

January 27, 2004

Mr. Scott Shanley

Town Manager

Town of Enfield

Enfield, CT 06082

Dear Mr. Shanley:

In accordance with Chapter V, Section 8 of the adopted charter for the Town of Enfield, I am submitting herewith the Comprehensive Annual Financial Report (CAFR) of the Town of Enfield for the fiscal year ended June 30, 2003.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Enfield for the fiscal year ended June 30, 2003. Due to the implementation issues of Governmental Accounting Standards Board (GASB) Statement No. 34, an extension request to February 29, 2004, was requested and approved by both the State of Connecticut and the GASB.

This report consists of management's representations concerning the finances of the Town of Enfield. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Enfield has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Enfield's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Enfield's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Enfield's financial statements have been audited by Kostin, Ruffkess & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Enfield for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Enfield's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Enfield was part of a broader, federally mandated "single audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited Town's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Enfield's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of

transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Enfield's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town of Enfield

The Town of Enfield is a suburb consisting of 33.8 square miles and located east of the Connecticut River along the Interstate 91 corridor, 18 miles north of Hartford, Connecticut, and 9 miles south of Springfield, Massachusetts, with a July 1, 2002 population of 45,379. Centrally located between Boston and New York City, and just a 15-minute drive from Bradley International Airport, Enfield is a short commute between major northeast economic markets.

Enfield's location, transportation access, quality work force, land, and business services have attracted many first-rate corporate citizens both large and small. The Town has a diversified commercial/industrial base of numerous manufacturing, research, engineering, distribution, service and retail facilities. These industries have enabled Enfield to enjoy an unemployment rate less than that of the State average in recent months.

The Town of Enfield operates under a council-manager form of government. Policy-making and legislative authority rest with a Town Council consisting of the mayor and ten other members. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the Town Manager and Town attorney. The Town Manager, among other things, is responsible for carrying out the policies and ordinances of the Town Council, overseeing the day-to-day operations of the town, and for appointing the various department heads.

The Town of Enfield provides a full range of services, including police protection; the construction and maintenance of highways, streets, sanitation and other infrastructure; and recreational activities and cultural events.

The annual budget serves as the foundation for the Town of Enfield's financial planning and control. All agencies of the Town of Enfield are required to submit requests for appropriations to the Town Manager. The Town Manager uses these requests as the starting point for developing a proposed budget for presentation to the Town Council. The proposed budget is due to the Town Council no later than seventy-five days prior to the end of the fiscal year. The Town Council holds one or more public hearings on the budget not later than sixty days before the end of the fiscal year. Within twenty days of the final hearing, the Town Council adopts the budget by resolution.

Factors Effecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Town of Enfield operates.

Local Economy - The Town of Enfield enjoys a favorable economic environment, which when coupled with a broad and diverse commercial and industrial base, points to continued economic stability. The Town of Enfield has several industries with headquarters or divisions located within its boundaries including greeting cards and plastic game assembly plus a wide variety of retail venues and a local college. Currently, a superior financial services company is looking to locate to an existing site capable of being a world headquarter's location.

Long-Term Financial Planning - Prepared as part of the annual budget process, a comprehensive six-year plan of capital improvement projects attempts to identify and provide a responsible funding/execution plan for public betterments to ensure a stable community infrastructure. This multi-million dollar plan is designed to support an operation, which has evolved from a fix-up mode to one able to anticipate short and long-term requirements. While many projects are funded with a single annual appropriation of .0002 of the current grand list (the Town charter annual limit per project), which computes to \$398,000 for fiscal year 2002-03, or less, larger more costly undertakings are funded over a multi-year period unless authorized by referendum to exceed such restriction.

Additionally, the Town of Enfield is in the process of completing recently approved bond projects for renovations to most of the Town's elementary schools, one of the high schools, a new senior center and town-wide roadwork, all of which will benefit residents and visitors for years to come.

Cash management policies and practices - Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, corporate bonds, and the State Treasurer's investment fund. The rates of interest earned on investments range from .92% to 4.68%. The highest yields being part of the pension plans due to the long-term character of some of its investment holdings. Investment income includes appreciation of the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the Town intends to hold to maturity.

Risk Management - The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance coverage is purchased from the commercial insurance market with the exception of workers' compensation and heart and hypertension. To provide workers' compensation coverage, the Town participates in the Connecticut Interlocal Risk Management Agency (CIRMA), a risk sharing pool created by a Special Act of the Connecticut General Assembly. Coverage for heart and hypertension and post-employment benefits is funded by an annual appropriation for actual payments.

Pension and other post-employment benefits - The Town of Enfield offers two single employer defined benefit pension plans, one for non-police employees and one for police employees. Each year an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the Town of Enfield must make to the pension plans to ensure that the plans will be able to fully meet their obligations to retired employees on a timely basis. As a matter of policy, the Town of Enfield fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The Town of Enfield also provides post-retirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 72 retired employees receiving these benefits, which are financed on an annual basis. GAAP do not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the Town of Enfield's pension plans and post-employment benefits can be found in Notes IV. C. and IV. D. in the notes to the basic financial statements.

Awards and Acknowledgements

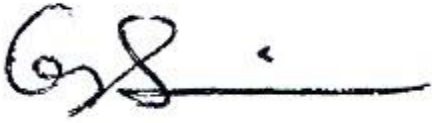
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the eleventh consecutive year the Town has received this prestigious award, which is valid for a one year period. In order to be awarded a certificate of achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

The Town believes its current comprehensive annual financial report continues to meet the program requirements, and will be submitting it to the GFOA to be considered for another certificate of achievement.

The preparation of this annual financial report could not have been accomplished without a major effort and commitment from all members of the finance department. I would also like to thank you and members of the Town Council for the continued interest and support in planning and conducting the financial affairs of the Town of Enfield in a responsible and progressive manner.

The Finance Department will continue pursuit of its goals: to promote the highest degree of public credibility and confidence in its operations; working to foster and maintain a local government environment which demonstrates fiscal accountability, efficiency, integrity, stability, and relevant equity; and of course, the overall strive towards excellence.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'GS' followed by a horizontal line.

Gregory Simmons, CPA

Director of Finance