUNDS

Cash flows from operating activities:	
Cash received from operating funds	\$ 907,963
Cash payments to providers of benefits and administration	(797,157)
Net cash provided by operating activities	110,806
Cash flows from investing activities:	
Income on investments	9,884
Net increase in cash and cash equivalents	120,690
Cash and cash equivalents, July 1, 2002	432,284
Cash and cash equivalents, June 30, 2003	<u>\$ 552,974</u>

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ 11,869
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in receivables	(115,230)
Increase (decrease) in accounts payable	214,167
Net cash provided by operating activities	<u>\$ 110,806</u>

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

TOWN OF BRANFORD, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

	PENSION TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ (88)	\$739,459
Investments	8,366,986	126,129
Due from other funds		14,000
Total assets	<u>8,366,898</u>	<u>\$879,588</u>
LIABILITIES:		
Accounts and other payables		\$877,228
Due to other funds		2,360
Total liabilities		<u>\$879,588</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$8,366,898</u>	

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

TOWN OF BRANFORD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2003

Additions:	
Contributions:	
Employer.....	\$ 754,273
Plan members.....	173,897
Total contributions.....	928,170
Investment income:	
Net depreciation in fair value of investments.....	\$ (462,362)
Interest and dividends.....	185,372
Net investment income (loss).....	(276,990)
Total additions.....	651,180
Deductions:	
Benefits.....	535,240
Administration.....	76,990
Total deductions.....	612,230
Net increase.....	38,950
Net assets held in trust for pension benefits, July 1, 2002....	8,327,948
Net assets held in trust for pension benefits, June 30, 2003...	<u>\$8,366,898</u>

The notes to the financial statements are an
integral part of this statement.

TOWN OF BRANFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Branford (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.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The statement established a new reporting model for governments that is substantially different from prior reporting standards. This is the first year that the Town is reporting under the new reporting model, which includes the following segments:

Management's Discussion & Analysis – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

Government-wide financial statements – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets, including infrastructure (roads, bridges, drainage systems, etc.) and long-term obligations (general obligation bonds, compensated absences, etc.) are included along with current assets and liabilities.

Fund financial statements – provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting. Governmental funds focus on sources, uses, and balances of current financial resources and often have budgetary orientation, and therefore use a modified accrual basis of accounting utilizing encumbrance accounting. Proprietary funds, which include enterprise and internal service funds, focus on determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows, and therefore, use the accrual basis of accounting. Fiduciary funds focus on net assets and changes in net assets, and include assets held in a trustee (Pension Trust Fund) or agency (Student Activity Funds) and utilize the accrual basis of accounting.

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund, which is the only major fund with a legally adopted budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances).

A. Reporting Entity

The Town is incorporated under the provisions of the Statutes of the State of Connecticut. The Town operates under a Representative Town Meeting/Board of Selectmen form of Government and provides the following services as authorized by its Charter: Administrative, Public Safety, Public Works, Health and Welfare, Recreation, Libraries, Education and Public Improvements.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Governmental Funds

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

General Fund - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

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 Workers' Compensation Fund and the Heart and Hypertension 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 Branford Retirement System.

Agency Funds - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The Sewer Assessment Fund is used to account for the financial resources related to the sewer assessment projects.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the self insured activities of the Town.

The Pension Trust Fund accounts for the activities of the Branford Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. 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 producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for benefits. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. 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-A.

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

Property taxes are assessed as of October 1 and billed the following July. Property taxes are payable in two installments on July 1 and January 1. Automobile levies and amounts under \$100 are due in one installment. Motor vehicle supplemental bills are payable on January 1. Payments not received within

one month after the due date become delinquent, with interest charged at the rate of 1-1/2% per month. Assessments for real and personal property, excluding motor vehicles, are computed at seventy percent of the market value. Unpaid balances at June 30 are liened. An amount of \$467,108 has been established as an allowance for uncollectible taxes. At June 30, 2003 this represents 14.7% of all property taxes receivable.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings.....	45
Land improvements	20
Infrastructure.....	20-60
Vehicles	6-12
Office equipment	7-10
Computer equipment.....	5-7

H. Compensated Absences

Unused sick leave may be accumulated for certain employees up to a limit ranging from 50 to 225 days, depending upon the contracts in force, for each department in the Town until termination, retirement or death at which time payments will be made. The liability is reported in the government-wide statement of net assets.

I. Long-Term Obligations

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

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

J. Fund Equity

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$66,138,352 difference are as follows:

Bonds payable.....	\$38,620,000
Clean Water Fund notes	21,393,991
Accrued interest payable	213,731
Landfill closure.....	1,450,000
Compensated absences	3,119,439
Net pension obligation.....	<u>1,341,191</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$66,138,352</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 \$3,477,634 difference are as follows:

Capital outlay.....	\$ 5,281,452
Depreciation expense.....	<u>(1,803,818)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,477,634</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 \$(16,490,339) difference are as follows:

Debt issued or incurred:	
Issuance of Clean Water notes.....	\$ (20,929,997)
Principal repayments:	
General obligation debt.....	3,630,000
Clean Water notes.....	<u>809,658</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (16,490,339)</u>

Another element of that reconciliation states that "some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds". The details of this \$(1,844,998) difference are as follows:

Property tax receivables	\$ (1,008,139)
Accrued interest receivable.....	(148,872)
Housing loans receivable	176,960
School Building grants.....	(718,372)
Assessments	<u>(146,575)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,844,998)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget for the General Fund and certain Special Revenue Funds are authorized annually by the Town. The Board of Finance recommends and the Representative Town Meeting (RTM) approves the budget.

The Town adheres to the following procedures in establishing the budgetary data reported in the financial statements for the General Fund and specific Special Revenue Funds (Sewer Assessment, Water Assessment, Open Space Fund, Board of Education Program Fund and Day Care). As required by Town Charter, the Board of Finance holds a public hearing to review and discuss the proposed annual Town budget no later than two weeks before the Annual Budget Meeting of the Representative Town Meeting (RTM). The Board of Finance then recommends and submits a formal annual appropriations budget to the RTM. The RTM must take action on the adoption of the appropriations recommended by the Board of Finance at the Annual Budget Meeting, which must be held no later than the Friday following the second Tuesday of May. Thereafter, but no later than June 1, the Board of Finance shall determine the rate of taxation for the ensuing fiscal year.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the line item level for all budgeted funds. The Board of Finance, upon the request of individual departments, offices or agencies, may approve and must recommend all transfers to the Representative Town Meeting (RTM). No recommended transfer by the Board of Finance shall be effective unless approved by the RTM. There were no supplemental appropriations this year.

All unencumbered appropriations lapse at year-end except for those in the Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity

Fund Deficits

The following fund had deficit net asset as of June 30, 2003:

<u>Fund</u>	<u>Amount</u>
Internal Service Fund:	
Heart and Hypertension Fund	\$231,939

The Internal Service Fund net asset deficit will be funded by General Fund contributions.

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 Connecticut Short Term Investment Fund (STIF) and the 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, 2003:

Deposits:	
Demand accounts.....	\$ 8,305,058
Certificate of deposit	<u>4,727,926</u>
Total deposits.....	13,032,984
Petty cash accounts.....	900
Other cash equivalents*:	
Tax Exempt Proceeds Funds	237,555**
State Short-Term Investment Fund (STIF).....	7,460,218**
Cooperative Liquid Asset Securities (CLASS).....	<u>1,264,740**</u>
 TOTAL CASH AND CASH EQUIVALENTS.....	 <u>\$21,996,397</u>

* Short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity.

** Risk Category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

B. Deposits

At June 30, 2003, the carrying amount of the Town deposits was \$13,032,984 and the bank balance was \$14,412,141. Of the bank balance, \$720,077 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$1,439,206 based on June 30, 2003 deposits was collateralized at Risk Category 3. Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the Town's name. The balance of deposits of \$12,252,858 were uninsured and uncollateralized.

C. Investments

The Town's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent but not in the Town's name.

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

	.....Category.....			Total
	<u>1</u>	<u>2</u>	<u>3</u>	
Categorized Investments:				
U.S. Government Securities			\$ 35,033	\$ 35,033
Other Debt Securities			26,553	26,553
Equity Securities.....	\$72,244		26,464	98,708
Police Pension Fund and Volunteer				
Firemens' Pension:				
U.S. Government Securities			888,244	888,244
Other Debt Securities			6,251,398	6,251,398
Equity Securities			1,353,473	1,353,473
TOTAL	\$72,244	\$ - 0 -	\$8,581,165	\$8,653,409

Due to higher cash flows at certain times during the year, the Town's cash and cash equivalents in category 3 investment were substantially higher than at year end.

5. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessment</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 1,445,740				\$ 1,445,740
Taxes.....	3,175,302				3,175,302
Accounts	1,222,128	\$ 685		\$ 12,293	1,235,106
Special assessments ...			\$2,338,389	240,731	2,579,120
Intergovernmental.....	8,499,127	17,225		236,933	8,753,285
Loans				636,351	636,351
Gross receivables.....	14,342,297	17,910	2,338,389	1,126,308	17,824,904
Less: allowance for uncollectibles.....	(467,108)				(467,108)
Net total receivables	\$13,875,189	\$17,910	\$2,338,389	\$1,126,308	\$17,357,796

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>
Delinquent property taxes receivable.....	\$ 2,423,420	
Accrued interest	1,445,740	
Special assessments not yet due.....	2,579,120	
Grant drawdowns and unearned fees		\$1,385,840
School Building grants.....	8,390,193	
Housing loans.....	<u>636,351</u>	
Total deferred/unearned revenue for governmental funds.....	<u>\$15,474,824</u>	<u>\$1,385,840</u>

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,812,440			\$ 5,812,440
Construction in progress.....	56,356,077	\$ 3,720,779	\$(31,732,353)	28,344,503
Total capital assets, not being depreciated	<u>62,168,517</u>	<u>3,720,779</u>	<u>(31,732,353)</u>	<u>34,156,943</u>
Capital assets, being depreciated:				
Buildings.....	39,820,456	27,744,416		67,564,872
Land improvements	596,500			596,500
Machinery and equipment	10,428,713	5,548,610	(131,500)	15,845,823
Total capital assets being depreciated	<u>50,845,669</u>	<u>33,293,026</u>	<u>(131,500)</u>	<u>84,007,195</u>
Less accumulated depreciation for:				
Buildings.....	15,172,086	1,019,204		16,191,290
Land improvements	326,503	25,540		352,043
Machinery and equipment	7,196,417	759,074	(120,100)	7,835,391
Total accumulated depreciation.....	<u>22,695,006</u>	<u>1,803,818</u>	<u>(120,100)</u>	<u>24,378,724</u>
Total capital assets, being depreciated, net	<u>28,150,663</u>	<u>31,489,208</u>	<u>(11,400)</u>	<u>59,628,471</u>
Governmental activities capital assets, net	<u>\$90,319,180</u>	<u>\$35,209,987</u>	<u>\$(31,743,753)</u>	<u>\$93,785,414</u>

The Town has not implemented the provisions of GASB Statement 34 which require reporting of infrastructure assets acquired prior to July 1, 2002.

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

Governmental activities:

General government	\$ 25,968
Public safety	363,668
Public works	356,084
Parks, recreation and libraries	46,724
Health and welfare	37,407
Education.....	<u>973,967</u>

Total depreciation expense - governmental activities..... \$1,803,818

Construction Commitments

The Town has active construction projects as of June 30, 2003. The projects include:

<u>Project</u>	<u>Appropriation</u>	<u>Cumulative Expenditures</u>	<u>Encumbrances</u>	<u>Available Balance</u>
Palmerwood Pump Station.....	\$ 1,300,000	\$ 94,487		\$1,205,513
Stony Creek Pier	400,000	379,610		20,390
Elementary School Renovation.....	12,819,000	12,819,000		
Clean Water Project.....	31,919,452	31,943,667	\$ 75,724	(99,939)
High School Renovations	26,577,000	26,541,338		35,662
1996/1997 Capital Projects.....	474,761	467,661		7,100
Police Station	3,970,000	3,969,583		417
Trolley Trail.....	51,235	48,515		2,720
Sidewalk and Curb	777,600	755,841		21,759
Ambulance Fund	357,360	356,894		466
Fire Apparatus Fund	1,330,799	1,017,778		313,021
Technology Upgrade (High School).....	1,400,000	1,400,000		
Structural Remediation Fund	150,000	148,009		1,991
Town Hall Renovation.....	3,615,000	3,458,969	33,301	122,730
Willoughby Wallace Library	940,000	940,000		
TOTAL.....	\$86,082,207	\$84,341,352	\$109,025	\$1,631,830

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2003, are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 599,827
Capital Project Fund	Nonmajor Governmental Funds	57,351
General Fund	Nonmajor Governmental Funds	687,510
Internal Service Funds	General Fund	165,000
Agency Funds	General Fund	14,000
General Fund	Agency Fund	2,360
Capital Project Fund	General Fund	765,485
General Fund	Capital Project Fund	<u>1,630</u>
 TOTAL		 <u>\$2,293,163</u>

All interfund receivables and payables are the result of regularly recurring transactions and represent temporary balances.

Interfund transfers:

	.....<u>Transfer In</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:				
General Fund		\$443,183	\$356,754	\$799,937
Nonmajor Governmental	\$9,763	186,434		<u>196,197</u>
 Total transfers out	 <u>\$9,763</u>	 <u>\$629,617</u>	 <u>\$356,754</u>	 <u>\$996,134</u>

All transfers represent routine transactions that occur annually to move resources from one fund to another.

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds .	\$42,250,000		\$3,630,000	\$38,620,000	\$3,300,000
Clean water notes	1,273,652	\$20,929,997	809,658	21,393,991	942,120
Total bonds and notes payable	43,523,652	20,929,997	4,439,658	60,013,991	4,242,120
Landfill closure	1,450,000			1,450,000	160,000
Retirement incentive	284,058		284,058		
Compensated absences	2,820,394	299,045		3,119,439	97,924
Risk management claims	650,745	926,324	769,579	807,490	362,396
Net pension obligation	1,346,969		5,778	1,341,191	
Governmental activity long-term liabilities	\$50,075,818	\$22,155,366	\$5,499,073	\$66,732,111	\$4,862,440

A schedule of bonds and notes outstanding at June 30, 2003 is presented below:

	<u>Balance July 1, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2003</u>
General Obligation:				
School, 4.0-5.0%, mature in 2008.....	\$ 2,831,000		\$ 515,000	\$ 2,316,000
School, 5.9-7.9%, mature in 2009.....	1,434,000		205,000	1,229,000
School, 4.5-6.25%, mature in 2017.....	11,575,000		575,000	11,000,000
School, 4.0-5.0%, mature in 2019.....	9,761,000		523,000	9,238,000
Public improvement, 6.20-6.30%, mature in 2002.....	100,000		100,000	
Public improvement, 8.60-9.10%, mature in 2003.....	95,000		95,000	
Public improvement, 4.0-5.0%, mature in 2008	629,000		115,000	514,000
Public improvement, 5.9-7.9%, mature in 2009	835,000		120,000	715,000
Public improvement, 4.0-5.0%, mature in 2019	7,724,000		402,000	7,322,000
Public improvement sewer, 4.0-5.0%, mature in 2019.....	4,905,000		215,000	4,690,000

	<u>Balance</u> <u>July 1, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2003</u>
Special Assessment:				
Sewer, 4.0-5.0%, mature in 2008.....	\$ 186,000		\$ 34,000	\$ 152,000
Sewer, 6.65%, mature in 2002	25,000		25,000	
Sewer, 5.35%, mature in 2003	200,000		200,000	
Sewer, 8.6-9.1%, mature in 2003	265,000		265,000	
Sewer, 5.9-7.9%, mature in 2009	1,231,000		175,000	1,056,000
Sewer, 4.5-6.25%, mature in 2017	65,000		25,000	40,000
Water, 4.0-5.0%, mature in 2008	64,000		11,000	53,000
Water, 6.8-7.5%, mature in 2012	325,000		30,000	295,000
Total bonds.....	42,250,000		3,630,000	38,620,000
State of Connecticut, Water, 2%, mature in 2013 ..	158,872		13,271	145,601
State of Connecticut, Water 2%, mature in 2019 ...	1,114,780		58,649	1,056,131
State of Connecticut, Water 2%, mature in 2022 ...		\$20,929,997	737,738	20,192,259
Total bonds and notes	\$43,523,652	\$20,929,997	\$4,439,658	\$60,013,991

On May 15, 2001, The Town issued \$12,230,000 in general obligation bonds with an average interest rate of 4.72% to advance refund \$11,925,000 of outstanding 1996 General Obligation Bonds with an average interest rate of 5.17%. The net proceeds of 12,355,393 (after payment of 303,932 in underwriting fees insurance and other issuance costs) were used to purchase U.S. Treasury Securities – State and Local Series. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds until their redemption date. These 1996 bonds are considered to be defeased.

The balance of defeased bonds is \$10,275,000 at June 30, 2003.

The following is a summary of debt maturities for repayment of bonds and notes, excluding bond anticipation notes.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 4,242,120	\$ 2,314,868	\$ 6,556,988
2005.....	4,361,136	2,127,892	6,489,028
2006.....	4,540,536	1,938,146	6,478,682
2007.....	4,515,327	1,751,125	6,266,452
2008-12	4,485,519	1,568,935	6,054,454
2009-13	17,947,289	5,420,486	23,367,775
2014-18	14,443,428	1,953,120	16,396,548
2019-23	5,478,636	241,767	5,720,403
TOTAL.....	\$60,013,991	\$17,316,339	\$77,330,330

Clean Water Fund Notes

The Town is currently participating in a Capital Project (Wastewater Design Fund) under the State of Connecticut Clean Water Fund established in accordance with Section 22a-477 of the General Statutes of Connecticut. The Clean Water Fund is administered by the State Department of Environmental Protection and provides grant and loan funds to municipalities for “eligible water quality project costs”.

The Town permanently financed \$20,929,997 through this program in March 2003. The Town anticipates estimated State grant funds in the amount of \$700,000 to offset future debt service. The Town authorized borrowing of \$31,400,000 to finance this project. The Town permanently financed \$5,220,151 in prior years.

General Obligation Bonds and Notes

All bonds and notes are classified as general obligations of the Town.

Bonds Authorized Unissued

The Town had bonds authorized unissued for various projects as follows:

<u>Project</u>	<u>Authorization</u>	<u>Bonds Previously Issued</u>	<u>Grants Received</u>	<u>Bonds Authorized Unissued</u>
Palmerwood Sewers	\$1,300,000	\$1,175,000		\$125,000
Wastewater Treatment Plant	\$31,400,000	\$26,150,148	\$3,808,440	\$1,441,412

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

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness*</u>	<u>Balance</u>
General purpose	\$139,354,891	\$8,551,000	\$130,803,891
Schools.....	\$278,709,782	\$15,392,807	\$263,316,975
Sewers.....	\$232,258,151	\$28,898,403	\$203,359,748
Urban renewal.....	\$201,290,398		\$201,290,398
Pension deficit.....	\$185,806,521		\$185,806,521

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation \$433,548,549.

* Includes bonds authorized unissued (\$1,566,412) and excludes water bonds of \$348,000.

** Total school indebtedness has been reduced by State of Connecticut Building Grants commitments of \$8,390,193.

Retirement Incentives

The Board of Education periodically provides retirement incentive programs. The liability for these programs decreased by \$284,058 to \$-0- this year.

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but, as of July 1, 2000, has chosen to retain the risks for workers' compensation claims. The Town's claims for risks covered by insurance have not exceeded covered losses during the past three years.

The Workers' Compensation Internal Service Fund is utilized to report the self-insurance activity. Webster Insurance administers the plan, for which the Town pays a fee. The Town's general government and the Board of Education, contribute based on estimates using historical data. The Town covers all claims up to \$250,000 per employee per year with a stop-loss policy covering amounts exceeding the limit.

The claims liability of \$430,788 reported in the Internal Service Fund at June 30, 2003 is based on the *Government Accounting Standards Board Statement No. 10*, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability were as follows for the last two years:

	<u>Liability</u> <u>July 1,</u>	<u>Current Year Claims</u> <u>And Changes</u> <u>In Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>June 30,</u>
2002-03	\$231,880	\$855,256	\$656,348	\$430,788
2001-02	\$336,876	\$259,627	\$364,623	\$231,880

The Heart and Hypertension Fund was established this year to account for the self insured activities of the Town related to heart and hypertension claims. Activity was previously recorded in the General Fund. The claims liability of \$376,702 at June 30, 2003 is based on the *Government Accounting Standards Board Statement #10*, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability are as follows:

	<u>Liability</u> <u>July 1,</u>	<u>Current Year Claims</u> <u>And Changes</u> <u>In Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>June 30,</u>
2002-03	\$418,865	\$71,068	\$113,231	\$376,702
2001-02	\$ - 0 -	\$418,865	\$ - 0 -	\$418,865

10. LANDFILL CLOSURE AND POSTCLOSURE

The Town landfill at the intersection of Tabor Drive and Marshall Road no longer accepts municipal solid waste, or sewer sludge, yet continues to accept bulky waste from the Town transfer station, and serves as a Department of Environmental Protection-approved site for placement of soils with certain contaminants.

State and Federal laws and regulations require the Town of Branford to place final cover on the landfill. While the landfill continues to receive bulky waste, the Town has undertaken the placement of final cover on completed sections. In the 2002-2003 fiscal year, major erosion control work was completed; 8,500 cubic yards of base material was obtained and spread on the 6 acres of the top of landfill, though capping is not complete on those areas; and 13,200 square feet were completed below the front working face. Thus, although only a small additional area was fully completed, major work was accomplished, increasing the totals spent to date, but bringing the Town closer to completion of all inactive portions.

Each year, the Town appropriates funds for the placement of final cover. To date, \$815,000 has been appropriated and approximately \$809,300 expended, with approximately 56% of the total area of the landform having had all layers of final cover applied. The Town has signed a contract for a \$400,000 grant from the Department of Environmental Protection to cap the top of the landfill, the first \$203,500 of which has been reimbursed to the Town. It is anticipated that the placement of bulky waste will continue at the front of the landfill for the next four (4) years. Annual appropriations will be placed in a special revenue fund for the final cover for this front section when it no longer receives waste. Based upon current practice, it is anticipated that the final cover costs will total \$1,449,300, including funds already spent, but not including post-closure costs. The Town is required to monitor and maintain the landfill for thirty years after closure. The estimated annual cost for this postclosure activity is \$27,000. These costs will be funded through the General Fund on an annual basis. Regulatory changes or acceleration of the schedule for closure of the landfill may require additional appropriations for the accelerated completion of the installation of final cover.

Summary of Estimated Total Cost of Remaining Closure and Postclosure Care

Final Cover Cost (\$160,000 x 4 years)	\$ 640,000
Postclosure Care Costs (30 years):	
Inspection and maintenance of final cover (\$15,000 annually)	450,000
Monitoring Program, groundwater and Methane (\$12,000 annually) ...	<u>360,000</u>
 TOTAL	 <u>\$1,450,000</u>

11. JOINT VENTURES

Bristol Resource Recovery Facility Operating Committee

The Town is a participant with fourteen (14) other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities in dealing with the waste to energy plant built by Ogden Martin Systems of Bristol, Inc. The governing board consists of Town officials appointed by each of the participating municipalities, and assumes all the management decisions. The Town of Branford has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Intercommunity Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. The Town expenditures to the BRRFOC amounted to \$842,713 this year. General Fund unreserved, undesignated fund balance for fiscal year ended June 30, 2003 as reflected in the BRRFOC's financial statements is \$11.6 million. A complete set of financial statements for BRRFOC can be obtained from the administrative office at 43 Enterprise Drive, Bristol, Connecticut.

On May 15, 1995, the Committee issued \$68,040,000 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.2 % to 6.5% to current refund \$66,835,000 of outstanding special obligation bonds of the Connecticut Development Authority. The proceeds from the original bonds were loaned by the Authority to Ogden Martin Systems of Bristol, Inc. Under the Service Agreement, the service fee is an obligation of the Contracting Municipalities to which each has pledged its full faith and credit. Should any Contracting Municipality default in its obligation to pay the service fee, the other Contracting Municipalities shall have an obligation to continue to pay the aggregate service fee. If the Company does not perform its obligations under the service agreement, and Ogden Corporation fails to perform such obligations pursuant to its guarantee, the Contracting Municipalities have certain rights to terminate the service agreement and, upon termination, would no longer be obligated to pay the service fee. The current balance of the bonds outstanding is \$49,920,000.

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Police Employees Retirement Plan

A. Plan Description

The Town of Branford is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its police officers. 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.

The Town provides police retirement benefits through a single employer, contributory, defined benefit plan. Under the plan, all regular members of the Police Department are eligible. Participants are 100% vested after five (5) years of service. The retirement benefit is calculated at 2% of the highest annual salary out of the last three (3) years immediately prior to retirement multiplied by up to 33 1/3 years of service. Police officers are required to contribute 6% of their base salaries to the PERS. The Plan provides for automatic post-retirement increases on Retiree Pensions up to a maximum of 66 2/3% of pay. If an employee leaves covered employment before five (5) years of service, accumulated employee contributions and related investment earnings are refunded. Benefits and contributions are established by the Town and may be amended only by the Representative Town Meeting.

At July 1, 2002, PERS membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits.....	30
Terminated employees entitled to benefits but not yet receiving them	1
Active Plan Members.....	<u>45</u>
TOTAL.....	<u>76</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

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. Gains and losses on sales and exchange of investments are recognized on the transaction date. There are no investments in any organization that represent 5% or more of net assets available for benefits.

C. Funding Status and Progress

Police officers are required to contribute 6.0% of base pay to the PERS. The Town is required to contribute the amounts necessary to finance the coverage for its employees as determined by its actuaries; the current rate is 25.75% of covered payroll.

D. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Town's Retirement System for the current year were as follows:

Annual required contribution	\$ 751,507
Interest on net pension obligation	107,758
Adjustment to annual required contribution	<u>(110,770)</u>
Annual pension cost	748,495
Contributions made	<u>754,273</u>
Increase (decrease) in net pension obligation	(5,778)
Net pension obligation beginning of year	<u>1,346,969</u>
Net pension obligation end of year	<u>\$1,341,191</u>

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2001
Actuarial cost method	Projected Unit Credit
Amortization method.....	Level dollar
Remaining amortization period.....	30 years closed
Asset valuation method	4 years smoothed asset value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	6.0%
Assumed inflation rate	4.0%

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/01	\$640,641	103.0%	\$1,379,064	\$660,000
6/30/02	\$662,880	104.8%	\$1,346,969	\$694,975
6/30/03	\$748,495	100.8%	\$1,341,191	\$754,273

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) --Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/01/97	\$5,753,024	\$10,386,258	\$(4,633,234)	55.4%	\$2,060,389	224.9%
7/01/99	\$8,336,451	\$11,542,336	\$(3,205,885)	72.2%	\$2,314,802	138.5%
7/01/01	\$9,550,035	\$13,326,943	\$(3,776,908)	71.7%	\$2,601,817	145.2%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/97	\$797,915	96.5%
6/30/98	\$734,956	102.9%
6/30/99	\$755,000	101.9%
6/30/00	\$670,195	107.3%
6/30/01	\$642,000	102.8%
6/30/02	\$665,040	104.5%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

Municipal Employees' Retirement System

All Town of Branford full-time employees, except the Police Department employees, elected officials and certified teachers and administrators, participate in the Connecticut Municipal Employee's Retirement Fund B (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF 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 or by calling 860-702-3480.

Funding Policy - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 2.75% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the

State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2003, 2002, and 2001 were \$303,469, \$384,446, and \$347,173, respectively, equal to the required contributions for each year.

Teacher Retirement

All Town of Branford teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut which has a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- . Attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or;
- . attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds seven percent (7%) of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$17,783,392 or 51.2% of the total Town payroll of \$34,754,519.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2003 the Town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,124,698 as payments made by the State of Connecticut on-behalf of the Town.

The State of Connecticut Teacher 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.

13. CONTINGENT LIABILITIES

The Town of Branford is currently a defendant in a number of lawsuits. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgement against the Town which would materially adversely affect its financial position.

TOWN OF BRANFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2003

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Taxes:				
Current taxes.....	\$57,790,362	\$57,790,362	\$58,607,581	\$ 817,219
Interest income.....	450,000	450,000	867,861	417,861
Lien fees.....	7,500	7,500	13,469	5,969
Suspense collections.....	7,500	7,500	9,869	2,369
Delinquent taxes.....	700,000	700,000	1,402,580	702,580
Total.....	58,955,362	58,955,362	60,901,360	1,945,998
Intergovernmental revenues:				
Education cost sharing.....	1,275,244	1,275,244	1,325,074	49,830
School transportation.....	187,428	187,428	172,794	(14,634)
Health and welfare.....	587,403	587,403	718,372	130,969
Principal subsidy.....			20,734	20,734
Interest subsidy.....	327,192	327,192	361,991	34,799
Adult education.....	21,801	21,801	(21,801)	(21,801)
Circuit breaker elderly.....	200,000	200,000	213,182	13,182
Elderly tax relief - freeze.....	25,000	25,000	21,849	(3,151)
Boat exemption.....	98,245	98,245	98,245	
Disability exemption.....	2,200	2,200	3,855	1,655
Veterans' reimbursement - State.....	75,000	75,000	87,614	12,614
Manufacturing PILOT grant.....	645,580	645,580	554,202	(91,378)
Pequot grant.....	177,109	177,109	143,813	(33,296)
Private property exemption.....	35,569	35,569	36,736	1,167
State property exemption.....	60,859	60,859	61,569	710
State counseling grants.....	127,245	127,245	133,137	5,892
Miscellaneous State grants.....			3,109	3,109
COPS Fast.....			13,820	13,820
Total.....	3,845,875	3,845,875	3,970,096	124,221
Licenses, permits and fees:				
Oil burner permits.....	100	100		(100)
Building permits.....	200,000	200,000	304,444	104,444
Excavation permits.....	6,000	6,000	5,895	(105)
Electrical permits.....	22,000	22,000	23,010	1,010
Plumbing permits.....	17,000	17,000	14,850	(2,150)

TOWN OF BRANFORD, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	.....BUDGETED AMOUNTS.....	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL			
Licenses, permits and fees (continued):	\$ 17,000	\$ 17,000	\$ 20,630	\$ 3,630
Heating, air conditioning and ventilation permits.....	150	150	194	44
Sewer connection permits.....	700	700	2,120	1,420
Other licenses and permits.....	7,500	7,500	7,400	(100)
Zoning Board of Appeals.....	15,000	15,000	23,383	8,383
Planning and Zoning.....	2,000	2,000	1,793	(207)
Map copies - building and engineering.....	13,000	13,000	16,280	3,280
Inland wetlands applications.....	89,500	89,500	195,299	105,799
Transfer station escrow.....	1,200	1,200	615	(585)
Sale of recycling boxes.....	2,000	2,000	2,839	839
Trip passes.....	10,000	10,000	7,990	(2,010)
Permits and tags - police.....	425,000	425,000	290,135	(134,865)
Special wages - police.....	15,000	15,000	15,175	175
False alarm fees.....	45,000	45,000	193,025	148,025
Waste treatment fees.....	190,000	190,000	237,995	47,995
North Branford sewer fees.....	3,500	3,500	3,620	120
Pump out services.....	250,000	250,000	469,708	219,708
Town Clerk other monies.....	150,000	150,000	330,654	180,654
Conveyance taxes.....	600	600	606	6
DEP licenses - Town portion.....	2,100	2,100	2,420	320
Marriage licenses - Town portion.....	5,000	5,000	5,569	569
Dog licenses.....	691,870	691,870	722,380	30,510
Ambulance service fees.....	325,000	325,000	445	445
Miscellaneous permits and fees - fire services.....	21,000	21,000	402,992	77,992
Counseling fees and services.....	54,000	54,000	19,816	(1,184)
Counseling-United Way Contribution.....			87,085	33,085
DEP Nutrient Credit.....				
Total.....	2,581,220	2,581,220	3,408,367	827,147
Interest income.....	496,690	496,690	430,024	(66,666)
Other:				
Willoughby - Wallace Library fees.....	1,250	1,250	1,305	55
Employee health insurance co-pay.....	90,872	90,872	92,562	1,690
In lieu of taxes - telephone access.....	337,264	337,264	373,330	36,066
In lieu of taxes - SCRW.....	205,278	205,278	224,123	18,845
Leases.....	4,250	4,250	3,401	(849)
Board of Education - building usage.....	500	500	3,470	3,470
Telephone booths.....	20,000	20,000	452	(48)
Insurance claims and refunds.....			4,542	(15,458)

TOWN OF BRANFORD, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Other (continued):				
Miscellaneous refunds.....			\$ 38,027	\$ 38,027
Miscellaneous income.....	\$ 10,000	\$ 10,000	541,821	531,821
Sale of town property.....	7,000	7,000	44,632	37,632
Reimbursement Town services.....	20,000	20,000	6,635	(13,365)
Board of Education - tuition reimbursement.....			6,225	6,225
COBRA/dental reimbursement.....			64	64
Warden fees.....			600	600
Total other.....	696,414	696,414	1,341,189	644,775
Total revenues.....	66,575,561	66,575,561	70,051,036	3,475,475
Other financing sources:				
Transfers in.....			9,763	9,763
Total revenues and other financing sources.....	\$66,575,561	\$66,575,561	70,060,799	\$3,485,238
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.....			1,124,698	
The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for financial reporting purposes.....			296,182	
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV.....			\$71,481,679	

TOWN OF BRANFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2003

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
General government:				
Legislative.....	\$ 13,547	\$ 13,547	\$ 11,287	\$ 2,260
Executive.....	278,745	298,745	296,935	1,810
Finance.....	52,022	52,022	52,022	
Treasurer.....	248,480	239,610	236,626	2,984
Assessor.....	310,372	300,642	294,592	6,050
Review of Assessments.....	15,092	15,092	14,622	470
Tax Collector.....	224,105	261,105	256,570	4,535
Town Clerk.....	174,974	182,774	181,650	1,124
Law.....	362,250	805,950	805,930	20
Labor Relations Negotiations.....	60,000	70,000	70,000	
Probate Court.....	11,200	11,200	10,218	982
Elections.....	56,892	56,892	52,472	4,420
Planning and Zoning.....	189,441	197,979	186,982	10,997
Zoning Board of Appeals.....	7,841	7,841	7,062	779
Development Commission.....	8,088	8,088	7,559	529
Inland Wetlands Commission.....	36,785	38,243	37,927	316
General Government Buildings.....	424,423	433,753	427,062	6,691
Cable Television.....	1,925	1,925	1,383	542
Electronic Data Processing.....	340,422	341,522	339,072	2,450
Human Resources.....	272,241	190,507	188,883	1,624
Total.....	3,088,845	3,527,437	3,478,854	48,583
Public safety:				
Police Service.....	3,922,420	3,935,080	3,889,336	45,744
Police Service - special detail.....	425,000	425,000	309,513	115,487
EMS Service.....	912,162	904,488	877,804	26,684
Fire Protection.....	2,201,773	2,197,639	2,098,645	98,994
Building Department.....	68,106	71,106	66,193	4,913
Other protection - Dog Warden.....	69,145	69,145	69,127	18
Total.....	7,598,606	7,602,458	7,310,618	291,840
Public works and highways:				
Public Works.....	2,005,278	2,088,343	2,063,094	25,249
Water Pollution Control.....	1,726,040	1,712,173	1,703,948	8,225
Sanitation and Waste.....	2,395,264	2,396,807	2,314,965	81,842
General Engineering.....	181,163	183,388	182,395	993
Total.....	6,307,745	6,380,711	6,264,402	116,309

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

	.....BUDGETED AMOUNTS.....		VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL
Recreation:			
Branford Recreation Department.....	\$ 685,602	\$ 704,864	\$ 692,056
Parker Park.....	54,255	77,255	70,600
Young's Park Commission.....	7,242	7,242	7,014
Docks and Recreational facilities.....	32,325	32,325	19,775
Public Celebration.....	24,841	24,841	21,689
Shellfish Commission.....	1,350	1,350	670
Conservation Commission.....	5,200	5,200	5,200
Total	810,815	853,077	817,004
Libraries:			
James Blackstone Memorial Library.....	732,400	732,400	732,400
Willoughby-Wallace Library.....	165,869	168,905	163,781
Total	898,269	901,305	896,181
Health and welfare:			
Human Services.....	833,548	837,232	804,468
Commission for the Elderly.....	294,887	297,124	293,366
East Shore District Health.....	139,171	139,171	138,705
Youth Services.....	32,167	32,167	30,676
Total	1,299,773	1,305,694	1,267,215
Board of Education.....	35,473,268	35,473,268	35,435,528
Pension and insurance:			
Pension and Contributions.....	1,799,058	1,818,155	1,768,235
Employee Group Insurance.....	2,052,235	2,101,745	2,098,679
Municipal insurance.....	1,357,700	1,359,788	1,356,227
Contingency.....	542,500	19,993	19,993
Total	5,751,493	5,299,681	5,223,141
Capital Projects.....	677,828	677,828	677,801
Debt service:			
Principal retirement.....	3,658,706	3,699,660	3,699,658
Interest and fiscal charges.....	2,285,459	2,054,505	2,053,047
Total	5,944,165	5,754,165	5,752,705
Total expenditures	67,850,807	67,775,624	67,123,449

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

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
Other financing uses:				
Transfers to other funds:				
Special Revenue Fund:				
Retiree Benefit	\$ 100,000	\$ 100,000	\$ 100,000	
Open Space Fund	30,300	30,300	30,300	
Park and Recreation Revolving	20,000	20,000	20,000	
Special Programs	56,454	56,454	56,454	
Revaluation Fund	150,000	150,000	150,000	
Capital Projects Fund:				
Ambulance	43,000	43,000	43,000	
Fire Apparatus		52,683	52,683	
Animal Shelter	225,000	225,000	225,000	
Sewer Reserve	100,000	122,500	122,500	
Total other financing uses	724,754	799,937	799,937	
TOTAL.....	\$68,575,561	\$68,575,561	67,923,386	\$652,175

47 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.....
 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.
 The Board of Education does not budget for certain intergovernmental grants which are credited
 against education expenditures for budgetary reporting. These amounts are recorded as revenues
 and expenditures for financial reporting purposes.....
 Total expenditures and other financing sources as reported on the statement of revenues, expenditures,
 and changes in fund balances - governmental funds - Exhibit IV..... \$69,188,065

Supplemental Schedules

TOWN OF BRANFORD, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2003 AND 2002

	2003	2002
<u>A S S E T S</u>		
Cash and cash equivalents.....	\$17,397,099	\$17,927,750
Receivables:		
Taxes (net).....	2,708,194	3,734,673
Intergovernmental.....	8,499,127	9,145,729
Other.....	2,667,868	2,172,353
Due from other funds.....	691,500	300,053
Other.....	73,314	58,320
TOTAL.....	<u>\$32,037,102</u>	<u>\$33,338,878</u>
 <u>L I A B I L I T I E S</u> A N D <u>F U N D B A L A N C E</u>		
Liabilities:		
Accounts payable and accrued expenses.....	\$ 2,885,755	\$ 2,594,734
Due to other funds.....	1,544,312	3,875,062
Deferred revenues.....	13,506,447	14,863,582
Other.....	630,241	828,767
Total liabilities.....	<u>18,566,755</u>	<u>22,162,145</u>
Fund balance:		
Reserved for encumbrances.....	531,082	374,881
Unreserved:		
Designated for subsequent year budget.....	2,445,000	2,000,000
Undesignated - available for appropriation..	10,494,265	8,801,852
Total fund balance.....	<u>13,470,347</u>	<u>11,176,733</u>
TOTAL.....	<u>\$32,037,102</u>	<u>\$33,338,878</u>

TOWN OF BRANFORD, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2003

GRAND LIST	UNCOLLECTED TAXES JULY 1, 2002	LAWFUL CORRECTIONS	FORECLOSURES AND ADJUSTMENTS	TRANSFERS TO SUSPENSE	ADJUSTED TAXES COLLECTIBLE	TAXES	INTEREST	LIENS	TOTAL	UNCOLLECTED TAXES JUNE 30, 2003
1986	\$ 101				\$ 108					\$ 108
1987	108				103					103
1988	103				274					274
1989	274				3,711			24	\$ 5,055	781
1990	3,552	\$ 159			16,596	2,930	\$ 2,101	\$ 24	\$ 6,222	15,814
1991	16,515	81			19,079	782	5,440			18,990
1992	19,079				24,837	89	209			298
1993	24,837				66,860	193	1,019	24	1,236	24,644
1994	68,446		(1,586)		116,612	4,498	12,545	96	17,139	62,362
1995	117,730		(1,118)		29,146	29,146	32,228	428	61,802	87,466
1996	286,033			\$(118,489)	167,122	55,426	46,331	936	102,693	111,696
1997	346,655				345,309	114,919	73,545	1,272	189,736	230,390
1998	534,871				533,870	225,331	139,845	1,608	366,784	308,539
1999	1,020,595		(280,821)		717,066	304,730	130,019	2,616	437,365	412,336
2000	1,742,144		(299,371)		1,365,785	682,876	166,318	5,131	854,325	682,909
2001	60,122,637		(69,043)		59,826,471	58,607,581	244,383	884	58,852,848	1,218,890
TOTAL ...	\$64,303,680	\$(329,348)	\$(652,040)	\$(118,489)	\$63,203,803	60,028,501	853,983	13,019	60,895,503	\$3,175,302
				Suspense collections		9,869	13,878		23,747	
				Administrative fees				450	450	
				TOTAL		\$60,038,370	\$867,861	\$13,469	\$60,919,700	

TOWN OF BRANFORD, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2003

	REVALUATION	OPEN SPACE	WATER ASSESSMENT	PROGRAM FUND	DAY CARE	EDUCATIONAL GRANTS	CAFETERIA
Cash and cash equivalents							
Investments							
Accounts receivable							
Assessments							
Intergovernmental							
Due from other funds							
Loans receivable							
Inventory							
A S S E T S							
Cash and cash equivalents	\$ (282,053)	\$ 198,343	\$ 40,316	\$ 35,198	\$ 151,902	\$ 541,700	\$ 50,293
Investments							
Accounts receivable						1,834	2,587
Assessments			240,731				
Intergovernmental							
Due from other funds	372,950	31,947					30,237
Loans receivable							
Inventory							7,161
TOTAL	<u>\$ 90,897</u>	<u>\$ 230,290</u>	<u>\$ 281,047</u>	<u>\$ 35,198</u>	<u>\$ 151,902</u>	<u>\$ 543,534</u>	<u>\$ 90,278</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ 36,356	\$ 4,300			\$ 4,466	\$ 12,676	\$ 67,650
Due to other funds						300,822	
Deferred revenue			\$ 240,731	\$ 8,335			
Total liabilities	<u>36,356</u>	<u>4,300</u>	<u>240,731</u>	<u>8,335</u>	<u>4,466</u>	<u>313,498</u>	<u>67,650</u>
Fund balance:							
Reserved:							
Encumbrances							
Inventory							
Permanent account							
Unreserved:							
Designated	54,541	63,376					
Undesignated	162,614	162,614	40,316	26,863	147,436	230,036	15,467
Total fund balance	<u>54,541</u>	<u>225,990</u>	<u>40,316</u>	<u>26,863</u>	<u>147,436</u>	<u>230,036</u>	<u>22,628</u>
TOTAL	<u>\$ 90,897</u>	<u>\$ 230,290</u>	<u>\$ 281,047</u>	<u>\$ 35,198</u>	<u>\$ 151,902</u>	<u>\$ 543,534</u>	<u>\$ 90,278</u>

TOWN OF BRANFORD, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

	BOARD OF EDUCATION ENERGY EFFICIENCY	SMALL CITIES	TOWN AID ROAD	TECHNOLOGY INFRASTRUCTURE	PASS THROUGH GRANTS	PARK AND RECREATION	SPECIAL PROGRAMS
Cash and cash equivalents	\$78,403	\$134,954	\$(7,858)	\$872		\$270,068	\$443,924
Investments							7,872
Accounts receivable							206,696
Assessments							
Intergovernmental			75,475			19,455	
Due from other funds							
Loans receivable		636,351					
Inventory							
TOTAL	\$78,403	\$771,305	\$67,617	\$872	\$ - 0 -	\$289,523	\$658,492

A S S E T S

L I A B I L I T I E S
A N D
F U N D B A L A N C E

Liabilities:							
Accounts payable			\$50,323	\$722		\$ 11,033	\$169,074
Due to other funds						130,411	105,498
Deferred revenue		\$636,351					
Total liabilities		636,351	50,323	722		141,444	274,572
Fund balance:							
Reserved:							
Encumbrances							75,200
Inventory							
Permanent account							
Unreserved:							
Designated							
Undesignated	\$78,403	134,954	17,294	150		148,079	308,720
Total fund balance	78,403	134,954	17,294	150		148,079	383,920
TOTAL	\$78,403	\$771,305	\$67,617	\$872	\$ - 0 -	\$289,523	\$658,492

TOWN OF BRANFORD, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

.....SPECIAL REVENUE.....

	RETIREE BENEFIT	COUNSELING CENTER	WILLOUGHBY WALLACE LIBRARY	TOURISM	TOTAL
A S S E T S					
Cash and cash equivalents					
Investments					
Accounts receivable					
Assessments					
Intergovernmental					
Due from other funds					
Loans receivable					
Inventory					
	\$100,000		\$ 62,474	\$2	\$1,769,662
		\$51,124	88,050		88,050
					12,293
					240,731
					236,933
					599,827
					636,351
					7,161
TOTAL	\$100,000	\$51,124	\$150,524	\$2	\$3,591,008
L I A B I L I T I E S A N D F U N D B A L A N C E					
Liabilities:					
Accounts payable					
Due to other funds					
Deferred revenue					
	\$ 1,098		\$ 400		\$ 358,098
			57,351		463,671
					1,015,828
Total liabilities	1,098		57,751		1,837,597
Fund balance:					
Reserved:					
Encumbrances					
Inventory					
Permanent account					
Unreserved:					
Designated					
Undesignated					
	50,026		92,773	\$2	63,376
					1,607,674
Total fund balance	50,026		92,773	2	1,753,411
TOTAL	\$100,000	\$51,124	\$150,524	\$2	\$3,591,008

TOWN OF BRANFORD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2003

	DAMASCUS CEMETERY	LESHINE SCHOLARSHIP	CASPAR BLOCK SCHOLARSHIP	GUSTAF NELSON MEMORIAL	JOHN B. HART	CASPAR BLOCK SPECIAL RECREATION GRANT	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Cash and cash equivalents	\$ 34,104	\$ 5,706	\$ 6,023	\$ 34,882	\$ 4,654	\$ 60,206	\$ 145,575	\$ 1,915,237
Investments	72,244						72,244	160,294
Accounts receivable								12,293
Assessments								240,731
Intergovernmental								236,933
Due from other funds								599,827
Loans receivable								636,351
Inventory								7,161
TOTAL	\$106,348	\$5,706	\$6,023	\$34,882	\$4,654	\$60,206	\$217,819	\$3,808,827

A S S E T S

Cash and cash equivalents	\$ 34,104
Investments	72,244
Accounts receivable	
Assessments	
Intergovernmental	
Due from other funds	
Loans receivable	
Inventory	

TOTAL \$106,348

L I A B I L I T I E S
A N D
F U N D B A L A N C E

Liabilities:	\$ 1,000
Accounts payable	
Due to other funds	
Deferred revenue	
Total liabilities	1,000

Fund balance:								
Reserved:								
Encumbrances								75,200
Inventory	1,500	\$ 4,000	\$ 5,000	\$ 30,000	\$ 4,654	\$ 59,920	105,074	7,161
Permanent account								105,074
Unreserved:								
Designated	103,848	1,706	1,023	4,882		286	111,745	63,376
Undesignated	105,348	5,706	6,023	34,882	4,654	60,206	216,819	1,970,230
Total fund balance	\$106,348	\$5,706	\$6,023	\$34,882	\$4,654	\$60,206	\$217,819	\$3,808,827

TOWN OF BRANFORD, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	REVALUATION	OPEN SPACE	WATER ASSESSMENT	PROGRAM FUND	DAY CARE	EDUCATIONAL GRANTS	CAFETERIA
.....SPECIAL REVENUE.....BOARD OF EDUCATION.....							
Revenues:							
Assessment income			\$51,736				
Interest on assessments			18,756				
Intergovernmental revenues						\$1,925,314	\$ 183,508
Investment income		\$ 2,819	507	\$ 456	\$ 721		621
Sale of food				85,882	547,313		861,877
Sales and services							
Program income							
Other	\$373,000	75,000			1,338		
Total revenues	373,000	77,819	70,999	86,338	549,372	1,925,314	1,046,006
Expenditures:							
Current:							
General Government	414,726	41,280					
Public safety							
Public works and highway							
Parks, recreation and libraries ..							
Health and human services				83,743	543,555	1,836,404	1,035,647
Education			66,091				
Debt service							
Total expenditures	414,726	41,280	66,091	83,743	543,555	1,836,404	1,035,647
Excess (deficiency) of revenues over expenditures	(41,726)	36,539	4,908	2,595	5,817	88,910	10,359
Other financing sources (uses):							
Transfers in	150,000	30,300					
Transfers out							
Total other financing sources (uses)	150,000	30,300					
Net change in fund balances	108,274	66,839	4,908	2,595	5,817	88,910	10,359
Fund balance (deficit), July 1, 2002 ..	(53,733)	159,151	35,408	24,268	141,619	141,126	12,269
Fund balance, June 30, 2003	\$ 54,541	\$225,990	\$40,316	\$26,863	\$147,436	\$ 230,036	\$ 22,628

TOWN OF BRANFORD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

	BOARD OF EDUCATION. ENERGY EFFICIENCY	SMALL CITIES	TOWN AID ROAD	TECHNOLOGY INFRASTRUCTURE	PASS THROUGH GRANTS	PARK AND RECREATION	SPECIAL PROGRAMS
Revenues:							
Assessment income							\$ 605,463
Interest on assessments						\$ 2,859	7,077
Intergovernmental revenues	\$ 1,246	\$ 475,950	\$ 114,153	\$ 14,860	\$ 269,745		
Investment income		188	2,579				
Sale of food						140,976	26,362
Other		57,763	1,120			8,741	25,370
Program income							
Other							
Total revenues	1,246	533,901	117,852	14,860	269,745	152,576	664,272
Expenditures:							
Current:							
General government							18,049
Public safety							202,210
Public works and highway			330,284				406,430
Parks, recreation and libraries						229,080	18,344
Health and human services		451,252		14,710	269,745		20,203
Education							
Debt service							
Total expenditures		451,252	330,284	14,710	269,745	229,080	665,236
Excess (deficiency) of revenues over expenditures	1,246	82,649	(212,432)	150		(76,504)	(964)
Other financing sources (uses):							
Transfers in		(9,763)				20,000	56,454
Transfers out							(130,089)
Total other financing sources (uses)		(9,763)				20,000	(73,635)
Net change in fund balances	1,246	72,886	(212,432)	150		(56,504)	(74,599)
Fund balance (deficit), July 1, 2002	77,157	62,068	229,726	- 0 -	- 0 -	204,583	458,519
Fund balance, June 30, 2003	\$ 78,403	\$ 134,954	\$ 17,294	\$ 150	\$ - 0 -	\$ 148,079	\$ 383,920

TOWN OF BRANFORD, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

	RETIREE BENEFIT	COUNSELING CENTER	WILLOUGHBY WALLACE LIBRARY	TOURISM	TOTAL
.....SPECIAL REVENUE.....					
Revenues:					
Assessment income					\$ 51,736
Interest on assessments					18,756
Intergovernmental revenues					3,588,993
Investment income					26,162
Sale of food	\$ 885	\$ 6,202		\$ 2	861,877
Sales and services					800,533
Program income	62,719	17,529			57,763
Other					564,817
Total revenues.....	63,604	23,731		2	5,970,637
Expenditures:					
Current:					
General government					474,055
Public safety					202,210
Parks, recreation and highway					736,714
Health and human services	75,389	38,983		370	286,777
Education					816,589
Debt service					3,514,059
Total expenditures.....	75,389	38,983		370	6,096,495
Excess (deficiency) of revenues over expenditures	(11,785)	(15,252)		(368)	(125,858)
Other financing sources (uses):					
Transfers in	\$100,000				356,754
Transfers out			(56,345)		(196,197)
Total other financing sources (uses).....	100,000		(56,345)		160,557
Net change in fund balances	100,000	(11,785)	(71,597)	(368)	34,699
Fund balance (deficit), July 1, 2002	- 0 -	61,811	164,370	370	1,718,712
Fund balance, June 30, 2003	\$100,000	\$ 50,026	\$ 92,773	\$ 2	\$1,753,411

TOWN OF BRANFORD, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

	DAMASCUS CEMETERY	LESHINE SCHOLARSHIP	CASPAR BLOCK SCHOLARSHIP	GUSTAF NELSON MEMORIAL	JOHN B. HART	CASPAR BLOCK SPECIAL RECREATION GRANT	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:								
Assessment income								\$ 51,736
Interest on assessments								18,756
Intergovernmental revenues								3,588,993
Investment income	\$ (3,047)	\$ 94	\$ 100	\$ 568	\$ 79	\$ 995	\$ (1,211)	24,951
Sale of food								861,877
Sales and services								800,533
Program income								57,763
Other								564,817
Total revenues	(3,047)	94	100	568	79	995	(1,211)	5,969,426
Expenditures:								
Current:								
General government								474,055
Public safety								202,210
Public works and highway								736,714
Parks, recreation and libraries	2,100					2,023	4,123	290,900
Health and human services		250	250	500			1,000	816,589
Education								3,515,059
Debt service								66,091
Total expenditures	2,100	250	250	500		2,023	5,123	6,101,618
Excess (deficiency) of revenues over expenditures	(5,147)	(156)	(150)	68	79	(1,028)	(6,334)	(132,192)
Other financing sources (uses):								
Transfers in								356,754
Transfers out								(196,197)
Total other financing sources (uses)								160,557
Net change in fund balances	(5,147)	(156)	(150)	68	79	(1,028)	(6,334)	28,365
Fund balance (deficit), July 1, 2002	110,495	5,862	6,173	34,814	4,575	61,234	223,153	1,941,865
Fund balance, June 30, 2003	\$105,348	\$5,706	\$6,023	\$34,882	\$4,654	\$60,206	\$216,819	\$1,970,230

TOWN OF BRANFORD, CONNECTICUTINTERNAL SERVICE FUNDCOMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003

	WORKERS' COMPENSATION FUND	HEART AND HYPERTENSION FUND	TOTAL
ASSETS:			
Cash and cash equivalents	\$445,257	\$ 107,717	\$ 552,974
Due from other funds	100,000	65,000	165,000
Total assets	545,257	172,717	717,974
LIABILITIES:			
Accounts payable	36,801	27,954	64,755
Claims incurred not reported	430,788	376,702	807,490
Total liabilities	467,589	404,656	872,245
NET ASSETS:			
Unrestricted	\$ 77,668	\$ (231,939)	\$ (154,271)

TOWN OF BRANFORD, CONNECTICUTINTERNAL SERVICE FUNDCOMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	WORKERS' COMPENSATION FUND	HEART AND HYPERTENSION FUND	TOTAL
Operating revenues:			
Contributions for benefits.....	\$ 814,300	\$ 208,000	\$1,022,300
Refunds.....	893		893
Total operating revenues	815,193	208,000	1,023,193
Operating expenses:			
Benefit claims.....	855,256	71,068	926,324
Claims administration.....	85,000		85,000
Total operating expenses	940,256	71,068	1,011,324
Operating income (loss)	(125,063)	136,932	11,869
Nonoperating income - interest income	9,660	224	9,884
Change in net assets	(115,403)	137,156	21,753
Net assets (deficit), July 1, 2002	193,071	(369,095)	(176,024)
Net assets (deficit), June 30, 2003	\$ 77,668	\$ (231,939)	\$ (154,271)

TOWN OF BRANFORD, CONNECTICUTINTERNAL SERVICE FUNDCOMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	WORKERS' COMPENSATION FUND	HEART AND HYPERTENSION FUND	TOTAL
Cash flows from (to) operating activities:			
Cash received for benefits.....	\$ 715,193	\$192,770	\$ 907,963
Cash paid for benefits and administration	(711,880)	(85,277)	(797,157)
Cash flows from operating activities..	3,313	107,493	110,806
Cash flows from investing activities:			
Interest income.....	9,660	224	9,884
Net increase in cash and cash equivalents .	12,973	107,717	120,690
Cash and cash equivalents, July 1, 2002 ...	432,284	- 0 -	432,284
Cash and cash equivalents, June 30, 2003 ..	\$ 445,257	\$107,717	\$ 552,974
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (125,063)	\$136,932	\$ 11,869
Changes in balance sheet accounts:			
Increase (decrease) in payables.....	228,376	(14,209)	214,167
(Increase) in receivables.....	(100,000)	(15,230)	(115,230)
Net cash provided by operating activities .	\$ 3,313	\$107,493	\$ 110,806

TOWN OF BRANFORD, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2003

	CONSERVATION COMMISSION	SHELLFISH COMMISSION	BOARD OF EDUCATION HEALTH FUND	ACADEMY ON-THE- GREEN	VOLUNTEER FIREMENS' PENSION	COMMISSION ON SERVICES FOR THE ELDERLY	STUDENT ACTIVITY	TOTAL
ASSETS:								
Cash and cash equivalents.....	\$1,431	\$10,205		\$30,704	\$ 766	\$60,579	\$635,774	\$739,459
Investments.....					126,129			126,129
Due from other funds.....					14,000			14,000
Total assets.....	<u>\$1,431</u>	<u>\$10,205</u>	<u>\$ - 0 -</u>	<u>\$30,704</u>	<u>\$140,895</u>	<u>\$60,579</u>	<u>\$635,774</u>	<u>\$879,588</u>
LIABILITIES:								
Accounts payable.....						\$ 884		\$ 884
Due to other funds.....						2,360		2,360
Due to student, employees, and others..		\$10,205		\$30,704	\$140,895	57,335	\$635,774	876,344
Total liabilities.....	<u>\$1,431</u>	<u>\$10,205</u>	<u>\$ - 0 -</u>	<u>\$30,704</u>	<u>\$140,895</u>	<u>\$60,579</u>	<u>\$635,774</u>	<u>\$879,588</u>

TOWN OF BRANFORD, CONNECTICUT

AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2003

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
<u>BRANFORD CONSERVATION COMMISSION</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$1,408	\$23		\$1,431
<u>LIABILITIES</u>				
Due to students, employees and other groups	\$1,408	\$23		\$1,431
<u>SHELLFISH COMMISSION</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$9,289	\$916		\$10,205
<u>LIABILITIES</u>				
Due to students, employees and other groups	\$9,289	\$916		\$10,205
<u>BOARD OF EDUCATION HEALTH FUND</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$5,183	\$-0-	\$6,183	\$-0-
<u>LIABILITIES</u>				
Due to students, employees and other groups	\$6,183	\$-0-	\$6,183	\$-0-
<u>ACADEMY-ON-THE-GREEN</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$26,926	\$4,035	\$257	\$30,704
<u>LIABILITIES</u>				
Due to students, employees and other groups	\$26,926	\$4,035	\$257	\$30,704

TOWN OF BRANFORD, CONNECTICUT
 AGENCY FUND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, ETC.

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
<u>VOLUNTEER FIREMENS' PENSION FUND</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 766			\$ 766
Investments	126,468	\$40,435	\$40,774	126,129
Due from other funds		14,000		14,000
TOTAL ASSETS.....	\$127,234	\$54,435	\$40,774	\$140,895
<u>LIABILITIES</u>				
Due to students, employees and other groups	\$127,234	\$54,435	\$40,774	\$140,895
<u>COMMISSION ON SERVICES FOR THE ELDERLY</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$60,077	\$152,414	\$151,912	\$60,579
<u>LIABILITIES</u>				
Accounts payable	\$ 158	\$ 726		\$ 884
Due to other funds	1,965	395		2,360
Due to students, employees and other groups	57,954	151,293	\$151,912	57,335
TOTAL LIABILITIES.....	\$60,077	\$152,414	\$151,912	\$60,579
<u>STUDENT ACTIVITY FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$520,041	\$1,437,761	\$1,322,028	\$635,774
<u>LIABILITIES</u>				
Due to students, employees and other groups	\$520,041	\$1,437,761	\$1,322,028	\$635,774

TOWN OF BRANFORD, CONNECTICUT
 AGENCY FUND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, ETC.

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
<u>TOTAL - ALL FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$624,690	\$1,595,149	\$1,480,380	\$739,459
Investments	126,468	40,435	40,774	126,129
Due from other funds		14,000		14,000
TOTAL ASSETS	\$751,158	\$1,649,584	\$1,521,154	\$879,588
<u>LIABILITIES</u>				
Accounts payable	\$ 158	\$ 726		\$ 884
Due to other funds	1,965	395		2,360
Due to students, employees and other groups	749,035	1,648,463	\$1,521,154	876,344
TOTAL LIABILITIES	\$751,158	\$1,649,584	\$1,521,154	\$879,588

TOWN OF BRANFORD, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCOMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2003 AND 2002

	2003	2002
Governmental funds capital assets:		
Land.....	\$ 5,812,440	\$ 5,812,440
Land improvements.....	596,500	596,500
Buildings.....	67,564,872	39,820,456
Furniture and equipment.....	15,845,823	10,428,713
Construction in progress.....	<u>28,344,503</u>	<u>56,356,077</u>
TOTAL.....	<u>\$118,164,138</u>	<u>\$113,014,186</u>
Investments in governmental funds capital assets by source:		
Assets acquired prior to July 1, 2002.....	\$112,882,686	\$113,014,186
General Fund revenue.....	5,233,342	
Contributions/donations.....	35,000	
Special Revenue Funds.....	<u>13,110</u>	
TOTAL.....	<u>\$118,164,138</u>	<u>\$113,014,186</u>

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

SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2003

	TOTAL	LAND	LAND IMPROVEMENTS	BUILDINGS	FURNITURE AND EQUIPMENT	CONSTRUCTION IN PROGRESS
General government.....	\$ 5,013,098	\$ 117,407	\$ 66,800	\$ 1,064,533	\$ 289,168	\$ 3,475,190
Public safety.....	8,907,620	292,087	20,200	4,399,985	4,195,348	
Public works and highway.....	38,143,078	1,699,047	7,700	2,535,077	9,031,941	24,869,313
Parks, recreation and libraries....	5,544,645	3,161,217	319,800	1,808,312	255,316	
Health and human services.....	1,145,704	52,236	5,900	901,967	185,601	
Education.....	59,409,993	490,446	176,100	56,854,998	1,888,449	
TOTAL.....	\$118,164,138	\$5,812,440	\$596,500	\$67,564,872	\$15,845,823	\$28,344,503

TOWN OF BRANFORD, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSSCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2003

	GOVERNMENTAL FUNDS CAPITAL ASSETS JULY 1, 2002	ADDITIONS	DELETIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2003
General government	\$ 4,191,092	\$ 822,006		\$ 5,013,098
Public safety	8,107,315	817,805	\$ 17,500	8,907,620
Public works and highway	35,211,700	7,733,812	4,802,434	38,143,078
Parks, recreation and libraries	5,416,165	933,986	805,506	5,544,645
Health and human services	1,135,703	10,000		1,145,703
Education	58,952,211	26,696,196	26,238,413	59,409,994
TOTAL	<u>\$113,014,186</u>	<u>\$37,013,805</u>	<u>\$31,863,853</u>	<u>\$118,164,138</u>

TOWN OF BRANFORD, CONNECTICUT

STATEMENT OF DEBT LIMITATION
JUNE 30, 2003

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2003.....	\$60,919,250
Total tax collections (including interest and lien fees) of coterminous Municipalities (estimated).....	994,408
Reimbursement for revenue loss on: Elderly tax relief.....	21,849
BASE	<u>\$61,935,507</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.	\$139,354,891				
4-1/2 times base.		\$278,709,782			
3-3/4 times base.			\$232,258,151		
3-1/4 times base.				\$201,290,398	
3 times base.....					\$185,806,521
Total	139,354,891	278,709,782	232,258,151	201,290,398	185,806,521
Indebtedness:					
Bonds payable....	8,551,000	23,783,000	27,331,991		
Bonds authorized and unissued ...			1,566,412		
School building grants receivables		(8,390,193)			
Total indebtedness	8,551,000	15,392,807	28,898,403		
Debt limitation in excess of outstanding and authorized debt..	<u>\$130,803,891</u>	<u>\$263,316,975</u>	<u>\$203,359,748</u>	<u>\$201,290,398</u>	<u>\$185,806,521</u>

NOTE 1: In no case shall total indebtedness exceed seven times annual receipts from taxation \$433,548,549.

NOTE 2: Water bonds of \$348,000 are excluded from the computation above.