

*Financial Statements and
Supplemental Schedules*

Town of Suffield

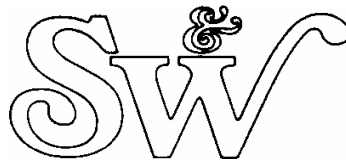
*Year Ended June 30, 2006
With Independent Auditors' Report*

TOWN OF SUFFIELD, CONNECTICUT

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Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

INDEPENDENT AUDITORS' REPORT

Board of Finance
Town of Suffield
Suffield, 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 Suffield, 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 financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

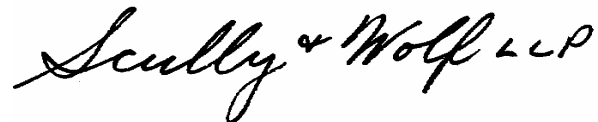
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Suffield, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 43 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Scully & Wolf LLP". The signature is written in a cursive, flowing style.

December 6, 2006

TOWN OF SUFFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

This discussion and analysis of the Town of Suffield, Connecticut's ("Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2006. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX. All amounts are reported in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased as a result of this year's operations. While net assets of our business-type activities increased by \$2,155, or 10 percent, net assets of our governmental activities increased by \$3,755, or 7.6 percent.
- During the year, the Town had expenses that were \$3,755 less than the \$45,179 generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues increased by \$2,648 while expenses increased by \$208. The increase was primarily due to capital grants.
- Total cost of all of the Town's programs was \$43,340 with no new programs added this year.
- The General Fund reported a fund balance this year of \$7,976.
- The resources available for appropriation were \$628 more than budgeted for the General Fund. Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

In the statement of net assets and the statement of activities, we divide the Town into two types of activities:

- *Governmental activities* – Most of the Town's basic services are reported here, including education, public safety, public works, planning and development, health and social services, and library, recreation and parks, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business - type activities* – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water Pollution Control Authority (WPCA) activities are reported here.

Fund Financial Statements

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

- *Governmental funds (Exhibit III and IV)* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit V to VII)* – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities – such as the Town's Insurance and Gas/Diesel Internal Service Funds.

- *Fiduciary funds (Exhibit VIII and IX)* – The Town is the trustee, or fiduciary, for its employees’ pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town’s fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town’s other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town’s combined net assets increased 8.4 percent from a year ago going from \$69,966 to \$75,876. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town’s governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$16,751	\$16,588	\$ 1,353	\$ 1,135	\$ 18,104	\$ 17,723
Capital assets	<u>64,747</u>	<u>63,513</u>	<u>22,332</u>	<u>19,398</u>	<u>87,079</u>	<u>82,911</u>
Total assets.....	<u>81,498</u>	<u>80,101</u>	<u>23,685</u>	<u>20,533</u>	<u>105,183</u>	<u>100,634</u>
Long-term debt outstanding	25,470	27,706		42	25,470	27,748
Other liabilities	<u>2,825</u>	<u>2,947</u>	<u>1,012</u>	<u>(27)</u>	<u>3,837</u>	<u>2,920</u>
Total liabilities	<u>28,295</u>	<u>30,653</u>	<u>1,012</u>	<u>15</u>	<u>29,307</u>	<u>30,668</u>
Net assets:						
Invested in capital assets, net of debt.....	40,256	36,706	22,332	19,357	62,588	56,063
Restricted.....	443	442			443	442
Unrestricted	<u>12,504</u>	<u>12,300</u>	<u>341</u>	<u>1,161</u>	<u>12,845</u>	<u>13,461</u>
Total net assets	<u>\$53,203</u>	<u>\$49,448</u>	<u>\$22,673</u>	<u>\$20,518</u>	<u>\$ 75,876</u>	<u>\$ 69,966</u>

Net assets of the Town’s governmental activities increased by \$3,755 or 7.6 percent (\$49,448 compared to \$53,203). The primary factor contributing to the increase in net assets is \$1,605 of additional property taxes received, \$838 in additional operating grants and contributions, and \$326 in unrestricted investment earnings. Capital grants increased by \$1,620 due to a increase in infrastructure grants. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$12,300 at June 30, 2005 to \$12,504 at the end of this year.

The net assets of business-type activities increased by \$2,155 or 10 percent (\$20,518 compared to \$22,673) in 2006. The Town generally can only use these net assets to finance the continuing operations of the WPCA.

Table 2
Changes In Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 3,849	\$ 3,938	\$1,830	\$1,354	\$ 5,679	\$ 5,292
Operating grants and contributions.....	8,140	7,302			8,140	7,302
Capital grants and contributions.....	2,050	430	2,109		4,159	430
General revenues:						
Property taxes.....	25,936	24,331			25,936	24,331
Grants and contributions not restricted to specific purposes	4,592	4,544			4,592	4,544
Unrestricted investment earnings	612	286	35	19	647	305
Other general revenues.....		69	97	51	97	120
Gain (loss) on sale of assets		208		(1)		207
Total revenues	45,179	41,108	4,071	1,423	49,250	42,531
Program expenses:						
Administration	3,139	3,373			3,139	3,373
Planning and development	350	354			350	354
Public safety	2,874	2,653			2,874	2,653
Public works.....	4,530	3,210			4,530	3,210
Health and social services	604	564			604	564
Library, recreation and parks	932	959			932	959
Education	28,063	25,247			28,063	25,247
Miscellaneous.....	30	30			30	30
Interest on debt.....	902	1,298			902	1,298
Sewer.....			1,916	1,708	1,916	1,708
Total program expenses	41,424	37,688	1,916	1,708	43,340	39,396
Increase (decrease) in net assets	\$ 3,755	\$ 3,420	\$2,155	\$ (285)	\$ 5,910	\$ 3,135

The Town's total revenues were \$49,250. The total cost of all programs and services was \$43,340. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The greatest increases were again primarily in the area of property taxes. Property taxes accounted for over 57 percent of the Town’s governmental activities. Investment income more than doubled from the previous year with an increase of \$326. The Town utilized available grants in addition to budgeted funds to make infrastructure improvements.

Snow and ice removal continued to provide a challenge to the overtime budget of the Highway Department. The Town was eligible and did receive Federal aid for one of the winter storms this year. Insurance costs continue to increase primarily in the area of medical insurance and pension plan contributions. Education expenses increased by almost 11 percent. Interest on debt was reduced due to the prepayment of some bond issues in addition to the refunding of the 2001 School Construction bond issue at a lower interest rate. All other expenditures remained about the same as the prior year.

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

Table 3				
<i>Governmental Activities</i>				
<i>(in thousands)</i>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Administration.....	\$3,139	\$3,373	\$2,206	\$2,500
Public safety	\$2,874	\$2,653	\$2,684	\$2,530
Public works	\$4,530	\$3,210	\$718	\$696
Education.....	\$28,063	\$25,247	\$19,162	\$17,962

Business-type Activities

Revenues of the Town’s business-type activities (see Table 2) increased by \$2,648 primarily due to capital grants of \$2,109. Expenses increased by \$208 or 12 percent. The WPCA is also utilizing grants to fund the expansion of the plant.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$11,157, which is an increase from last year's total of \$10,721. Included in this year's total change in fund balance, is a decrease of \$1,108 in the Town's General Fund. In addition, these other changes in fund balances should be noted: in the Capital Projects funds, an increase of \$1,469 and an increase of \$75 in other governmental funds.

General Fund Budgetary Highlights

The change in the budget between the original budget and final budget was due to the General Fund capital items being transferred to the Capital Non-Recurring Fund. Actual final budgetary expenditures results (including encumbrances) totaled \$39,742. Unexpended appropriations in all areas resulted in an increase to the General Fund Balance of \$299. On the revenue side, final actual revenues exceeded the original budget by \$628 due to increases in the following categories: property taxes contributed \$217 due to a higher rate of collection and additional supplemental motor vehicles taxes; current services and fees added \$83 due to increases in conservation fees, real estate conveyance taxes, landfill operations and tuition. Interest income added another \$283.

The Town's General Fund balance of \$7,976 reported on Exhibit III differs from the General Fund's budgetary fund balance of \$7,917. This is principally because budgetary fund balance does not include \$59 of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes

Proprietary Funds

The Town's Water Pollution Control Authority Enterprise Fund accounts for sewer services for a designated area in Town. An increase in operating revenues resulted in operating income of \$12. The other two funds, Insurance Fund and Gas/Diesel Fund, are Internal Service Funds. Unrestricted net assets of both funds totaled \$476, an increase of \$76 from the prior year. This increase is due primarily to the performance of the Insurance Fund. There was operating income of \$95, and investment income of \$26. The Gas/Diesel Fund is used to allocate the expense of the gas and diesel fuels to the departments that use them. This year there was an operating loss of \$44.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the Town had \$87,079 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and sewer lines – Table 4. This amount represents a net increase (including additions and deductions) of \$4,168, or 5 percent, over last year.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land.....	\$ 7,231	\$ 6,965	\$16,038	\$16,038	\$23,269	\$23,003
Land improvements.....	178	213			178	213
Buildings and improvements....	51,675	42,421	2,055	2,364	53,730	44,785
Furniture and equipment	2,126	2,048	156	253	2,282	2,301
Infrastructure	2,612	1,742			2,612	1,742
Construction in progress.....	925	10,124	4,083	743	5,008	10,867
Total	<u>\$64,747</u>	<u>\$63,513</u>	<u>\$22,332</u>	<u>\$19,398</u>	<u>\$87,079</u>	<u>\$82,911</u>

The Town has not yet implemented the provisions of Governmental Accounting Standards Board Statement #34 which require reporting infrastructure assets acquired before July 1, 2002.

This year's major additions included (in thousands):

Infrastructure – New Neighborhood Roads	\$924
Telephone System – Town Offices and Board of Education	\$266
Construction in Process – Town Center Project.....	\$204

The Town's fiscal-year 2006-07 capital budget calls for it to spend another \$2,444 for capital projects, principally for road repairs, bridge repairs, public works equipment and technology upgrades. More detailed information about the Town's capital assets is presented in Note 1 and Note 6 to the financial statements.

Long-term debt

At June 30, 2006 the Town had \$24,490 in bonds and notes outstanding versus \$26,806 last year - a decrease of \$2,316 or 8.6 percent.

The Town's general obligation bond rating continues to carry the Aa3 Moody's rating which was reaffirmed in June 2001 with the issuance of the debt for the School Building and Renovation Project. The debt rating from Standard & Poor's was upgraded to AA from AA- in October 2004 and reaffirmed in September 2005. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$181,188 state-imposed limit. The Town refunded debt of \$14,560 from the 2001 General Obligation bond and issued \$14,350 in general obligation bonds.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2007 budget tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the Town, as of October 2006 stands at 3.1 percent versus 3.8 percent a year ago. This compares with the State's unemployment rate of 3.8 percent and the national rate of 4.1 percent.

These indicators were taken into account when adopting the General Fund budget for 2006-07. Amounts available for appropriation in the General Fund budget are \$42,842, an increase of 8.5 percent over the original 2006 budget of \$39,478. Property taxes (benefiting from the 2006 rate increases and increases in assessed valuations) and State of Connecticut revenue are expected to lead this increase.

The Town designated \$1,000 of its \$7,975 general fund balance to finance its 2006-07 budget leaving an unreserved, undesignated General Fund balance at June 30, 2006 of \$6,916 or 16.1 percent of the 2006-07 budget.

The Town will use increases in revenues to finance programs currently offered and to off-set the effect that we expect inflation to have on program costs. Budgeted expenditures are expected to rise nearly 8.5 percent, to \$42,842 from \$39,478 in 2006. Increases in education and capital expenditures are the largest increments. The Town has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the Town's budgetary General Fund balance is expected to decrease by June 30, 2007.

The Water Pollution Control Authority approved a budget with an increase of 10.7 percent in expenditures which required an increase in the per unit charge of \$10.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Suffield, 83 Mountain Road, Suffield, Connecticut 06078.

TOWN OF SUFFIELD, CONNECTICUTSTATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$10,200,888	\$ 517,210	\$ 10,718,098
Receivables, net	6,428,269	836,246	7,264,515
Inventory	37,556		37,556
Prepaid items	80,153		80,153
Other assets	4,644		4,644
Capital assets, not being depreciated	8,156,043	20,121,544	28,277,587
Capital assets, net of accumulated depreciation	56,590,620	2,210,755	58,801,375
Total assets	81,498,173	23,685,755	105,183,928
LIABILITIES:			
Accounts and other payables	1,917,773	972,862	2,890,635
Unearned revenue	816,215		816,215
Due to Fiduciary Funds	109,534	20,932	130,466
Internal balances	(18,696)	18,696	
Noncurrent liabilities:			
Due within one year	2,661,599		2,661,599
Due in more than one year	22,808,517		22,808,517
Total liabilities	28,294,942	1,012,490	29,307,432
NET ASSETS:			
Invested in capital assets, net of related debt	40,256,241	22,332,298	62,588,539
Restricted for:			
Trust purposes:			
Nonexpendable	443,468		443,468
Unrestricted	12,503,522	340,967	12,844,489
Total net assets	\$53,203,231	\$22,673,265	\$ 75,876,496

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

TOWN OF SUFFIELD, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
Administration	\$ 3,138,628	\$ 874,897	\$ 57,329		\$ (2,206,402)		\$ (2,206,402)
Planning and development	350,473				(350,473)		(350,473)
Public safety	2,874,078	100,725	89,018		(2,684,335)		(2,684,335)
Public works	4,529,511	1,324,150	448,051	\$2,039,571	(717,739)		(717,739)
Health and social services	604,505		24,879		(579,626)		(579,626)
Library, recreation and parks	931,928	158,610	19,575		(753,743)		(753,743)
Education	28,063,490	1,390,498	7,500,850	10,329	(19,161,813)		(19,161,813)
Miscellaneous	30,000				(30,000)		(30,000)
Interest on long-term debt	901,743				(901,743)		(901,743)
Total governmental activities	41,424,356	3,848,880	8,139,702	2,049,900	(27,385,874)		(27,385,874)
Business-type activities:							
Sewer	1,915,890	1,830,415		2,108,835		\$ 2,023,360	2,023,360
Total	\$43,340,246	\$5,679,295	\$8,139,702	\$4,158,735	(27,385,874)	2,023,360	(25,362,514)
General revenues:							
Property taxes					25,936,575		25,936,575
Grants and contributions not restricted to specific programs					4,591,994		4,591,994
Unrestricted investment earnings					612,454	34,785	647,239
Other						97,208	97,208
Total general revenues					31,141,023	131,993	31,273,016
Change in net assets					3,755,149	2,155,353	5,910,502
Net assets, July 1, 2005					49,448,082	20,517,912	69,965,994
Net assets, June 30, 2006					\$ 53,203,231	\$22,673,265	\$ 75,876,496

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

TOWN OF SUFFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2006

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>				
Cash and cash equivalents	\$ 6,779,798	\$ 230,153	\$2,166,463	\$ 9,176,414
Receivables, net	684,441	3,372,149	1,223,550	5,280,140
Due from other funds	6,510,435	2,658,334	973,018	10,141,787
Inventories			37,556	37,556
Other			4,644	4,644
TOTAL	<u>\$13,974,674</u>	<u>\$6,260,636</u>	<u>\$4,405,231</u>	<u>\$24,640,541</u>
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>				
Liabilities:				
Accounts and other payables	\$ 1,398,032	\$ 58,691	\$ 314,395	\$ 1,771,118
Due to other funds	3,629,698	4,923,834	1,321,934	9,875,466
Deferred revenue	971,217	12,622	852,770	1,836,609
Total liabilities	<u>5,998,947</u>	<u>4,995,147</u>	<u>2,489,099</u>	<u>13,483,193</u>
Fund balances:				
Reserved	59,418	30,155	481,024	570,597
Unreserved, reported in:				
General Fund	7,916,309			7,916,309
Special Revenue Funds			1,435,108	1,435,108
Capital Project Funds		1,235,334		1,235,334
Total fund balances	<u>7,975,727</u>	<u>1,265,489</u>	<u>1,916,132</u>	<u>11,157,348</u>
TOTAL	<u>\$13,974,674</u>	<u>\$6,260,636</u>	<u>\$4,405,231</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	64,746,663
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	1,971,983
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.....	496,072
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.....	(25,168,835)
Net assets of governmental activities.....	<u>\$ 53,203,231</u>

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

TOWN OF SUFFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

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

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Property taxes	\$ 25,909,809			\$ 25,909,809
Intergovernmental	11,428,383	\$ 6,000	\$1,913,810	13,348,193
Charges for services and assessments	2,832,405		1,219,321	4,051,726
Interest income	488,138	2,176	96,458	586,772
Miscellaneous	193,497	50,329	103,094	346,920
Total revenues	40,852,232	58,505	3,332,683	44,243,420
Expenditures:				
Current:				
Administration	3,056,045		27,966	3,084,011
Planning and development	342,223			342,223
Public safety	2,626,395		139,406	2,765,801
Public works	2,662,405		316,130	2,978,535
Health and social services	557,037		23,634	580,671
Library, recreation and parks	365,147		495,120	860,267
Education	25,554,675		1,338,845	26,893,520
Miscellaneous	30,000			30,000
Capital outlay	1,967,862	329,009	748,358	3,045,229
Debt service	3,398,512			3,398,512
Total expenditures	40,560,301	329,009	3,089,459	43,978,769
Excess (deficiency) of revenues over expenditures	291,931	(270,504)	243,224	264,651
Other financing sources (uses):				
Transfers in	809,300	2,083,427	384,501	3,277,228
Transfers out	(2,380,558)	(344,000)	(552,670)	(3,277,228)
Refunding bonds issued	14,305,000			14,305,000
Payment to refunded bond escrow agent	(15,616,639)			(15,616,639)
Premium on refunding bonds	1,483,242			1,483,242
Total other financing sources (uses)	(1,399,655)	1,739,427	(168,169)	171,603
Net change in fund balances	(1,107,724)	1,468,923	75,055	436,254
Fund balance, July 1, 2005	9,083,451	(203,434)	1,841,077	
Fund balance, June 30, 2006	\$ 7,975,727	\$1,265,489	\$1,916,132	

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

- Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period..... 82,930
- In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. This is the net cost of assets sold or disposed..... (38,445)
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... 909,237
- Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount repayments exceed proceeds this year..... 2,298,505
- 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..... (9,836)
- Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI)..... 76,504

Change in net assets of governmental activities (Exhibit II)

\$ 3,755,149

TOWN OF SUFFIELD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2006

	BUSINESS-TYPE ..ACTIVITIES... WPCA ENTERPRISE FUND	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUND
ASSETS:		
Cash and cash equivalents	\$ 517,210	\$1,024,474
Receivables:		
Intergovernmental - capital grants.....	818,696	
Other.....	17,550	276,693
Due from other funds.....	2,137	
Capital assets, not being depreciated.....	20,121,544	
Capital assets, net of accumulated depreciation.....	<u>2,210,755</u>	
16 Total assets.....	<u>23,687,892</u>	<u>1,301,167</u>
LIABILITIES:		
Accounts and other payables	972,862	447,936
Due to other funds	<u>41,765</u>	<u>357,159</u>
Total liabilities	<u>1,014,627</u>	<u>805,095</u>
NET ASSETS:		
Invested in capital assets, net of related debt.....	22,332,298	
Unrestricted.....	<u>340,967</u>	<u>496,072</u>
Total net assets.....	<u>\$22,673,265</u>	<u>\$ 496,072</u>

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

TOWN OF SUFFIELD, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ..ACTIVITIES... WPCA ENTERPRISE FUND	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUND
Operating revenues:		
Charges for services	\$1,830,415	\$4,738,033
Other	97,208	
Total operating revenues	<u>1,927,623</u>	<u>4,738,033</u>
Operating expenses:		
Administrative expense	40,748	321,225
Payroll and employee benefits	684,120	
Sludge disposal	178,538	
Plant maintenance and materials	167,713	
Insurance and program services	168,340	4,138,690
Utilities	264,546	
Other operating expense	165	227,296
Depreciation	411,720	
Total operating expenses	<u>1,915,890</u>	<u>4,687,211</u>
Operating income	11,733	50,822
Nonoperating revenue (expense):		
Income on investments	34,785	25,682
Capital contributions	<u>2,108,835</u>	
Change in net assets	2,155,353	76,504
Total net assets, July 1, 2005	<u>20,517,912</u>	<u>419,568</u>
Total net assets, June 30, 2006	<u>\$22,673,265</u>	<u>\$ 496,072</u>

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

TOWN OF SUFFIELD, CONNECTICUT

PROPRIETARY FUNDS

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

	BUSINESS-TYPE ..ACTIVITIES... WPCA ENTERPRISE FUND	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUND
Cash flows from (to) operating activities:		
Cash received from operating funds.....		\$ 4,912,583
Cash received from customers.....	\$ 1,835,738	
Cash payments to employees for services.....	(684,120)	
Cash payments to suppliers for goods and services.....	(751,172)	(4,748,394)
Other operating revenues.....	97,208	
Net cash provided (used) by operating activities	<u>497,654</u>	<u>164,189</u>
Cash flows from (to) capital financing activities:		
Acquisition of capital assets.....	(2,375,543)	
Servicing of capital lease liability.....	(41,502)	
Capital contributions.....	1,290,139	
Net cash provided (used) by capital financing activities	<u>(1,126,906)</u>	
Cash flows from investing activities:		
Income on investments.....	<u>34,785</u>	<u>25,682</u>
Net increase (decrease) in cash and cash equivalents.....	(594,467)	189,871
Cash and cash equivalents, July 1, 2005.....	<u>1,111,677</u>	<u>834,603</u>
Cash and cash equivalents, June 30, 2006.....	<u>\$ 517,210</u>	<u>\$ 1,024,474</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income.....	\$ 11,733	\$ 50,822
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation.....	411,720	
Change in assets and liabilities:		
(Increase) decrease in accounts receivables.....	5,323	174,550
Increase (decrease)in accounts payable.....	(99,795)	116,407
(Increase) decrease in due from other funds.....	147,363	
Increase (decrease) in due to other funds.....	<u>21,310</u>	<u>(177,590)</u>
Net cash provided by operating activities.....	<u>\$ 497,654</u>	<u>\$ 164,189</u>

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

TOWN OF SUFFIELD, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	PENSION TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents.....		\$241,147
Common stock.....	\$ 5,739,726	
U.S. government and agency bonds.....	1,833,777	
Corporate bonds.....	1,119,332	
Mutual funds.....	6,966,695	
Receivables:		
Other	52,359	
Due from other funds.....	<u>109,534</u>	<u>20,932</u>
Total assets.....	15,821,423	<u>\$262,079</u>
LIABILITIES:		
Accounts and other payables.....	<u>16,051</u>	<u>\$262,079</u>
NET ASSETS:		
Held in trust for pension benefits.....	<u>\$15,805,372</u>	

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

TOWN OF SUFFIELD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2006

Additions:	
Contributions:	
Employer	\$ 629,280
Employee	<u>404,918</u>
Total contributions	1,034,198
Investment income:	
Interest and dividends	\$401,687
Net appreciation in fair value of investments ..	860,385
Investment expenses	<u>(59,140)</u>
Net investment income	<u>1,202,932</u>
Total	<u>2,237,130</u>
Deductions:	
Benefit payments and withdrawals	808,613
Administration	<u>37,972</u>
Total deductions	<u>846,585</u>
Net increase	1,390,545
Net assets held in trust for pension benefits, July 1, 2005	<u>14,414,827</u>
Net assets held in trust for pension benefits, June 30, 2006 ...	<u><u>\$15,805,372</u></u>

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

TOWN OF SUFFIELD, CONNECTICUT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Suffield, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1749, under the General Statutes of the State of Connecticut. The Town adopted its original charter effective January 7, 1985 with the most recent revisions on November 6, 2001. The Town operates under a Selectman/Town Meeting form of government and provides the following services as authorized by the General Statutes and its charter; public safety (police and fire), public works, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Governmental Funds

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

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

Special Revenue Funds - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

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

Proprietary Funds

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

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water Pollution Control Authority ("WPCA") Fund is the Town's only enterprise fund.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis and for self insured activities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund - accounts for the Suffield Retirement System.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except for agency funds which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

The Capital Projects Fund is used to account for the financial resources for the acquisition and construction of major capital facilities.

The Town reports the following major proprietary funds:

The Water Pollution Control Authority Fund is used to account for the activities of the Authority.

Additionally, the Town reports the following fund types:

The Internal Service Funds are used to account for self insured activities and purchases of gasoline by various departments.

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the WPCA enterprise fund, and of the Town's internal service funds are charges to customers for sales, services, and benefits. Operating expenses for enterprise funds and internal service fund include the cost of sales, services, benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4.

Investments are reported at fair value.

E. Receivables and Payables

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

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Interest on delinquent balances is computed at 1.5% per month. Liens are filed on delinquent real estate taxes within one year. An amount of \$92,668 has been established as an allowance for uncollectible taxes. At June 30, 2006 this represents 20% of all property taxes receivable.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-45
Public domain infrastructure.....	35
System infrastructure	50
Vehicles	5-20
Office equipment	5-10
Computer equipment	7-10

H. Compensated Absences

Town employees earn and carryover various amounts of vacation and leave time, based upon Town policy or bargaining unit contracts. At June 30, 2006, the total amount of the liability was \$319,133. The liability is reported in the government-wide statement of net assets.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, 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 any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Fund Equity

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$25,168,835 difference are as follows:

Bonds and notes payable	\$24,252,544
Deferred amounts on refunding.....	237,878
Compensated absences	319,133
Landfill closure.....	291,600
Accrued interest on bonds	<u>67,680</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$25,168,835</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$82,930 difference are as follows:

Capital outlay	\$1,729,235
Depreciation expense.....	<u>(1,646,305)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 82,930</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$2,298,505 difference are as follows:

Issuance of refunding bonds.....	\$(14,305,000)
Principal repayments:	
General obligation debt.....	2,298,505
Payment to escrow agent – refunded bonds	15,616,639
Bond premiums	(1,483,242)
Issuance costs unamortized	<u>171,603</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	 <u>\$ 2,298,505</u>

Another element of that reconciliation states that “some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds”. The details of this \$909,237 difference are as follows:

Property taxes	\$ 33,901
Accrued interest	(7,135)
Net pension asset change	(1,166)
Assessments	(80,878)
Hood participation	(217,859)
Contribution from developers	1,189,267
Housing loans	<u>(6,893)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 909,237</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

As set forth in the Town Charter, the Board of Finance adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared on the modified accrual basis of accounting. The Board of Finance submits a proposed operating budget for the fiscal year commencing July 1 to a public budget hearing, at which taxpayer comments are obtained. The Board of Finance then prepares the recommended Town budget which it presents at a Town meeting. The operating budget includes proposed expenditures and the means of financing them.

- Expenditures are budgeted by department, function and object. Management may not exceed appropriations at the department level and must seek approval from the Board of Selectmen to reassign resources between departments. The legal level of budgetary control is the department level. Subsequent to adoption of the budget, any requests for supplemental appropriations or transfers are required to be submitted in writing to the Board of Selectmen, whom, upon consideration, will forward to the Board of Finance for approval. Any transfers which alter the total budget in an amount equal to or greater than .025 percent of the total budget must be also approved by a Town meeting resolution. Any additional appropriations would also require Town meeting approval. During the year ended June 30, 2006, there were \$563,245 additional appropriations from fund balance.

Formal budgetary integration is employed as a management control device during the year.

The Town includes the following Water Pollution Control Authority funds as part of the Town's overall approved budget: (1) Enterprise Fund; (2) Special Revenue Fund - Sewer Assessment Fund; and (3) Capital Projects Fund - Sewer Project Fund. However, the legally adopted budget does not provide for line item revenue and expenditures detail for these funds. Instead, a summary total for revenues and expenditures for each of these three funds is presented. A budgetary schedule is not presented.

All unencumbered appropriations lapse at year-end. Appropriations for capital outlays are continued until completion of applicable projects, even when projects extend more than one fiscal year.

The Town does not maintain legally adopted budgets for the other Special Revenue Funds, since budgetary control is generally maintained on an individual grant basis. In addition, the Town does not adopt annual budgets for Capital Projects Funds.

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

B. Deficit Fund Equity

The Drug Education and Enforcement Grant Fund had a deficit fund balance of \$20 at June 30, 2006. The Kent Memorial Library Fund had a deficit fund balance of \$1,115. The deficits will be funded by contributions from the General Fund or future revenues.

The Gas/Diesel Fund (Internal Service Fund) had a deficit of \$58,159. This will be funded by future charges to users.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank", as defined by the Statutes, which is not a "qualified public depository".

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2006:

Deposits:	
Demand accounts.....	\$3,670,321
Certificates of deposit.....	12,773
Money market.....	<u>2,162,944</u>
Total deposits.....	5,846,038
Petty cash.....	200
Cash equivalents:	
State Short-Term Investment Fund (STIF).....	5,080,175
State Tax Exempt Proceeds Fund (TEPF).....	<u>32,832</u>
TOTAL CASH AND CASH EQUIVALENTS .	<u>\$10,959,245</u>

Deposits

At June 30, 2006 the carrying amount of the Town deposits was \$5,846,038 and the bank balance was \$6,566,684.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Of the June 30, 2006 bank balance, \$298,523 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio. A minimum of \$646,816, based on June 30, 2006 deposits, was collateralized (collateral held by the pledging bank’s trust department is not in the Town’s name). The balance of deposits of \$5,621,345 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2006 the Town’s cash equivalents amounted to \$5,113,007. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor’s</u>
State Short-Term Investment Fund (STIF).....	AAAm
State Tax Exempt Proceeds Fund (TEPF)*.....	

*Not rated

B. Investments

Investments as of June 30, 2006 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
U.S. government and agency obligations.....	\$1,833,777	6.82
Corporate bonds	1,119,332	7.72
Other Investments:		
Common stock	5,739,726	
Mutual funds	<u>6,966,695</u>	
 TOTAL.....	 <u>\$15,659,530</u>	
 Portfolio weighted average maturity for interest bearing investments		 7.16

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town’s investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Fair Value</u>	<u>Standard and Poor’s</u>
Corporate bonds	\$1,041,540	A- to AAA
Corporate bonds	\$77,792	Not rated

Concentration of Credit Risk – The Town has no investment policy restricting investment in any one issuer that is in excess of five percent of the Town’s total investments.

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2006, the Town had \$8,692,835 of uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town’s name.

5. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>WPCA Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest.....	\$169,092				\$ 169,092
Taxes	451,782				451,782
Accounts.....	124,214	\$ 7,476	\$836,246		967,936
Special assessments...				\$ 361,933	361,933
Intergovernmental	32,021	3,364,673		534,487	3,931,181
Loans				191,002	191,002
Other.....				188,487	188,487
Gross receivables.....	777,109	3,372,149	836,246	1,275,909	6,261,413
Less: allowance for uncollectibles.....	(92,668)				(92,668)
Net total receivables	<u>\$684,441</u>	<u>\$3,372,149</u>	<u>\$836,246</u>	<u>\$1,275,909</u>	<u>\$6,168,745</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable.....	\$ 298,367	
Accrued interest on delinquent property tax	169,092	
Special assessments not yet due.....	361,933	
Grant drawdowns prior to meeting all eligibility requirements ..		\$312,457
Cell phone tower		499,745
Loans receivable	191,002	
Unearned program revenues		4,013
Total deferred/unearned revenue for governmental funds	<u>\$1,020,394</u>	<u>\$816,215</u>

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 6,965,390	\$ 265,679		\$ 7,231,069
Construction in progress.....	10,123,590		\$9,198,616	924,974
Total capital assets, not being depreciated	<u>17,088,980</u>	<u>265,679</u>	<u>9,198,616</u>	<u>8,156,043</u>
Capital assets, being depreciated:				
Buildings	50,349,582	10,549,172	82,000	60,816,754
Land improvements.....	417,322			417,322
Furniture and equipment	5,129,523	378,680	20,950	5,487,253
Infrastructure	1,807,060	923,587		2,730,647
Total capital assets being depreciated	<u>57,703,487</u>	<u>11,851,439</u>	<u>102,950</u>	<u>69,451,976</u>
Less accumulated depreciation for:				
Buildings	7,928,174	1,271,815	58,220	9,141,769
Land improvements.....	204,597	35,219		239,816
Furniture and equipment	3,081,972	285,751	6,285	3,361,438
Infrastructure	64,813	53,520		118,333
Total accumulated depreciation	<u>11,279,556</u>	<u>1,646,305</u>	<u>64,505</u>	<u>12,861,356</u>
Total capital assets, being depreciated, net ...	<u>46,423,931</u>	<u>10,205,134</u>	<u>38,445</u>	<u>56,590,620</u>
Governmental activities capital assets, net....	<u>\$63,512,911</u>	<u>\$10,470,813</u>	<u>\$9,237,061</u>	<u>\$64,746,663</u>

The Town has not reported infrastructure assets acquired prior to July 1, 2002. In accordance with the transition provisions of GASB #34 infrastructure assets will be reported in the future.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land.....	\$16,038,335			\$16,038,335
Construction in progress.....	742,605	\$3,340,604		4,083,209
Total capital assets, not being depreciated	<u>16,780,940</u>	<u>3,340,604</u>		<u>20,121,544</u>
Capital assets, being depreciated:				
Buildings	9,670,506	2,123		9,672,629
Equipment	10,451,901	3,397		10,455,298
Vehicles.....	75,921	18,956	\$(18,956)	75,921
Total capital assets, being depreciated	<u>20,198,328</u>	<u>24,476</u>	<u>(18,956)</u>	<u>20,203,848</u>
Less accumulated depreciation for:				
Buildings	7,305,905	311,460		7,617,365
Equipment	10,209,074	113,982		10,323,056
Vehicles.....	66,318	5,310	(18,956)	52,672
Total accumulated depreciation	<u>17,581,297</u>	<u>430,752</u>	<u>(18,956)</u>	<u>17,993,093</u>
Total capital assets, being depreciated, net ...	<u>2,617,031</u>	<u>(406,276)</u>		<u>2,210,755</u>
Business-type activities capital assets, net	<u>\$19,397,971</u>	<u>\$2,934,328</u>	<u>\$ - 0 -</u>	<u>\$22,332,299</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Administration	\$ 34,413
Planning and development.....	8,250
Public safety.....	176,940
Public works	169,154
Health and social services.....	21,765
Library, recreation and parks	66,065
Education	<u>1,169,718</u>
Total depreciation expense - governmental activities.....	<u>\$1,646,305</u>

Business-type activities:

Sewer	<u>\$430,752</u>
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Construction Commitments

The Town has several active construction projects as of June 30, 2006. The projects include High School construction and code renovations to various schools. At year end the Town's commitments with contractors in the school projects are as follows:

<u>Project</u>	<u>Appropriation</u>	<u>Cumulative Expenditures and Encumbrances</u>	<u>Remaining Commitment</u>
High School and agri-science building.....	\$56,113,070	\$51,896,457	\$4,216,613

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2006, amounts due to and due from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Project Fund	WPCA	\$ 20,833
Nonmajor Governmental Funds	General Fund.....	972,786
Capital Project Fund	General Fund.....	2,545,241
Pension Trust Fund.....	General Fund.....	109,534
General Fund	Internal Service Fund	357,159
General Fund	Nonmajor Governmental Funds	1,229,674
Capital Project Fund	Nonmajor Governmental Funds	92,260
General Fund	Capital Project Fund.....	4,923,602
Nonmajor Governmental Funds	Capital Project Fund.....	232
Agency Funds.....	WPCA	20,932
WPCA	General Fund.....	<u>2,137</u>
TOTAL.....		<u>\$10,274,390</u>

Interfund receivables and payables represent temporary balances occurring when one fund pays for transactions and is later repaid.

Interfund transfers:

	<u>Transfer In.....</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:				
General Fund.....		\$1,996,057	\$384,501	\$2,380,558
Nonmajor Governmental Funds.....	\$465,300	87,370		552,670
Capital Projects Fund.....	<u>344,000</u>			<u>344,000</u>
Total transfers out.....	<u>\$809,300</u>	<u>\$2,083,427</u>	<u>\$384,501</u>	<u>\$3,277,228</u>

Transfers represent annual recurring transactions which move resources between funds.

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds and notes	\$26,806,049	\$14,305,000	\$16,858,505	\$24,252,544	\$2,060,771
Unamortized amounts:					
Deferred amounts on refunding.....		255,000	17,122	237,878	
Total bonds payable.....	26,806,049	14,560,000	16,875,627	24,490,422	2,060,771
Landfill closure and postclosure	307,800		16,200	291,600	16,200
Compensated absences	266,436	52,697		319,133	215,667
Risk management claims	325,898	43,063		368,961	368,961
Governmental activity long-term liabilities.....	\$27,706,183	\$14,655,760	\$16,891,827	\$25,470,116	\$2,661,599

General long-term debt transactions are summarized as follows for the year ended June 30, 2006:

<u>Description</u>	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>
Bonds payable:				
School bonds issued 2001, amount \$27,700,000 interest rate 3.75%- 5.125%, maturity date 2021.....	\$23,320,000		\$16,020,000	\$7,300,000
Refunding bonds issued 2005, amount \$14,305,000 interest rate 3.0%-5.0% maturity date 2021		\$14,305,000	240,000	14,065,000
Clean Water Fund notes payable:				
Treatment plant construction loan issued in 1990, amount \$9,725,849, interest rate 2.0%, maturity date November, 2009	2,431,460		486,292	1,945,168
Pollution abatement facilities loan issued in 1994, amount \$1,589,472, interest rate 2.0%, maturity date November, 2013	739,940		81,539	658,401

<u>Description</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Pollution abatement facilities loan issued in 1995, amount \$610,016, interest rate 2.0%, maturity date November, 2014	\$ 314,649		\$ 30,674	\$ 283,975
TOTAL.....	<u>\$26,806,049</u>	<u>\$14,305,000</u>	<u>\$16,858,505</u>	<u>\$24,252,544</u>

Funds from the Sewer Assessment Fund are transferred to the General Fund to repay sewer bonds. All other repayments of debt are made by the General Fund.

The annual requirements to amortize all bonds and notes as of June 30, 2006, including interest, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,060,771	\$1,081,355	\$ 3,142,126
2008	2,063,082	1,010,919	3,074,001
2009	2,065,439	940,436	3,005,875
2010	2,067,844	866,255	2,934,099
2011	1,584,005	779,251	2,363,256
2012-2016.....	7,421,403	2,809,360	10,230,763
2017-2021.....	6,990,000	1,048,750	8,038,750
TOTAL	<u>\$24,252,544</u>	<u>\$8,536,326</u>	<u>\$32,788,870</u>

As of June 30, 2006, the Town had authorized unissued bonds of \$21,800,000 available to finance school building projects.

Outside Participation

The Town has an agreement with H.P. Hood, Inc. (“Hood”) whereby Hood reimburses the Town a percentage of the debt service required on the Treatment Plant Construction Loan incurred to construct the Town’s wastewater treatment plant under the State of Connecticut Clean Water Fund. Under the agreement, Hood will reimburse the Town 44.8% of the Town’s required annual principal and interest payment up through the year ending June 30, 2010. For the year ended June 30, 2006, the Town was reimbursed \$237,926 (\$217,859 principal, \$20,067 interest) from Hood.

At June 30, 2006, the following amount was receivable:

Total outside participation	\$4,357,180
Collected by the Town through June 30, 2006	<u>3,485,744</u>
Remaining balance to be provided.....	<u>\$ 871,436</u>

Landfill Postclosure Care Costs

The Town’s landfill facility ceased being a depository for solid waste effective April 8, 1994. Closure was effectively completed by October 9, 1994.

Consulting engineers contracted by the Town developed a formal plan for landfill closure, including postclosure monitoring and maintenance for a thirty-year period in accordance with state and federal law.

A consulting engineering firm developed an updated plan of costs and assumptions with respect to postclosure monitoring and maintenance which included (1) ground water and surface water monitoring, (2) methane monitoring, and (3) landfill inspection and maintenance. The annual cost estimate is \$16,200 for the postclosure care period of 30 years. Current costs are recognized in the General Fund landfill expenditure line item. The balance of the postclosure care costs of \$291,600 is recognized in the Statement of Net Assets. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Advance Refundings

On September 15, 2005, the Town issued \$14,305,000 in general obligation bonds with an average interest rate of 4.1% to advance refund outstanding bonds with an average rate of 4.89%. The bonds refunded were \$14,560,000 from the September 2001 general obligation issue. The net proceeds of \$15,616,639 (which included premiums of \$1,483,242 and after payment of \$171,603 of issuance costs and fees, were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by the United States of America, to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Assets. The transaction generated a cash flow savings of \$641,985 and a present value savings of \$450,067. The balance of the defeased bonds at June 30, 2006 is \$14,560,000.

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

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness*</u>	<u>Balance</u>
		(thousands)	
General purpose.....	\$58,239		\$58,239
Schools.....	\$116,478	\$24,165	\$92,313
Sewers.....	\$97,065	\$2,887	\$94,178
Urban renewal.....	\$84,123		\$84,123
Pension deficit	\$77,652		\$77,652

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation (\$181,188).

* Includes bonds authorized unissued of \$21,800. Authorizations have been reduced by grant revenues and commitments of \$19,000.

Business-type activities

The WPCA has financed the purchase of equipment through a capital lease that was initiated in August 2001. The lease carries an interest rate of 4.7%.

<u>Description</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Bonds payable:				
Leases payable.....	\$41,502	\$ - 0 -	\$41,502	\$ - 0 -

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

Effective July 1, 2001, the Town created a separate fund to account for its self-insured medical plan. Prior to this year the activity was reported in the General Fund. The Town has assumed all risk associated with providing health insurance up to a maximum of 110% of the premium it would have been charged had it purchased health insurance from Anthem Blue Cross/Blue Shield. In addition, the Town has purchased a combined stop-loss policy which limits individual loss claims to \$100,000 for hospitalization and for major medical. The Town pays an administration fee to Anthem Blue Cross/Blue Shield for administering the fund.

Claims expense as reported in the Health Insurance Fund (Internal Service Fund) amounted to \$4,138,690. This amount includes the Administrator’s estimate of claims incurred but not reported at June 30, 2006 of \$368,961.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The following table reflects the activity of the past year:

	Claims Payable <u>July 1</u>	Claims and Changes in <u>Estimates</u>	Claims <u>Paid</u>	Claims Payable <u>June 30</u>
2005-06.....	\$325,898	\$4,138,690	\$4,095,627	\$368,961
2004-05.....	\$308,765	\$3,801,756	\$3,784,623	\$325,898

10. CONTINGENT LIABILITIES

The Town is involved in various litigation involving zoning matters, property damage and personal injury. It is the opinion of counsel and management that any unfavorable outcomes would not have a material adverse effect on the Town’s financial position.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to pension benefits (Note 12), the Town provides post-employment health care benefits in accordance with union contracts and agreements for retirees. Retirees become eligible after reaching ten years of service and age 55 or twenty-five years of service regardless of age. Premiums paid by the Town are determined by the following schedule:

<u>Years of Service</u>	<u>Premium Paid</u>
25 or more	100%
20 – 25	85%
15 – 20	75%
10 – 15	50%

Other retirees with at least ten years but less than twenty-five years of service and under the age of 55, are eligible to continue participation in health plans at the retirees expense. Currently, 33 retirees participate, including 25 whose premiums are paid at least in part by the Town. During the year ended June 30, 2006, expenditures for postretirement health care benefits totaled \$200,313.

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Employee's Retirement System

A. Plan Description

The Town is the administrator of a single-employer public employee retirement system (PERS) defined benefit contributory pension plan established and administered to provide pension benefits for its municipal and Board of Education employees other than teachers. The PERS does not issue stand alone financial statements and is considered to be part of the Town's financial reporting entity. As such, the PERS is included in the Town's financial statements as a pension trust fund.

Under the PERS, all employees who work at least 20 hours a week and agree to make contributions are eligible. The retirement benefit is calculated at 2 percent (2.25 for police officers and firefighters) of the average of the annual salaries during the 3 highest years out of the final 7 years of employment multiplied by service. Participants are 100% vested after 5 years of continuous service if their contributions remain in the fund. Benefits and contributions are established by contract and may be amended by union negotiations.

As of July 1, 2005, the date of the latest actuarial valuation, PERS membership consisted of the following:

Retirees and beneficiaries currently receiving benefits.....	70
Terminated plan members entitled to benefits but not yet receiving them	23
Active plan members.....	<u>153</u>
TOTAL.....	<u>246</u>

The latest actuarial valuation reflects no material changes in plan provisions or coverage.

B. Summary of Significant Accounting Policies

The PERS financial statements are prepared using the accrual basis of accounting. PERS participant contributions are recognized in the period in which the contributions are due. Town contributions to the PERS are recognized when due and the Town has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the PERS. Plan administrative costs are paid by the General Fund through a contribution to the Plan.

Investments are recorded at fair value. Investment income is recognized when earned and gains and losses on sales or exchanges of investments are recognized on the transaction date.

C. Funding Policy

Contributions

Employees are required to contribute 5.25% of their salary to the PERS except for Police and Firefighters who contribute 6%. The Town is required to contribute the remaining amounts necessary to finance coverage.

D. Annual Pension Cost and Net Pension Obligations

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

Annual required contribution.....	\$580,000
Interest on net pension obligation.....	(6,506)
Adjustment to annual required contribution	<u>7,672</u>
Annual pension cost.....	581,166
Contributions made.....	<u>580,000</u>
Increase in net pension obligation (asset)	1,166
Net pension obligation (asset), July 1, 2005	<u>(81,319)</u>
Net pension obligation (asset), June 30, 2006	<u><u>\$(80,153)</u></u>

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

Actuarial valuation date	July 1, 2005
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period.....	20 years
Asset valuation method.....	Adjusted market value
Actuarial assumptions:	
Investment rate of return	8%*
Projected salary increases	4.5%

*Includes no inflation

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/06	\$581,166	99.8%	\$(80,153)
6/30/05	\$448,950	98.9%	\$(81,319)
6/30/04	\$486,788	81.5%	\$(86,319)

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) --Entry Age (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/05	\$14,331,924	\$16,719,595	\$(2,387,671)	85.7%	\$6,079,011	(39.3)%
7/1/03	\$13,325,241	\$14,573,055	\$(1,247,814)	91.4%	\$6,036,895	(20.7)%
7/1/01	\$13,796,514	\$12,836,835	\$959,679	107.5%	\$5,019,750	19.1%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed	Actual Contribution
6/30/05	\$443,950	100%	\$443,950
6/30/04	\$476,561	83%	\$396,561
6/30/03	\$235,504	96%	\$225,504
6/30/02	\$218,800	100%	\$218,800
6/30/01	\$193,659	100%	\$193,659
6/30/00	\$270,000	100%	\$270,000

G. Teachers' Retirement System

All teachers employed by the Town of Suffield participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' and administrators annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$12,926,138 or 56.8% of the total Town payroll of \$22,724,672.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2006 the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,638,517 as payments made by the State of Connecticut on-behalf of the Town.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

TOWN OF SUFFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2006

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>PROPERTY TAXES, INTEREST AND LIEN FEES</u>				
Current list	\$25,118,201	\$25,118,201	\$25,282,102	\$ 163,901
Supplemental motor vehicle	300,000	300,000	282,912	(17,088)
Interest and fees	100,000	100,000	137,744	37,744
Taxes, prior years	175,000	175,000	207,051	32,051
Total property taxes, interest and lien fees	25,693,201	25,693,201	25,909,809	216,608
<u>INTERGOVERNMENTAL</u>				
State of Connecticut:				
Payment in lieu of taxes - State Property	2,664,620	2,664,620	2,735,043	70,423
Mashantucket Pequot	1,229,801	1,229,801	1,580,527	350,726
Payment in lieu of taxes, vessels	5,656	5,656	5,656	
Payment in lieu of taxes, manufacturing equipment	94,991	94,991	125,327	30,336
Payment in lieu of taxes, disabled tax relief			879	879
Veterans' exemption	11,000	11,000	8,578	(2,422)
Elderly tax relief - circuit breaker	63,000	63,000	78,804	15,804
Elderly tax relief - freeze	7,000	7,000	7,947	947
Bridge Grant	560,000	560,000	5,286	(554,714)
LOCIP reimbursement	87,142	87,142		(87,142)
Miscellaneous	60,000	60,000	277	(59,723)
Town Aid Road	115,190	115,190	129,361	14,171
Total	4,898,400	4,898,400	4,677,685	(220,715)
Federal Grants			41,067	41,067
Education:				
Educational cost sharing grant	4,321,431	4,321,431	4,474,280	152,849
Vocational agriculture grant	112,000	112,000	112,441	441
Other educational grants	5,503	5,503	19,807	14,304
Pupil transportation	182,444	182,444	164,166	(18,278)
Special education			72,467	72,467
Total	4,621,378	4,621,378	4,843,161	221,783
Total intergovernmental	9,519,778	9,519,778	9,561,913	42,135
<u>INVESTMENT INCOME</u>				
Interest income	250,000	250,000	488,138	238,138

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

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>CURRENT SERVICES AND FEES</u>				
Licenses, permits and fines:				
Building Department	\$ 300,000	\$ 300,000	\$ 302,518	\$ 2,518
Zoning and Planning	20,000	20,000	24,947	4,947
Zoning Board of Appeals	3,360	3,360	3,080	(280)
Police permits	3,000	3,000	4,021	1,021
Conservation	12,000	12,000	14,174	2,174
Historic District fees	800	800	850	50
Total	339,160	339,160	349,590	10,430
Charges for current services:				
Assessor's map sales	1,000	1,000	2,093	1,093
Bulky waste			1,504	1,504
Real estate conveyance tax	190,000	190,000	258,594	68,594
Mini-bus transportation	4,000	4,000	3,784	(216)
Police alarm fees	5,000	5,000	2,350	(2,650)
Town Clerk historic document fees	5,000	5,000	3,468	(1,532)
Town Clerk recording fees	140,000	140,000	137,798	(2,202)
Total	345,000	345,000	409,591	64,591
Landfill:				
Operation	87,500	87,500	81,135	(6,365)
Residential permits	668,080	668,080	679,375	11,295
Permits	18,000	18,000	14,336	(3,664)
Total	773,580	773,580	774,846	1,266
Recreation:				
Camps	37,590	37,590	38,932	1,342
Activity	83,522	83,522	84,838	1,316
Total	121,112	121,112	123,770	2,658
Revenue from other agencies:				
Telecommunications grant	75,000	75,000	49,048	(25,952)
Hood share, secondary treatment	240,000	240,000	237,925	(2,075)
Tuition, Vo-Ag	755,000	755,000	762,458	7,458
Tuition, other	100,000	100,000	125,177	25,177
Total	1,170,000	1,170,000	1,174,608	4,608
Total current services and fees	2,748,852	2,748,852	2,832,405	83,553

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

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>MISCELLANEOUS</u>				
Miscellaneous Town income	\$ 75,000	\$ 75,000	\$ 113,898	\$ 38,898
Rent Town property	58,000	58,000	72,080	14,080
Cell tower	50,000	50,000	48,880	(1,120)
Youth Services	14,000	14,000	14,000	
Miscellaneous school income	10,000	10,000	5,775	(4,225)
Total miscellaneous	<u>207,000</u>	<u>207,000</u>	<u>254,633</u>	<u>47,633</u>
Total revenues	<u>38,418,831</u>	<u>38,418,831</u>	<u>39,046,898</u>	<u>628,067</u>
Other financing sources:				
Town Improvement Fund	150,000	150,000	150,000	
Sewer Assessment Fund	425,300	425,300	425,300	
Off Duty Fund	40,000	40,000	40,000	
Industrial Park	194,000	194,000	194,000	
Total from other financing sources	<u>809,300</u>	<u>809,300</u>	<u>809,300</u>	
Total revenues and other financing sources	<u>\$39,228,131</u>	<u>\$39,228,131</u>	<u>39,856,198</u>	<u>\$ 628,067</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,638,517	
Under liquidation of prior year encumbrance is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes			(61,136)	
The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for financial reporting purposes			227,953	
Proceeds from refunding bonds are not budgeted			14,305,000	
Premiums from the issuance of refunding bonds are not budgeted			<u>1,483,242</u>	
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV			<u>\$57,449,774</u>	

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TOWN OF SUFFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2006

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Administration:				
Board of Selectmen	\$ 161,388	\$ 168,388	\$ 164,321	\$ 4,067
Human Resources	47,846	48,811	47,613	1,198
Probate Court	4,300	4,300	3,554	746
Election	24,637	24,637	22,851	1,786
Board of Finance	12,889	13,014	13,013	1
Assessors	120,470	120,470	115,050	5,420
Board of Assessment Appeals	1,401	1,401	1,025	376
Tax Collector	141,060	141,060	134,630	6,430
Tax Rebates	45,000	45,000	43,669	1,331
Finance	236,021	260,873	252,532	8,341
Information Technology	267,939	260,939	247,010	13,929
Town Counsel	95,000	95,000	70,745	24,255
Town Clerk	173,836	173,836	160,490	13,346
Town Hall	80,350	85,042	85,041	1
Insurance and bonds	1,872,178	1,731,327	1,731,326	
Total	3,284,315	3,174,098	3,092,870	81,228
Planning and development:				
Zoning and planning	180,833	180,833	163,525	17,308
Zoning board of appeals	5,026	5,026	4,450	576
Economic Development	139,327	139,327	138,443	884
Historic District Commission	885	931	908	23
Conservation Commission	36,524	36,524	31,847	4,677
Total	362,595	362,641	339,173	23,468
Public safety:				
Fire Commission	595,889	603,990	603,249	741
Police Commission	1,716,664	1,732,948	1,732,946	2
Civil Preparedness	1,857	1,857		1,857
Building Department	184,487	184,487	182,876	1,611
Town Engineer	106,903	106,903	105,505	1,398
Total	2,605,800	2,630,185	2,624,576	5,609
Public works:				
Public works	366,360	370,440	367,214	3,226
Highway	943,844	1,091,026	1,091,025	1
State aid road funds	92,078	7,242	7,242	
Public utilities	373,000	373,000	366,460	6,540
Town landfill	851,928	852,380	820,044	32,336
Total	2,627,210	2,694,088	2,651,985	42,103

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

	.....BUDGETED AMOUNTS.....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Health and social services:				
Health and social services	\$ 109,013	\$ 109,013	\$ 102,512	\$ 6,501
Social Services Commission	1,754	1,754	1,359	395
Senior Center	98,585	98,585	97,760	825
Mini-bus transportation	128,307	128,307	126,303	2,004
EMS/Ambulance	175,415	183,654	183,654	
Social worker	45,440	45,449	45,449	
Total.....	558,514	566,762	557,037	9,725
Library, Recreation and Parks:				
Recreation	217,270	217,270	215,460	1,810
Recreation activity	109,489	109,489	87,622	21,867
Tree Warden	7,000	7,000	6,937	63
Youth Services	56,322	56,322	56,288	34
Total.....	390,081	390,081	366,307	23,774
Miscellaneous:				
Cemeteries	30,000	30,000	30,000	
Board of Education	23,689,114	23,689,114	23,688,205	909
Capital outlays	2,097,162	1,419,325	1,410,581	8,744
Debt service	3,227,891	3,227,891	3,226,909	982
Contingency	200,000	102,771		102,771
Total expenditures	39,072,682	38,286,956	37,987,643	299,313
Other financing uses:				
Transfers out:				
Dog Fund	11,590	13,311	13,311	
Kent Memorial Library	368,859	371,190	371,190	
Town Improvement	25,000	25,000	25,000	
CNR Fund		1,344,919	1,344,919	
Total other financing uses	405,449	1,754,420	1,754,420	
Total expenditures and other financing uses	\$39,478,131	\$40,041,376	39,742,063	\$299,313
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,638,517	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			534,585	
Certain prior year encumbered amounts are reported as transfers for GAAP purposes			626,138	
The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for financial reporting purposes			227,953	
Payments made to refunded bond escrow agent are not budgeted			15,616,639	
Issuance costs on refunded bonds are not budgeted			171,603	
Total expenditures and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV.....			\$58,557,498	

TOWN OF SUFFIELD, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2006 AND 2005

	2006	2005
<u>A S S E T S</u>		
Cash and cash equivalents	\$ 6,779,798	\$ 5,939,908
Receivables:		
Property taxes, net	359,114	331,217
Other	325,327	354,487
Due from other funds	<u>6,510,435</u>	<u>6,743,005</u>
TOTAL.....	<u>\$13,974,674</u>	<u>\$13,368,617</u>
 <u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,398,032	\$ 1,459,501
Due to other funds	3,629,698	1,829,873
Deferred revenue	<u>971,217</u>	<u>995,792</u>
Total liabilities.....	<u>5,998,947</u>	<u>4,285,166</u>
Fund balance:		
Reserved for encumbrances	59,418	1,281,277
Unreserved:		
Designated for subsequent year	1,000,000	250,000
Undesignated.....	<u>6,916,309</u>	<u>7,552,174</u>
Total fund balance.....	<u>7,975,727</u>	<u>9,083,451</u>
TOTAL.....	<u>\$13,974,674</u>	<u>\$13,368,617</u>

TOWN OF SUFFIELD, CONNECTICUT

GENERAL FUND

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

GRAND LIST	UNCOLLECTED TAXES JUNE 30, 2005	CURRENT YEAR LEVY	..LAWFUL CORRECTIONS..		TRANSFERS TO SUSPENSE	REFUNDS	ADJUSTED TAXES COLLECTIBLE	.....COLLECTIONS.....				UNCOLLECTED TAXES JUNE 30, 2006
			ADDITIONS	DEDUCTIONS				TAXES	INTEREST	LIEN FEES	TOTAL	
2004		\$25,748,105	\$176,745	\$(132,148)		\$34,722	\$25,827,424	\$25,593,804	\$ 78,101	\$ 96	\$25,672,001	\$233,620
2003	\$203,675		289	(16,445)		6,546	194,065	141,367	30,840	2,136	174,343	52,698
2002	74,135			(7,529)	\$ (281)	2,199	68,524	29,367	11,853	624	41,844	39,157
2001	54,698		553	(6,716)	(11,670)	406	37,271	8,464	3,492	168	12,124	28,807
2000	33,484		555	(6,784)	(7,096)		20,159	2,708	1,862	72	4,642	17,451
1999	19,274		461	(6,238)	(1,851)		11,646	1,776	1,664	48	3,488	9,870
1998	20,203		111	(5,527)	(4,317)		10,470	1,479	1,835	24	3,338	8,991
1997	14,512		86	(5,471)	(252)		8,875	461	632	24	1,117	8,414
1996	17,284		348	(5,588)	(281)		11,763	727	1,129	24	1,880	11,036
1995	14,198		287	(5,511)	(290)		8,684	659	1,142	24	1,825	8,025
1994	12,894		479	(5,307)			8,066	900	1,265	24	2,189	7,166
1993	11,911		245	(5,068)			7,088	245	494		739	6,843
1992	11,465		125	(4,878)			6,712	125	247		372	6,587
1991	11,777		103	(4,753)			7,127	103	252		355	7,024
1990	8,003		4	(1,692)	(218)		6,097	4	10		14	6,093
TOTAL	\$507,513	\$25,748,105	\$180,391	\$(219,655)	\$(26,256)	\$43,873	\$26,233,971	\$25,782,189	\$134,818	\$3,264	\$25,920,271	\$451,782

TOWN OF SUFFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2006

	.....SPECIAL REVENUE.....								
	DOG	OFF DUTY	SCHOOL CAFETERIA	TOWN DONATIONS	SPECIAL EDUCATION GRANTS	CADAC GRANT	SEWER ASSESSMENT	ASSET FORFEITURE	RECREATION
<u>A S S E T S</u>									
Cash and cash equivalents.....	\$11,514		\$37,960				\$527,512		
Receivables:									
Assessments.....							361,933		
Intergovernmental.....			12,912		\$133,425				
Loans receivable.....									
Other.....	310	\$ 5,763	2,015		65,966				
Due from other funds.....	50,149	15,288		\$27,599	1,167	\$185		\$6,440	\$14,464
Inventory.....			37,556						
Other.....							4,644		
TOTAL.....	\$61,973	\$21,051	\$90,443	\$27,599	\$200,558	\$185	\$894,089	\$6,440	\$14,464
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>									
Liabilities:									
Accounts payable and accrued liabilities...	\$ 2,035	\$ 1,827	\$ 427	\$ 5,964	\$ 39,364				
Due to other funds.....				39	95,790		\$425,300		
Deferred revenues.....					65,404		361,933		
Total liabilities.....	2,035	1,827	427	6,003	200,558		787,233		
Fund balances (deficit):									
Reserved:									
Inventory.....			37,556						
Permanent Funds.....									
Unreserved:									
Undesignated.....	59,938	19,224	52,460	21,596		\$185	106,856	\$6,440	\$14,464
Total fund balances (deficit).....	59,938	19,224	90,016	21,596		185	106,856	6,440	14,464
TOTAL.....	\$61,973	\$21,051	\$90,443	\$27,599	\$200,558	\$185	\$894,089	\$6,440	\$14,464

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TOWN OF SUFFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	.....SPECIAL REVENUE.....								
	SENIOR CENTER ACTIVITY	MUNICIPAL GRANT	EMERGENCY FOOD AND SHELTER	SMALL CITIES GRANT	DRUG EDUCATION AND ENFORCEMENT GRANT	SUNRISE PARK	FARMINGTON CANAL TRAIL	VETERANS MEMORIAL	KENT MEMORIAL LIBRARY
<u>A S S E T S</u>									
Cash and cash equivalents.....		\$ 20,037	\$ 6,445	\$ 757,550				\$ 53,127	
Receivables:									
Assessments.....									
Intergovernmental.....		388,150							
Loans receivable.....				191,002					
Other.....									\$ 54,022
Due from other funds.....	\$ 1,172	39			\$ 1,148	\$ 5,664	\$ 25,152		
Inventory.....									
Other.....									
TOTAL.....	<u>\$ 1,172</u>	<u>\$ 408,226</u>	<u>\$ 6,445</u>	<u>\$ 948,552</u>	<u>\$ 1,148</u>	<u>\$ 5,664</u>	<u>\$ 25,152</u>	<u>\$ 53,127</u>	<u>\$ 54,022</u>
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>									
Liabilities:									
Accounts payable and accrued liabilities...	\$ 455	\$ 229,802			\$ 1				\$ 15,593
Due to other funds.....		142,779		\$ 516,819	1,167			\$ 50,455	39,544
Deferred revenues.....		35,645		389,788					
Total liabilities.....	455	408,226		906,607	1,168			50,455	55,137
Fund balances (deficit):									
Reserved:									
Inventory.....									
Permanent Funds.....									
Unreserved:									
Undesignated.....	717		\$ 6,445	41,945	(20)	\$ 5,664	\$ 25,152	2,672	(1,115)
Total fund balances (deficit).....	717		6,445	41,945	(20)	5,664	25,152	2,672	(1,115)
TOTAL.....	<u>\$ 1,172</u>	<u>\$ 408,226</u>	<u>\$ 6,445</u>	<u>\$ 948,552</u>	<u>\$ 1,148</u>	<u>\$ 5,664</u>	<u>\$ 25,152</u>	<u>\$ 53,127</u>	<u>\$ 54,022</u>

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TOWN OF SUFFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	.....SPECIAL REVENUE.....				.....PERMANENT.....			
	CAPITAL	KENT FARM SEWER	OPEN	TOTAL	MEMORIAL	CEMETERY	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	RESERVE	DISTRICT	SPACE				INTERFUND ELIMINATIONS		
<u>A S S E T S</u>									
Cash and cash equivalents.....	\$118,937	\$138,803		\$1,671,885	\$52,089	\$442,489	\$494,578	\$2,166,463	
Receivables:									
Assessments.....				361,933				361,933	
Intergovernmental.....				534,487				534,487	
Loans receivable.....				191,002				191,002	
Other.....				128,076	8,052		8,052	136,128	
Due from other funds.....			\$841,088	989,555			\$(16,537)	973,018	
Inventory.....				37,556				37,556	
Other.....				4,644				4,644	
TOTAL.....	\$118,937	\$138,803	\$841,088	\$3,919,138	\$60,141	\$442,489	\$502,630	\$(16,537)	\$4,405,231
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>									
Liabilities:									
Accounts payable and accrued liabilities...				\$ 295,468		\$ 18,927	\$ 18,927	\$ 314,395	
Due to other funds.....	\$ 23,299	\$ 3,044		1,298,236	\$20,056	20,179	40,235	\$(16,537)	1,321,934
Deferred revenues.....				852,770				852,770	
Total liabilities.....	23,299	3,044		2,446,474	20,056	39,106	59,162	(16,537)	2,489,099
Fund balances (deficit):									
Reserved:									
Inventory.....				37,556				37,556	
Permanent Funds.....					40,085	403,383	443,468	443,468	
Unreserved:									
Undesignated.....	95,638	135,759	\$841,088	1,435,108				1,435,108	
Total fund balances (deficit).....	95,638	135,759	841,088	1,472,664	40,085	403,383	443,468	1,916,132	
TOTAL.....	\$118,937	\$138,803	\$841,088	\$3,919,138	\$60,141	\$442,489	\$502,630	\$(16,537)	\$4,405,231

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TOWN OF SUFFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

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

	.....SPECIAL REVENUE.....								
	DOG	OFF DUTY	SCHOOL CAFETERIA	TOWN DONATIONS	SPECIAL EDUCATION GRANTS	CADAC GRANT	SEWER ASSESSMENT	ASSET FORFEITURE	RECREATION
Revenues:									
Intergovernmental.....			\$109,554		\$681,662				
Current services and fees.....	\$ 10,955	\$ 61,330	497,088				\$ 315,000		
Assessments.....							295,115		
Interest income.....	413		2,335				3,704		
Donations and program income.....				\$ 33,435					\$ 149
Total revenues.....	11,368	61,330	608,977	33,435	681,662		613,819		149
Expenditures:									
Administration.....									
Public safety.....	23,706	50,229		14,112				\$ 3,407	
Public works.....				33,590					
Health and social services.....									
Library, recreation and parks.....									285
Education.....			657,183		681,662				
Capital outlay.....									
Total expenditures.....	23,706	50,229	657,183	47,702	681,662			3,407	285
Excess (deficiency) of revenues over expenditures.....	(12,338)	11,101	(48,206)	(14,267)			613,819	(3,407)	(136)
Other financing sources (uses):									
Transfers in.....	13,311								
Transfers out.....		(40,000)					(512,670)		
Total other financing sources (uses)...	13,311	(40,000)					(512,670)		
Net change in fund balances.....	973	(28,899)	(48,206)	(14,267)			101,149	(3,407)	(136)
Fund balance (deficit), July 1, 2005.....	58,965	48,123	138,222	35,863	- 0 -	\$185	5,707	9,847	14,600
Fund balance (deficit), June 30, 2006.....	\$ 59,938	\$ 19,224	\$ 90,016	\$ 21,596	\$ - 0 -	\$185	\$ 106,856	\$ 6,440	\$14,464

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TOWN OF SUFFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

		.....SPECIAL REVENUE.....								
		SENIOR	MUNICIPAL	EMERGENCY	SMALL	EDUCATION AND	SUNRISE	FARMINGTON	VETERANS	KENT
		CENTER	GRANT	FOOD AND	CITIES	ENFORCEMENT	PARK	CANAL TRAIL	MEMORIAL	MEMORIAL
		ACTIVITY		SHELTER	GRANT	GRANT				LIBRARY
Revenues:										
Intergovernmental.....			\$469,635		\$650,000					\$ 2,959
Current services and fees.....										20,666
Assessments.....										
Interest income.....								\$ 19	\$1,904	64,765
Donations and program income.....		\$2,020		\$3,529			\$2,265			
Total revenues		2,020	469,635	3,529	650,000		2,265	19	1,904	88,390
Expenditures:										
Administration.....			23,894		4,072					
Public safety.....			47,952							
Public works.....			282,540							
Health and social services.....			4,709	3,198						
Library, recreation and parks.....	2,525		12,182				2,092		225	459,580
Education.....										
Capital outlay.....			98,358		650,000					
Total expenditures	2,525		469,635	3,198	654,072		2,092		225	459,580
Excess (deficiency) of revenues over expenditures.....	(505)			331	(4,072)		173	19	1,679	(371,190)
Other financing sources (uses):										
Transfers in.....										371,190
Transfers out.....										
Total other financing sources (uses)										371,190
Net change in fund balances.....	(505)			331	(4,072)		173	19	1,679	
Fund balance (deficit), July 1, 2005.....	1,222	- 0 -	6,114	46,017	\$(20)	5,491	25,133	993		(1,115)
Fund balance (deficit), June 30, 2006.....	\$ 717	\$ - 0 -	\$6,445	\$ 41,945	\$(20)	\$5,664	\$25,152	\$2,672		\$ (1,115)

TOWN OF SUFFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	.....SPECIAL REVENUE.....				.....PERMANENT.....			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CAPITAL RESERVE	KENT FARM SEWER DISTRICT	OPEN SPACE	TOTAL	MEMORIAL	CEMETERY	TOTAL		INTERFUND ELIMINATIONS
Revenues:								
Intergovernmental.....				\$1,913,810				\$1,913,810
Current services and fees.....			\$ 19,167	924,206				924,206
Assessments.....				295,115				295,115
Interest income.....	\$ 710	\$ 5,069		78,919	\$ 1,813	\$ 15,726	\$ 17,539	96,458
Donations and program income.....	55,946			97,344		5,750	5,750	103,094
Total revenues.....	56,656	5,069	19,167	3,309,394	1,813	21,476	23,289	3,332,683
Expenditures:								
Administration.....				27,966				27,966
Public safety.....				139,406				139,406
Public works.....				316,130				316,130
Health and social services.....				7,907		15,727	15,727	23,634
Library, recreation and parks.....			12,000	488,889	6,231		6,231	495,120
Education.....				1,338,845				1,338,845
Capital outlay.....				748,358				748,358
Total expenditures.....			12,000	3,067,501	6,231	15,727	21,958	3,089,459
Excess (deficiency) of revenues over expenditures.....	56,656	5,069	7,167	241,893	(4,418)	5,749	1,331	243,224
Other financing sources (uses):								
Transfers in.....				384,501				384,501
Transfers out.....				(552,670)				(552,670)
Total other financing sources (uses)...				(168,169)				(168,169)
Net change in fund balances.....	56,656	5,069	7,167	73,724	(4,418)	5,749	1,331	75,055
Fund balance (deficit), July 1, 2005.....	38,982	130,690	833,921	1,398,940	44,503	397,634	442,137	\$ - 0 - 1,841,077
Fund balance (deficit), June 30, 2006.....	\$95,638	\$135,759	\$841,088	\$1,472,664	\$40,085	\$403,383	\$443,468	\$ - 0 - \$1,916,132

TOWN OF SUFFIELD, CONNECTICUT

INTERNAL SERVICE FUND

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

	INSURANCE FUND	GAS/DIESEL FUND	TOTAL
<u>A S S E T S</u>			
Cash and cash equivalents	\$1,024,474		\$1,024,474
Receivables - other	270,695	\$5,998	276,693
TOTAL	<u>\$1,295,169</u>	<u>\$5,998</u>	<u>\$1,301,167</u>
L I A B I L I T I E S A N D <u>N E T A S S E T S</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 429,314	\$ 18,622	\$ 447,936
Due to other funds	311,624	45,535	357,159
Total liabilities	<u>740,938</u>	<u>64,157</u>	<u>805,095</u>
Net assets:			
Unrestricted	<u>554,231</u>	(58,159)	496,072
TOTAL	<u>\$1,295,169</u>	<u>\$ 5,998</u>	<u>\$1,301,167</u>

TOWN OF SUFFIELD, CONNECTICUT

INTERNAL SERVICE FUND

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

	INSURANCE FUND	GAS/DIESEL FUND	TOTAL
Operating revenues:			
User charges	\$4,554,981	\$183,052	\$4,738,033
Operating expenses:			
Administration	321,225		321,225
Insurance and benefits	4,138,690		4,138,690
Fuel		227,296	227,296
Total operating expenses.....	4,459,915	227,296	4,687,211
Operating income (loss)	95,066	(44,244)	50,822
Nonoperating revenue:			
Investment income	25,682		25,682
Change in net assets	120,748	(44,244)	76,504
Net assets, July 1, 2005	433,483	(13,915)	419,568
Net assets, June 30, 2006	<u>\$ 554,231</u>	<u>\$(58,159)</u>	<u>\$ 496,072</u>

TOWN OF SUFFIELD, CONNECTICUT

INTERNAL SERVICE FUND

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

	INSURANCE FUND	GAS/DIESEL FUND	TOTAL
Cash flows from (to) operating activities:			
Cash received from users	\$ 4,730,333	\$ 182,250	\$ 4,912,583
Cash paid to vendors	(4,566,144)	(182,250)	(4,748,394)
Net cash provided by operating activities.....	164,189	- 0 -	164,189
Cash flows from investing activities:			
Interest on investments	25,682		25,682
Net increase (decrease) in cash and cash equivalents	189,871		189,871
Cash and cash equivalents, July 1, 2005	834,603	- 0 -	834,603
Cash and cash equivalents, June 30, 2006	<u>\$ 1,024,474</u>	<u>\$ - 0 -</u>	<u>\$ 1,024,474</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 95,066	\$(44,244)	\$ 50,822
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	175,352	(802)	174,550
Increase (decrease) in accounts payable and accrued expenses	103,416	12,991	116,407
Increase (decrease) in due to other funds	(209,645)	32,055	(177,590)
Net cash provided by operating activities	<u>\$ 164,189</u>	<u>\$ - 0 -</u>	<u>\$ 164,189</u>

TOWN OF SUFFIELD, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2006

	STUDENT ACTIVITY	PERFORMANCE BOND	CLERK OF THE WORKS	TOTAL
<u>A S S E T S</u>				
Cash and cash equivalents.....	\$95,412	\$145,735		\$241,147
Due from other funds.....			\$20,932	20,932
TOTAL.....	<u>\$95,412</u>	<u>\$145,735</u>	<u>\$20,932</u>	<u>\$262,079</u>
<u>L I A B I L I T I E S</u>				
Due to student groups and others.....	<u>\$95,412</u>	<u>\$145,735</u>	<u>\$20,932</u>	<u>\$262,079</u>

TOWN OF SUFFIELD, CONNECTICUTAGENCY FUNDCOMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>STUDENT ACTIVITY FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents .	\$138,715	\$522,069	\$565,372	\$95,412
<u>LIABILITIES</u>				
Due to student groups and others	\$138,715	\$522,069	\$565,372	\$95,412
<u>PERFORMANCE BONDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents .	\$108,301	\$64,384	\$26,950	\$145,735
<u>LIABILITIES</u>				
Due to student groups and others	\$108,301	\$64,384	\$26,950	\$145,735
<u>CLERK OF THE WORKS FUND</u>				
<u>ASSETS</u>				
Due from other funds	\$14,443	\$7,505	\$1,016	\$20,932
<u>LIABILITIES</u>				
Due to student groups and others	\$14,443	\$7,505	\$1,016	\$20,932
<u>TOTAL ASSETS</u>				
Cash and cash equivalents .	\$247,016	\$586,453	\$592,322	\$241,147
Due from other funds	14,443	7,505	1,016	20,932
TOTAL ASSETS	\$261,459	\$593,958	\$593,338	\$262,079
<u>TOTAL LIABILITIES</u>				
Due to student groups and others	\$261,459	\$593,958	\$593,338	\$262,079

TOWN OF SUFFIELD, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCOMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2006 AND 2005

	2006	2005
Governmental funds capital assets:		
Land and development rights	\$ 7,231,069	\$ 6,965,390
Land improvements	417,322	417,322
Buildings and improvements	60,816,754	50,349,582
Furniture and equipment	5,487,253	5,129,523
Infrastructure	2,730,647	1,807,060
Construction in progress	<u>924,974</u>	<u>10,123,590</u>
TOTAL	<u>\$77,608,019</u>	<u>\$74,792,467</u>
Investments in governmental funds capital assets by source:		
Capitalized prior to July 1, 2003	\$59,777,934	\$59,859,934
Capital Project Fund	11,330,278	10,430,679
Special Revenue Funds	1,909,903	1,930,853
General Fund	1,794,803	764,888
Contributions	<u>2,795,101</u>	<u>1,806,113</u>
TOTAL	<u>\$77,608,019</u>	<u>\$74,792,467</u>

TOWN OF SUFFIELD, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2006

	TOTAL	LAND AND DEVELOPMENT RIGHTS	LAND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	FURNITURE AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS
Administration.....	\$ 2,337,851	\$1,236,039		\$ 892,365	\$ 209,447		
Planning and development.....	952,733	787,733			165,000		
Public safety.....	4,763,669	64,000		2,521,888	2,177,781		
Public works.....	7,802,854	1,245,950		646,369	2,254,914	\$2,730,647	\$924,974
Health and social services.....	211,103			70,000	141,103		
Library, recreation and parks..	4,868,064	2,942,644	\$367,822	1,521,598	36,000		
Education.....	56,671,745	954,703	49,500	55,164,534	503,008		
TOTAL	\$77,608,019	\$7,231,069	\$417,322	\$60,816,754	\$5,487,253	\$2,730,647	\$924,974

TOWN OF SUFFIELD, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2006

	GOVERNMENTAL FUNDS CAPITAL ASSETS JULY 1, 2005	ADDITIONS	DELETIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2006
Administration.....	\$ 1,928,844	\$ 409,007		\$ 2,337,851
Planning and development.....	952,733			952,733
Public safety.....	4,562,670	221,949	\$ (20,950)	4,763,669
Public works.....	6,657,199	1,145,655		7,802,854
Health and social services.....	211,103			211,103
Library, recreation and parks.....	4,942,365	7,699	(82,000)	4,868,064
Education.....	55,537,553	1,134,192		56,671,745
TOTAL.....	<u>\$74,792,467</u>	<u>\$2,918,502</u>	<u>\$(102,950)</u>	<u>\$77,608,019</u>

TOWN OF SUFFIELD, CONNECTICUTSTATEMENT OF DEBT LIMITATION
JUNE 30, 2006

(thousands)

Total cash collections for the year ended June 30, 2006:					
Taxes, interest and lien fees.....					\$25,876
Reimbursement for revenue loss on:					
Tax relief for elderly - elderly freeze.....					<u>8</u>
BASE.....					<u>\$25,884</u>
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base.....	\$58,239				
4-1/2 times base.....		\$116,478			
3-3/4 times base.....			\$97,065		
3-1/4 times base.....				\$84,123	
3 times base.....					\$77,652
Total debt limitation.....	<u>58,239</u>	<u>116,478</u>	<u>97,065</u>	<u>84,123</u>	<u>77,652</u>
Indebtedness:					
Bonds and notes payable.....		21,365	2,887		
Authorized, unissued bonds...		21,800			
Less: amounts to be provided by:					
State - grants on bonds authorized and unissued .		(19,000)			
Total indebtedness.....		<u>24,165</u>	<u>2,887</u>		
Debt limitation in excess of outstanding and authorized debt.....	<u>\$58,239</u>	<u>\$ 92,313</u>	<u>\$94,178</u>	<u>\$84,123</u>	<u>\$77,652</u>

NOTE 1: In no case shall total debt service exceed seven times annual receipts from taxation (\$181,188).