ANNUAL FINANCIAL REPORT

OF THE

TOWN OF REDDING, CONNECTICUT

FOR THE YEAR ENDED
JUNE 30, 2006

TOWN OF REDDING, CONNECTICUT

ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006
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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, 2006, 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, and the aggregate remaining fund information of the Town of Redding, Connecticut, as of June 30, 2006, 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 December 22, 2006, 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, 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.

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KOSTIN, RUFFKESS & COMPANY, LLC

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 trend information 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
December 22, 2006

Town of Redding

REDDING, CONNECTICUT 06875

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year by $29,319,982 (*net assets*). Of this amount, $6,950,847 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.

- The Town's total net assets decreased by $2,109,718 as a result of increases in education expenses of $1,655,511 and highway expense of $3,235,972. The increase in highway expenses is attributable to the start of the $5.4 million road repaving and drainage project.

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $5,358,331, an increase of $502,872 in comparison with the prior year. Of the entire fund balance, $5,356,231 (*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 $2,178,389 or 5.8% of total general fund expenditures and transfers out.

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.

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 activities are for the Georgetown Sewer Enterprise Fund operations.

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 27 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, which is considered to be a major fund. Data from the other 26 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.

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).

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.

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.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements.

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 $29,319,982 at the close of the most recent fiscal year.

TOWN OF REDDING NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$12,213,865	$ 9,667,599	$ 65,704	$ 36,433	$12,279,389	$ 9,704,032
Capital assets (net)	35,591,127	35,177,833	2,689,199	2,795,673	38,280,326	37,973,506
TOTAL ASSETS	47,804,812	44,845,432	2,754,903	2,832,106	50,559,715	47,677,538
Long-term liabilities outstanding	16,161,622	13,385,661			16,161,622	13,385,661
Other liabilities	5,077,297	3,634,412	814	3,107	5,078,111	3,637,519
TOTAL LIABILITIES	21,238,919	17,020,073	814	3,107	21,239,733	17,023,180
Net assets:						
Invested in capital assets, net of related debt	19,676,685	21,835,452	2,689,199	2,795,673	22,365,884	24,631,125
Restricted	3,251	55,179			3,251	55,179
Unrestricted	6,885,957	5,934,728	64,890	33,326	6,950,847	5,968,054
TOTAL NET ASSETS	$26,565,893	$27,825,359	$2,754,089	$ 2,828,999	$29,319,982	$30,654,358

By far the largest portion of the Town's net assets (76%) 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.

The Town's net assets decreased by $2,109,718 during the current fiscal year. There was a decrease of $94,745 in net assets reported in connection with the Town's business-type activities due to depreciation and increases in contracted services. This decrease is attributable to increases in expenses for education of $1,655,511 and highway of $3,235,972, off set by increases in tax revenue and operating and capital grants.

Governmental activities. Governmental activities decreased the Town's net assets by $2,014,973.

Revenues

Governmental activities revenues totaled $38,377,557 for fiscal year 2006. Property taxes are the largest revenue source for the Town and represent 86% of governmental revenues. Charges for services revenues are the Town's second largest revenue and account for 5.54% of governmental revenues for the year. The most significant changes for the prior years were as follows:

- Charges for services increased by $314,368 due to increases in conveyance and refinancing fees within the Town Clerk department and increases in building permits and fees.
- Operating grants and contributions increased by $454,495 due to an increase in the on-behalf amount for teachers' pension contribution.
- Investment Income increased $375,727 due to increase in interest rates.
- Property taxes increased by $1,721,103 due to an increase in costs for services.

Expenses

Governmental expenses totaled $40,392,530 for the fiscal year. Of the expenses, $27,087,906 or 67% is related to education. General government expenses amounted to $2,773,393 or 6.8%. Highway and streets expenses were $5,180,336 or 12.8% and public safety expenses were $2,364,044 or 5.9%.

Public safety expenses increased by $331,826 due to salary increases and fuel costs. Highway and streets increased by $3,235,972 due to the start of the $5.4 million road repaving and drainage project. For the most part, increases in the other expenses closely paralleled inflation and growth in the demand for services.

TOWN OF REDDING CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
REVENUES:						
Program revenues:						
Charges for services	$ 2,090,186	$ 1,775,818	$213,928	$ 186,270	$ 2,304,114	$ 1,962,088
Operating grants and contributions	1,962,498	1,508,003			1,962,498	1,508,003
Capital grants and contributions	388,801	77,080			388,801	77,080
General revenues:						
Property taxes	33,138,146	31,417,043			33,138,146	31,417,043
Grants and contributions not restricted to specific programs	194,823	182,796			194,823	182,796
Investment income	603,103	227,376			603,103	227,376
TOTAL REVENUES	38,377,557	35,188,116	213,928	186,270	38,591,485	35,374,386
EXPENSES:						
General government	2,773,393	2,413,890			2,773,393	2,413,890
Public safety	2,364,044	2,032,218			2,364,044	2,032,218
Highway and streets	5,180,336	1,944,364			5,180,336	1,944,364
Transfer station and recycling	358,460	374,637			358,460	374,637
Health and social services	296,790	133,738			296,790	133,738
Library	271,259	254,132			271,259	254,132
Parks and recreation	1,301,057	907,467			1,301,057	907,467
Education	27,087,906	25,432,395			27,087,906	25,432,395
Interest expense	759,285	653,503			759,285	653,503
Sewer department			308,673	267,626	308,673	267,626
TOTAL EXPENSES	40,392,530	34,146,344	308,673	267,626	40,701,203	34,413,970
CHANGE IN NET ASSETS	(2,014,973)	1,041,772	(94,745)	(81,356)	(2,109,718)	960,416
NET ASSETS - JULY 1 (AS RESTATED)	28,580,866	26,783,587	2,848,834	2,910,355	31,429,700	29,693,942
NET ASSETS - JUNE 30	$26,565,893	$27,825,359	$ 2,754,089	$ 2,828,999	$29,319,982	$30,654,358

Business-type activities. Business-type activities decreased the Town's net assets by $94,745, which was substantially a result of depreciation expense $106,474 and contracted services $118,346. General revenues do not support the Town's business-type activities; thus, revenues come from charges for services.

The Georgetown sewer expenses were $308,673 in the fiscal year ended June 30, 2006, 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.

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 $5,358,331 an increase of $502,872 in comparison with the prior year. Of this amount, $5,356,231 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 $2,178,389, while total fund balance was $3,894,568. 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 and transfers out. Unreserved and undesignated fund balance represents 5.8% of total general fund expenditures and transfers out, while total fund balance represents 10.4% of that same amount. The fund balance of the Town's general fund decreased by $331,811 during the current fiscal year. Key factors in this are as follows:

An aggressive pursuit of current as well as past due taxes (plus interest and penalties) netted actual property tax revenue over budget by $381,692. Investment income was higher than budget by $408,332. The Town also had favorable under expenditure of various functions including general government of $93,134, $43,517 for employee benefits and $44,655 from parks and recreation. This resulted in total favorable operations of $444,325. These favorable variances were negated by the appropriation of fund balance of $1,850,000, which caused the decrease.

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 $2,754,089 at year end. This represents a decrease of $94,745 from the prior year, which was substantially a result of depreciation expense.

General Fund Budgetary Highlights

The difference between the original budget and the final budget for revenues was $550,000 appropriation of fund balance to fund the water wells and oil tank project. Several budget transfers reallocated resources as needed, the most significant of which are noted below:

- Contingency account was reduced $118,983 from $150,000 to $31,017.
- Special legal was increased $32,044 from $175,000 to $207,044 to cover general legal and litigation expenses of the Town.
- Highway and streets was increased $102,150 from $1,079,739 to $1,181,889 due to winter storms and fuel costs.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to $38,280,326 (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 $306,820. The majority of the additions were due to several major equipment purchases, including new police cruisers and trucks.

TOWN OF REDDING CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$17,906,509	$17,906,509	$ 15,342	$ 15,342	$17,921,851	$17,921,851
Construction in progress	176,310	114,049			176,310	114,049
Buildings	15,179,861	15,339,874			15,179,861	15,339,874
Sewer plant			2,124,558	2,213,168	2,124,558	2,213,168
Sewer collection system			549,299	567,163	549,299	567,163
Machinery and equipment	811,694	571,355			811,694	571,355
Vehicles	1,177,078	889,896			1,177,078	889,896
Furniture and fixtures	7,720	8,755			7,720	8,755
Infrastructure	331,955	347,395			331,955	347,395
TOTAL	$35,591,127	$35,177,833	$ 2,689,199	$ 2,795,673	$38,280,326	$37,973,506

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

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of $15,944,134. The entire amount is backed by the full faith and credit of the Town. During the year long term debt increased due to the addition of a $5,000,000 bond. This bond was used to pay down the bond anticipation notes (BANS) with the remaining $3,638,785 to be allocated for road repaving, drainage and the purchase of road construction equipment.

TOWN OF REDDING OUTSTANDING DEBT
General Obligation Bonds and Notes

	Governmental Activities	
	2006	2005
General Obligation Bonds - Town improvements	$ 10,902,500	$ 6,335,250
General Obligation Bonds - School improvements	4,347,500	4,799,750
Clean Water fund note	694,134	757,381
Bond Anticipation Notes		1,361,215
Total	$ 15,944,134	$ 13,253,596

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 $240,280,537, 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. of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Town is currently 2.9%, which is a decrease from a rate of 3.6% a year ago. This compares favorably to the state's average unemployment rate of 4.4% and the national average rate of 4.8%.
- 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 2007 fiscal year.

During the current fiscal year, unreserved and undesignated fund balance in the general fund is $2,178,389. The Town has designated $1,716,179 for the 2007 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 2007 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, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash	$ 4,012,831	$ 53,249	$ 4,066,080
Investments	6,160,262		6,160,262
Receivables:			
Property taxes	311,959		311,959
Assessments	40,925		40,925
Intergovernmental	262,881		262,881
Other	231,460	12,651	244,111
Internal balances	1,170	(1,170)	-
Other	77,099		77,099
Bond issue costs	1,980		1,980
Total current assets	11,100,567	64,730	11,165,297
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	1,151		1,151
Permanently restricted:			
Cash	2,100		2,100
Total restricted assets	3,251	-	3,251
Receivables (net):			
Property taxes	416,577		416,577
Assessments	360,141		360,141
Intergovernmental	305,437		305,437
Other		974	974
Total receivables (net)	1,082,155	974	1,083,129
Other noncurrent assets:			
Bond issue costs	27,712		27,712
Capital assets (net of accumulated depreciation):			
Land	17,906,509	15,342	17,921,851
Construction in progress	176,310		176,310
Buildings	15,179,861		15,179,861
Sewer plant		2,124,558	2,124,558
Sewer collection system		549,299	549,299
Machinery and equipment	811,694		811,694
Vehicles	1,177,078		1,177,078
Furniture and fixtures	7,720		7,720
Infrastructure	331,955		331,955
Total capital assets (net of accumulated depreciation)	35,591,127	2,689,199	38,280,326
Total noncurrent assets	36,704,245	2,690,173	39,394,418
TOTAL ASSETS	47,804,812	2,754,903	50,559,715

(Continued)

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

TOWN OF REDDING, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
LIABILITIES:			
Current liabilities:			
Bank overdraft	$ 555,391	$	$ 555,391
Accounts payable	1,491,292	814	1,492,106
Accrued liabilities	522,633		522,633
Accrued interest payable	191,642		191,642
Due to Regional School District No. 9	404,014		404,014
Unearned revenue	1,912,325		1,912,325
Total current liabilities	5,077,297	814	5,078,111
Noncurrent liabilities:			
Noncurrent liabilities due within one year	1,313,422		1,313,422
Due in more than one year	14,848,200		14,848,200
Total noncurrent liabilities	16,161,622	-	16,161,622
TOTAL LIABILITIES	21,238,919	814	21,239,733
NET ASSETS			
Invested in capital assets, net of related debt	19,676,685	2,689,199	22,365,884
Restricted for:			
Perpetual care:			
Nonexpendable	2,100		2,100
Expendable	1,151		1,151
Unrestricted	6,885,957	64,890	6,950,847
TOTAL NET ASSETS	$ 26,565,893	$ 2,754,089	$ 29,319,982

(Concluded)

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

EXHIBIT B

TOWN OF REDDING, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET EXPENSES AND CHANGES IN NET ASSETS: GOVERNMENTAL ACTIVITIES	NET EXPENSES AND CHANGES IN NET ASSETS: BUSINESS-TYPE ACTIVITIES	NET EXPENSES AND CHANGES IN NET ASSETS: TOTAL
GOVERNMENTAL ACTIVITIES:							
General government	$ 2,773,393	$ 803,968	$ 31,918	$	$ (1,937,507)	$	$ (1,937,507)
Public safety	2,364,044	449,446	41,174	43,200	(1,830,224)		(1,830,224)
Highway and streets	5,180,336	31,917	240,086	18,455	(4,889,878)		(4,889,878)
Transfer station and recycling	358,460	150,445			(208,015)		(208,015)
Health and social services	296,790	17,475	4,200		(275,115)		(275,115)
Library	271,259				(271,259)		(271,259)
Parks and recreation	1,301,057	636,935		327,146	(336,976)		(336,976)
Education	27,087,906		1,645,120		(25,442,786)		(25,442,786)
Interest expense	759,285				(759,285)		(759,285)
TOTAL GOVERNMENTAL ACTIVITIES	40,392,530	2,090,186	1,962,498	388,801	(35,951,045)	-	(35,951,045)
BUSINESS-TYPE ACTIVITIES:							
Georgetown sewer fund	308,673	213,928				(94,745)	(94,745)
TOTAL	$ 40,701,203	$ 2,304,114	$ 1,962,498	$ 388,801	$ (35,951,045)	$ (94,745)	$ (36,045,790)
GENERAL REVENUES:							
Property taxes					$ 33,138,146	$	$ 33,138,146
Grants and contributions not restricted to specific programs					194,823		194,823
Investment income					603,103		603,103
TOTAL GENERAL REVENUES					33,936,072	-	33,936,072
CHANGE IN NET ASSETS					(2,014,973)	(94,745)	(2,109,718)
NET ASSETS - JULY 1, 2005 (AS RESTATED)					28,580,866	2,848,834	31,429,700
NET ASSETS - JUNE 30, 2006					$ 26,565,893	$ 2,754,089	$ 29,319,982

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

TOWN OF REDDING, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 2,605,989	$ 1,055,636	$ 3,661,625
Investments	5,797,379	362,883	6,160,262
Receivables:			
Property taxes	551,750		551,750
Sewer assessments		408,197	408,197
Intergovernmental A/R 541,738	58,096	118,489	176,585
Other	55,785		55,785
Due from other funds	560,779	1,324,278	1,885,057
Other	77,099		77,099
TOTAL ASSETS	$ 9,706,877	$ 3,269,483	$ 12,976,360
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Bank overdraft	$	$ 555,391	$ 555,391
Accounts payable 21,377 HIGH	1,095,079	154,612	1,249,691
Accrued liabilities	477,397	45,236	522,633
Due to Regional School District No. 9	404,014		404,014
Due to other funds	1,531,404	563,443	2,094,847
Unearned revenue	2,304,415	487,038	2,791,453
TOTAL LIABILITIES	5,812,309	1,805,720	7,618,029
FUND BALANCES:			
Reserved for:			
Endowments		2,100	2,100
Unreserved, reported in:			
Designated for subsequent year budget	1,716,179		1,716,179
General fund	2,178,389		2,178,389
Special revenue funds		258,403	258,403
Capital projects funds		1,202,109	1,202,109
Permanent funds		1,151	1,151
TOTAL FUND BALANCES	3,894,568	1,463,763	5,358,331
TOTAL LIABILITIES AND FUND BALANCES	$ 9,706,877	$ 3,269,483	$ 12,976,360

(Continued)

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

TOWN OF REDDING, CONNECTICUT

RECONCILIATION OF FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

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)	$	5,358,331
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:		
Beginning net capital assets and current additions		35,980,670
Depreciation expense		(358,868)
Disposal of capital assets		(30,675)
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		447,591
Property tax and sewer assessment receivable - accrual basis change		879,128
School building grant receivable		391,733
Allowance for doubtful accounts		(277,936)
Bond issue costs		29,692
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		499,491
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		(17,323,229)
Long-term liability payments		1,161,607
Accrued interest payable		(191,642)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	26,565,893

(Concluded)

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

EXHIBIT D

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Property taxes	$ 33,122,822	$	$ 33,122,822
Intergovernmental	1,530,690	1,104,798	2,635,488
Investment income	533,332	67,265	600,597
Charges for services	2,014,501	122,836	2,137,337
Contributions		394	394
TOTAL REVENUES	37,201,345	1,295,293	38,496,638
EXPENDITURES:			
Current:			
General government	2,052,076	71,975	2,124,051
Public safety	1,651,583	58,219	1,709,802
Highway and streets	1,180,966	190,277	1,371,243
Transfer station and recycling	285,717		285,717
Health and social services	109,734	151,073	260,807
Library	271,259		271,259
Parks and recreation	782,981	19,395	802,376
Employee benefits	1,758,413		1,758,413
Education	26,540,714	422,062	26,962,776
Capital outlay	441,094	3,974,443	4,415,537
Debt service	1,654,989	15,581	1,670,570
TOTAL EXPENDITURES	36,729,526	4,903,025	41,632,551
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	471,819	(3,607,732)	(3,135,913)
OTHER FINANCING SOURCES (USES):			
Issuance of debt		3,638,785	3,638,785
Transfers in		803,630	803,630
Transfers out	(803,630)		(803,630)
NET OTHER FINANCING SOURCES (USES)	(803,630)	4,442,415	3,638,785
NET CHANGE IN FUND BALANCES	(331,811)	834,683	502,872
FUND BALANCES - JULY 1, 2005 (AS RESTATED)	4,226,379	629,080	4,855,459
FUND BALANCES - JUNE 30, 2006	$ 3,894,568	$ 1,463,763	$ 5,358,331

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 OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

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)	$ 502,872
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	706,502
Depreciation expense	(358,868)
Total	347,634
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	(30,675)
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	(89,760)
Increase in property tax and sewer assessment receivable - accrual basis change	(76,589)
Increase in property tax and sewer assessment interest and lien revenue	51,419
Increase in property tax and sewer use allowance for doubtful accounts	(6,657)
Total	(121,587)
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:	
Debt issued or incurred:	
Issuance of general obligation bonds	(3,638,785)
Bond issue costs	31,672
Principal repayments:	
General obligation bonds	885,000
Notes payable	63,247
Total	(2,658,866)

(Continued)

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 OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

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	$ 23,500
Landfill postclosure care	3,500
Compensated absences	(112,423)
Accrued interest payable	(50,563)
Amortization of issuance costs	(1,980)
Total	(137,966)
Internal Service Funds are used by management to charge costs of medical insurance benefits to individual departments	81,109
The net revenue of the activities of the Internal Service Fund is reported with governmental activities	2,506
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	$ (2,014,973)

(Concluded)

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

Run YTD Budget

Omit Schedule

EXHIBIT F

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes	$ 32,741,130	$ 32,741,130	$ 33,122,822	$ 381,692
Intergovernmental	832,460	832,460	800,776	(31,684)
Investment income	125,000	125,000	533,332	408,332
Charges for services	1,647,081	1,647,081	2,014,501	367,420
TOTAL REVENUES	35,345,671	35,345,671	36,471,431	1,125,760
EXPENDITURES:				
Current:				
General government	2,158,796	2,114,383	2,021,249	93,134
Public safety	1,635,745	1,664,392	1,651,583	12,809
Highway and streets	1,079,739	1,181,889	1,180,966	923
Transfer station and recycling	286,881	293,010	285,717	7,293
Health and social services	113,556	116,433	103,234	13,199
Library	271,759	271,759	271,259	500
Parks and recreation	813,193	823,617	778,962	44,655
Employee benefits	1,786,596	1,801,930	1,758,413	43,517
Education	25,940,610	25,940,610	25,810,800	129,810
Capital outlay	431,894	431,894	430,544	1,350
Debt service	1,966,902	1,845,754	1,654,989	190,765
TOTAL EXPENDITURES	36,485,671	36,485,671	35,947,716	537,955
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,140,000)	(1,140,000)	523,715	1,663,715
OTHER FINANCING SOURCES (USES):				
Appropriation of fund balance	1,300,000	1,850,000		(1,850,000)
Transfers out	(160,000)	(710,000)	(803,630)	(93,630)
TOTAL OTHER FINANCING SOURCES (USES)	1,140,000	1,140,000	(803,630)	(1,943,630)
NET CHANGE IN FUND BALANCE	$ -	$ -	(279,915)	$ (279,915)
FUND BALANCE - JULY 1, 2005 (AS RESTATED)			4,174,483	
FUND BALANCE - JUNE 30, 2006			$ 3,894,568	

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

EXHIBIT G

TOWN OF REDDING, CONNECTICUT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES
	GEORGETOWN SEWER	INTERNAL SERVICE FUND
.....	$ 53,249	$ 354,457
.....	12,651	
.....		175,675
.....		210,960
.....	65,900	741,092
.....	974	
.....	15,342	
.....	2,124,558	
.....	549,299	
.....	2,689,199	-
.....	2,690,173	-
.....	2,756,073	741,092
.....	814	
Claims payable.....		241,601
Due to other funds.....	1,170	
TOTAL LIABILITIES.....	1,984	241,601
NET ASSETS		
Invested in capital assets.....	2,689,199	
Unrestricted.....	64,890	499,491
TOTAL NET ASSETS.....	$ 2,754,089	$ 499,491

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

EXHIBIT H

TOWN OF REDDING, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES
	GEORGETOWN SEWER	INTERNAL SERVICE FUND
OPERATING REVENUES:		
Premiums	$	$ 2,659,329
Charges for services	213,928	
TOTAL OPERATING REVENUES	213,928	2,659,329
OPERATING EXPENSES:		
Claims incurred		2,287,288
Administration	1,092	290,932
Contracted services	118,346	
Outside services	8,827	
Materials disposal	30,176	
Materials and supplies	8,149	
Utilities	35,609	
Depreciation	106,474	
TOTAL OPERATING EXPENSES	308,673	2,578,220
OPERATING INCOME (LOSS)	(94,745)	81,109
NONOPERATING REVENUES:		
Investment income		2,506
CHANGE IN NET ASSETS	(94,745)	83,615
TOTAL NET ASSETS - JULY 1, 2005 (AS RESTATED)	2,848,834	415,876
TOTAL NET ASSETS - JUNE 30, 2006	$ 2,754,089	$ 499,491

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

EXHIBIT I

TOWN OF REDDING, CONNECTICUT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES
	GEORGETOWN SEWER	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 209,062	$ 2,786,692
Payments to suppliers	(204,136)	
Claims paid		(2,233,523)
Receipts from quasi-external transactions		265,389
Payments to quasi-external transactions		(175,675)
Payments to contractors		(290,932)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,926	351,951
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income		2,506
NET INCREASE IN CASH	4,926	354,457
CASH - JULY 1, 2005	48,323	
CASH - JUNE 30, 2006	$ 53,249	$ 354,457
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Changes in net assets	$ (94,745)	$ 81,109
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	106,474	
(Increase) decrease in:		
Accounts receivable	(6,406)	
Intergovernmental receivable	726	
Due from Regional School District No. 9		265,389
Due from Town of Easton		(175,675)
Due from other funds		127,363
Increase (decrease) in:		
Accounts payable	(2,293)	53,765
Due to other funds	1,170	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 4,926	$ 351,951

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

Agency funds

BOE

EXHIBIT J

TOWN OF REDDING, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	AGENCY FUNDS
ASSET	
Cash	$ 57,307
LIABILITY	
Accounts payable	$ 57,307

Schedule 4 is detail

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

TOWN OF REDDING, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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. Agency funds do not have a measurement focus but are accounted for using the accrual basis of accounting. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers, 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 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 types:

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.

The *Agency Fund* accounts for monies held on behalf of students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise 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.

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 Town'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 Treasurers 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, which operates within State Statutes. 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."

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 50 percent of outstanding receivable balances at June 30, 2006, and are calculated based upon prior collections.

In the fund financial statements, all property taxes receivable at June 30, 2006, 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:

Assets	Years
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, 2006.

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 presents the net assets of the Town which are not restricted.

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. During the year, the Town Meeting approved additional appropriations of $550,000 from fund balance.
- 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.

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:

	REVENUES	EXPENDITURES
BALANCE, BUDGETARY BASIS, EXHIBIT F - JUNE 30, 2006	$ 36,471,431	$ 35,947,716
Encumbrances outstanding at June 30, 2005, liquidated during the year ended June 30, 2006		51,896
State Teachers' Retirement on-behalf payment	729,914	729,914
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2006	$ 37,201,345	$ 36,729,526

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 and is included in unreserved fund balance in the permanent school fund ($248) and cemetery funds ($903).

D. Deficit Fund Balance

The following fund had fund balance deficit at June 30, 2006:

SPECIAL REVENUE FUND:	
Recycling	$ 11,034

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, 2006:

AUTHORIZATION ? CHANGES ↓

CAPITAL PROJECT FUND	AUTHORIZATION	CURRENT YEAR EXPENDITURES	CUMULATIVE EXPENDITURES	BALANCE JUNE 30, 2006
Road reconstruction fund	$ 5,400,000	$ 3,398,632	$ 3,398,632	$ 2,001,368
Capital projects - schools	7,017,450	390	6,931,490	85,960
Reserve fund for CNRE:				
Fingerprint machine	43,200	43,200	43,200	-
GIS	74,740	11,400	11,400	63,340
Revaluation	278,000	133,342	133,342	144,658
Chimney repair at Redding Elementary	30,000	21,800	21,800	8,200
Window replacement at JRMS	165,000			165,000
Georgetown STEAP	1,227,953	18,455	132,504	1,095,449
Water wells and oil tanks	550,000	32,406	32,406	517,594
Community center	6,713,789	314,818	6,733,160	(19,371)
TOTAL	$ 21,500,132	$ 3,974,443	$ 17,437,934	$ 4,062,198

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, 2006, $2,890,026 of the Town's bank balance of $3,273,401 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 2,575,758
Uninsured and collateral held by the pledging bank's Trust department, not in the Town's name	314,268
Total amount subject to custodial credit risk	$ 2,890,026

2. **Investments**

At June 30, 2006, the Town's investments consisted of the following:

	INVESTMENT MATURITIES (IN YEARS)	
TYPE OF INVESTMENT	FAIR VALUE	LESS THAN 1
Certificates of deposit	$ 105,849	$ 105,849
Pooled fixed income	4,672,761	4,672,761
Fixed income mutual funds	1,381,652	1,381,652
TOTAL	$ 6,160,262	$ 6,160,262

Of the $4,672,761 of pooled fixed income, $3,663,519 was invested in Short Term Investment Fund (STIF). STIF is an investment pool managed by The State of Connecticut Office of the State Treasurer. The balance was invested in a 2a-7 like pool.

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.

III. DETAILED NOTES (CONTINUED)

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			SEWER ASSESSMENTS			SEWER USE		
	TAXES	INTEREST & LIENS	TOTAL	ASSESS-MENT	INTEREST & LIENS	TOTAL	USE	INTEREST & LIENS	TOTAL
Current Portion	$ 262,840	$ 49,119	$ 311,959	$ 40,820	$ 105	$ 40,925	$ 12,229	$ 422	$ 12,651
Long-term Portion	$ 288,910	$ 397,418	$ 686,328	$ 367,377	$ 949	$ 368,326	$ 1,210	$ 42	$ 1,252
Less Allowance for Uncollectibles	(46,482)	(223,269)	(269,751)	(8,164)	(21)	(8,185)	(269)	(9)	(278)
Net Long-term Portion	$ 242,428	$ 174,149	$ 416,577	$ 359,213	$ 928	$ 360,141	$ 941	$ 33	$ 974

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)	$ 470,931
Special assessments not yet due (special revenue fund)	408,197
UNEARNED REVENUE:	
Advance tax collections	1,833,484
Grant draw downs prior to meeting all eligibility requirements (capital projects funds)	75,355
Grant draw downs prior to meeting all eligibility requirements (special revenue funds)	3,486
TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	$ 2,791,453

C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	BALANCE JULY 1, 2005, AS RESTATED	INCREASES	DECREASES	BALANCE JUNE 30, 2006
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$ 17,906,509	$	$	$ 17,906,509
Construction in progress	114,049	62,261		176,310
Total Capital Assets, not being Depreciated	18,020,558	62,261	-	18,082,819
Capital Assets, being Depreciated:				
Buildings	17,667,432	38,652		17,706,084
Machinery and equipment	789,580	207,040	5,000	991,620
Vehicles	1,570,301	398,549	88,500	1,880,350
Furniture and fixtures	93,090			93,090
Infrastructure	385,995			385,995
Total Capital Assets, being Depreciated	20,506,398	644,241	93,500	21,057,139
Total Capital Assets	38,526,956	706,502	93,500	39,139,958

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

	BALANCE JULY 1, 2005, AS RESTATED	INCREASES	DECREASES	BALANCE JUNE 30, 2006
Less Accumulated Depreciation for:				
Buildings	$ 2,327,558	$ 198,665	$	$ 2,526,223
Machinery and equipment	152,514	32,412	5,000	179,926
Vehicles	649,781	111,316	57,825	703,272
Furniture and fixtures	84,335	1,035		85,370
Infrastructure	38,600	15,440		54,040
Total Accumulated Depreciation	3,252,788	358,868	62,825	3,548,831
Total Capital Assets, being Depreciated, net	17,253,610	285,373	30,675	17,508,308
Governmental Activities Capital Assets, net	$ 35,274,168	$ 347,634	$ 30,675	$ 35,591,127

	BALANCE JULY 1, 2005	INCREASES	BALANCE JUNE 30, 2006
Business-Type Activities:			
Capital Assets, not being Depreciated:			
Land	$ 15,342	$ -	$ 15,342
Capital Assets, being Depreciated:			
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
Less Accumulated Depreciation for:			
Sewer plant	445,151	88,610	533,761
Sewer collection system	147,378	17,864	165,242
Machinery and equipment	6,550		6,550
Total Accumulated Depreciation	599,079	106,474	705,553
Total Capital Assets, being Depreciated, net	2,780,331	(106,474)	2,673,857
Business-Type Activities Capital Assets, net	$ 2,795,673	$(106,474)	$ 2,689,199

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

Governmental Activities:	
General government	$ 67,637
Public safety	35,280
Highway and streets	104,351
Transfer station and recycling	6,766
Health and social services	1,125
Parks and recreation	2,661
Education	139,865
Total Depreciation Expense - Governmental Activities	$ 358,868
Business-type Activities:	
Sewer	$ 106,474

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

1. Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2006 is as follows:

	CORRESPONDING FUND	DUE FROM	DUE TO
MAJOR FUNDS:			
GENERAL FUND:			
Dog fund	N/A	$	$ 1,660
Small cities	N/A	20	4,999
Water wells and oil tanks	N/A		500,000
Bond fund	N/A	329,603	
Community center	N/A	221,370	
Road reconstruction	N/A	8,616	813,785
Georgetown sewer fund	N/A	1,170	
Internal service fund	N/A		210,960
TOTAL GENERAL FUND		560,779	1,531,404
ENTERPRISE FUND:			
Georgetown sewer fund	General Fund	-	1,170
NONMAJOR GOVERNMENTAL FUNDS:			
SPECIAL REVENUE FUNDS:			
Dog fund	General Fund	1,660	
Recycling	Parks and Recreation Basketball		3,834
Parks and recreation basketball	Recycling	3,834	
Small cities	General Fund	4,999	20
CAPITAL PROJECTS FUNDS:			
Water wells and oil tanks	General Fund	500,000	
Bond fund	General Fund		329,603
Community center	General Fund		221,370
Road reconstruction	General Fund	813,785	8,616
TOTAL NONMAJOR GOVERNMENTAL FUNDS		1,324,278	563,443
INTERNAL SERVICE FUND	General Fund	210,960	-
GRAND TOTAL		$ 2,096,017	$ 2,096,017

All interfund balances resulted from the time lag between the date payments occurred between funds for short-term internal financing.

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

2. Interfund Transfers

A summary of interfund transfers as of June 30, 2006 is as follows:

	CORRESPONDING FUND	TRANSFERS IN	TRANSFERS OUT
MAJOR FUNDS:			
GENERAL FUND:			
Reserve fund for CNRE	N/A	$	$ 160,000
Water wells and oil tanks	N/A		550,000
Community Center	N/A		93,630
TOTAL GENERAL FUND		-	803,630
NONMAJOR GOVERNMENTAL FUNDS:			
CAPITAL PROJECTS FUND:			
Reserve fund for CNRE	General Fund	160,000	
Water wells and oil tanks	General Fund	550,000	
Community Center	General Fund	93,630	
TOTAL NONMAJOR GOVERNMENTAL FUNDS		803,630	-
GRAND TOTAL		$ 803,630	$ 803,630

Transfers are used to account for the financing by the general fund of various programs and activities in other funds.

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, 2006 was as follows:

TYPE OF OBLIGATION	BALANCE JULY 1, 2005	REDUCTIONS	BALANCE JUNE 30, 2006
Bond Anticipation Notes:			
Burritt Project	$ 37,500	$ 37,500	$ -
Kruger Property	17,050	17,050	-
Land Purchases	20,313	20,313	-
Church Hill Bridge	13,922	13,922	-
Total - Interest rate 1.89% matured August 11, 2005	$ 88,785	$ 88,785	$ -

On November 8, 2006, the Town issued $2,160,000 of bond anticipation notes. These bond anticipation notes bear interest at 3.875%, mature on July 31, 2007, and are for road and school improvements.

III. DETAILED NOTES (CONTINUED)

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, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006	CURRENT PORTION
BONDS/NOTES:									
General Purpose:									
Improvement bond	$ 285,000	04/15/91	04/15/11	5.4%-7.25%	$ 80,250	$	$ 15,750	$ 64,500	$ 15,750
Improvement bond	8,345,000	10/15/99	10/15/19	4.75%-6.5%	6,255,000		417,000	5,838,000	417,000
Improvement bond	5,000,000	08/01/05	08/01/20	3.25%-5.25%	1,361,215	3,638,785		5,000,000	310,000
Total General Purpose					7,696,465	3,638,785	432,750	10,902,500	742,750
Schools:									
Improvement bond	3,975,000	04/15/91	04/15/11	5.4%-7.25%	1,254,750		209,250	1,045,500	209,250
Improvement bond	4,755,000	10/15/99	10/15/19	4.75%-6.5%	3,545,000		243,000	3,302,000	243,000
Total Schools					4,799,750	-	452,250	4,347,500	452,250
Sewer:									
Clean water note...	1,293,905	10/01/96	04/01/16	2%	757,381		63,247	694,134	64,524
TOTAL BONDS/NOTES					13,253,596	3,638,785	948,247	15,944,134	1,259,524
COMPENSATED ABSENCES.....					22,065	298,783	186,360	134,488	26,898
EARLY RETIREMENT INCENTIVE.....					47,000		23,500	23,500	23,500
LANDFILL CLOSURE AND POSTCLOSURE CARE.....					63,000		3,500	59,500	3,500
TOTAL GENERAL LONG-TERM OBLIGATIONS.....					$13,385,661	$3,937,568	$1,161,607	$ 16,161,622	$1,313,422

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

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: FOR PRINCIPAL	TO BE PROVIDED BY STATE: FOR INTEREST	PRINCIPAL: BONDS	PRINCIPAL: CLEAN WATER LOAN	INTEREST: BONDS	INTEREST: CLEAN WATER LOAN
2007	$ 68,888	$ 17,408	$ 1,195,000	$ 64,524	$ 712,303	$ 13,291
2008	68,888	13,917	1,220,000	65,826	652,748	11,991
2009	68,888	10,398	1,220,000	67,155	595,354	10,662
2010	68,888	6,854	1,220,000	68,510	537,017	9,307
2011	64,296	3,308	1,195,000	69,893	478,104	7,924
2012			985,000	71,304	419,275	6,513
2013			985,000	72,743	373,656	5,074
2014			985,000	74,212	327,806	3,606
2015			985,000	75,712	281,178	2,108
2016			985,000	64,255	233,806	591
2017			985,000		185,819	
2018			985,000		137,087	
2019			985,000		87,938	
2020			985,000		38,381	
2021			335,000		6,700	
	$ 339,848	$ 51,885	$15,250,000	$ 694,134	$ 5,067,172	$ 71,067

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III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

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, 2006, which matures through 2025, amounted to $27,150,000. The related school building grant amounts due from the State of Connecticut were $57,954 and $2,345, respectively, for principal and interest. The Town's share of the debt, net of the related grant, was $15,239,276.

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	$ 77,233,030	$ 12,574,363	$ 64,658,667
Schools	154,466,060	19,246,928	135,219,132
Sewers	128,721,716		128,721,716
Urban renewal	111,558,821		111,558,821
Pension deficit	102,977,373		102,977,373

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, $240,280,537.

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 $339,848 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 17 years at $3,500 per year are $59,500. 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. Termination Benefits

The Board provides early retirement incentive benefits to one retiree. Benefits are paid annually based on the retirement agreement for the retiree. Benefits are payable through 2007 and are paid from general fund appropriations ($23,500).

5. Authorized/Unissued Bonds

The amount of authorized/unissued bonds for general purposes is $1,761,215.

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 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.

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

	CLAIMS PAYABLE JULY 1	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES	CLAIMS PAYMENTS	CLAIMS PAYABLE JUNE 30
2004-2005	$ 177,615	$ 2,139,567	$ 2,129,346	$ 187,836
2005-2006	187,836	2,287,288	2,233,523	241,601

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.

IV. OTHER INFORMATION (CONTINUED)

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 5 years of continuous service. Members who retire after age 55 with 5 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, 2004, 2005 and 2006 were $217,084, $297,940, and $367,670, respectively.

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 $19,583 for the year ended June 30, 2006.

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.

IV. OTHER INFORMATION (CONTINUED)

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 $729,914.

F. Restatements

The beginning net assets for governmental and business-type activities were restated as follows:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Net Assets, June 30, 2005, as previously reported	$ 27,825,359	$ 2,828,999
To write off interfund account	(19,835)	19,835
To record capital assets not recorded in prior year	162,547	
To remove capital assets recorded in error	(66,212)	
To write off liability account	679,007	
Net Assets, July 1, 2005, as restated	$ 28,580,866	$ 2,848,834

The beginning fund balances of the general fund and other governmental funds (bond fund, community center and reserve fund for CNRE) were restated as follows:

	GENERAL FUND		
	BUDGETARY BASIS	GAAP BASIS	OTHER GOVERNMENTAL FUNDS
Fund Balance, June 30, 2005, as previously reported	$ 4,533,790	$ 4,585,686	$(389,399)
To write off interfund accounts	(1,038,314)	(1,038,314)	1,018,479
To write off liability account	679,007	679,007	
Fund Balance, July 1, 2005, as restated	$ 4,174,483	$ 4,226,379	$ 629,080

Supplemental Schedules

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.

Run YTD BUDGET
1 detail 4x
5x

SCHEDULE 1

TOWN OF REDDING, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
PROPERTY TAXES:				
Property taxes, current and prior	$ 32,562,544	$ 32,562,544	$ 32,950,213	$ 387,669
Interest and lien fees	102,000	102,000	120,873	18,873
Telephone access line	76,586	76,586	51,736	(24,850)
TOTAL PROPERTY TAXES	32,741,130	32,741,130	33,122,822	381,692
INTERGOVERNMENTAL:				
EDUCATIONAL ASSISTANCE GRANTS:				
ECS grant	345,556	345,556	351,265	5,709
School bond interest	89,760	89,760	89,760	-
Adult education	119	119		(119)
Regional School District No. 9	115,185	115,185	146,082	30,897
TOTAL EDUCATIONAL ASSISTANCE GRANTS	550,620	550,620	587,107	36,487
TOWN ASSISTANCE GRANTS:				
In lieu of taxes - State property	147,683	147,683	158,584	10,901
In lieu of taxes - business inventory	4,490	4,490	3,938	(552)
Local property tax relief (freeze)	6,000	6,000	6,000	-
Tax relief circuit breaker	20,625	20,625		(20,625)
Local capital improvements	69,054	69,054		(69,054)
Mashantucket Pequot grant	30,354	30,354	22,631	(7,723)
Disability exemption	265	265	250	(15)
Veterans' exemption	397	397	448	51
CAMA Grant			18,405	18,405
Safe boating	2,972	2,972	2,972	-
Judicial fines			441	441
TOTAL TOWN ASSISTANCE GRANTS	281,840	281,840	213,669	(68,171)
TOTAL INTERGOVERNMENTAL	832,460	832,460	800,776	(31,684)
INVESTMENT INCOME	125,000	125,000	533,332	408,332
CHARGES FOR SERVICES:				
Building inspection fees and permits	300,000	300,000	387,311	87,311
Transfer station	163,670	163,670	150,245	(13,425)
Fiber optics	47,706	47,706	36,414	(11,292)
Service charges:				
Town clerk	366,000	366,000	622,331	256,331
Planning commission	6,120	6,120	6,343	223
ZBA	1,700	1,700	3,500	1,800
Zoning commission	60,000	60,000	108,853	48,853
Rental of Town-owned properties	4,500	4,500	24,030	19,530
Sanitarian	20,000	20,000	17,475	(2,525)
Parks and recreation	649,185	649,185	619,132	(30,053)
Police	500	500		(500)
Conservation commission	4,000	4,000	8,047	4,047
Commission for the elderly	20,700	20,700	15,354	(5,346)
Unclassified revenue	3,000	3,000	15,466	12,466
TOTAL CHARGES FOR SERVICES	1,647,081	1,647,081	2,014,501	367,420
TOTAL REVENUES	35,345,671	35,345,671	36,471,431	1,125,760
OTHER FINANCING SOURCES:				
Appropriation of fund balance	1,300,000	1,850,000		(1,850,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 36,645,671	$ 37,195,671	$ 36,471,431	$ (724,240)

TOWN OF REDDING, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	TRANSFERS AND ADDITIONAL APPROPRIATIONS	FINAL BUDGET	EXPENDITURES	VARIANCE WITH FINAL BUDGET
GENERAL GOVERNMENT:					
Town meetings	$ 3,300	$	$ 3,300	$ 3,284	$ 16
Board of selectmen	122,214	6,317	128,531	127,984	547
Probate court	2,800		2,800	2,701	99
Registrar's office	34,350	1,250	35,600	23,410	12,190
Controller's office	166,106	5,683	171,789	171,572	217
Independent audit	39,100		39,100	34,543	4,557
Assessor's office	124,681	3,372	128,053	127,929	124
Board of assessment appeals	1,075		1,075	1,031	44
Tax collector	117,504	8,534	126,038	112,984	13,054
Town treasurer	29,040	381	29,421	28,989	432
Computer capability	32,117		32,117	31,791	326
Management services	29,000		29,000	29,000	-
Town counsel	12,000		12,000	12,000	-
Special legal	175,000	32,044	207,044	207,044	-
Town clerk	120,120	4,645	124,765	112,277	12,488
Vital statistics	500		500	487	13
Annual Town report	6,000		6,000	6,000	-
Board of ethics	500		500	10	490
Conservation	41,582		41,582	28,847	12,735
Commission for the elderly	111,294	2,216	113,510	117,381	(3,871)
Municipal agent for the elderly	11,412	417	11,829	10,765	1,064
Heritage center senior bus	10,000	792	10,792	8,012	2,780
Town planning commission	38,695		38,695	44,797	(6,102)
Housatonic valley council of elected officials	10,558		10,558	10,558	-
Zoning commission	65,162	1,682	66,844	58,008	8,836
Zoning board of appeals	3,500		3,500	2,769	731
Council of small towns	825		825	825	-
Land use services	105,325	4,128	109,453	102,189	7,264
Office of tree warden	1,865		1,865	1,100	765
Town office building	60,080		60,080	60,051	29
Old town house	6,921		6,921	6,725	196
Town office building annex	12,695		12,695	11,553	1,142
Community center	246,179	3,109	249,288	247,843	1,445
Police headquarters/communication center	22,300		22,300	23,003	(703)
Senior center/heritage house	6,000		6,000	6,000	-
Leases	2,000		2,000	1,400	600
Administrative services	69,720		69,720	60,821	8,899
Memorial day observance	600		600	490	110
Cemeteries	10,776		10,776	6,810	3,966
Insurance	133,400		133,400	128,761	4,639
Miscellaneous	17,500		17,500	13,487	4,013
Agencies Serving Residents	5,000		5,000	5,000	-
Provision for contingencies	150,000	(118,983)	31,017	31,018	(1)
TOTAL GENERAL GOVERNMENT	2,158,796	(44,413)	2,114,383	2,021,249	93,134
PUBLIC SAFETY:					
Police department	1,194,449	7,997	1,202,446	1,198,522	3,924
Volunteer fire companies	55,500		55,500	51,870	3,630
Building inspection	153,313	17,536	170,849	169,509	1,340
Civil preparedness	700		700	306	394
Communications Center	178,783	3,114	181,897	183,711	(1,814)
Dog license	53,000		53,000	47,665	5,335
TOTAL PUBLIC SAFETY	1,635,745	28,647	1,664,392	1,651,583	12,809

(Continued)

TOWN OF REDDING, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - 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	$ 674,859	$ 34,261	$ 709,120	$ 698,089	$ 11,031
General maintenance and repair	114,130		114,130	126,618	(12,488)
Snow removal and ice control	152,100	67,889	219,989	225,487	(5,498)
Equipment maintenance and repair	110,000		110,000	99,928	10,072
Town garage buildings	28,650		28,650	30,844	(2,194)
TOTAL HIGHWAY AND STREETS	1,079,739	102,150	1,181,889	1,180,966	923
TRANSFER STATION AND RECYCLING:					
Salaries	161,123	6,129	167,252	163,599	3,653
General maintenance	116,705		116,705	112,283	4,422
Equipment maintenance	9,053		9,053	9,835	(782)
TOTAL TRANSFER STATION AND RECYCLING	286,881	6,129	293,010	285,717	7,293
HEALTH AND SOCIAL SERVICES:					
Conservation of Health	7,443		7,443	6,055	1,388
Sanitarian inspection	79,660	2,102	81,762	70,029	11,733
Social services	26,453	775	27,228	27,150	78
TOTAL HEALTH AND SOCIAL SERVICES	113,556	2,877	116,433	103,234	13,199
MARK TWAIN LIBRARY:					
Operations	271,759		271,759	271,259	500
PARKS AND RECREATION:					
Field maintenance	73,611		73,611	72,569	1,042
Administration	157,648	7,216	164,864	158,404	6,460
Summer camp	179,857		179,857	155,419	24,438
Recreation programs	203,500		203,500	208,018	(4,518)
Topstone park	71,807		71,807	64,383	7,424
Tennis courts	6,675		6,675	4,451	2,224
Extended day service	120,095	3,208	123,303	115,718	7,585
TOTAL PARKS AND RECREATION	813,193	10,424	823,617	778,962	44,655
EMPLOYEE BENEFITS	1,786,596	15,334	1,801,930	1,758,413	43,517
CAPITAL OUTLAY:					
Selectmen's general maintenance	8,000		8,000	7,998	2
Departmental requests	423,894		423,894	422,546	1,348
TOTAL CAPITAL OUTLAY	431,894	-	431,894	430,544	1,350

(Continued)

encumbrance or A/P

YTD Expend Encumbrance Budget Report

SCHEDULE 2
(3 of 3)

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

	ORIGINAL BUDGET	TRANSFERS AND ADDITIONAL APPROPRIATIONS	FINAL BUDGET	EXPENDITURES	VARIANCE WITH FINAL BUDGET
DEBT SERVICE:					
Debt retirement	$ 1,326,996	$ (121,148)	$ 1,205,848	$ 948,247	$ 257,601
Interest payments	639,906		639,906	706,742	(66,836)
TOTAL DEBT SERVICE	1,966,902	(121,148)	1,845,754	1,654,989	190,765
TOTAL TOWN EXPENDITURES	10,545,061	-	10,545,061	10,136,916	408,145
EDUCATION:					
Redding Board of Education:					
General instruction	8,436,187	(69,692)	8,366,495	8,374,956	(8,461)
Kindergarten	15,852		15,852	15,517	335
Humanities	64,795		64,795	59,462	5,333
Integrated language arts	50,347		50,347	44,836	5,511
Curriculum	59,934		59,934	42,460	17,474
Industrial technology	4,741		4,741	5,013	(272)
Science/math technology	49,479		49,479	43,421	6,058
Physcial education/health	18,728		18,728	13,280	5,448
Student activity co-curricular	28,275	2,500	30,775	31,765	(990)
Special services	24,735		24,735	20,792	3,943
Student activity summer school	1,454		1,454	1,350	104
Special education	3,335,681	(11,804)	3,323,877	3,233,500	90,377
Guidance	2,238		2,238	2,444	(206)
Health services	204,828		204,828	184,268	20,560
Psychological services	20,200		20,200	17,344	2,856
Speech services	23,050	24,804	47,854	49,839	(1,985)
Educational media services	76,114	(5,185)	70,929	70,291	638
Technology plan	256,368	2,685	259,053	219,034	40,019
Board of education	95,324		95,324	94,298	1,026
Central administration	411,286		411,286	409,432	1,854
School administration	1,038,438	(5,330)	1,033,108	997,539	35,569
Operation/maintenance physical plant	1,613,539	62,022	1,675,561	1,785,238	(109,677)
Student transportation	813,398		813,398	930,278	(116,880)
Food service	3,300		3,300	1,934	1,366
Total Redding Board of Education	16,648,291	-	16,648,291	16,648,291	-
Regional School District No. 9	9,292,319		9,292,319	9,162,509	129,810
TOTAL EDUCATION	25,940,610	-	25,940,610	25,810,800	129,810
TOTAL EXPENDITURES	36,485,671	-	36,485,671	35,947,716	537,955
OTHER FINANCING USES:					
Transfers out:					
Community center			-	93,630	(93,630)
Reserve fund for CNRE	160,000		160,000	160,000	-
Water wells and oil tanks		550,000	550,000	550,000	-
TOTAL OTHER FINANCING USES	160,000	550,000	710,000	803,630	(93,630)
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 36,645,671	$ 550,000	$ 37,195,671	$ 36,751,346	$ 444,325

(Concluded)

SCHEDULE 3

TOWN OF REDDING, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2006

GRAND LIST YEAR	UNCOLLECTED TAXES JULY 1, 2005	CURRENT YEAR LEVY	LAWFUL CORRECTIONS ADDITIONS	LAWFUL CORRECTIONS DEDUCTIONS	TRANSFERS TO SUSPENSE	ADJUSTED TAXES COLLECTIBLE	COLLECTIONS TAXES	COLLECTIONS INTEREST AND LIEN FEES	COLLECTIONS TOTAL	UNCOLLECTED TAXES JUNE 30, 2006
1989	$ 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	20,415					20,415			-	20,415
1994	11,081					11,081			-	11,081
1995	6,607					6,607	1,481	497	1,978	5,126
1996	8,641					8,641	1,035		1,035	7,606
1997	6,046					6,046			-	6,046
1998	2,604					2,604			-	2,604
1999	3,922					3,922			-	3,922
2000	9,159					9,159			-	9,159
2001	14,708					14,708	650	368	1,018	14,058
2002	81,953		84,692	41,872	17,561	107,212	82,494	16,723	99,217	24,718
2003	311,576	-	129,832	64,625	-	376,783	271,661	26,229	297,890	105,122
TOTAL PRIOR YEARS	576,573	-	214,524	133,597	17,561	639,939	357,321	43,817	401,138	282,618
2004		32,731,800	236,539	143,820		32,824,519	32,555,387	67,178	32,622,565	269,132
TOTAL	$ 576,573	$ 32,731,800	$ 451,063	$ 277,417	$ 17,561	$ 33,464,458	32,912,708	110,995	33,023,703	$ 551,750
Suspense collections							6,548	8,450	14,998	
TOTAL COLLECTIONS							$ 32,919,256	$ 119,445	$ 33,038,701	

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, 2006

	SPECIAL REVENUE FUNDS						
	TOWN AID ROAD	POLICE FUND	DOG FUND	FEDERAL EDUCATION GRANTS	PARKING PERMITS/LOT FUND	RECYCLING	SEWER ASSESSMENTS
ASSETS							
Cash	$ 74,056	$ 20,692	$ 25,934	$ 69,783	$ 598	$	$ 124,630
Receivables:							
Sewer assessments							408,197
Due from other funds			1,660				
TOTAL ASSETS	$ 74,056	$ 20,692	$ 27,594	$ 69,783	$ 598	$ -	$ 532,827
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$	$	$	$ 14,300	$ 24	$ 7,200	$
Accrued liabilities				45,236			
Due to other funds						3,834	
Unearned revenue				3,486			408,197
TOTAL LIABILITIES	-	-	-	63,022	24	11,034	408,197
FUND BALANCES:							
Unreserved and undesignated	74,056	20,692	27,594	6,761	574	(11,034)	124,630
TOTAL LIABILITIES AND FUND BALANCES	$ 74,056	$ 20,692	$ 27,594	$ 69,783	$ 598	$ -	$ 532,827

(Continued)

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

	SPECIAL REVENUE FUNDS						
	PARKS AND RECREATION CONCERTS	PARKS AND RECREATION BASKETBALL	SENIOR CENTER ESCROW	BENEDICTINE GRANGE	CANINE CONTROL	PLANNING COMMISSION	ADOPT - A - ROAD
ASSETS							
Cash	$ 3,832	$ 305	$ 3,322	$ 850	$ 183	$ 1,690	$ 279
Due from other funds		3,834					
TOTAL ASSETS	$ 3,832	$ 4,139	$ 3,322	$ 850	$ 183	$ 1,690	$ 279
FUND BALANCES							
FUND BALANCES:							
Unreserved and undesignated	$ 3,832	$ 4,139	$ 3,322	$ 850	$ 183	$ 1,690	$ 279

(Continued)

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

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS			
	PARADE PATH	SMALL CITIES	TOTAL	CAPITAL PROJECTS - SCHOOLS	RESERVE FUND FOR CNRE	GEORGETOWN STEAP	WATER WELLS AND OIL TANKS
ASSETS							
Cash	$ 835	$ 20	$ 327,009	$ 8,232	$ 217,722	$	$ 17,619
Investments			-	32,777	185,581	38,676	
Receivables:							
Sewer assessments			408,197				
Intergovernmental		1,489	1,489				
Due from other funds		4,999	10,493				500,000
TOTAL ASSETS	$ 835	$ 6,508	$ 747,188	$ 41,009	$ 403,303	$ 38,676	$ 517,619
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$	$ 6,488	$ 28,012	$	$	$	$
Accrued liabilities			45,236				
Due to other funds		20	3,854				
Unearned revenue			411,683			38,676	
TOTAL LIABILITIES	-	6,508	488,785	-	-	38,676	-
FUND BALANCES:							
Unreserved and undesignated	835		258,403	41,009	403,303		517,619
TOTAL LIABILITIES AND FUND BALANCES	$ 835	$ 6,508	$ 747,188	$ 41,009	$ 403,303	$ 38,676	$ 517,619

(Continued)

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

	CAPITAL PROJECTS				PERMANENT FUNDS			
	BOND FUND	COMMUNITY CENTER	ROAD RECONSTRUCTION	TOTAL	PERMANENT SCHOOL	CEMETERY FUNDS	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS								
Cash	$ 260,433	$ 221,370	$	$ 725,376	$ 648	$ 2,603	$ 3,251	$ 1,055,636
Investments	105,849			362,883			-	362,883
Receivables:								
Sewer assessments				-			-	408,197
Intergovernmental		117,000		117,000			-	118,489
Due from other funds			813,785	1,313,785			-	1,324,278
TOTAL ASSETS	$ 366,282	$ 338,370	$ 813,785	$ 2,519,044	$ 648	$ 2,603	$ 3,251	$ 3,269,483
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Bank overdraft	$	$	$ 555,391	$ 555,391	$	$	$ -	$ 555,391
Accounts payable		117,000	9,600	126,600			-	154,612
Accrued liabilities				-			-	45,236
Due to other funds	329,603	221,370	8,616	559,589			-	563,443
Unearned revenue	36,679			75,355			-	487,038
TOTAL LIABILITIES	366,282	338,370	573,607	1,316,935	-	-	-	1,805,720
FUND BALANCES:								
Reserved for endowments				-	400	1,700	2,100	2,100
Unreserved and undesignated			240,178	1,202,109	248	903	1,151	1,461,663
TOTAL FUND BALANCES	-	-	240,178	1,202,109	648	2,603	3,251	1,463,763
TOTAL LIABILITIES AND FUND BALANCES	$ 366,282	$ 338,370	$ 813,785	$ 2,519,044	$ 648	$ 2,603	$ 3,251	$ 3,269,483

(Concluded)

TOWN OF REDDING, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS							
	TOWN AID ROAD	POLICE FUND	DOG FUND	FEDERAL EDUCATION GRANTS	PARKING PERMITS/LOT FUND	RECYCLING	SEWER ASSESSMENTS	MISCELLANEOUS GRANTS FUND
REVENUES:								
Intergovernmental	$ 118,669	$	$	$ 417,515	$	$	$	$ 173,325
Investment income				473				
Charges for services		11,126	14,595		21,234	200	57,834	
Contributions				344				
TOTAL REVENUES	118,669	11,126	14,595	418,332	21,234	200	57,834	173,325
EXPENDITURES:								
Current:								
General government						58,455		7,000
Public safety		4,529	12,957					40,733
Highways and streets	47,165				21,720			121,392
Health and social services							123,281	4,200
Education				422,062				
TOTAL EXPENDITURES	47,165	4,529	12,957	422,062	21,720	58,455	123,281	173,325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	71,504	6,597	1,638	(3,730)	(486)	(58,255)	(65,447)	-
FUND BALANCES - JULY 1, 2005	2,552	14,095	25,956	10,491	1,060	47,221	190,077	
FUND BALANCES - JUNE 30, 2006	$ 74,056	$ 20,692	$ 27,594	$ 6,761	$ 574	$ (11,034)	$ 124,630	$ -

(Continued)

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

	SPECIAL REVENUE FUNDS						
	PARKS AND RECREATION CONCERTS	PARKS AND RECREATION BASKETBALL	SENIOR CENTER ESCROW	BENEDICTINE GRANGE	CANINE CONTROL	PLANNING COMMISSION	ADOPT - A - ROAD
REVENUES:							
Charges for services	$ 8,350	$ 1,850	$	$	$	$ 44	$
EXPENDITURES:							
Current:							
Health and social services			23,592				
Parks and recreation	12,914	250					
TOTAL EXPENDITURES	12,914	250	23,592	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,564)	1,600	(23,592)	-	-	44	-
FUND BALANCES - JULY 1, 2005	8,396	2,539	26,914	850	183	1,646	279
FUND BALANCES - JUNE 30, 2006	$ 3,832	$ 4,139	$ 3,322	$ 850	$ 183	$ 1,690	$ 279

(Continued)

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

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS			
	PARADE PATH	SMALL CITIES	TOTAL	CAPITAL PROJECTS - SCHOOLS	RESERVE FUND FOR CNRE	GEORGETOWN STEAP	WATER WELLS AND OIL TANKS
REVENUES:							
Intergovernmental	$	$ 6,488	$ 715,997	$	$ 43,200	$ 18,455	$
Investment income			473	1,375	61,414		
Charges for services	7,603		122,836				
Contributions			344				25
TOTAL REVENUES	7,603	6,488	839,650	1,375	104,614	18,455	25
EXPENDITURES:							
Current:							
General government		6,488	71,943				
Public safety			58,219				
Highways and streets			190,277				
Health and social services			151,073				
Parks and recreation	6,231		19,395				
Education			422,062				
Capital outlay			-	390	209,742	18,455	32,406
TOTAL EXPENDITURES	6,231	6,488	912,969	390	209,742	18,455	32,406
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,372	-	(73,319)	985	(105,128)	-	(32,381)
OTHER FINANCING SOURCES:							
Transfers in			-		160,000		550,000
NET CHANGE IN FUND BALANCES	1,372	-	(73,319)	985	54,872	-	517,619
FUND BALANCES - JULY 1, 2005 (AS RESTATED)	(537)		331,722	40,024	348,431		
FUND BALANCES - JUNE 30, 2006	$ 835	$ -	$ 258,403	$ 41,009	$ 403,303	$ -	$ 517,619

(Continued)

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

	CAPITAL PROJECTS				PERMANENT FUNDS			
	BOND FUND	COMMUNITY CENTER	ROAD RECONSTRUCTION	TOTAL	PERMANENT SCHOOL	CEMETERY FUNDS	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:								
Intergovernmental	$	$ 327,146	$	$ 388,801	$	$	$ -	$ 1,104,798
Investment income	4,003			66,792			-	67,265
Charges for services				-			-	122,836
Contributions			25	50			-	394
TOTAL REVENUES	4,003	327,146	25	455,643	-	-	-	1,295,293
EXPENDITURES:								
Current:								
General government				-	3	29	32	71,975
Public safety				-			-	58,219
Highways and streets				-			-	190,277
Health and social services				-			-	151,073
Parks and recreation				-			-	19,395
Education			3,437,289	-			-	422,062
Capital outlay		314,818	~~3,398,632~~	3,974,443			-	3,974,443
Debt service	15,581			15,581			-	15,581
TOTAL EXPENDITURES	15,581	314,818	~~3,398,632~~	3,990,024	3	29	32	4,903,025
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,578)	12,328	3,437,204 ~~(3,398,607)~~	(3,534,381)	(3)	(29)	(32)	(3,607,732)
OTHER FINANCING SOURCES:								
Issuance of debt			3,638,785	3,638,785			-	3,638,785
Transfers in		93,630		803,630			-	803,630
TOTAL OTHER FINANCING SOURCES	-	93,630	3,638,785	4,442,415	-	-	-	4,442,415
NET CHANGE IN FUND BALANCES	(11,578)	105,958	~~240,178~~	908,034	(3)	(29)	(32)	834,683
FUND BALANCES - JULY 1, 2005 (AS RESTATED)	11,578	(105,958)		294,075	651	2,632	3,283	629,080
FUND BALANCES - JUNE 30, 2006	$ -	$ -	$ ~~240,178~~	$ 1,202,109	$ 648	$ 2,603	$ 3,251	$ 1,463,763

(Concluded)

201,521

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).

SCHEDULE 6

TOWN OF REDDING, CONNECTICUT

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
ASSETS				
CASH:				
Redding Elementary School.....	$ 1,317	$ 35,360	$ 34,390	$ 2,287
John Read Middle School.....	62,574	160,794	168,348	55,020
TOTAL ASSETS.....	$ 63,891	$ 196,154	$ 202,738	$ 57,307
LIABILITIES				
ACCOUNTS PAYABLE:				
Redding Elementary School.....	$ 1,317	$ 35,360	$ 34,390	$ 2,287
John Read Middle School.....	62,574	160,794	168,348	55,020
TOTAL LIABILITIES.....	$ 63,891	$ 196,154	$ 202,738	$ 57,307

Trend Information

TABLE 1

TOWN OF REDDING, CONNECTICUT

NET ASSETS BY COMPONENT
LAST FOUR YEARS
(UNAUDITED)

	FISCAL YEAR			
	2006	2005 (AS RESTATED)	2004	2003
Governmental activities:				
Invested in capital assets, net of related debt.....	$ 19,676,685	$ 21,979,461	$ 22,470,851	$ 19,629,650
Restricted for:				
Perpetual care:				
Nonexpendable.....	2,100	2,100	2,100	2,100
Expendable.....	1,151	1,183	1,310	1,479
Other.....		51,896		
Unrestricted.....	6,885,957	6,593,900	4,309,326	6,788,883
Total Governmental activities net assets.....	26,565,893	28,628,540	26,783,587	26,422,112
Business-type activities:				
Invested in capital assets, net of related debt.....	2,689,199	2,795,673	2,902,147	3,008,621
Unrestricted.....	64,890	53,161	8,208	(8,578)
Total Business-type activities net assets.....	2,754,089	2,848,834	2,910,355	3,000,043
Total Net Assets:				
Invested in capital assets, net of related debt.....	22,365,884	24,775,134	25,372,998	22,638,271
Restricted for:				
Perpetual care:				
Nonexpendable.....	2,100	2,100	2,100	2,100
Expendable.....	1,151	1,183	1,310	1,479
Other.....		51,896		
Unrestricted.....	6,950,847	6,647,061	4,317,534	6,780,305
Total Net Assets.....	$ 29,319,982	$ 31,477,374	$ 29,693,942	$ 29,422,155

TABLE 2
(1 of 2)

TOWN OF REDDING, CONNECTICUT

CHANGES IN NET ASSETS
LAST FOUR YEARS
(UNAUDITED)

	FISCAL YEAR			
	2006	2005	2004	2003
Expenses:				
Governmental activities:				
General government	$ 2,773,393	$ 2,413,890	$ 2,348,239	$ 2,347,490
Public safety	2,364,044	2,032,218	1,856,976	1,879,795
Highway and streets	5,180,336	1,944,364	2,129,015	2,030,518
Transfer station and recycling	358,460	374,637	308,892	316,036
Health and social services	296,790	133,738	143,008	138,667
Library	271,259	254,132	240,140	240,140
Parks and recreation	1,301,057	907,467	778,961	717,546
Education	27,087,906	25,432,395	23,511,269	23,428,533
Interest expense	759,285	653,503	696,968	782,147
Total Governmental activities expenses	40,392,530	34,146,344	32,013,468	31,880,872
Business-type activities:				
Georgetown sewer fund	308,673	267,626	236,122	227,874
Total expenses	40,701,203	34,413,970	32,249,590	32,108,746
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	803,968	585,479	705,316	489,360
Public safety	449,446	315,438	360,564	363,951
Highway and streets	31,917	29,320	94,656	37,858
Transfer station and recycling	150,445	202,543	149,110	141,724
Health and social services	17,475	20,625	22,000	18,356
Parks and recreation	636,935	618,478	578,205	540,591
Education		3,935		11,735
Operating grants and contributions	1,962,498	1,508,003	1,309,272	1,085,977
Capital grants and contributions	388,801	77,080	36,969	737,747
Total governmental activities program revenues	4,441,485	3,360,901	3,256,092	3,427,299
Business-type activities:				
Charges for services:				
Georgetown sewer fund	213,928	186,270	146,434	140,913
Total Program revenues	4,655,413	3,547,171	3,402,526	3,568,212
Net Expense:				
Governmental activities	(35,951,045)	(30,785,443)	(28,757,376)	(28,453,573)
Business-type activities	(94,745)	(81,356)	(89,688)	(86,961)
Total Net Expense	(36,045,790)	(30,866,799)	(28,847,064)	(28,540,534)

(Continued)

TABLE 2
(2 of 2)

TOWN OF REDDING, CONNECTICUT

CHANGES IN NET ASSETS
LAST FOUR YEARS
(UNAUDITED)

	FISCAL YEAR			
	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Property taxes	$ 33,138,146	$ 31,417,043	$ 28,884,869	$ 28,359,105
Grants and contributions not restricted to specific programs	194,823	182,796	143,492	168,951
Investment income	603,103	227,376	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	33,936,072	31,827,215	29,118,851	28,729,880
Change in Net Assets:				
Governmental activities	(2,014,973)	1,041,772	361,475	276,307
Business-type activities	(94,745)	(81,356)	(89,688)	(86,961)
Total Change in Net Assets	$ (2,109,718)	$ 960,416	$ 271,787	$ 189,346

(Concluded)

TABLE 3

TOWN OF REDDING, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
JUNE 30, 2006

TOTAL TAX COLLECTIONS (including interest and lien fees) for the year ended June 30, 2006:

Town of Redding	$ 33,038,701
Fire District	1,281,090
REIMBURSEMENT FOR REVENUE LOSS:	
Tax relief for elderly freeze	6,000
BASE FOR DEBT LIMITATION COMPUTATION	$ 34,325,791

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
DEBT LIMITATION:					
2 1/4 times base	$ 77,233,030	$	$	$	$
4 1/2 times base		154,466,060			
3 3/4 times base			128,721,716		
3 1/4 times base				111,558,821	
3 times base					102,977,373
TOTAL DEBT LIMITATION	77,233,030	154,466,060	128,721,716	111,558,821	102,977,373
INDEBTEDNESS:					
Bonds payable	10,902,500	4,347,500			
Fire District bonds	477,319				
Georgetown Special District	1,194,544				
School building grants		(339,848)			
Redding's portion of Regional School District No. 9 bonds, net of school building grants		15,239,276			
NET INDEBTEDNESS (1)	12,574,363	19,246,928	-	-	-
DEBT LIMITATION IN EXCESS OF INDEBTEDNESS	$ 64,658,667	$ 135,219,132	$ 128,721,716	$ 111,558,821	$ 102,977,373

(775K + 420K s/t 3rd party)

(1) The total of the above net indebtedness amounts to: $ 31,821,291

In no event shall total indebtedness exceed seven times the base for debt limitation computation: $ 240,280,537

glen nanavaty
CPA for GSTD
426.8500
AUDITOR
gnanavaty@nanavaty.com
2007
(s/t 775 + 420 3rd Party)
14,450 gen ob bonds
5.0 s/t loan

Federal Single Audit

TOWN OF REDDING, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE PROJECT NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/Small Cities Program	14.219		$ 6,488
U.S. DEPARTMENT OF JUSTICE:			
Passed through State Office of Policy and Management:			
Local Law Enforcement Block Grants Program	16.592		2,500
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through State Department of Transportation:			
Transportation:			
Highway Planning and Construction	20.205		24,241
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		7,676
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			31,917
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Passed through State Department of Environmental Protection:			
Nonpoint Source Implementation Grants	66.460		38,965
U.S. DEPARTMENT OF EDUCATION:			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	12060-20679-2005-82070-170002	32,068
Title I Grants to Local Educational Agencies	84.010	12060-20679-2006-82070-170002	6,514
Special Education - Grants to States	84.027	12060-20977-2005-82032-170002	224,408
Special Education - Preschool Grants	84.173	12060-20983-2005-82032-170002	8,898
Special Education - Preschool Grants	84.173	12060-20983-2006-82032-170002	14
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060-20873-2005-84131-170002	4,125
State Grants for Innovative Programs	84.298	12060-20909-2005-84131-170002	2,249
Education Technology State Grants	84.318	12060-20826-2005-82079-170002	924
Improving Teacher Quality State Grants	84.367	12060-20858-2005-84131-170002	21,284
TOTAL U.S. DEPARTMENT OF EDUCATION			300,484
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through State Department of Emergency and Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		52,125
Homeland Security Grant Program	97.067		73,757
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			125,882
TOTAL FEDERAL AWARDS			$ 506,236

See notes to Schedule of Expenditures of Federal Awards

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

SIGNIFICANT ACCOUNTING POLICY

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. The following is the significant policy relating to Federal awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Noncash Federal Awards

The Town received and expended $43,200 of public safety equipment under the Federal Homeland Security Grant Program.

TOWN OF REDDING, CONNECTICUT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Summary Schedule of Prior Year Audit Findings:

There were no prior year audit findings or questioned costs.

TOWN OF REDDING, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? x yes ____ no
Reportable condition(s) identified that are not considered to be material weaknesses? ____ yes x no

Noncompliance material to financial statements noted? ____ yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified x yes ____ no
Reportable condition(s) identified that are not considered to be material weakness(es)? ____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ____ yes x no

Identification of major programs:

CFDA NUMBER	NAME OF FEDERAL PROGRAM
84.027/84.173	Special Education Cluster
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? ____ yes x no

TOWN OF REDDING, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

II - FINANCIAL STATEMENT FINDINGS

06-1 General Ledger Maintenance

Condition:
Certain journal entries, cash receipts, and cash disbursements were not posted in the general ledger, as they occurred and in some cases, the activity was not included in the general ledger submitted for audit.

Criteria:
Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Effect:
Cash balances, other general ledger accounts (receivables and liabilities) as well as revenues and expenditures were not accurate at year-end, and required adjustments to agree to supporting records.

Recommendation:
We recommend that all activity be recorded in the general ledger as it occurs.

III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDITOF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCEWITH 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, 2006, and have issued our report thereon dated December 22, 2006. 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. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter dated December 22, 2006.

Members of:
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An Equal Opportunity Employer

KOSTIN, RUFFKESS & COMPANY, LLC

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, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Kostin, Ruffkess & Company, LLC

Farmington, Connecticut
December 22, 2006

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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 U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 federal 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 its major federal programs for the year ended June 30, 2006.

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 federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal 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 OMB Circular A-133.

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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 federal 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 Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Kostin, Ruffkess & Company, LLC

Farmington, Connecticut
December 22, 2006

State Single Audit

TOWN OF REDDING, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM CORE CT NUMBER	STATE PROJECT NUMBER	EXPENDITURES
OFFICE OF POLICY AND MANAGEMENT:			
Property Tax Relief for Totally Disabled Homeowners	11000-OPM20600-17011		$ 250
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018		18,405
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021		6,000
Property Tax Relief for Veterans	11000-OPM20600-17024		448
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031		3,938
Local Capital Improvement Program	12050-OPM20600-40254		327,146
STATE DEPARTMENT OF EDUCATION:			
Adult Education	11000-SDE64000-17030	11000-17030-2006-84003-170013	245
STATE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:			
Small Town Economic Assistance Program (STEAP)	12052-ECD46000-42411-075		18,455
STATE DEPARTMENT OF TRANSPORTATION:			
Town Aid Road Grants Transportation Fund	12001-DOT57000-17036		118,669
Local Bridge Program Transportation Fund	21010-DOT57000-42310		6,060
BOARD OF EDUCATION AND SERVICES TO THE BLIND:			
Education of Handicapped Blind Children	11000-ESB65020-12060		9,600
OFFICE OF THE STATE COMPTROLLER:			
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004		158,584
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005		22,631
Boat Grant	12027-OSC15910-40211		2,972
CONNECTICUT STATE LIBRARY:			
Historical Preservation Grant	12060-CSL66091-35150		7,000
STATE DEPARTMENT OF JUSTICE:			
Judicial Fines	39001-JUD95162-40001		441
STATE DEPARTMENT OF PUBLIC HEALTH:			
Local and District Departments of Health	11000-DPH48500-17009		4,200
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS			705,044
EXEMPT PROGRAMS:			
STATE DEPARTMENT OF EDUCATION:			
Public School Transportation	11000-SDE64000-17027	11000-17027-2006-82010-170005	775
Education Cost Sharing	11000-SDE64000-17041	11000-17041-2006-82010-170002	479,727
Special Education: Excess Costs Student Based and Equity	11000-SDE64000-17047	11000-17047-2006-82018	102,577
Special Education: Excess Costs Student Based and Equity	11000-SDE64000-17047	11000-17048-2006-82015	4,855
School Construction Projects - Principal	13010-SDE64000-40901	13010-40901-2006-82003-170001	68,888
School Construction Projects - Interest	13009-SDE64000-40896	13009-40896-2006-82004-170063	20,872
TOTAL EXEMPT PROGRAMS			677,694
TOTAL STATE FINANCIAL ASSISTANCE			$ 1,382,738

See notes to Schedule of Expenditures of State Financial Assistance

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Redding through grants and other authorization in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including Office of Policy and Management, Department of Education, Department of Economic and Community Development, Department of Transportation, Board of Education and Services to the Blind, Office of the State Comptroller, State Library and Department of Justice.

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 4-236-22), 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 Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activity. The following is a summary of the various loan program activity for the year ended June 30, 2006.

DEPARTMENT OF ENVIRONMENTAL PROTECTION:

Clean Water Funds (6865-3100-888):

Issue Date	Interest Rate	Original Amount	Balance July 1, 2005	Retired	Balance June 30, 2006
10/01/96	2%	$ 1,293,905	$ 757,381	$ 63,247	$ 694,134

TOWN OF REDDING, CONNECTICUT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Summary Schedule of Prior Audit Findings

There were no prior year audit findings or questioned costs.

TOWN OF REDDING, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified opinion

Internal control over financial reporting:
- Material weakness(es) identified? x yes ____ no
- Reportable condition(s) identified that are 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? x yes ____ no
- Reportable condition(s) identified that are 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:

State Grantor and Program	State Grant Program Core CT Number	Expenditures
OFFICE OF THE STATE COMPTROLLER:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	$ 158,584
DEPARTMENT OF TRANSPORTATION:		
Town Aid Road Grants Transportation Fund	12001-DOT57000-17036	118,669
OFFICE OF POLICY AND MANAGEMENT:		
Local Capital Improvement Program	12050-OPM20600-40254	327,146

II. FINANCIAL STATEMENT FINDINGS

- We issued report dated December 22, 2006, on internal control over financial reporting and on compliance and other matters 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 one reportable condition.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

06-1 General Ledger Maintenance

Condition:
Certain journal entries, cash receipts, and cash disbursements were not posted in the general ledger, as they occurred and in some cases, the activity was not included in the general ledger submitted for audit.

Criteria:
Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Effect:
Cash balances, other general ledger accounts (receivables and liabilities) as well as revenues and expenditures were not accurate at year-end, and required adjustments to agree to supporting records.

Recommendation:
We recommend that all activity be recorded in the general ledger as it occurs.

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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, 2006, and have issued our report thereon dated December 22, 2006. 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. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

We also 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 December 22, 2006.

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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
December 22, 2006

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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, 2006. The major state programs are identified in the summary of auditors' 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, 2006.

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.

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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 financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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, the State Office of Policy and Management 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
December 22, 2006