
ANNUAL FINANCIAL REPORT

OF THE

TOWN OF REDDING, CONNECTICUT

FOR THE YEAR ENDED
JUNE 30, 2004

TOWN OF REDDING, CONNECTICUT

**ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004
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Financial Section



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INDEPENDENT AUDITORS' REPORT

Board of Finance
Town of Redding, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Redding, Connecticut, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Redding, Connecticut, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2004, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by 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.



November 22, 2004

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Redding, Connecticut's basic financial statements. The accompanying financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements and other schedules as listed in the table of contents 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. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Kostin, Ruffkess & Company, LLC

Farmington, Connecticut
November 22, 2004



Town of Redding

REDDING, CONNECTICUT 06875

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

As management of the Town of Redding, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$29,693,942 (*net assets*). Of this amount, \$4,318,844 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$271,787 as a result of capital purchases in excess of depreciation, operating income in the internal service fund offset by an operating loss in the enterprise fund.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,746,348, a decrease of \$664,057 in comparison with the prior year. Of the entire fund balance, \$2,744,248 (*unreserved fund balance*) is available for spending at the Town's discretion.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$3,442,400 or 11% of total general fund expenditures of \$32,484,882.

Overview of the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the Town. Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highway and streets, transfer station and recycling, health and social services, library, parks and recreation, and education. The Town's business-type activity is accounted for in the Georgetown Sewer Enterprise Fund.

The government-wide financial statements can be found on pages 11-13 of this report.

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

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

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

The Town maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, bond fund and the community center fund, which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Proprietary funds. The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses internal service funds to account for its self-insured medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Georgetown Sewer fund (a major fund).

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

The basic fiduciary fund financial statements can be found on page 23 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24-39 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements. Combining and individual fund financial statements and schedules can be found on pages 40-51 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. For the current year, assets exceeded liabilities by \$29,693,942 at the close of the most recent fiscal year.

**TOWN OF REDDING NET ASSETS
JUNE 30, 2004**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003 (as restated)	2004	2003 (as restated)
Current assets.....	\$ 8,580,975	\$ 8,377,470	\$ 20,667	\$ 5,495	\$ 8,601,642	\$ 8,382,965
Capital assets.....	35,310,228	35,214,796	2,902,147	3,008,621	38,212,375	38,223,417
Noncurrent assets.....	1,310,506	1,938,564	856	715	1,311,362	1,939,279
Total assets.....	45,201,709	45,530,830	2,923,670	3,014,831	48,125,379	48,545,661
Long-term liabilities outstanding	12,017,558	12,920,242			12,017,558	12,920,242
Other liabilities	6,400,564	6,188,476	13,315	14,788	6,413,879	6,203,264
Total liabilities	18,418,122	19,108,718	13,315	14,788	18,431,437	19,123,506
Net assets:						
Investment in capital assets, net of related debt.....	22,470,851	19,629,650	2,902,147	3,008,621	25,372,998	22,638,271
Restricted	2,100	2,100			2,100	2,100
Unrestricted.....	4,310,636	6,790,362	8,208	(8,578)	4,318,844	6,781,784
Total net assets.....	\$ 26,783,587	\$ 26,422,112	\$ 2,910,355	\$ 3,000,043	\$ 29,693,942	\$ 29,422,155

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of the Town's net assets (85%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, sewer plant, sewer collection system, machinery and equipment, vehicles, furniture and fixtures and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A minor portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net assets.

There was a decrease of \$89,688 in net assets reported in connection with the Town's business-type activities. The Town's net assets increased by \$271,787 during the current fiscal year. This increase is attributable to capital purchases in excess of depreciation and operating income in the internal service fund offset by an operating loss in the enterprise fund.

Governmental activities. Governmental activities increased the Town's net assets by \$361,475.

Revenues

Governmental activities revenues totaled \$32,374,943 for fiscal year 2004. Property taxes are the largest revenue source for the Town and represent 89% of governmental revenues. Current tax collections were 99.1% of the adjusted tax levy. Charges for services revenues are the Town's second largest revenue and account for 5.9% of governmental revenues for the year. The most significant changes for the prior years were as follows:

- Charges for services increase by \$306,276 due to increase in conveyance and refinancing fees within the Town Clerk department, increase in building permits and fees and increase in park and recreation fees due to activities at the community center.
- Operating grants and contributions increase by \$223,295 due to revenues of special education grants.
- Capital grants and contributions decreased by \$700,778 due to open space grants and contributions of land received in the prior year and none received in the current year.
- Property taxes increase by \$525,764 due to increase costs for services.

Expenses

Governmental expenses totaled \$32,013,468 for the fiscal year. Of the expenses, \$23,511,269 or 73.4% is related to education. General government expenses amounted to \$2,348,239 or 7.4%. Highway and streets expenses were \$2,129,015 or 6.7% and public safety expenses were \$1,856,976 or 5.8%.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**TOWN OF REDDING CHANGES IN NET ASSETS
JUNE 30, 2004**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003 (as restated)	2004	2003 (as restated)
Revenues:						
Program revenues:						
Charges for services.....	\$ 1,909,851	\$ 1,603,575	\$ 146,434	\$ 140,913	\$ 2,056,285	\$ 1,744,488
Operating grants and contributions	1,309,272	1,085,977			1,309,272	1,085,977
Capital grants and contributions	36,969	737,747			36,969	737,747
General revenues:						
Property taxes.....	28,884,869	28,359,105			28,884,869	28,359,105
Grants and contributions not restricted.....	143,492	168,951			143,492	168,951
Investment income	90,490	200,074			90,490	200,074
Miscellaneous		1,750				1,750
Total revenues	32,374,943	32,157,179	146,434	140,913	32,521,377	32,298,092
Expenses:						
General government.....	2,348,239	2,347,490			2,348,239	2,347,490
Public safety.....	1,856,976	1,879,795			1,856,976	1,879,795
Highway and streets.....	2,129,015	2,030,518			2,129,015	2,030,518
Transfer station and recycling ...	308,892	316,036			308,892	316,036
Health and social services	143,008	138,667			143,008	138,667
Library	240,140	240,140			240,140	240,140
Parks and recreation	778,961	717,546			778,961	717,546
Education	23,511,269	23,428,533			23,511,269	23,428,533
Interest expense.....	696,968	782,147			696,968	782,147
Georgetown Sewer.....			236,122	227,874	236,122	227,874
Total expenses.....	32,013,468	31,880,872	236,122	227,874	32,249,590	32,108,746
Change in net assets	361,475	276,307	(89,688)	(86,961)	271,787	189,346
Net assets - July 1	26,422,122	26,145,805	3,000,043	3,087,004	29,422,155	29,232,809
Net assets - June 30.....	\$26,783,587	\$ 26,422,112	\$ 2,910,355	\$ 3,000,043	\$ 29,693,942	\$ 29,422,155

Business-type activities. Business-type activities decreased the Town's net assets by \$89,688, which was substantially a result of depreciation expense. General revenues do not support the Town's business-type activities; thus, the largest source of revenues comes from charges for services.

The Georgetown Sewer expenses were \$236,122 in the fiscal year ended June 30, 2004, which was not significantly different than the amount for the prior year.

Financial Analysis of the Town's Funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,746,348, a decrease of \$664,057 in comparison with the prior year. Of this amount, \$2,744,248 or 99.9% constitutes unreserved fund balance which is available for spending at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted for permanently restricted endowments (\$2,100).

The general fund is the operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$3,442,400, while total fund balance reached \$4,742,400. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved and undesignated fund balance represents 10.6% of total general fund expenditures, while total fund balance represents 14.6% of that same amount. The fund balance of the Town's general fund increased by \$392,610 during the current fiscal year. Key factors in this growth are as follows:

An aggressive pursuit of current as well as past due taxes (plus interest and penalties) netted actual revenue over budget by \$506,663. Although intergovernmental revenues decreased, the Town had increases charges for services from the Town Clerks office and unbudgeted transfer in of \$313,191. The Town also had favorable under expenditure of various functions including general government of \$122,473, \$98,850 for employee benefits and \$189,351 from education. This avoided the necessity to for the Town to draw on fund balance and resulted in a total favorable operations of \$392,610.

Bond fund. This fund accounts for financial resources to be used for the acquisition of equipment, construction of facilities, or land purchases. The fund's expenditures exceeded its revenues and other financial sources by \$894,286 for the fiscal year. This is a result of expenditures related to land purchases which have not been permanently funded.

Community center fund. This fund accounts for the financial revenues to be used for the construction of the community center. The fund's expenditures exceeded its revenues by \$12,947 for the fiscal year. This project was substantially completed in 2004 but the project has not been finalized due to pending litigation.

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

Net assets of the Georgetown Sewer fund amounted to \$2,910,355 at year end. This represents a decrease of \$89,688 from the prior year, which was substantially a result of depreciation expense.

General Fund Budgetary Highlights

There was no difference between the original budget and the final budget for revenues, which was budgeted at \$32,424,916. Several budget transfers reallocated resources as needed, the most significant of which are noted below:

- Contingency account was reduced from \$150,000 to \$18,445.
- Special legal was increased \$10,982 from \$200,000 to \$210,982.
- Assessor's office was increased \$15,032 from \$127,347 to \$142,379.
- Tax collector was increased \$16,532 from \$105,588 to \$122,120.
- Commission for the elderly was increased \$12,484 from \$80,697 to \$93,181.
- Police contractual services and expenditures was increased \$20,379 from \$115,100 to \$135,479.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 200, amounts to \$38,212,375 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, sewer plant, sewer collection system, machinery and equipment, vehicles, furniture and fixtures, and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was \$453,373 and was entirely due to governmental activities. The majority of the additions were due to capitalizing the final portion of the community center. The remaining expenditures included several major equipment purchases, including new police cruisers and trucks.

**TOWN OF REDDING CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003 (as restated)	2004	2003 (as restated)
Land.....	\$ 17,906,509	\$ 17,906,509	\$ 15,342	\$ 15,342	\$ 17,921,851	\$ 17,921,851
Construction in progress	36,969	1,767,620			36,969	1,767,620
Buildings	15,527,112	13,642,514			15,527,112	13,642,514
Machinery and equipment	568,455	556,923			568,455	556,923
Sewer plant.....			2,301,778	2,390,388	2,301,778	2,390,388
Sewer collection system.....			585,027	602,891	585,027	602,891
Vehicles.....	896,320	945,415			896,320	945,415
Furniture and fixtures.....	12,028	17,540			12,028	17,540
Infrastructure	362,835	378,275			362,835	378,275
Total	\$ 35,310,228	\$ 35,214,796	\$ 2,902,147	\$ 3,008,621	\$ 38,212,375	\$ 38,223,417

Additional information on the Town's capital assets can be found in Note III.C. on pages 32-33 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$12,839,377. The entire amount is backed by the full faith and credit of the Town. During the year long term debt decreased by \$945,769 due to scheduled principle payments.

**TOWN OF REDDING OUTSTANDING DEBT
General Obligation Bonds and Notes**

	Governmental Activities	
	2004	2003
General Obligation Bonds - Town improvements	\$ 6,769,000	\$ 7,202,750
General Obligation Bonds - School improvements	5,251,000	5,702,250
Clean Water fund note	819,377	880,146
Total.....	\$ 12,839,377	\$ 13,785,146

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Town maintains an "AA1" credit rating from Moody's Investors Service, Inc. for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$214,823,861, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III.F. on pages 35-37 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Town is currently 2.3%, which is a decrease from a rate of 2.7% a year ago. This compares favorably to the state's average unemployment rate of 4.6% and the national average rate of 5.6%.
- The uncertainty of federal and state grants could play an adverse role in the Town's finances based on its dependence on these sources of funding.

All of these factors were considered in preparing the Town's budget for the 2005 fiscal year.

During the current fiscal year, unreserved and undesignated fund balance in the general fund is \$3,442,400. The Town has designated \$1,300,000 for the 2005 fiscal year budget. It is intended that this use of available fund balance will help lower the burden of an expected tax increase for the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Redding, Controller's Office, P.O. Box 1028, Redding, Connecticut 06875.

Basic Financial Statements

TOWN OF REDDING, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash.....	\$ 2,303,067	\$ 32,785	\$ 2,335,852
Investments.....	5,672,294		5,672,294
Receivables:			
Property taxes.....	245,433		245,433
Assessments.....	35,273		35,273
Intergovernmental.....	109,577		109,577
Other.....	166,052	7,717	173,769
Internal balances.....	19,835	(19,835)	-
Other.....	29,444		29,444
Total current assets.....	8,580,975	20,667	8,601,642
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash.....	1,310		1,310
Permanently restricted:			
Cash.....	2,100		2,100
Total Restricted Assets.....	3,410	-	3,410
Receivables (net):			
Property taxes.....	379,939		379,939
Assessments.....	445,664		445,664
Intergovernmental.....	481,493		481,493
Other.....		856	856
Total Receivables (net).....	1,307,096	856	1,307,952
Capital assets (net of accumulated depreciation):			
Land.....	17,906,509	15,342	17,921,851
Construction in progress.....	36,969		36,969
Buildings.....	15,527,112		15,527,112
Sewer plant.....		2,301,778	2,301,778
Sewer collection system.....		585,027	585,027
Machinery and equipment.....	568,455		568,455
Vehicles.....	896,320		896,320
Furniture and fixtures.....	12,028		12,028
Infrastructure.....	362,835		362,835
Total Capital Assets (net of accumulated depreciation)..	35,310,228	2,902,147	38,212,375
Total noncurrent assets.....	36,620,734	2,903,003	39,523,737
TOTAL ASSETS.....	45,201,709	2,923,670	48,125,379

(Continued)

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

TOWN OF REDDING, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	\$ 1,286,499	\$ 13,315	\$ 1,299,814
Accrued liabilities.....	470,456		470,456
Accrued interest payable.....	140,494		140,494
Due to Regional School District No. 9.....	578,121		578,121
Unearned revenue.....	1,421,204		1,421,204
Bond anticipation notes.....	1,526,000		1,526,000
Noncurrent liabilities due within one year.....	977,790		977,790
Total current liabilities.....	6,400,564	13,315	6,413,879
Noncurrent liabilities:			
Due in more than one year.....	12,017,558		12,017,558
TOTAL LIABILITIES.....	18,418,122	13,315	18,431,437
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt.....	22,470,851	2,902,147	25,372,998
Restricted for:			
Endowments.....	2,100		2,100
Unrestricted.....	4,310,636	8,208	4,318,844
TOTAL NET ASSETS.....	\$ 26,783,587	\$ 2,910,355	\$ 29,693,942

(Concluded)

TOWN OF REDDING, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General government.....	\$ 2,348,239	\$ 705,316	\$	\$	\$ (1,642,923)	\$	\$ (1,642,923)
Public safety.....	1,856,976	360,564			(1,496,412)		(1,496,412)
Highway and streets.....	2,129,015	94,656	52,890	36,969	(1,944,500)		(1,944,500)
Transfer station and recycling.....	308,892	149,110			(159,782)		(159,782)
Health and social services.....	143,008	22,000			(121,008)		(121,008)
Library.....	240,140				(240,140)		(240,140)
Parks and recreation.....	778,961	578,205			(200,756)		(200,756)
Education.....	23,511,269		1,256,382		(22,254,887)		(22,254,887)
Interest expense.....	696,968				(696,968)		(696,968)
TOTAL GOVERNMENTAL ACTIVITIES....	32,013,468	1,909,851	1,309,272	36,969	(28,757,376)	-	(28,757,376)
BUSINESS-TYPE ACTIVITIES:							
Georgetown sewer fund.....	236,122	146,434				(89,688)	(89,688)
TOTAL.....	\$ 32,249,590	\$ 2,056,285	\$ 1,309,272	\$ 36,969	\$ (28,757,376)	\$ (89,688)	\$ (28,847,064)
GENERAL REVENUES:							
Property taxes.....					\$ 28,884,869	\$	\$ 28,884,869
Grants and contributions not restricted to specific programs.....					143,492		143,492
Investment income.....					90,490		90,490
TOTAL GENERAL REVENUES.....					29,118,851	-	29,118,851
CHANGE IN NET ASSETS.....					361,475	(89,688)	271,787
NET ASSETS - JULY 1, 2003, AS RESTATED.....					26,422,112	3,000,043	29,422,155
NET ASSETS - JUNE 30, 2004.....					\$ 26,783,587	\$ 2,910,355	\$ 29,693,942

TOWN OF REDDING, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	GENERAL	BOND FUND	COMMUNITY CENTER	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash.....	\$ 1,685,272	\$ 276,014	\$ 11,224	\$ 333,967	\$ 2,306,477
Investments.....	5,326,240	99,877		246,177	5,672,294
Receivables:					
Property taxes.....	601,745				601,745
Sewer assessments.....				490,528	490,528
Intergovernmental.....	6,417			9,962	16,379
Other.....	67,934				67,934
Due from other funds.....	1,518,845	823,070	115,464	351,000	2,808,379
Other.....	27,714			1,730	29,444
TOTAL ASSETS.....	\$ 9,234,167	\$ 1,198,961	\$ 126,688	\$ 1,433,364	\$ 11,993,180
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable.....	\$ 936,670	\$	\$ 117,182	\$ 55,032	\$ 1,108,884
Accrued liabilities.....	470,456				470,456
Due to Regional School District No. 9.....	578,121				578,121
Due to other funds.....	718,732	1,607,367	750,000	117,942	3,194,041
Unearned revenue.....	1,787,788	36,679		544,863	2,369,330
Bond anticipation notes payable.....		1,526,000			1,526,000
TOTAL LIABILITIES.....	4,491,767	3,170,046	867,182	717,837	9,246,832
FUND BALANCES (DEFICITS):					
Reserved for:					
Endowments.....				2,100	2,100
Unreserved, reported in:					
Designated for subsequent year budget..	1,300,000				1,300,000
General fund.....	3,442,400				3,442,400
Special revenue funds.....				251,311	251,311
Capital projects funds.....		(1,971,085)	(740,494)	460,806	(2,250,773)
Permanent funds.....				1,310	1,310
TOTAL FUND BALANCES (DEFICITS).....	4,742,400	(1,971,085)	(740,494)	715,527	2,746,348
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS).....	\$ 9,234,167	\$ 1,198,961	\$ 126,688	\$ 1,433,364	\$ 11,993,180

(Continued)

TOWN OF REDDING, CONNECTICUT
RECONCILIATION OF FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCES (EXHIBIT C, PAGE 1).....	\$	2,746,348
 CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning capital assets and current additions.....		35,668,169
Depreciation expense.....		(331,053)
Disposal of assets.....		(26,888)
 OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:		
Property tax and sewer assessment interest and lien accrual.....		446,224
Property tax and sewer assessment receivable - accrual basis change.....		948,126
School building grant receivable.....		574,691
Allowance for doubtful accounts.....		(432,188)
 INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COST OF MEDICAL INSURANCE TO INDIVIDUAL DEPARTMENTS:		
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....		326,000
 SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning long-term liabilities and current year additions.....		(13,968,117)
Long-term liability payments.....		972,769
Accrued interest payable.....		(140,494)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>26,783,587</u>

(Concluded)

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL	BOND FUND	COMMUNITY CENTER	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property taxes.....	\$ 29,470,724	\$	\$	\$	\$ 29,470,724
Intergovernmental.....	1,245,651			340,664	1,586,315
Investment income.....	84,153	1,437	375	3,446	89,411
Charges for services.....	1,757,773			190,274	1,948,047
TOTAL REVENUES.....	32,558,301	1,437	375	534,384	33,094,497
EXPENDITURES:					
Current:					
General government.....	1,825,747			14,673	1,840,420
Public safety.....	1,417,004			31,772	1,448,776
Highway and streets.....	1,001,001			94,294	1,095,295
Transfer station and recycling.....	243,182				243,182
Health and social services.....	96,730			1,287	98,017
Library.....	240,140				240,140
Parks and recreation.....	657,985			16,375	674,360
Employee benefits.....	1,359,837				1,359,837
Education.....	23,802,939			268,586	24,071,525
Capital outlay.....	199,073	582,532	13,322	253,012	1,047,939
Debt service.....	1,641,244			3,819	1,645,063
TOTAL EXPENDITURES.....	32,484,882	582,532	13,322	683,818	33,764,554
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	73,419	(581,095)	(12,947)	(149,434)	(670,057)
OTHER FINANCING SOURCES (USES):					
Sale of capital assets.....	6,000				6,000
Transfers in.....	313,191				313,191
Transfers out.....		(313,191)			(313,191)
NET OTHER FINANCING SOURCES (USES).....	319,191	(313,191)	-	-	6,000
NET CHANGE IN FUND BALANCES (DEFICITS).....	392,610	(894,286)	(12,947)	(149,434)	(664,057)
FUND BALANCES (DEFICITS) - JULY 1, 2003, AS RESTATED.....	4,349,790	(1,076,799)	(727,547)	864,961	3,410,405
FUND BALANCES (DEFICITS) - JUNE 30, 2004.....	\$ 4,742,400	\$ (1,971,085)	\$ (740,494)	\$ 715,527	\$ 2,746,348

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

TOWN OF REDDING, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(EXHIBIT B) ARE DUE TO:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... \$ (664,057)

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. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay.....	453,373
Depreciation expense.....	<u>(331,053)</u>
Total	<u>122,320</u>

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. In the Statement of Activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold..... (26,888)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the funds are not reported in the Statement of Activities:

School building grant receipts.....	(96,582)
Increase in property tax and sewer assessment receivable - accrual basis change.....	(207,405)
Increase in property tax and sewer assessment interest and lien revenue.....	(52,051)
Increase in property tax and sewer use allowance for doubtful accounts.....	<u>(364,595)</u>
Total	<u>(720,633)</u>

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 these differences in the treatment of long-term debt and related items are as follows:

Principal repayments:	
General obligation bonds.....	885,000
Notes payable.....	<u>60,769</u>
Total	<u>945,769</u>

(Continued)

TOWN OF REDDING, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

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:

Early retirement incentives.....	\$ (70,500)
Landfill postclosure care.....	3,500
Compensated absences.....	(1,015)
Accrued interest payable.....	<u>2,326</u>
Total	<u>(65,689)</u>
Internal Service Funds are used by management to charge costs of medical insurance benefits to individual departments.....	<u>769,574</u>
The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	<u>1,079</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u>\$ 361,475</u>

(Concluded)

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes.....	\$ 28,964,061	\$ 28,964,061	\$ 29,470,724	\$ 506,663
Intergovernmental	676,524	676,524	625,184	(51,340)
Investment income.....	175,000	175,000	84,153	(90,847)
Charges for services.....	1,609,331	1,609,331	1,757,773	148,442
TOTAL REVENUES.....	31,424,916	31,424,916	31,937,834	512,918
EXPENDITURES:				
Current:				
General government.....	1,996,524	1,948,220	1,825,747	122,473
Public safety.....	1,426,738	1,450,912	1,417,004	33,908
Highway and streets.....	1,005,671	1,018,004	1,001,001	17,003
Transfer station and recycling.....	244,192	247,664	243,182	4,482
Health and social services.....	108,635	103,865	96,730	7,135
Library.....	240,140	240,140	240,140	-
Parks and recreation.....	705,051	709,841	657,985	51,856
Employee benefits.....	1,450,382	1,458,687	1,359,837	98,850
Education.....	23,371,823	23,371,823	23,182,472	189,351
Capital outlay.....	199,500	199,500	199,073	427
Debt service.....	1,676,260	1,676,260	1,641,244	35,016
TOTAL EXPENDITURES.....	32,424,916	32,424,916	31,864,415	560,501
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,000,000)	(1,000,000)	73,419	1,073,419
OTHER FINANCING SOURCES:				
Appropriation of fund balance.....	1,000,000	1,000,000		(1,000,000)
Sale of capital assets.....			6,000	6,000
Transfers in.....			313,191	313,191
TOTAL OTHER FINANCING SOURCES.....	1,000,000	1,000,000	319,191	(680,809)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES.....	\$ -	\$ -	392,610	\$ 392,610
FUND BALANCE - JULY 1, 2003.....			4,349,790	
FUND BALANCE - JUNE 30, 2004.....			\$ 4,742,400	

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

TOWN OF REDDING, CONNECTICUT

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004**

	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>GEORGETOWN SEWER</u>	<u>INTERNAL SERVICE FUND</u>
<u>ASSETS</u>		
Current assets:		
Cash.....	\$ 32,785	\$ 98,118
Accounts receivable.....	7,717	405,497
Due from other funds.....		
Total current assets.....	40,502	503,615
Noncurrent assets:		
Accounts receivable.....	856	
Capital assets (net):		
Land.....	15,342	
Sewer plant.....	2,301,778	
Sewer collection system.....	585,027	
Total capital assets (net).....	2,902,147	-
Total noncurrent assets.....	2,903,003	-
TOTAL ASSETS.....	2,943,505	503,615
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable.....	13,315	
Claims payable.....		177,615
Due to other funds.....	19,835	
TOTAL LIABILITIES.....	33,150	177,615
<u>NET ASSETS</u>		
Invested in capital assets.....	2,902,147	
Unrestricted.....	8,208	326,000
TOTAL NET ASSETS.....	\$ 2,910,355	\$ 326,000

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

TOWN OF REDDING, CONNECTICUTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES <u>ENTERPRISE FUND</u>	GOVERNMENTAL ACTIVITIES
	GEORGETOWN SEWER	INTERNAL SERVICE FUND
OPERATING REVENUES:		
Premiums.....	\$	\$ 2,918,685
Charges for services.....	146,434	
TOTAL OPERATING REVENUES.....	146,434	2,918,685
OPERATING EXPENSES:		
Claims incurred.....		1,838,420
Administration.....	3,939	277,358
Central office.....		33,333
Contracted services.....	63,012	
Outside services.....	5,791	
Materials disposal.....	21,601	
Materials and supplies.....	12,862	
Utilities.....	22,443	
Depreciation.....	106,474	
TOTAL OPERATING EXPENSES.....	236,122	2,149,111
OPERATING INCOME (LOSS).....	(89,688)	769,574
NONOPERATING REVENUES:		
Investment income.....		1,079
CHANGE IN NET ASSETS.....	(89,688)	770,653
TOTAL NET ASSETS - JULY 1, 2003, AS RESTATED.....	3,000,043	(444,653)
TOTAL NET ASSETS - JUNE 30, 2004.....	\$ 2,910,355	\$ 326,000

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

TOWN OF REDDING, CONNECTICUTSTATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL
	<u>ENTERPRISE FUND</u>		<u>ACTIVITIES</u>
	GEORGETOWN SEWER		INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers.....	\$ 142,861	\$	2,415,070
Payments to suppliers.....	(161,619)		
Payments to Region 9.....			(315,574)
Payments to contractors.....			(277,358)
Claims paid.....			(1,823,217)
NET CASH USED IN OPERATING ACTIVITIES.....	(18,758)		(1,079)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....			1,079
NET DECREASE IN CASH.....	(18,758)		-
CASH - JULY 1, 2003.....	51,543		-
CASH - JUNE 30, 2004.....	\$ 32,785	\$	-
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (89,688)	\$	769,574
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense.....	106,474		
Increase in accounts receivable.....	(3,572)		(98,118)
Increase in due from other funds.....			(405,497)
Increase (decrease) in:			
Accounts payable.....	(1,473)		15,203
Due to Regional School District No. 9.....			(282,241)
Due to other funds.....	(30,499)		
NET CASH USED IN OPERATING ACTIVITIES.....	\$ (18,758)	\$	(1,079)

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

TOWN OF REDDING, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	AGENCY FUNDS
<hr/>	
<u>ASSET</u>	
Cash.....	\$ <u>80,934</u>
<u>LIABILITY</u>	
LIABILITY:	
Accounts payable.....	\$ <u>80,934</u>

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

TOWN OF REDDING, CONNECTICUTNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**HISTORY AND ORGANIZATION**

The Town of Redding ("Town") is a municipal corporation and operates under the provisions of the General Statutes of the State of Connecticut. The Town is governed by an elected Board of Selectmen and an elected Board of Finance. The Town Meeting acts as the legislative body. The First Selectman is the Chief Executive Officer. The Town provides the following services: education, public safety, public works, public health and social services, and recreation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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.

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, 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 by the Town.

The Town reports the following major governmental funds:

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

The *Bond Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases.

The *Community Center Fund* accounts for the financial revenues to be used for the construction of the community center.

The Town reports the following major proprietary fund:

The *Georgetown Sewer Fund* accounts for the activities of the Town's sewer operations.

Additionally, the Town reports the following fund type:

The *Internal Service Fund* accounts for risk financing activities for the medical insurance benefits as allowed by GASB Statement No. 10 provided to other departments on a cost reimbursement basis.

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. The Town also has 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 other charges between the Town's sewer operations and various other functions of the Town. 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 all taxes.

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 Georgetown sewer enterprise fund and of the government's internal service funds are charges to customers for sales and services. The Georgetown sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds 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.

C. Assets, Liabilities, and Net Assets or Equity

1. Investments

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital and nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Investments for the Town are reported at fair value. State Treasures Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments were invested in a 2a-7 like pool. The fair value of the position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

a. Interfunds

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, sewer use, and sewer assessment receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2 to 81 percent of outstanding receivable balances at June 30, 2004, and are calculated based upon prior collections.

In the fund financial statements, all property taxes receivable at June 30, 2004, which have not been collected within 60 days of June 30, have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Restricted Assets

The Permanent School and Cemetery funds are restricted to expenditures of the investment income only for the donor-designated purpose.

4. 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 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	100
Bridges	25
Sewer plant	30
Sewer lines	40
Vehicles	10-25
Equipment	5-40

Infrastructure is being recorded on a prospective basis. There were no new infrastructure assets for fiscal year June 30, 2004.

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Compensated Absences

The Town and Board of Education employees are granted vacation and sick leave based upon length of employment. In the event of termination, Police Department and Highway Department employees are compensated for accumulated vacation. All other Town and Board of Education employees do not accumulate vacation pay. Unused sick leave does not accumulate for future absences.

6. Long-Term Obligations

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

7. Fund Equity and Net Assets

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.

In the government-wide financial statements, net assets are classified into the following categories:

Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets

This category represents the net assets of the Town which are not restricted.

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the financial statements of the General Fund, the only fund with a legally adopted annual budget. On or before the first Thursday in May, the Board of Finance submits to a Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally adopted by a vote at the Annual Town Budget Meeting.
- The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve one additional appropriation up to \$20,000 per department per year. Subsequent appropriations and appropriations of more than \$20,000 for any one department per year must be approved by Town Meeting. There were no additional appropriations to the general fund budget.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and Town Meeting approval.
- Generally, all unencumbered appropriations lapse at year end, except for those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (Exhibit F), is as follows:

	<u>REVENUES</u>	<u>EXPENDITURES</u>
BALANCE, BUDGETARY BASIS, EXHIBIT F - JUNE 30, 2004	\$ 31,937,834	\$ 31,864,415
Special Education Excess Cost Grant recorded as credit to expenditures per State Statute	221,794	221,794
State Teachers' Retirement on-behalf payment.....	<u>398,673</u>	<u>398,673</u>
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2004 ...	<u>\$ 32,558,301</u>	<u>\$ 32,484,882</u>

C. Donor-Restricted Endowments

The Town has received certain endowments for the maintenance and improvement of cemeteries and local schools. The amounts are reflected in net assets as restricted for other purposes. Investment income (interest earned) is approved for expenditure by the individual Boards responsible for each fund.

D. Deficit Fund Equity

The following fund had fund balance deficit at June 30, 2004:

SPECIAL REVENUE FUND:

Federal education grants \$ 8,430

The deficit will be eliminated in future years as additional revenues are recognized by the fund.

E. Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2004:

<u>CAPITAL PROJECT FUND</u>	<u>AUTHORIZATION</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES</u>	<u>BALANCE JUNE 30, 2004</u>
Capital projects - schools.....	\$ 7,017,450	\$ 1,549	\$ 6,929,540	\$ 87,910
Community center	6,293,013	13,322	6,418,342	(125,329)
Reserve fund for CNRE:				
Redding elementary school a/c units.....	105,000	37,444	117,930	(12,930)
Redding elementary school roof project	184,000	177,050	177,050	6,950
Georgetown STEAP	<u>1,227,953</u>	<u>36,969</u>	<u>36,969</u>	<u>1,190,984</u>
TOTAL	<u>\$ 14,827,416</u>	<u>\$ 266,334</u>	<u>\$ 13,679,831</u>	<u>\$1,147,585</u>

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES

A. Cash and Investments

1. **Deposits - Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2004, \$2,581,805 of the Town's bank balance of \$2,968,225 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$2,303,624
Uninsured and collateral held by the pledging bank's Trust department, not in the Town's name	<u>278,181</u>
Total amount subject to custodial credit risk	<u>\$2,581,805</u>

2. **Investments**

At June 30, 2004, the Town's investments consisted of the following:

TYPE OF INVESTMENT	INVESTMENT MATURITIES		(IN YEARS)
	FAIR VALUE	N/A	LESS THAN 1
Certificates of deposit	\$ 99,877	\$	\$ 99,877
Pooled fixed income	4,347,341	4,347,341	
Fixed income mutual funds	<u>1,225,076</u>	<u>1,225,076</u>	
TOTAL.....	<u>\$ 5,672,294</u>	<u>\$ 5,572,417</u>	<u>\$ 99,877</u>

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, since the Town's investments are invested in instruments with maturities of less than one year, the exposure to interest rate risk is not significant.

Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision. The Town's investments in pooled fixed income and fixed income mutual funds were rated AAA by Standard & Poor's.

B. Receivables

Receivables as of year end for the Town's government-wide financial statements by type including the applicable allowances for uncollectibles, are as follows:

	PROPERTY TAXES		
	TAXES	INTEREST & LIEN FEES	TOTAL
Current Portion	<u>\$ 226,391</u>	<u>\$ 19,042</u>	<u>\$ 245,433</u>
Long-term Portion	\$ 375,354	\$ 426,957	\$ 802,311
Less Allowance for Uncollectibles	<u>(62,718)</u>	<u>(359,654)</u>	<u>(422,372)</u>
Net Long-term Portion	<u>\$ 312,636</u>	<u>\$ 67,303</u>	<u>\$ 379,939</u>

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

	SEWER ASSESSMENTS			SEWER USE		
	ASSES- MENTS	INTEREST & LIEN FEES	TOTAL	USE	INTEREST & LIEN FEES	TOTAL
Current Portion.....	\$ 35,257	\$ 16	\$ 35,273	\$ 6,917	\$ 800	\$ 7,717
Long-term Portion.....	\$ 455,271	\$ 209	\$ 455,480	\$ 925	\$ 107	\$ 1,032
Less Allowance for Uncollectibles	(9,811)	(5)	(9,816)	(157)	(19)	(176)
Net Long-term Portion.....	\$ 445,460	\$ 204	\$ 445,664	\$ 768	\$ 88	\$ 856

Governmental funds report *unearned 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 *unearned revenue* reported in the governmental funds were as follows:

DEFERRED REVENUE:

Delinquent property taxes receivable (general fund).....	\$ 457,598
Special assessments not yet due (special revenue fund).....	490,528

UNEARNED REVENUE:

Advance tax collections.....	1,330,190
Grant draw downs prior to meeting all eligibility requirements (capital projects funds)	78,406
Grant draw downs prior to meeting all eligibility requirements (special revenue funds).....	12,608

TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS \$ 2,369,330

C. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	BALANCE JULY 1, 2003	INCREASES	DECREASES	BALANCE JUNE 30, 2004
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 17,906,509	\$	\$	\$ 17,906,509
Construction in progress.....	1,767,620	50,291	1,780,942	36,969
Total Capital Assets, not being Depreciated	19,674,129	50,291	1,780,942	17,943,478
Capital Assets, being Depreciated:				
Buildings.....	15,580,795	2,075,922		17,656,717
Machinery and equipment.....	649,682	34,608		684,290
Vehicles.....	1,429,256	73,494	26,888	1,475,862
Furniture and fixtures	93,090			93,090
Infrastructure.....	385,995			385,995
Total Capital Assets, being Depreciated.....	18,138,818	2,184,024	26,888	20,295,954
Total Capital Assets	37,812,947	2,234,315	1,807,830	38,239,432

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

	BALANCE JULY 1, 2003	INCREASES	DECREASES	BALANCE JUNE 30, 2004
<u>Less Accumulated Depreciation for:</u>				
Buildings	\$ 1,938,281	\$ 191,324	\$	\$ 2,129,605
Machinery and equipment.....	92,759	23,076		115,835
Vehicles	483,841	95,701		579,542
Furniture and fixtures.....	75,550	5,512		81,062
Infrastructure	7,720	15,440		23,160
Total Accumulated Depreciation	2,598,151	331,053		2,929,204
Total Capital Assets, being Depreciated, net.....	15,540,667	1,852,971	26,888	17,366,750
Governmental Activities Capital Assets, net	\$ 35,214,796	\$ 1,903,262	\$ 1,807,830	\$ 35,310,228
	BALANCE JULY 1, 2003 (AS RESTATED)	INCREASES		BALANCE JUNE 30, 2004
<u>Business-Type Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land	\$ 15,342	\$	\$	15,342
<u>Capital Assets, being Depreciated:</u>				
Sewer plant.....	2,658,319			2,658,319
Sewer collection system.....	714,541			714,541
Machinery and equipment.....	6,550			6,550
Total Capital Assets, being Depreciated.....	3,379,410			3,379,410
Total Capital Assets	3,394,752			3,394,752
<u>Less Accumulated Depreciation for:</u>				
Sewer plant.....	267,931	88,610		356,541
Sewer collection system.....	111,650	17,864		129,514
Machinery and equipment.....	6,550			6,550
Total Accumulated Depreciation.....	386,131	106,474		492,605
Total Capital Assets, being Depreciated, net.....	2,993,279	(106,474)		2,886,805
Business-Type Activities Capital Assets, net	\$ 3,008,621	\$(106,474)	\$	2,902,147

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

<u>Governmental Activities:</u>	
General government	\$ 60,128
Public safety	31,232
Highway and streets	93,562
Transfer station and recycling.....	6,766
Health and social services	1,125
Parks and recreation	971
Education	137,269
Total Depreciation Expense - Governmental Activities.....	\$ 331,053
<u>Business-type Activities:</u>	
Sewer	\$ 106,474

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2004 is as follows:

	CORRESPONDING FUND	DUE FROM	DUE TO
MAJOR FUNDS:			
GENERAL FUND:			
Community center.....	N/A	\$ 260,000	\$
Bond fund.....	N/A	1,256,367	313,235
Parking permits/lot fund.....	N/A	2,478	
Internal service fund.....	N/A		<u>405,497</u>
TOTAL GENERAL FUND.....		<u>1,518,845</u>	<u>718,732</u>
BOND FUND:			
General fund.....	N/A	313,235	1,256,367
Reserve fund for CNRE.....	N/A		351,000
Community center.....	N/A	490,000	
Georgetown sewer fund.....	N/A	<u>19,835</u>	
TOTAL BOND FUND.....		<u>823,070</u>	<u>1,607,367</u>
COMMUNITY CENTER FUND:			
General fund.....	N/A		260,000
Bond fund.....	N/A		490,000
Reserve fund for CNRE.....	N/A	<u>115,464</u>	
TOTAL COMMUNITY CENTER FUND.....		<u>115,464</u>	<u>750,000</u>
ENTERPRISE FUND:			
Georgetown sewer fund.....	Bond Fund		<u>19,835</u>
NONMAJOR FUNDS:			
Parking permits/lot fund.....	General fund		2,478
Reserve fund for CNRE:			
Bond fund.....	N/A	351,000	
Community center.....	N/A		<u>115,464</u>
TOTAL NONMAJOR FUNDS.....		<u>351,000</u>	<u>117,942</u>
INTERNAL SERVICE FUND.....		<u>405,497</u>	
GRAND TOTAL.....		<u>\$ 3,213,876</u>	<u>\$ 3,213,876</u>

All interfund balances resulted from the time lag between the date payments occurred between funds for various activities.

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E. Short-Term Obligations - Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year ended June 30, 2004 was as follows:

TYPE OF OBLIGATION	BALANCE JULY 1, 2003	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2004
Bond Anticipation Notes:				
Burritt Project	\$ 565,000	\$ 527,500	\$ 565,000	\$ 527,500
Kruger Property	500,000	323,500	500,000	323,500
Land Purchases	396,566	396,566	396,566	396,566
Church Hill Bridge.....	338,434	278,434	338,434	278,434
Total - Interest rate 1.39% matures November 12, 2004.....	\$ 1,800,000	\$ 1,526,000	\$ 1,800,000	\$ 1,526,000

On November 12, 2004, the Town issued \$1,450,000 bond anticipation notes bearing interest at 1.89%, maturing August 11, 2005 for the projects listed above.

F. Changes in Long-Term Obligations

1. Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004	CURRENT PORTION
BONDS/NOTES									
General Purpose:									
Improvement bond	\$ 285,000	04/15/91	04/15/11	5.4%-7.25%	\$ 111,750	\$	\$ 15,750	\$ 96,000	\$ 15,750
Improvement bond	8,345,000	10/15/99	10/15/19	4.75%-6.5%	7,091,000		418,000	6,673,000	418,000
Total General Purpose					7,202,750		433,750	6,769,000	433,750
Schools:									
Improvement bond	3,975,000	04/15/91	04/15/11	5.4%-7.25%	1,673,250		209,250	1,464,000	209,250
Improvement bond	4,755,000	10/15/99	10/15/19	4.75%-6.5%	4,029,000		242,000	3,787,000	242,000
Total Schools					5,702,250		451,250	5,251,000	451,250
Total Bonds.....					12,905,000		885,000	12,020,000	885,000
Sewer:									
Clean water note...	1,293,905	10/01/96	04/01/16	2%	880,146		60,769	819,377	61,996
TOTAL BONDS/NOTES					13,785,146		945,769	12,839,377	946,996
COMPENSATED ABSENCES.....					17,956	1,015		18,971	3,794
EARLY RETIREMENT INCENTIVE.....						94,000	23,500	70,500	23,500
LANDFILL CLOSURE AND POSTCLOSURE CARE.....					70,000		3,500	66,500	3,500
TOTAL GENERAL LONG-TERM OBLIGATIONS					\$13,873,102	\$ 95,015	\$ 972,769	\$ 12,995,348	\$ 977,790

All long-term liabilities are generally liquidated by the General Fund.

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

The following is a summary of amounts to be provided by the State of Connecticut for the retirement of school bonds and bond and note maturities:

YEAR ENDING JUNE 30,	TO BE PROVIDED BY STATE		PRINCIPAL		INTEREST		EARLY RETIREMENT INCENTIVE
	FOR PRINCIPAL	FOR INTEREST	BONDS	CLEAN WATER LOAN	BONDS	CLEAN WATER LOAN	
2005	\$ 68,888	\$ 24,310	\$ 885,000	\$ 61,996	\$ 622,835	\$ 15,821	\$ 23,500
2006	68,888	20,872	885,000	63,247	577,085	14,570	23,500
2007	68,888	17,408	885,000	64,524	531,222	13,291	23,500
2008	68,888	13,917	885,000	65,826	485,248	11,991	
2009	68,888	10,398	885,000	67,155	439,160	10,662	
2010	68,888	6,853	885,000	68,510	392,548	9,307	
2011	64,297	3,308	860,000	69,893	345,360	7,924	
2012			650,000	71,304	298,675	6,513	
2013			650,000	72,743	265,200	5,074	
2014			650,000	74,212	231,075	3,606	
2015			650,000	75,712	196,381	2,108	
2016			650,000	64,255	161,362	591	
2017			650,000		125,938		
2018			650,000		90,187		
2019			650,000		54,438		
2020			650,000		18,281		
	<u>\$ 477,625</u>	<u>\$ 97,066</u>	<u>\$12,020,000</u>	<u>\$ 819,377</u>	<u>\$4,834,995</u>	<u>\$ 101,458</u>	<u>\$ 70,500</u>

In addition to the above recorded amounts, the Town participates with the Town of Easton in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the "District") is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2004, which matures through 2022, amounted to \$20,450,000. The related school building grant amounts due from the State of Connecticut were \$115,908 and \$7,739, respectively, for principal and interest. The Town's share of the debt, net of the related grant, was \$11,584,332.

2. Statutory Debt Limitations

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

CATEGORY	DEBT LIMIT	NET	
		INDEBTEDNESS	BALANCE
General purpose	\$ 69,050,527	\$ 8,933,412	\$ 60,117,115
Schools	138,101,054	16,357,707	121,743,347
Sewers	115,084,211		115,084,211
Urban renewal	99,739,650		99,739,650
Pension deficit	92,067,369		92,067,369

TOWN OF REDDING, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

2. Statutory Debt Limitations (Continued)

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$214,823,861.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$477,625 for bond principal is reflected as deductions in the computation of net indebtedness.

3. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require landfill closures to meet certain standards. The Town landfill has been closed. Estimated monitoring costs for the next 19 years at \$3,500 per year are \$66,500. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. This estimated liability is recorded in the general long-term obligations account group, since the liability will be funded from future financial resources, not from expendable available financial resources.

4. Authorized/Unissued Bonds

The amount of authorized/unissued bonds for general purposes is \$2,810,421.

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to public officials and police liability, Board of Education liability, torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. Except for medical insurance, the Town purchases commercial insurance for all risks of loss. The Town established an internal service fund, the medical insurance fund, to account for and finance the retained risk of loss for the Town's medical benefits claims.

The Redding Board of Education, along with the Easton Board of Education and Regional School District No. 9, participates in a medical self-insurance plan that accounts for health benefits provided to participants and their families. Recommended monthly deposits are calculated by the plan administrator and claims processor. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The medical claims fund is substantially funded by the Town's general fund based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability reported at June 30, 2004, is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which includes past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

An analysis of the activity in the claims liability for the medical insurance fund is as follows:

	CLAIMS PAYABLE <u>JULY 1</u>	CURRENT YEAR CLAIMS AND CHANGES <u>IN ESTIMATES</u>	CLAIMS PAYMENTS	CLAIMS PAYABLE <u>JUNE 30</u>
2002-2003	\$ 253,909	\$ 2,321,080	\$ 2,412,577	\$ 162,412
2003-2004	162,412	1,838,420	1,823,217	177,615

B. Commitments and Litigation

There are various lawsuits and claims pending against the Town, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the Town.

State and Federal grants received by the Town are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time, although the Town's management believes such disallowance, if any, will be immaterial.

C. Pension Plans

Municipal Employees' Retirement Fund

1. Plan Description

Town employees, excluding teachers, participate in the Municipal Employees' Retirement System (MERS). MERS is 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 pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Connecticut Retirement and Benefit Services Division, Office of the State Controller, 55 Elm Street, Hartford, CT 06106.

Plan provisions are set by Statute of the State of Connecticut. MERS provides retirement benefits as well as death and disability benefits. All benefits vest after 10 years of continuous service. Members who retire after age 55 with 10 years of continuous service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life.

2. Funding Policy

Covered employees are required by State Statute to contribute 2¼% of earnings upon which Social Security tax is paid plus 5% earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan.

The required and actual contribution for the years ended June 30, 2002, 2003 and 2004 were \$77,296, \$140,214, and \$179,466, respectively.

TOWN OF REDDING, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Other Post-Employment Benefits

The Town provides postretirement health care benefits to Police and Highway retirees in accordance with their respective union contracts. The Town provides such benefits as follows:

Police - The Town will pay insurance premiums for up to eight years for retirees and spouse when retirees have completed 18 years of service and have attained the age of 55 prior to retirement. These payments will cease when the retiree reaches 65 years of age. Currently, there is one retiree receiving these benefits. The cost of the retiree's healthcare benefits is appropriated each year and was \$14,153 for the year ended June 30, 2004.

Highway - The Town will pay 50% of the insurance premiums for retirees and spouse when retirees have completed 18 years of service and have attained the age of 62 prior to retirement. These payments will cease when the retiree reaches 65 years of age, or fails to submit his or her portion of the premium for any month. Currently, no retirees meet these requirements.

E. On-Behalf Payments

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$398,673.

F. Restatements

The beginning net assets of the Georgetown Sewer Enterprise Fund and beginning fund balances of the Bond Fund and Sewer Assessment Fund have been restated as follows:

	GEORGETOWN SEWER ENTERPRISE FUND	BOND FUND	OTHER GOVERNMENTAL FUNDS
Net assets/fund balances as of			
June 30, 2003	\$ 2,984,701	\$(1,016,661)	\$ 804,823
Record land.....	15,342		
Reclassification of sewer assessment activity into a separate fund.....		(60,138)	60,138
Net assets/fund balances as of			
July 1, 2003, as restated.....	<u>\$ 3,000,043</u>	<u>\$(1,076,799)</u>	<u>\$ 864,961</u>

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF REDDING, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
PROPERTY TAXES:				
Property taxes, current and prior.....	\$ 28,762,061	\$ 28,762,061	\$ 29,197,518	\$ 435,457
Interest and lien fees.....	102,000	102,000	196,620	94,620
Telephone access line.....	100,000	100,000	76,586	(23,414)
TOTAL PROPERTY TAXES.....	28,964,061	28,964,061	29,470,724	506,663
INTERGOVERNMENTAL:				
EDUCATIONAL ASSISTANCE GRANTS:				
ECS grant.....	268,640	268,640	279,945	11,305
School bond interest.....	96,582	96,582	96,582	-
Grant for the blind.....			8,975	8,975
Adult education.....	75	75	42	(33)
Regional School District No. 9.....	99,360	99,360	96,148	(3,212)
TOTAL EDUCATIONAL ASSISTANCE GRANTS.....	464,657	464,657	481,692	17,035
TOWN ASSISTANCE GRANTS:				
In lieu of taxes - State property.....	83,241	83,241	83,356	115
In lieu of taxes - business inventory.....	716	716	3,025	2,309
Local property tax relief (freeze).....	6,000	6,000	6,000	-
Tax relief circuit breaker.....	22,170	22,170	18,669	(3,501)
Local capital improvements.....	69,103	69,103		(69,103)
Mashantucket Pequot grant.....	20,651	20,651	29,043	8,392
Disability exemption.....	297	297		(297)
Veterans' exemption.....	6,717	6,717	427	(6,290)
Safe boating.....	2,972	2,972	2,972	-
TOTAL TOWN ASSISTANCE GRANTS.....	211,867	211,867	143,492	(68,375)
TOTAL INTERGOVERNMENTAL.....	676,524	676,524	625,184	(51,340)
INVESTMENT INCOME.....	175,000	175,000	84,153	(90,847)
CHARGES FOR SERVICES:				
Building inspection fees and permits.....	250,000	250,000	279,556	29,556
Transfer station.....	132,390	132,390	143,778	11,388
Fiber optics.....	60,636	60,636	47,706	(12,930)
Circuit court fees.....			35	35
Service charges:				
Town clerk.....	465,000	465,000	553,589	88,589
Planning commission.....	5,400	5,400	2,444	(2,956)
ZBA.....	1,700	1,700	2,610	910
Zoning commission.....	50,000	50,000	75,155	25,155
Rental of Town-owned properties.....	4,500	4,500	6,900	2,400
Sanitarian.....	21,000	21,000	22,000	1,000
Parks and recreation.....	595,905	595,905	559,340	(36,565)
Police.....	500	500	70	(430)
Conservation commission.....	4,000	4,000	7,063	3,063
Commission for the elderly.....	9,300	9,300	11,839	2,539
Unclassified revenue.....	9,000	9,000	45,688	36,688
TOTAL CHARGES FOR SERVICES.....	1,609,331	1,609,331	1,757,773	148,442
TOTAL REVENUES.....	31,424,916	31,424,916	31,937,834	512,918
OTHER FINANCING SOURCES:				
Appropriation of fund balance.....	1,000,000	1,000,000		(1,000,000)
Sale of capital assets.....			6,000	6,000
Transfers in.....			313,191	313,191
TOTAL OTHER FINANCING SOURCES.....	1,000,000	1,000,000	319,191	(680,809)
TOTAL REVENUES AND OTHER FINANCING SOURCES.....	\$ 32,424,916	\$ 32,424,916	\$ 32,257,025	\$ (167,891)

TOWN OF REDDING, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	TRANSFERS AND ADDITIONAL APPROPRIATIONS	FINAL BUDGET	EXPENDITURES	VARIANCE WITH FINAL BUDGET
GENERAL GOVERNMENT:					
Town meetings.....	\$ 4,200	\$	\$ 4,200	\$ 1,854	\$ 2,346
Board of selectmen.....	112,791	6,202	118,993	118,742	251
Probate court.....	2,500		2,500	2,307	193
Registrar's office.....	33,352		33,352	26,250	7,102
Controller's office.....	153,031	2,995	156,026	149,997	6,029
Independent audit.....	36,350		36,350	36,350	-
Assessor's office.....	127,347	15,032	142,379	134,442	7,937
Board of assessment appeals.....	1,075		1,075	1	1,074
Tax collector.....	105,588	16,532	122,120	112,001	10,119
Town treasurer.....	18,118	560	18,678	16,092	2,586
Computer capability.....	20,850		20,850	14,534	6,316
Management services.....	20,000		20,000	23,409	(3,409)
Town counsel.....	12,000		12,000	12,000	-
Special legal.....	200,000	10,982	210,982	210,982	-
Town clerk.....	123,374	809	124,183	116,388	7,795
Vital statistics.....	500		500	168	332
Annual Town report.....	6,000		6,000	6,000	-
Board of ethics.....	500		500	8	492
Conservation.....	38,391		38,391	35,647	2,744
Commission for the elderly.....	80,697	12,484	93,181	92,268	913
Municipal agent for the elderly.....	11,412		11,412	10,814	598
Housatonic area regional transportation.....	13,919		13,919	13,868	51
Town planning commission.....	38,460		38,460	34,851	3,609
Housatonic valley council of elected officials.....	9,579		9,579	9,579	-
Zoning commission.....	68,065	1,757	69,822	60,447	9,375
Zoning board of appeals.....	3,360		3,360	2,338	1,022
Council of small towns.....	900		900	825	75
Land use services.....	97,097	1,917	99,014	97,513	1,501
Office of tree warden.....	1,865		1,865		1,865
Town office building.....	56,180		56,180	49,710	6,470
Old town house.....	8,175		8,175	3,829	4,346
Town office building annex.....	11,555		11,555	10,465	1,090
Community center.....	200,580	1,221	201,801	198,445	3,356
Police headquarters/communication center.....	15,700		15,700	14,179	1,521
Senior center/heritage house.....	4,950	3,043	7,993	7,993	-
Leases.....	2,000		2,000	400	1,600
Administrative services.....	63,320		63,320	59,970	3,350
Memorial day observance.....	600		600	475	125
Cemeteries.....	9,518		9,518	9,518	-
Insurance.....	121,275		121,275	110,021	11,254
Miscellaneous.....	11,350	9,717	21,067	21,067	-
Provision for contingencies.....	150,000	(131,555)	18,445		18,445
TOTAL GENERAL GOVERNMENT.....	1,996,524	(48,304)	1,948,220	1,825,747	122,473
PUBLIC SAFETY:					
Police department.....	1,175,894	20,379	1,196,273	1,177,964	18,309
Volunteer fire companies.....	55,125		55,125	46,338	8,787
Building inspection.....	142,019	3,795	145,814	143,000	2,814
Civil preparedness.....	700		700	410	290
Dog license.....	53,000		53,000	49,292	3,708
TOTAL PUBLIC SAFETY.....	1,426,738	24,174	1,450,912	1,417,004	33,908

(Continued)

TOWN OF REDDING, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

	ORIGINAL BUDGET	TRANSFERS AND ADDITIONAL APPROPRIATIONS	FINAL BUDGET	EXPENDITURES	VARIANCE WITH FINAL BUDGET
HIGHWAY AND STREETS:					
Wages - regular, overtime and seasonal.....	\$ 630,391	\$ 4,676	\$ 635,067	\$ 603,304	\$ 31,763
General maintenance and repair.....	100,030	7,657	107,687	112,684	(4,997)
Snow removal and ice control.....	156,700		156,700	158,395	(1,695)
Equipment maintenance and repair.....	94,600		94,600	103,159	(8,559)
Town garage buildings.....	23,950		23,950	23,459	491
TOTAL HIGHWAY AND STREETS.....	1,005,671	12,333	1,018,004	1,001,001	17,003
TRANSFER STATION AND RECYCLING:					
Salaries.....	131,876	3,472	135,348	129,970	5,378
General maintenance.....	103,905		103,905	100,256	3,649
Equipment maintenance.....	8,411		8,411	12,956	(4,545)
TOTAL TRANSFER STATION AND RECYCLING.....	244,192	3,472	247,664	243,182	4,482
HEALTH AND SOCIAL SERVICES:					
Town health officer.....	5,910		5,910	3,545	2,365
Sanitarian inspection.....	77,272	(4,770)	72,502	67,988	4,514
Social services.....	25,453		25,453	25,197	256
TOTAL HEALTH AND SOCIAL SERVICES.....	108,635	(4,770)	103,865	96,730	7,135
MARK TWAIN LIBRARY:					
Operations.....	240,140		240,140	240,140	-
PARKS AND RECREATION:					
Field maintenance.....	39,740		39,740	51,959	(12,219)
Administration.....	146,868	3,166	150,034	143,715	6,319
Summer camp.....	164,393		164,393	133,437	30,956
Recreation programs.....	178,426		178,426	172,311	6,115
Topstone park.....	64,760		64,760	50,822	13,938
Tennis courts.....	6,475		6,475	6,248	227
Extended day service.....	104,389	1,624	106,013	99,493	6,520
TOTAL PARKS AND RECREATION.....	705,051	4,790	709,841	657,985	51,856
EMPLOYEE BENEFITS.....	1,450,382	8,305	1,458,687	1,359,837	98,850
CAPITAL OUTLAY:					
Selectmen's general maintenance.....	8,000		8,000	7,988	12
Departmental requests.....	191,500		191,500	191,085	415
TOTAL CAPITAL OUTLAY.....	199,500	-	199,500	199,073	427

(Continued)

TOWN OF REDDING, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONCLUDED)

	ORIGINAL BUDGET	TRANSFERS AND ADDITIONAL APPROPRIATIONS	FINAL BUDGET	EXPENDITURES	VARIANCE WITH FINAL BUDGET
DEBT SERVICE:					
Debt retirement.....	\$ 945,800	\$	\$ 945,800	\$ 943,860	\$ 1,940
Interest payments.....	730,460		730,460	697,384	33,076
TOTAL DEBT SERVICE.....	1,676,260	-	1,676,260	1,641,244	35,016
TOTAL TOWN EXPENDITURES.....	9,053,093	-	9,053,093	8,681,943	371,150
EDUCATION:					
Redding Board of Education:					
General instruction.....	7,316,113		7,316,113	7,456,105	(139,992)
Kindergarten.....	21,950		21,950	21,063	887
Humanities.....	75,312		75,312	73,653	1,659
Integrated language arts.....	54,460		54,460	50,489	3,971
Curriculum.....	24,134		24,134	22,304	1,830
Vocational technology.....	5,040		5,040	5,007	33
Science/math technology.....	47,457		47,457	46,334	1,123
Physical education/health.....	14,163		14,163	15,821	(1,658)
Student activity co-curricular.....	41,905		41,905	39,072	2,833
Special services.....	30,180		30,180	9,937	20,243
Student activity summer school.....	1,342		1,342	1,250	92
Special education.....	3,574,120		3,574,120	3,468,540	105,580
Guidance.....	2,541		2,541	2,327	214
Health services.....	144,066		144,066	143,784	282
Psychological services.....	24,320		24,320	24,534	(214)
Speech services.....	33,480		33,480	37,472	(3,992)
Educational media services.....	64,173		64,173	55,300	8,873
Technology plan.....	179,373		179,373	102,665	76,708
Board of education.....	142,475		142,475	111,296	31,179
Central administration.....	348,016		348,016	348,016	-
School administration.....	930,168		930,168	899,213	30,955
Operation/maintenance physical plant.....	1,385,138		1,385,138	1,301,905	83,233
Student transportation.....	682,380		682,380	717,352	(34,972)
Food service.....	600		600	116	484
Total Redding Board of Education.....	15,142,906	-	15,142,906	14,953,555	189,351
Regional School District No. 9.....	8,228,917	-	8,228,917	8,228,917	-
TOTAL EDUCATION.....	23,371,823	-	23,371,823	23,182,472	189,351
TOTAL EXPENDITURES.....	\$ 32,424,916	\$ -	\$ 32,424,916	\$ 31,864,415	\$ 560,501

(Concluded)

TOWN OF REDDING, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2004

GRAND LIST YEAR	UNCOLLECTED TAXES JULY 1, 2003	CURRENT YEAR LEVY	LAWFUL CORRECTIONS		TRANSFERS TO SUSPENSE	ADJUSTED TAXES COLLECTIBLE	COLLECTIONS			UNCOLLECTED TAXES JUNE 30, 2004
			ADDITIONS	DEDUCTIONS			TAXES	INTEREST AND LIEN FEES	TOTAL	
1987	\$ 18,506	\$	\$	\$ 18,506	\$	\$	\$	\$	\$ -	\$ -
1988	24,897					24,897			-	24,897
1989	27,100					27,100			-	27,100
1990	28,764					28,764			-	28,764
1991	23,982					23,982			-	23,982
1992	20,015					20,015			-	20,015
1993	20,475			60		20,415			-	20,415
1994	14,022					14,022	1,655	2,008	3,663	12,367
1995	9,671					9,671	192	2,308	2,500	9,479
1996	12,566					12,566	226		226	12,340
1997	8,906					8,906			-	8,906
1998	5,487					5,487		3,186	3,186	5,487
1999	32,371		2,193			34,564	23,270	6,162	29,432	11,294
2000	103,924		381	9,852	19,402	75,051	59,568	20,193	79,761	15,483
2001	494,020		1,002	22,692		472,330	362,747	71,339	434,086	109,583
TOTAL PRIOR YEARS	844,706	-	3,576	51,110	19,402	777,770	447,658	105,196	552,854	330,112
2002		29,229,146	74,026	207,299		29,095,873	28,824,240	89,671	28,913,911	271,633
TOTAL	\$ 844,706	\$ 29,229,146	\$ 77,602	\$ 258,409	\$ 19,402	\$ 29,873,643	29,271,898	194,867	29,466,765	\$ 601,745
Suspense collections							1,952	1,763	3,715	
TOTAL COLLECTIONS							\$ 29,273,850	\$ 196,630	\$ 29,470,480	

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

TOWN OF REDDING, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	SPECIAL REVENUE FUNDS							
	TOWN AID ROAD	POLICE FUND	DOG FUND	FEDERAL EDUCATION GRANTS	PARKING PERMITS/LOT FUND	RECYCLING	SEWER ASSESSMENTS	PARKS AND RECREATION CONCERTS
ASSETS								
Cash.....	\$ 22,402	\$ 10,990	\$ 26,045	\$ 20,963	\$ 3,636	\$ 6,108	\$ 172,783	\$ 8,376
Receivables:								
Sewer assessments.....							490,528	
Intergovernmental.....				9,962				
Other.....	1,730							
TOTAL ASSETS.....	\$ 24,132	\$ 10,990	\$ 26,045	\$ 30,925	\$ 3,636	\$ 6,108	\$ 663,311	\$ 8,376
LIABILITIES AND FUND BALANCES (DEFICITS)								
LIABILITIES:								
Accounts payable.....	\$ 13,869	\$	\$ 10,113	\$ 26,747	\$ 475	\$	\$	\$ 1,997
Due to other funds.....					2,478			
Unearned revenue.....				12,608			490,528	
TOTAL LIABILITIES.....	13,869	-	10,113	39,355	2,953	-	490,528	1,997
FUND BALANCES (DEFICITS):								
Unreserved and undesignated.....	10,263	10,990	15,932	(8,430)	683	6,108	172,783	6,379
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS).....	\$ 24,132	\$ 10,990	\$ 26,045	\$ 30,925	\$ 3,636	\$ 6,108	\$ 663,311	\$ 8,376

(Continued)

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

	SPECIAL REVENUE FUNDS									
	PARKS AND RECREATION BASKETBALL	SENIOR CENTER ESCROW	SOCIAL SERVICES	BENEDICTINE GRANGE	CANINE CONTROL	PLANNING COMMISSION	ADOPT - A - ROAD	PARADE PATH		TOTAL
ASSETS										
Cash.....	\$ 739	\$ 30,910	\$ 633	\$ 850	\$ 183	\$ 1,546	\$ 279	\$ 3,294	\$	\$ 309,737
Receivables:										
Sewer assessments.....										490,528
Intergovernmental.....										9,962
Other.....										1,730
TOTAL ASSETS.....	\$ 739	\$ 30,910	\$ 633	\$ 850	\$ 183	\$ 1,546	\$ 279	\$ 3,294	\$	\$ 811,957
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts payable.....	\$	\$ 1,831	\$	\$	\$	\$	\$	\$	\$	\$ 55,032
Due to other funds.....										2,478
Unearned revenue.....										503,136
TOTAL LIABILITIES.....	-	1,831	-	-	-	-	-	-	-	560,646
FUND BALANCES:										
Unreserved and undesignated.....	739	29,079	633	850	183	1,546	279	3,294		251,311
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 739	\$ 30,910	\$ 633	\$ 850	\$ 183	\$ 1,546	\$ 279	\$ 3,294	\$	\$ 811,957

(Continued)

TOWN OF REDDING, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONCLUDED)

*2008
By Redding
plus*

	CAPITAL PROJECTS				PERMANENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CAPITAL PROJECTS - SCHOOLS	RESERVE FUND FOR CNRE	GEORGETOWN STEAP	TOTAL	PERMANENT SCHOOL	CEMETERY FUNDS	TOTAL	
ASSETS								
Cash.....	\$ 10,182	\$ 10,638	\$ 41,727	\$ 20,820	\$ 665	\$ 2,745	\$ 3,410	\$ 333,967
Investments.....	30,689	173,761		246,177				246,177
Receivables:								
Sewer assessments.....				-				490,528
Intergovernmental.....				-				9,962
Due from other funds.....		351,000		351,000				351,000
Other.....				-				1,730
TOTAL ASSETS.....	\$ 40,871	\$ 535,399	\$ 41,727	\$ 617,997	\$ 665	\$ 2,745	\$ 3,410	\$ 1,433,364
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts payable.....				-				\$ 55,032
Due to other funds.....		115,464		115,464				117,942
Unearned revenue.....			41,727	41,727				544,863
TOTAL LIABILITIES.....	-	115,464	41,727	157,191	-	-	-	717,837
FUND BALANCES:								
Reserved for endowments.....				-	400	1,700	2,100	2,100
Unreserved and undesignated.....	40,871	419,935		460,806	265	1,045	1,310	713,427
TOTAL FUND BALANCES.....	40,871	419,935	-	460,806	665	2,745	3,410	715,527
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 40,871	\$ 535,399	\$ 41,727	\$ 617,997	\$ 665	\$ 2,745	\$ 3,410	\$ 1,433,364

(Concluded)

TOWN OF REDDING, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS							
	TOWN AID ROAD	POLICE FUND	DOG FUND	FEDERAL EDUCATION GRANTS	PARKING PERMITS/LOT FUND	RECYCLING	SEWER ASSESSMENT	PARKS AND RECREATION CONCERTS
REVENUES:								
Intergovernmental.....	\$ 52,890	\$	\$	\$ 250,805	\$	\$	\$	\$
Investment income.....				121				
Charges for services.....		15,892	17,305		16,388	5,332	116,464	6,563
TOTAL REVENUES.....	52,890	15,892	17,305	250,926	16,388	5,332	116,464	6,563
EXPENDITURES:								
Current:								
General government.....						1,792		
Public safety.....		8,146	23,626					
Highways and streets.....	79,308				14,986			
Parks and recreation.....								6,116
Education.....				268,586				
Debt service.....							3,819	
TOTAL EXPENDITURES.....	79,308	8,146	23,626	268,586	14,986	1,792	3,819	6,116
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(26,418)	7,746	(6,321)	(17,660)	1,402	3,540	112,645	447
FUND BALANCES (DEFICITS) - JULY 1, 2003, AS RESTATED.....	36,681	3,244	22,253	9,230	(719)	2,568	60,138	5,932
FUND BALANCES (DEFICITS) - JUNE 30, 2004.....	\$ 10,263	\$ 10,990	\$ 15,932	\$ (8,430)	\$ 683	\$ 6,108	\$ 172,783	\$ 6,379

(Continued)

TOWN OF REDDING, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) (CONTINUED)

SPECIAL REVENUE FUNDS

	PARKS AND RECREATION BASKETBALL	SENIOR CENTER ESCROW	SOCIAL SERVICES	BENEDICTINE GRANGE	CANINE CONTROL	PLANNING COMMISSION	ADOPT - A - ROAD	PARADE PATH	TOTAL
REVENUES:									
Intergovernmental.....	\$	\$	\$	\$	\$	\$	\$	\$	\$ 303,695
Investment income.....		154							275
Charges for services.....						28		12,302	190,274
TOTAL REVENUES.....	-	154	-	-	-	28	-	12,302	494,244
EXPENDITURES:									
Current:									
General government.....		12,062		650					14,504
Public safety.....									31,772
Highways and streets.....									94,294
Health and social services.....			1,287						1,287
Parks and recreation.....	1,251							9,008	16,375
Education.....									268,586
Debt service.....									3,819
TOTAL EXPENDITURES.....	1,251	12,062	1,287	650	-	-	-	9,008	430,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,251)	(11,908)	(1,287)	(650)	-	28	-	3,294	63,607
FUND BALANCES - JULY 1, 2003, AS RESTATED.....	1,990	40,987	1,920	1,500	183	1,518	279		187,704
FUND BALANCES - JUNE 30, 2004.....	\$ 739	\$ 29,079	\$ 633	\$ 850	\$ 183	\$ 1,546	\$ 279	\$ 3,294	\$ 251,311

(Continued)

TOWN OF REDDING, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) (CONCLUDED)

	CAPITAL PROJECTS				PERMANENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CAPITAL PROJECTS - SCHOOLS	RESERVE FUND FOR CNRE	GEORGETOWN STEAP	TOTAL	PERMANENT SCHOOL	CEMETERY FUNDS	TOTAL	
REVENUES:								
Intergovernmental.....	\$	\$	\$	\$	\$	\$	\$	\$
Investment income.....	381	2,790	36,969	36,969			-	340,664
Charges for services.....				3,171			-	3,446
				-			-	190,274
TOTAL REVENUES.....	381	2,790	36,969	40,140	-	-	-	534,384
EXPENDITURES:								
Current:								
General government.....				-	21	148	169	14,673
Public safety.....				-			-	31,772
Highways and streets.....				-			-	94,294
Health and social services.....				-			-	1,287
Parks and recreation.....				-			-	16,375
Education.....				-			-	268,586
Capital outlay.....	1,549	214,494	36,969	253,012			-	253,012
Debt service.....				-			-	3,819
TOTAL EXPENDITURES.....	1,549	214,494	36,969	253,012	21	148	169	683,818
DEFICIENCY OF REVENUES OVER EXPENDITURES.....	(1,168)	(211,704)	-	(212,872)	(21)	(148)	(169)	(149,434)
FUND BALANCES - JULY 1, 2003, AS RESTATED.....	42,039	631,639		673,678	686	2,893	3,579	864,961
FUND BALANCES - JUNE 30, 2004.....	\$ 40,871	\$ 419,935	\$ -	\$ 460,806	\$ 665	\$ 2,745	\$ 3,410	\$ 715,527

(Concluded)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

TOWN OF REDDING, CONNECTICUT

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>ASSETS</u>				
CASH:				
Redding Elementary School.....	\$ 1,950	\$ 27,746	\$ 28,284	\$ 1,412
John Read Middle School.....	90,564	263,890	274,932	79,522
TOTAL ASSETS.....	\$ 92,514	\$ 291,636	\$ 303,216	\$ 80,934
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE:				
Redding Elementary School.....	\$ 1,950	\$ 27,746	\$ 28,284	\$ 1,412
John Read Middle School.....	90,564	263,890	274,932	79,522
TOTAL LIABILITIES.....	\$ 92,514	\$ 291,636	\$ 303,216	\$ 80,934

Statistical Tables

TABLE 1**TOWN OF REDDING, CONNECTICUT****NET ASSETS BY COMPONENT
LAST TWO YEARS
(UNAUDITED)**

	FISCAL YEAR	
	2004	2003 (AS RESTATED)
Governmental activities:		
Invested in capital assets, net of related debt.....	\$ 22,470,851	\$ 19,629,650
Restricted.....	2,100	2,100
Unrestricted.....	4,310,636	6,790,362
Total Governmental activities net assets.....	26,783,587	26,422,112
Business-type activities:		
Invested in capital assets, net of related debt.....	2,902,147	3,008,621
Unrestricted.....	8,208	(8,578)
Total Business-type activities net assets.....	2,910,355	3,000,043
Total Net Assets:		
Invested in capital assets, net of related debt.....	25,372,998	22,638,271
Restricted.....	2,100	2,100
Unrestricted.....	4,318,844	6,781,784
Total Net Assets.....	\$ 29,693,942	\$ 29,422,155

TABLE 2
(1 of 2)

TOWN OF REDDING, CONNECTICUT

CHANGES IN NET ASSETS
LAST TWO YEARS
(UNAUDITED)

	FISCAL YEAR	
	2004	2003
Expenses:		
Governmental activities:		
General government.....	\$ 2,348,239	\$ 2,347,490
Public safety.....	1,856,976	1,879,795
Highway and streets.....	2,129,015	2,030,518
Transfer station and recycling.....	308,892	316,036
Health and social services.....	143,008	138,667
Library.....	240,140	240,140
Parks and recreation.....	778,961	717,546
Education.....	23,511,269	23,428,533
Interest expense.....	696,968	782,147
Total Governmental activities expenses.....	32,013,468	31,880,872
Business-type activities:		
Georgetown sewer fund.....	236,122	227,874
Total expenses.....	32,249,590	32,108,746
Program Revenues:		
Governmental activities:		
Charges for services:		
General government.....	705,316	489,360
Public safety.....	360,564	363,951
Highway and streets.....	94,656	37,858
Transfer station and recycling.....	149,110	141,724
Health and social services.....	22,000	18,356
Parks and recreation.....	578,205	540,591
Education.....		11,735
Operating grants and contributions.....	1,309,272	1,085,977
Capital grants and contributions.....	36,969	737,747
Total governmental activities program revenues.....	3,256,092	3,427,299
Business-type activities:		
Charges for services:		
Georgetown sewer fund.....	146,434	140,913
Total Program revenues.....	3,402,526	3,568,212
Net (Expense)/Revenue:		
Governmental activities.....	(28,757,376)	(28,453,573)
Business-type activities.....	(89,688)	(86,961)
Total Net Expense.....	(28,847,064)	(28,540,534)

(Continued)

TABLE 2
(2 of 2)

TOWN OF REDDING, CONNECTICUT

CHANGES IN NET ASSETS
LAST TWO YEARS
(UNAUDITED)

	<u>FISCAL YEAR</u>	
	2004	2003
General Revenues and Other Changes in Net Assets:		
Governmental activities:		
Property taxes.....	\$ 28,884,869	\$ 28,359,105
Grants and contributions not restricted to specific programs..	143,492	168,951
Investment income.....	90,490	200,074
Gain on sale of capital assets.....		1,750
Total Governmental Activities and Total General Revenues and Other Changes in Net Assets.....	29,118,851	28,729,880
Change in Net Assets:		
Governmental activities.....	361,475	276,307
Business-type activities.....	(89,688)	(86,961)
Total Change in Net Assets.....	\$ 271,787	\$ 189,346

(Concluded)

TOWN OF REDDING, CONNECTICUT

TABLE 3

**SCHEDULE OF DEBT LIMITATION
JUNE 30, 2004**

TOTAL TAX COLLECTIONS (including interest and lien fees) for the year ended June 30, 2004:

Town of Redding.....	\$ 29,470,480
Fire District.....	1,212,643

REIMBURSEMENT FOR REVENUE LOSS:

Tax relief for elderly freeze.....	<u>6,000</u>
------------------------------------	--------------

BASE FOR DEBT LIMITATION COMPUTATION.....	<u><u>\$ 30,689,123</u></u>
---	-----------------------------

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
DEBT LIMITATION:					
2 1/4 times base.....	\$ 69,050,527	\$	\$	\$	\$
4 1/2 times base.....		138,101,054			
3 3/4 times base.....			115,084,211		
3 1/4 times base.....				99,739,650	
3 times base.....					92,067,369
TOTAL DEBT LIMITATION.....	<u>69,050,527</u>	<u>138,101,054</u>	<u>115,084,211</u>	<u>99,739,650</u>	<u>92,067,369</u>
INDEBTEDNESS:					
Bonds payable.....	6,769,000	5,251,000			
Bond anticipation notes payable.....	1,526,000				
Fire District bonds.....	638,412				
School building grants.....		(477,625)			
Redding's portion of Regional School District No. 9 bonds, net of school building grants.....		11,584,332			
NET INDEBTEDNESS (1).....	<u>8,933,412</u>	<u>16,357,707</u>			
DEBT LIMITATION IN EXCESS OF INDEBTEDNESS.....	<u>\$ 60,117,115</u>	<u>\$ 121,743,347</u>	<u>\$ 115,084,211</u>	<u>\$ 99,739,650</u>	<u>\$ 92,067,369</u>

(1) The total of the above net indebtedness amounts to: \$ 25,291,119

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 214,823,861

**State
Single
Audit**

TOWN OF REDDING, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2004**

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	STATE PROJECT NUMBER	EXPENDITURES
OFFICE OF POLICY AND MANAGEMENT:			
Payment in Lieu of Taxes (PILOT) on State-Owned Property.....	11000-OPM20600-17004		\$ 83,356
Mashantucket Pequot/Mohegan Grant.....	11000-OPM20100-18010		29,043
Property Tax Relief for Elderly and Totally Disabled Homeowners.....	11000-OPM20600-17018		18,669
Property Tax Relief for Elderly Homeowners - Freeze Program.....	11000-OPM20600-17021		6,000
Property Tax Relief for Veterans.....	11000-OPM20600-17024		427
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles.....	11000-OPM20600-17031		3,025
STATE DEPARTMENT OF EDUCATION:			
Adult Education.....	11000-SDE64000-17030	11000-17030-84003-2004-170013	42
STATE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:			
Small Town Economic Assistance Program.....	12052-ECD46000-42411-075		36,969
STATE DEPARTMENT OF TRANSPORTATION:			
Town Aid Road Grants Transportation Fund.....	12001-DOT57000-17036		52,890
OFFICE OF THE STATE COMPTROLLER:			
Boat Grant.....	12027-OSC15910-40211		2,972
CONNECTICUT STATE LIBRARY:			
Historical Preservation Grant.....	12060-CSL66091-35150		7,000
Arts Presentation Grant.....	12060-CAT45200-16005-64		660
STATE DEPARTMENT OF PUBLIC HEALTH:			
Local and District Departments of Health.....	11000-DPH48500-17009		4,134
EMS Equipment Grant.....	11000-DPH48500-10020		1,400
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS.....			246,587
EXEMPT PROGRAMS:			
STATE DEPARTMENT OF EDUCATION:			
Public School Transportation.....	11000-SDE64000-17027	11000-17027-82010-2004-170005	794
Education Cost Sharing.....	11000-SDE64000-17041	11000-17041-82010-2004-170002	394,289
Special Education: Agency Placement and Excess Costs.....	11000-SDE64000-17047	11000-17047-82016-2004	30,598
Special Education: Agency Placement and Excess Costs.....	11000-SDE64000-17047	11000-17047-82018-2004	191,196
School Construction Projects - Principal.....	13010-SDE64000-40901	13010-40901-82003-2004-170001	68,888
School Construction Projects - Interest.....	13009-SDE64000-40896	13009-40896-82004-2003-170063	13,847
School Construction Projects - Interest.....	13009-SDE64000-40896	13009-40896-82004-2004-170063	13,847
TOTAL EXEMPT PROGRAMS.....			713,459
TOTAL STATE FINANCIAL ASSISTANCE.....			\$ 960,046

TOWN OF REDDING, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Redding, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board ("GASB"). The following is the significant policy relating to state financial assistance.

Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance is presented on the modified accrual basis of accounting and a current financial resources measurement focus.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-5), certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

2. LOAN PROGRAMS

In accordance with the State Single Audit Act, loan program participation constitutes state financial assistance (C.G.S. Section 4-236-5). The following is a summary of the various loan program activity for the year ended June 30, 2004.

DEPARTMENT OF ENVIRONMENTAL PROTECTION:

Clean Water Funds (6865-3100-888):

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance July 1, 2003</u>	<u>Retired</u>	<u>Balance June 30, 2004</u>
10/01/96	2%	\$ 1,293,905	\$ 880,146	\$ 60,769	\$ 819,377

TOWN OF REDDING, CONNECTICUT

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

Summary Schedule of Prior Audit Findings

- Finding #03-1 on General Fund bank reconciliation has been corrected by the Town during the year June 30, 2004.

TOWN OF REDDING, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 20004**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Reportable condition(s) identified not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Reportable condition(s) identified not considered to be material weakness(es)? yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes x no

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
OFFICE OF POLICY AND MANAGEMENT:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	\$ 83,356
DEPARTMENT OF TRANSPORTATION:		
Town Aid Road Grants Transportation Fund	12001-DOT57000-17036	52,890

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued our reported dated November 22, 2004, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no reportable instances of noncompliance
- Our report on internal control over financial reporting indicated no reportable conditions.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

No findings or questioned costs are reported relating to State financial assistance programs.



**KOSTIN,
RUFFKESS
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Web: www.kostin.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Finance
Town of Redding, Connecticut

We have audited the basic financial statements of the Town of Redding, Connecticut, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to the management of the Town in a separate report dated November 22, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Finance, and State awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kostin, Ruffkess & Company, LLC

Farmington, Connecticut
November 22, 2004.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Board of Finance
Town of Redding, Connecticut

Compliance

We have audited the compliance of the Town of Redding, Connecticut, with the types of compliance requirements described in the Office of Policy and Management Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2004. The major state programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act.



Town of Redding, Connecticut
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Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of State Financial Assistance

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2004, and have issued our report thereon dated November 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Finance, and State awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kostin, Ruffkless & Company, LLC

Farmington, Connecticut
November 22, 2004