



June 2, 2015

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF REDDING, CONNECTICUT  
\$10,574,000 General Obligation Bond Anticipation Notes**

**Dated: June 17, 2015**

**Date of Sale: Tuesday, June 9, 2015**

**Due: March 16, 2016**

**Time of Sale: 11:00 A.M (Eastern Time)**

***\*\*Phone Number to Place Bid: (203) 938-8481\*\****

As per the Notice of Sale, proposals may be submitted by telephone on Tuesday, June 9, 2015. Please note that a representative of Phoenix Advisors, LLC will be available until 11:00 A.M (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 938-8481 no later than 11:00 A.M on Tuesday, June 9, 2015.**

*The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of The Town of Redding, Connecticut as of June 30, 2014. These excerpts are included in this package. Copies of the complete reports for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Matthew A. Spoerndle, Senior Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 878-4945.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



## **Telephone Sale Term Sheet**

**\$10,574,000**

### **General Obligation Bond Anticipation Notes Town of Redding, Connecticut**

**Date of Sale:** Tuesday, June 9, 2015 at 11:00 A.M, (Eastern Time).

**Location of Sale:** Town Hall, 110 Hill Road, Route 107, Redding, Connecticut 06896.

**Issuer:** Town of Redding, Connecticut (the "Town").

**Issue:** \$10,574,000 General Obligation Bond Anticipation Notes (the "Notes").

**Dated Date:** June 17, 2015.

**Principal and Interest Due:** At maturity on March 16, 2016.

**Purpose:** The Notes are being issued to finance various school and general purpose capital projects.

**Denominations:** \$100,000, except that one such proposal for a part may include the odd \$74,000 of principal amount.

**Redemption:** The Notes are not subject to redemption prior to maturity.

**Security:** The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The Town has outstanding bond ratings from Standard & Poor's Corporation of "AAA" and Moody's Investors Service of "Aa1".

**Basis of Award:** Lowest Net Interest Cost (NIC), as of dated date.

**Form of Legal Opinion and Tax Exemption:** Tax-Exempt (See Attached "Opinion of Bond Counsel")

**Bank Qualification:** The Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

**Financial Advisor:** Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 878-4945.

**Legal Opinion:** Pullman & Comley, LLC of Bridgeport and Hartford, Connecticut will act as Bond Counsel.

**Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about June 17, 2015. Delivery of the Notes will be made against payment in Federal Funds.

**Issuer Official:** Questions concerning the Notes should be addressed to: Steve Gniadek, Finance Director, Town of Redding, Town Hall, Redding, Connecticut 06896. Telephone: (203) 938-8481 or Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460. Telephone: (203) 878-4945.

850 Main Street  
P.O. Box 7006  
Bridgeport, CT 06601-7006  
p 203-330-2000  
f 203-576-8888

June \_\_, 2015

Town of Redding  
Redding Town Hall  
100 Hill Road  
Redding, Connecticut 06896

**Re: \$10,574,000 Town of Redding, Connecticut General Obligation Bond Anticipation Notes,  
dated June \_\_, 2015**

Ladies and Gentlemen:

We have acted as bond counsel to the Town of Redding, Connecticut (the "Town") in connection with the sale and issuance of the Town's \$10,574,000 General Obligation Bond Anticipation Notes, dated June \_\_, 2015 (the "Notes"). In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Compliance Agreement of the Town, dated June \_\_, 2015 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank National Association, they will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and it was duly authorized by the Town.

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the

Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

In our opinion, under existing law, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the Notes.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We have not undertaken to advise whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes is not includable in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

**NOTICE OF SALE  
TOWN OF REDDING, CONNECTICUT**

**\$10,574,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES  
Dated June 17, 2015: Due March 16, 2016**

Bids by TELEPHONE will be received by the **TOWN OF REDDING**, Connecticut (the "Town"), at (203) 938-8481 until **11:00 a.m. (E.D.T.), Tuesday**

**June 9, 2014**

(the "Bid Date") for the purchase of the above-captioned **TOWN OF REDDING** General Obligation Bond Anticipation Notes (the "Notes") which mature on March 16, 2016.

**The Issue**

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut General Statutes, as amended. The Notes will be dated June 17, 2015 and will be payable to the registered owners on March 16, 2016. They will be issued in minimum denominations of \$100,000 or whole multiples thereof. Denominations of less than \$100,000 will not be made available. The Notes will bear interest (computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Notes are NOT subject to redemption prior to maturity.

**Bid Requirements**

All telephone bid proposals for the purchase of the Notes will be received on behalf of the Town by a representative of Phoenix Advisors LLC at (203) 938-8481. Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Town or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Town by the time required. A bid received after the time specified, as determined in the Town's sole discretion, will not be reviewed or honored by the Town.

A proposal may be for all or any part of the Notes, but any proposal for a part must be for a whole multiple of \$100,000, except that one such proposal for a part may include the odd \$74,000 of principal amount. A separate proposal will be required for each part of the Notes for which a separate stated interest rate is bid.

**Award, Delivery and Payment**

Unless all bids are rejected, the Notes will be awarded on the basis of the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom any premium offered. As between proposals resulting in the same lowest net interest cost, the award will be made on the basis of the highest principal amount of the Notes specified. In the event that two or more bidders offer bids at the same lowest net interest cost and the same principal amount, the Town will determine by lot which of such bidders will be awarded the Notes. No bid for less than par and accrued interest, if any, will be considered and the Town reserves the right to award to any bidder(s) all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately

reduced so that the net interest cost shall be the same as in the bidder's proposal with respect to the amount bid, carried to four places. The purchase price must be paid in federal funds.

Promptly upon verbal notification that a bidder's proposal may be accepted, the bidder shall confirm to the Town the reoffering prices of the Notes.

Simultaneously with or before delivery of the Notes, the purchaser shall furnish to the Town a certificate acceptable to Bond Counsel for the Town to the effect that the purchaser has either purchased the Notes at the prices shown on such certificate for investment and not with a view toward distribution or resale and not in the capacity of a bond house, broker or other intermediary or has made a bona fide public offering of the Notes to the public (i) at initial offering prices not greater than, or yields not lower than, the respective prices or yields shown on the certificate, and (ii) a substantial amount of the Notes was sold to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than or yields not lower than, such offering prices or yields. Bond Counsel advises that (i) such certificates must be made on the best knowledge, information and belief of the purchaser, (ii) the sale to the public of 10% or more of the Notes at prices not greater than or yields not lower than, the initial offering prices or yields would be sufficient for the purpose of certifying as to the sale of a substantial amount of the Notes and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement.

At or prior to the delivery of the Notes, the successful bidder shall be furnished, without cost, with the approving opinion of Pullman & Comley, LLC, of Bridgeport and Hartford, Connecticut, Bond Counsel. The successful bidder will also be furnished with a receipt of payment for the Notes, a Signature and No Litigation Certificate, dated as of the date of delivery of the Notes, stating that there is no litigation pending, or to the knowledge of the signers thereof, threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them.

The Notes shall NOT be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

The Town will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Town's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The Town shall have no responsibility for such clearance, exemption or preparation.

It is expected that the Notes will be delivered to DTC in New York City on or about June 17, 2015 against payment in immediately available federal funds. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Notes prior to delivery and the Town will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning purchaser to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes.

### **Right to Reject Bids; Waiver**

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

### **Postponement; Change of Terms**

The Town reserves the right to alter any terms of the Notes or this Notice of Sale and to postpone, from time to time, the date or time established for the receipt of the bids.

### **Book-Entry-Only Form; Registered Physical Certificates**

Subject to the paragraph below, the Notes will be issued by means of a book-entry system with no physical distribution of certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000, or whole multiples thereof, plus any odd amounts, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The successful bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent in federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to Participants of DTC will be the responsibility of DTC. Principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered Note certificates directly to the Beneficial Owners of the Notes or their nominees.

The successful bidder for the Notes may request that the Notes be issued in the form of one fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs, including counsel fees, of any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry only form. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

### **No Continuing Disclosure or Official Statement**

Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

**Additional Information**

More information concerning the issue and the Town may be obtained from Matthew Spoerndle, Phoenix Advisors, LLC (Financial Advisor), 53 River St., Suite 1, Milford, Connecticut 06460; telephone 203-878-4945.

Bid forms may be obtained from Stephen Gniadek, Finance Director, Town of Redding (203-938-8481) or from Matthew Spoerndle, Phoenix Advisors, LLC, 53 River St., Suite 1, Milford, Connecticut 06460 (203-878-4945).

Julia C. Pemberton  
First Selectman

Margaret L. O'Donnell  
Treasurer

*(See attached form of Proposal for Town of Redding Notes)*

June 2, 2015

**PROPOSAL FOR TOWN OF REDDING NOTES**

June \_\_\_\_, 2015

Julia C. Pemberton, First Selectman  
 Margaret L. O'Donnell, Treasurer  
 Town of Redding  
 Town Hall  
 Redding, Connecticut 06896

**Re: \$10,574,000 General Obligation Bond Anticipation Notes  
 Dated June 17, 2015: Due March 16, 2016**

Subject to the provisions of the Notice of Sale dated June 2, 2015, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of Town of Redding, Connecticut General Obligation Bond Anticipation Notes at the stated interest rate (provided not less than \$100,000 of principal amount per interest rate is bid and the total of all principal amounts bid do not exceed \$10,574,000) plus the premium specified below, if any, and to pay therefor par and accrued interest, if any, to the date of delivery, as stated below. (We provide our computations of net interest rate carried to four decimals made as provided in the Notice of Sale but not constituting any part of the proposal.)

Principal Amount	\$ _____	Principal Amount	\$ _____
Interest Rate (1/100 of 1%)	_____ %	Interest Rate (1/100 of 1%)	_____ %
Premium	\$ _____	Premium	\$ _____
Net Interest Cost	_____ %	Net Interest Cost	_____ %

Principal Amount	\$ _____	Principal Amount	\$ _____
Interest Rate (1/100 of 1%)	_____ %	Interest Rate (1/100 of 1%)	_____ %
Premium	\$ _____	Premium	\$ _____
Net Interest Cost	_____ %	Net Interest Cost	_____ %

We agree to accept delivery of and make payment for the stated principal amount of Notes in Federal Funds on the date of the Notes or as soon thereafter, but not later than thirty (30) days thereafter, as such Notes may be prepared and ready for delivery by the Town.

\_\_\_\_\_  
 (Name of Bidder)

\_\_\_\_\_  
 (Telephone)

\_\_\_\_\_  
 (Signature)

\_\_\_\_\_  
 (Mailing Address)

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# **TOWN OF REDDING, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of Redding, Connecticut  
Year Ended June 30, 2014



## Independent Auditor's Report

To the Board of Finance  
Town of Redding, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Redding, Connecticut (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Redding, Connecticut's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Redding, Connecticut, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As described in Note 15 to the financial statements, the beginning net position/fund balance of the Governmental Activities, the General Fund and Non-Major Governmental Funds have been restated for a correction of an error. Our opinion is not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of employer contributions and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Redding, Connecticut's basic financial statements. The introductory section, the combining and individual fund financial statements and other schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the Town of Redding, Connecticut'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Redding, Connecticut's internal control over financial reporting and compliance.

*McGladrey LLP*

New Haven, Connecticut  
December 23, 2014

## Town of Redding, Connecticut

### Management's Discussion and Analysis - unaudited For the Year Ended June 30, 2014

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As management of the Town of Redding, Connecticut the (Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

#### **Financial Highlights**

- The assets of the Town's governmental activities exceeded its liabilities at the close of the most recent year by \$47,466,811 (net position). Of this amount, \$10,220,417 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position in the governmental activities increased by \$2,256,106 due to increased tax collections and lower expenses.
- Total General Fund fund balance at June 30, 2014 is \$ 7,160,082 which is \$ 675,662 or 10.4% higher than the prior year fund balance as restated. The General Fund balance consists of the Unassigned Fund Balance, Nonspendable Fund Balance, the Committed Fund Balance and the Assigned Fund Balance. The Unassigned Fund Balance totals \$ 5,629,794 and represents 11.9% of the current year budgeted expenditures. The Nonspendable Fund Balance totals \$1,230,000, and represents a receivable from sewer enterprise fund, which will be reclassified to Unassigned Fund Balance when the receivable is paid, and the Committed Fund Balance of \$ 208,822, for debt reduction, and the Assigned Fund Balance of \$91,466 for encumbrances.
- Actual expenditures came in .3% under budget due to responsible spending within Town departments.
- Additionally, actual revenues were 1.1% higher than budgeted primarily due to property tax collections and interest.
- Issued \$5,638,000 in authorized bond anticipation notes (BANS) for road repair and construction, bridge rehabilitation, and school building renovations.

#### **Overview of the Basic Financial Statements**

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

#### **Government-Wide Financial Statements**

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

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

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

The statement of net position and statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities,

deferred inflows/outflows, revenues, expenses, and gains and losses of the Town. Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

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

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements within the supplementary information section of this report.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

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

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

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

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

**Notes to Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide other post employment benefits to its employees, and General Fund budget information. This information can be found on pages 39-46 of this report.

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

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. Assets exceeded liabilities by \$54,729,508 at the close of the most recent fiscal year.

	Summary Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Current and Other Assets	\$ 15,758,586	\$ 16,871,516	\$ (1,203,123)	\$ (316,225)	\$ 14,555,463	\$ 16,555,291
Capital Assets	59,519,372	57,266,772	8,600,245	8,371,800	68,119,617	65,638,572
<b>Total assets</b>	<b>75,277,958</b>	<b>74,138,288</b>	<b>7,397,122</b>	<b>8,055,575</b>	<b>82,675,080</b>	<b>82,193,863</b>
Deferred outflows of resources	88,339	100,959	-	-	88,339	100,959
Long-Term Debt Outstanding	19,125,232	20,368,371	-	-	19,125,232	20,368,371
Other Liabilities	9,758,029	7,197,878	134,425	134,591	9,892,454	7,332,469
<b>Total liabilities</b>	<b>28,883,281</b>	<b>27,566,249</b>	<b>134,425</b>	<b>134,591</b>	<b>29,017,686</b>	<b>27,700,840</b>
Deferred inflows of resources	246,225	949,777	-	-	246,225	949,777
Net Position						
Net investment in capital assets	37,246,394	34,773,827	8,600,245	8,371,800	45,846,639	43,145,627
Unrestricted	10,220,417	10,949,394	(1,337,548)	(450,816)	8,882,869	10,498,578
<b>Total net position</b>	<b>\$ 47,466,811</b>	<b>\$ 45,723,221</b>	<b>\$ 7,262,697</b>	<b>\$ 7,920,984</b>	<b>54,729,508</b>	<b>\$ 53,644,205</b>

By far, the largest portion of the Town's net position (83.7%) reflects its investment in capital (e.g., land, construction in progress, buildings, sewer plant, sewer collection system, machinery and equipment, vehicles, furniture, and fixtures and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

**Governmental Activities.** Governmental activities increased the Town's net position by \$2,256,106, mainly to better expected revenues from property taxes and expenses being lower than anticipated.

**Revenues.** Governmental activities revenues totaled \$52,715,741 for the fiscal year. Property taxes are the largest revenue source for the Town and represent 88% of governmental revenues. Operating grants and contributions are the Town's second largest revenue and account for 9% of governmental revenues.

**Expenses.** Governmental expenses totaled \$50,459,635 for the fiscal year. Of the expenses, \$37,271,718 or 74% is related to education. Public safety expenses amounted \$3,354,838 or 6%. General government expenses amounted to \$4,705,089 or 9% and highway and streets expenses were \$2,440,040 or 4%.

**Summary Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,436,019	\$ 1,545,461	\$ 358,717	\$ 407,068	\$ 1,794,736	\$ 1,952,529
Operating grants and contributions	4,136,754	3,496,101	-	-	4,136,754	3,496,101
Capital grants and contributions	790,408	1,522,374	-	-	790,408	1,522,374
General revenues						
Property taxes	46,215,357	45,609,619	-	-	46,215,357	45,609,619
Grants and contributions not restricted to specific purposes	43,246	414,294	-	-	43,246	414,294
Investment income	27,443	23,757	193	118	27,636	23,875
Miscellaneous	66,514	32,927	-	-	66,514	32,927
<b>Total revenues</b>	<b>52,715,741</b>	<b>52,844,533</b>	<b>358,910</b>	<b>407,186</b>	<b>53,074,651</b>	<b>53,051,719</b>
<b>Program Expenses</b>						
General government	4,705,089	4,055,095	-	-	4,705,089	4,055,095
Public safety	3,354,838	3,842,256	-	-	3,354,838	3,842,256
Highway and streets	2,440,040	3,225,294	-	-	2,440,040	3,225,294
Transfer station and recycling	413,983	633,954	-	-	413,983	633,954
Health and social services	163,226	169,588	-	-	163,226	169,588
Library	578,440	559,548	-	-	578,440	559,548
Parks and recreation	1,249,000	1,240,965	-	-	1,249,000	1,240,965
Education	37,271,718	36,781,143	-	-	37,271,718	36,781,143
Interest expense	283,301	658,446	-	-	283,301	658,446
Sewer department	-	-	1,017,197	736,410	1,017,197	736,410
<b>Total program expenses</b>	<b>50,459,635</b>	<b>51,166,289</b>	<b>1,017,197</b>	<b>736,410</b>	<b>51,476,832</b>	<b>51,902,699</b>
<b>Changes in net position</b>	<b>2,256,106</b>	<b>1,478,244</b>	<b>(658,287)</b>	<b>(329,224)</b>	<b>1,597,819</b>	<b>1,149,020</b>
Net Position, beginning as restated*	45,210,705	44,244,976	7,920,984	8,250,208	53,131,689	52,495,184
Net Position, ending	<b>\$ 47,466,811</b>	<b>\$ 45,723,220</b>	<b>\$ 7,262,697</b>	<b>\$ 7,920,984</b>	<b>\$ 54,729,508</b>	<b>\$ 53,644,204</b>

\* See Note 15.

**Business-Type Activities.** Business-type activities decreased the Town's net position by \$658,287. General revenues do not support the Town's business-type activities; thus, revenues come from charges for services.

The Georgetown sewer expenses were \$1,017,197, which was a 38% increase from the prior year. This increase was due to failure of membranes at the sewer treatment plant and required outsourcing as a result of downtime for the membrane replacement. The plant purchased new membranes during the fiscal year as a result of this.

**Financial Analysis of the Town's Funds**

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

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

**General Fund:**

At year end, unassigned fund balance in the General Fund was \$5,629,794:

Unassigned fund balance, July 1, 2013	\$ 6,549,618
Restatement (Note 15)	(456,259)
Actual revenue greater than budgeted	515,460
Actual expenditures less than budgeted	164,032
Change in encumbrances- assigned	89,053
Less advances to enterprise fund- nonspendable	(1,230,000)
Less prepaids- nonspendable	(42,748)
Other	(2,110)
<b>Unassigned fund balance, June 30, 2014</b>	<b><u>\$ 5,587,046</u></b>

General Fund actual expenditures came in .3% under budget due to responsible spending within Town departments. Additionally, actual revenues were 1.1% higher than budgeted primarily due to property tax collections and interest.

**General Fund Budgetary Highlights**

Actual revenue exceeded budget by approximately 1.1%. A reduction to state aid after the budget cycle was offset by favorable tax revenue, both in the current year and prior year collections, along with associated interest fees, despite an 18.6% reduction to the 2012 Grand List due to a town wide revaluation.

Actual expenditures were .3% favorable to budget primarily due to controlling departmental spending and the transfer of a year-end Board of education surplus. These factors helped mitigate the negative impact of severe winter weather and associated storm and snow removal costs.

**Road reconstruction fund:** The fund balance has decreased by approximately \$1,870,000 which is a result of expenditures related to the road improvement projects.

**Capital Projects- Schools:** The fund balance decreased by approximately \$357,000 which is a result of expenditures relating to capital improvements for the schools.

**Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$68,119,617 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, sewer plant, sewer collection system, machinery and equipment, vehicles, furniture and fixtures and infrastructure.

**Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 19,203,822	\$ 19,203,822	\$ 15,342	\$ 15,342	\$ 19,219,164	\$ 19,219,164
Construction in Progress	3,151,679	2,024,246	-	-	3,151,679	2,024,246
Buildings	14,839,160	15,192,029	-	-	14,839,160	15,192,029
Sewer Plant	-	-	7,990,489	8,073,699	7,990,489	8,073,699
Sewer Collection System	-	-	594,414	282,759	594,414	282,759
Machinery and Equipment	2,547,625	2,363,854	-	-	2,547,625	2,363,854
Infrastructure	17,211,324	15,981,516	-	-	17,211,324	15,981,516
Vehicles	2,392,182	2,422,500	-	-	2,392,182	2,422,500
Furniture and Fixtures	173,580	78,805	-	-	173,580	78,805
<b>Total</b>	<b>\$ 59,519,372</b>	<b>\$ 57,286,772</b>	<b>\$ 8,600,245</b>	<b>\$ 8,371,800</b>	<b>\$ 68,119,617</b>	<b>\$ 65,638,572</b>

Additional information on the Town's capital assets can be found in Note 5 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Town had total debt outstanding of \$15,354,021. The entire amount is backed by the full faith and credit of the Town.

**Outstanding Debt  
General Obligation Bonds and Notes**

	Governmental Activities	
	2014	2013
General obligation bonds - town improvements	\$ 10,818,462	\$ 11,725,426
General obligation bonds - school improvements	4,443,000	4,856,000
Clean Water Fund note	92,559	141,635
<b>Total</b>	<b>\$ 15,354,021</b>	<b>\$ 16,723,061</b>

The Town received an "AAA" credit rating from Standard & Poor's for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times its tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$330,662,263 which is significantly in excess of the Town's outstanding general obligation debt.

In addition to the above recorded amounts, the Town participates with the Town of Easton in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the District) is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2014, which matures through 2026, amounted to \$15,665,000. The Town's share of the debt was \$8,592,952.

Additional information on the Town's long-term debt can be found in Note 9 of this report.

**Economic Factors and Next Year's Budget and Rates**

The unemployment rate for the Town was 5.4%, down from last year reported of 5.9%. The rate compares favorably with the state's average rate of 7.8%.

The governor of the state has declared that there will be no reduction in state aid.

These factors, along with declining school enrollment forecasts and continued expense management were considered in the preparation of the budget for 2014-15, which resulted in a .15% reduction over the prior year budget.

**Requests for Information**

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

## **Basic Financial Statements**

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**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,569,816	\$ 26,877	\$ 11,596,693
Receivables, net (Note 4)	4,146,022	-	4,146,022
Other	42,748	-	42,748
Advance to other funds	1,230,000	(1,230,000)	-
Capital assets, not being depreciated	22,355,501	15,342	22,370,843
Capital assets being depreciated, net	37,163,871	8,584,903	45,748,774
<b>Total assets</b>	<b>76,507,958</b>	<b>7,397,122</b>	<b>83,905,080</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	88,339	-	88,339
<b>Liabilities</b>			
Accounts payable and accrued expenses	3,233,340	134,425	3,367,765
Due to other governments	1,433	-	1,433
Due to Regional School District No.9	799,323	-	799,323
Bond anticipation notes	5,638,000	-	5,638,000
Unearned revenue	85,933	-	85,933
Long-term liabilities:			
Noncurrent liabilities due within one year	2,139,198	-	2,139,198
Due in more than one year	16,986,034	-	16,986,034
<b>Total liabilities</b>	<b>28,883,261</b>	<b>134,425</b>	<b>29,017,686</b>
<b>Deferred Inflows of Resources</b>			
Advance property tax collections	246,225	-	246,225
<b>Net Position</b>			
Net Investment in Capital Assets	37,246,394	8,600,245	45,846,639
Unrestricted (Deficit)	10,220,417	(1,337,548)	8,882,869
<b>Total Net Position</b>	<b>\$ 47,466,811</b>	<b>\$ 7,262,697</b>	<b>\$ 54,729,508</b>

See Notes to Financial Statements.

Town of Redding, Connecticut

Exhibit II

Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General government	\$ 4,705,089	\$ 376,178	\$ 245,725	\$ -	\$ (4,083,186)	\$ -	(4,083,186)
Public Safety	3,354,838	44,227	8,160	-	(3,302,451)	-	(3,302,451)
Highway and street	2,440,040	246,619	258,328	790,408	(1,144,685)	-	(1,144,685)
Transfer station and recycling	413,983	168,716	-	-	(245,267)	-	(245,267)
Health and welfare	163,226	18,315	-	-	(144,911)	-	(144,911)
Library	578,440	-	-	-	(578,440)	-	(578,440)
Education	37,271,718	-	3,624,541	-	(33,647,177)	-	(33,647,177)
Park and recreation	1,249,000	581,964	-	-	(667,036)	-	(667,036)
Interest and fiscal charges	283,301	-	-	-	(283,301)	-	(283,301)
<b>Total governmental activities</b>	<b>50,459,635</b>	<b>1,436,019</b>	<b>4,136,754</b>	<b>790,408</b>	<b>(44,096,454)</b>	<b>-</b>	<b>(44,096,454)</b>
<b>Business-Type Activities</b>							
Georgetown sewer	1,017,197	358,717	-	-	-	(658,480)	717,434
<b>Total</b>	<b>\$ 101,936,467</b>	<b>\$ 3,230,755</b>	<b>\$ 8,273,508</b>	<b>\$ 1,580,816</b>			
General revenues:							
Property taxes					46,215,357	-	46,215,357
Grants and contributions not restricted to specific programs					43,246	-	43,246
Investment income					27,443	193	27,636
Miscellaneous					66,514	-	66,514
<b>Total general revenues</b>					<b>46,352,560</b>	<b>193</b>	<b>46,352,753</b>
Change in net position					2,256,106	(658,287)	1,597,819
Net position - beginning , as restated (Note 15)					45,210,705	7,920,984	53,131,689
Net position - ending					\$ 47,466,811	\$ 7,262,697	\$ 54,729,508

See Notes to Financial Statements.

**Balance Sheet - Governmental Funds  
June 30, 2014**

	General	Road Reconstruction	Capital Projects-Schools	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 8,682,556	\$ 175,224	\$ 1,232,432	\$ 1,254,369	\$ 11,344,581
Receivables:					
Property taxes	3,229,764	-	-	-	3,229,764
Sewer assessments	-	-	-	5,506	5,506
Intergovernmental	6,481	-	-	-	6,481
Other	65,695	-	-	838,576	904,271
Due from other funds	816,247	-	107,170	479,810	1,403,227
Prepays	42,748	-	-	-	42,748
Advance to other funds	1,230,000	-	-	-	1,230,000
<b>Total assets</b>	<b>\$ 14,073,491</b>	<b>\$ 175,224</b>	<b>\$ 1,339,602</b>	<b>\$ 2,578,261</b>	<b>\$ 18,166,578</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>					
<b>Liabilities</b>					
Accounts payable	2,129,513	139,338	191,838	352,668	2,813,357
Due to other governments	1,433	-	-	-	1,433
Due to Regional School District No.9	799,323	-	-	-	799,323
Due to other funds	592,172	59,697	-	756,552	1,408,421
Bond anticipation notes payables	-	3,743,020	1,360,980	534,000	5,638,000
Unearned revenue	85,933	-	-	-	85,933
<b>Total liabilities</b>	<b>3,608,374</b>	<b>3,942,055</b>	<b>1,552,818</b>	<b>1,643,220</b>	<b>10,746,467</b>
<b>Deferred Inflows of Resources</b>					
Advance tax collections	246,225	-	-	-	246,225
Unavailable resources-other	3,058,810	-	-	775,506	3,834,316
	<b>3,305,035</b>	<b>-</b>	<b>-</b>	<b>775,506</b>	<b>4,080,541</b>
<b>Fund Balances (Deficits)</b>					
Nonspendable	1,272,748	-	-	-	1,272,748
Restricted	-	-	-	170,951	170,951
Committed	208,822	-	-	1,257,838	1,466,660
Assigned	91,466	-	-	-	91,466
Unassigned	5,587,046	(3,766,831)	(213,216)	(1,269,254)	337,745
<b>Total fund balances (deficits)</b>	<b>7,160,082</b>	<b>(3,766,831)</b>	<b>(213,216)</b>	<b>159,535</b>	<b>3,339,570</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 14,073,491</b>	<b>\$ 175,224</b>	<b>\$ 1,339,602</b>	<b>\$ 2,578,261</b>	<b>\$ 18,166,578</b>

See Notes to Financial Statements.

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position  
For the Year Ended June 30, 2014**

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit III)	\$ 3,339,570
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	73,051,192
Less accumulated depreciation	<u>(13,531,820)</u>
<b>Net capital assets</b>	<u>59,519,372</u>
Assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the funds:	
Property tax and sewer assessment interest and lien accrual	990,606
Property tax and sewer assessment receivable - accrual basis change	2,073,710
Other	770,000
Internal service funds are used by management to charge the cost of medical insurance to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	11,427
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(15,354,021)
Deferred amounts on refunding	88,339
Compensated absences	(204,575)
Accrued interest payable	(200,981)
Capital leases	(1,468,215)
Net OPEB obligation	(2,066,921)
Landfill closure and post-closure care	<u>(31,500)</u>
Net Position of Governmental Activities (Exhibit I)	<u>\$ 47,466,811</u>

See Notes to Financial Statements.

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds**  
**For the Year Ended June 30, 2014**

	General	Road Reconstruction Fund	Capital Projects- Schools	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 45,676,124	\$ -	\$ -	\$ -	\$ 45,676,124
Intergovernmental	3,801,388	-	-	386,185	4,187,573
Investment income	21,099	293	1,046	5,005	27,443
Charges for services	1,328,181	-	-	120,673	1,448,854
Other	33,339	-	-	33,175	66,514
<b>Total revenues</b>	<b>50,860,131</b>	<b>293</b>	<b>1,046</b>	<b>545,038</b>	<b>51,406,508</b>
<b>Expenditures</b>					
Current:					
General government	2,952,518	-	-	371,167	3,323,685
Public safety	2,325,517	-	-	97,231	2,422,748
Highway and street	1,494,389	-	-	2,731	1,497,120
Transfer station and recycling	293,302	-	-	-	293,302
Health and welfare	115,057	-	-	874	115,931
Library	433,000	-	-	-	433,000
Parks and recreation	900,669	-	-	19,474	920,143
Employee benefits	2,727,287	-	-	116,614	2,843,901
Education	36,823,250	-	-	-	36,823,250
Debt service	2,049,173	-	-	-	2,049,173
Capital outlay	-	1,871,157	358,313	1,212,032	3,441,502
<b>Total expenditures</b>	<b>50,114,162</b>	<b>1,871,157</b>	<b>358,313</b>	<b>1,820,123</b>	<b>54,163,755</b>
<b>Revenues over (under) expenditures</b>	<b>745,969</b>	<b>(1,870,864)</b>	<b>(357,267)</b>	<b>(1,275,085)</b>	<b>(2,757,247)</b>
<b>Other Financing Sources (Uses)</b>					
Capital leases proceeds	-	-	-	291,816	291,816
Bond Anticipation Note premium	34,549	-	-	-	34,549
Transfers in	-	-	-	104,856	104,856
Transfers out	(104,856)	-	-	-	(104,856)
<b>Total other financing sources (uses)</b>	<b>(70,307)</b>	<b>-</b>	<b>-</b>	<b>396,672</b>	<b>326,365</b>
<b>Change in fund balances (deficits)</b>	<b>675,662</b>	<b>(1,870,864)</b>	<b>(357,267)</b>	<b>(878,413)</b>	<b>(2,430,882)</b>
<b>Fund Balances, beginning of year, as restated (Note 15)</b>	<b>6,484,420</b>	<b>(1,895,967)</b>	<b>144,051</b>	<b>1,037,948</b>	<b>5,770,452</b>
<b>Fund Balances, end of year</b>	<b>\$ 7,160,082</b>	<b>\$ (3,766,831)</b>	<b>\$ (213,216)</b>	<b>\$ 159,535</b>	<b>\$ 3,339,570</b>

See Notes to Financial Statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ (2,430,882)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital outlay	3,463,692
Depreciation expense	(1,169,229)
Loss on disposal of assets	<u>(41,863)</u>
<b>Total</b>	<u>2,252,600</u>

Change in some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

1,309,233

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 has any effect on net position. Also, governmental funds report the premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Premium amortization	20,923
Deferred amounts on refunding	(12,620)
Bond principal repayments	1,400,000
Proceeds from capital leases	(291,816)
Capital lease payments	312,485
Notes payable	<u>49,076</u>
<b>Total</b>	<u>1,478,048</u>

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:

Net OPEB expense	(206,309)
Landfill post-closure care	3,500
Compensated absences	(44,720)
Accrued interest payable	43,717
Write-off of issuance costs	<u>(82,258)</u>
<b>Total</b>	<u>(286,070)</u>

Internal Service Funds are used by management to charge costs of medical insurance benefits to individual departments. The net expense of the activities of the Internal Service Fund is reported with governmental activities.

(66,823)

Change in net position of governmental activities (Exhibit II)

\$ 2,256,106

See Notes to Financial Statements.

**Statement of Net Position - Proprietary Funds**  
**June 30, 2014**

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Georgetown Sewer	
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 26,877	\$ 225,235
Due from other funds	-	5,192
<b>Total current assets</b>	<u>26,877</u>	<u>230,427</u>
Noncurrent Assets		
Capital Assets, net:		
Land	15,342	-
Sewer plant	7,990,489	-
Sewer collection system	594,414	-
<b>Total capital assets, net</b>	<u>8,600,245</u>	<u>-</u>
<b>Total assets</b>	<u>8,627,122</u>	<u>230,427</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	134,425	-
Claims payable	-	219,000
<b>Total current liabilities</b>	<u>134,425</u>	<u>219,000</u>
Noncurrent Liabilities		
Advance from other funds	1,230,000	-
<b>Total liabilities</b>	<u>1,364,425</u>	<u>219,000</u>
<b>Net Position</b>		
Net Investment in Capital Assets	8,600,245	-
Unrestricted (Deficit)	(1,337,548)	11,427
<b>Total net position</b>	<u>\$ 7,262,697</u>	<u>\$ 11,427</u>

See Notes to Financial Statements.

**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds  
For the Year Ended June 30, 2014**

	Business-Type	
	Activities Enterprise Fund	Governmental Activities
	Georgetown Sewer	Internal Service Fund
Operating Revenues		
Charges for services	\$ 358,717	\$ 3,069,892
<b>Total operating revenues</b>	<b>358,717</b>	<b>3,069,892</b>
Operating Expenses		
Claims incurred	-	2,842,462
Administration	19,832	294,848
Contracted services	304,445	-
Outside services	7,848	-
Materials disposal	282,597	-
Materials and supplies	108,474	-
Utilities	130,446	-
Depreciation	163,555	-
<b>Total operating expenses</b>	<b>1,017,197</b>	<b>3,137,310</b>
<b>Operating loss</b>	<b>(658,480)</b>	<b>(67,418)</b>
Nonoperating Revenues		
Investment income	193	595
<b>Change in net position</b>	<b>(658,287)</b>	<b>(66,823)</b>
Net Position, beginning	7,920,984	78,250
Net Position, ending	\$ 7,262,697	\$ 11,427

See Notes to Financial Statements.

**Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2014**

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Georgetown Sewer	Internal Service Fund
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and others	\$ 361,693	\$ -
Payments to suppliers	(853,808)	-
Claim payments	-	(2,877,448)
Charges for services	-	3,136,305
Administrative payments	\$ -	(216,753)
<b>Net cash (used in) provided by operating activities</b>	<b>(492,115)</b>	<b>42,104</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Advances from other funds	815,000	-
<b>Cash Flows From Financing Activities</b>		
Purchase of property and equipment	(392,000)	-
<b>Cash Flows From Investing Activities</b>		
Income from investments	193	595
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(68,922)</b>	<b>42,699</b>
Cash and Cash Equivalents, beginning of year	95,799	182,536
Cash and cash equivalents, ending	\$ 26,877	\$ 225,235
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating loss	\$ (658,480)	\$ (67,418)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	163,555	-
(Increase) decrease in:		
Accounts receivable	2,976	-
Due from other funds	-	66,413
Increase (decrease) in:		
Accounts and claims payable	(166)	43,109
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (492,115)</b>	<b>\$ 42,104</b>

**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2014**

	Agency Funds
<hr/>	
<b>Assets</b>	
Cash and Cash Equivalents	\$ 108,701
	<hr/>
<b>Liabilities</b>	
Due to Others	\$ 108,701
	<hr/>

See Notes to Financial Statements.

## Town of Redding, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Redding, 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.

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

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in the Governmental Accounting Standards Board Codification, Section 2100, have been considered and there are no agencies or entities, which should be presented with the Town.

#### Accounting Standards Adopted in the Current Year:

*GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, was implemented as July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, deferred amounts on refundings were required to be reclassified to deferred outflows of resources. In addition, amounts previously classified as deferred revenue were reclassified as deferred inflows of resources.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from the statement of net position, except for the net residual amounts due between governmental and business-type activities. The interfund services provided and used are not eliminated from the statement of activities in the process of consolidation. 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 services.

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

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

## Town of Redding, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. However, agency funds, unlike other fiduciary funds, report only assets and liabilities and do not have a measurement focus, and follow the accrual basis of accounting. 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 for. Intergovernmental grants and entitlements 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 are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, landfill post-closure monitoring, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Road Reconstruction Fund* is used to account for the various road repair activities. The major source for this fund is from bond proceeds.
- The *Capital Projects- School Fund* is used to account for various school projects. The major source for this fund is from BAN/bond proceeds.

The Town reports the following major proprietary fund:

The *Georgetown Sewer Fund* accounts for the activities of the Town's sewer operations. The major source of revenue for this fund is from sewer assessments.

Additionally, the Town reports the following fund types:

- The *Internal Service Fund* accounts for risk financing activities for the medical insurance benefits as allowed by the Governmental Accounting Standards Board (GASB) Statement No. 10 provided to other departments on a cost reimbursement basis.
- The *Agency Fund* accounts for monies held on behalf of students.

**Town of Redding, Connecticut**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's sewer operations and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include 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 Georgetown Sewer enterprise fund and of the Town's internal service funds are charges to customers for sales and services. The Georgetown Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, claim expense, 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. Unrestricted resources are used in the following order: committed, assigned, then unassigned.

Assets, Liabilities and Net Position or Equity

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.

In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

**Town of Redding, Connecticut**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

Property Taxes

Property taxes are assessed as of October 1 and levied on the following June 1st. Real estate taxes are generally due and payable in two installments on July 1 and January 1. Motor vehicle taxes are due and payable in one installment on July 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of 1 ½% per month. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are recorded July 1.

Allowance for Doubtful Accounts

Receivables for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based on past collection history and on analysis of creditor's ability to pay. An amount of \$115,000 has been established as an allowance for uncollectible taxes.

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 and the enterprise fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

## Town of Redding, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences: Town and Board of Education employees are granted vacation based upon length of employment. Unused vacation time accrued prior to voluntary termination shall be paid on a pro rata basis. For the Town, sick leave does not accrue, and cannot be carried forward. For the Board of Education, sick leave may be carried forward, but any unused balance at termination will be forfeited. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, sewer assessments, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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, and debt principal payments other than BANs are reported as debt service expenditures.

Fund Equity and Net Position:

In the government-wide and proprietary fund financial statements, net position is classified into the following categories:

Net Investments in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets and unspent bond proceeds reduces this category.

Town of Redding, Connecticut

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Restricted Net Position: These amounts are restricted to specific purposes when constraints placed on the use of the resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted Net Position: This category presents the net position of the Town, not included in the other two categories, which are not restricted. A deficit will require future funding.

The equity of the governmental fund financial statements is defined as "fund balance" and is classified in the following categories:

Nonspendable Fund Balance: These amounts cannot be spent either because they are not in spendable form, or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance: These amounts are restricted to specific purposes when constraints placed on the use of the resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Committed Fund Balance: This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Redding Town Meeting), in the form of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until similar action is taken to remove or revise the limitation.

Assigned Fund Balance: Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Under the Town's adopted policy, the Finance Director has the authority to assign amounts for a specific purpose.

Unassigned Fund Balance: This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

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

**Note 2. Stewardship, Compliance and Accountability**

Deficit Fund Balance: The following funds had fund balance deficits at June 30, 2014:

Major Fund	
Road Reconstruction Fund	\$ 3,766,831
Nonmajor Governmental Funds	
Georgetown STEAP Intersection	704,863
School Bonded Projects	547,689
Police Funds	16,702
Capital Projects Schools	-

The deficits will be eliminated in future years as additional revenues are recognized and projects are permanently financed.

## Town of Redding, Connecticut

### Notes to Financial Statements

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#### Note 2. Stewardship, Compliance and Accountability (Continued)

Capital Projects Authorization: The following is a summary of major Capital Projects at June 30, 2014:

Capital Project Fund	Authorization	Current Year Expenditures	Cumulative Expenditures	Commitment Balance June 30, 2014
Road Reconstruction Fund	\$ 3,500,000	\$ 1,871,157	\$ 3,436,726	\$ 63,274
Georgetown STEAP	1,227,953	8,610	1,142,020	85,933
Georgetown STEAP Intersection	3,641,000	435,825	3,042,640	598,360
Town Buildings	618,000	109,039	109,039	508,961
Stepney Rd Bridge	739,000	44,430	44,430	694,570

#### Note 3. Cash and Cash Equivalents

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. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan. For the capital and nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). The investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and is 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.

#### Deposits:

Deposit Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits will not be returned. The Town has a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. 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.

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, approximately \$8,980,000 of the Town's bank balance of approximately \$10,869,00 was uninsured and uncollateralized at June 30, 2014.

Town of Redding, Connecticut

Notes to Financial Statements

**Note 3. Cash and Cash Equivalents (Continued)**

Cash Equivalents:

At June 30, 2014, the Town's cash equivalents amounted to \$3,553,839. 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. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
State Short-Term Investment Fund (STIF)	AAA/m
Cutwater Asset management - Connecticut Cooperative Liquid Assets Securities System (CLASS) Plus	AAA/m

**Note 4. Receivables**

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

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables				
Taxes	\$ 2,354,158	\$ -	\$ -	\$ 2,354,158
Interest on property taxes	990,606	-	-	990,606
Accounts	65,695	68,576	1,372,372	1,506,643
Sewer assessments	-	5,506	-	5,506
Intergovernmental	6,481	-	-	6,481
<b>Gross receivables</b>	<u>3,416,940</u>	<u>74,082</u>	<u>1,372,372</u>	<u>3,491,022</u>
Less Allowance for Uncollectibles	115,000	-	1,372,372	1,487,372
<b>Net total receivables</b>	<u>\$ 3,301,940</u>	<u>\$ 74,082</u>	<u>\$ -</u>	<u>\$ 3,376,022</u>

**Note 5. Deferred Inflows of Resources/Unearned Revenue**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned 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 unavailable/unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Property taxes collected in advance	\$ 246,225	\$ -
Grant drawdowns prior to meeting all eligibility requirements		85,933
Delinquent property taxes receivable and interest receivable	3,058,810	-
Special assessments not yet due	5,506	-
Grants	770,000	-
<b>Total unavailable revenue/unearned revenue for governmental funds</b>	<u>\$ 4,080,541</u>	<u>\$ 85,933</u>

Town of Redding, Connecticut

Notes to Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 19,203,822	\$ -	\$ -	\$ 19,203,822
Construction in progress	2,024,246	1,127,433	-	3,151,679
<b>Total capital assets, not being depreciated</b>	<b>21,228,068</b>	<b>1,127,433</b>	<b>-</b>	<b>22,355,501</b>
Capital assets, being depreciated:				
Buildings	19,014,009	-	-	19,014,009
Machinery and equipment	2,813,564	294,806	-	3,108,370
Vehicles	3,425,736	223,049	(11,499)	3,637,286
Furniture and fixtures	172,334	250,659	(123,172)	299,821
Infrastructure	23,068,460	1,567,745	-	24,636,205
<b>Total capital assets, being depreciated</b>	<b>48,494,103</b>	<b>2,336,259</b>	<b>(134,671)</b>	<b>50,695,691</b>
Less accumulated depreciation for:				
Buildings	3,821,980	352,869	-	4,174,849
Machinery and equipment	449,710	121,385	(10,350)	560,745
Vehicles	1,003,236	324,326	(82,458)	1,245,104
Furniture and fixtures	93,529	32,712	-	126,241
Infrastructure	7,086,944	337,937	-	7,424,881
<b>Total accumulated depreciation</b>	<b>12,455,399</b>	<b>1,169,229</b>	<b>(92,808)</b>	<b>13,531,820</b>
<b>Total capital assets, being depreciated, net</b>	<b>36,038,704</b>	<b>1,167,030</b>	<b>(41,863)</b>	<b>37,163,871</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 57,266,772</b>	<b>2,294,463</b>	<b>(41,863)</b>	<b>\$ 59,519,372</b>

Town of Redding, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 15,342	\$ -	\$ -	\$ 15,342
Capital assets, being depreciated:				
Sewer plant	9,245,519	-	-	9,245,519
Sewer collection system	714,541	392,000	-	1,106,541
Machinery and equipment	6,550	-	-	6,550
<b>Total capital assets, being depreciated</b>	<b>9,966,610</b>	<b>392,000</b>	<b>-</b>	<b>10,358,610</b>
Less accumulated depreciation for:				
Sewer plant	1,171,820	83,210	-	1,255,030
Sewer collection system	431,782	80,345	-	512,127
Machinery and equipment	6,550	-	-	6,550
<b>Total accumulated depreciation</b>	<b>1,610,152</b>	<b>163,555</b>	<b>-</b>	<b>1,773,707</b>
<b>Total capital assets, being depreciated, net</b>	<b>8,356,458</b>	<b>228,445</b>	<b>-</b>	<b>8,584,903</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 8,371,800</b>	<b>\$ 228,445</b>	<b>\$ -</b>	<b>\$ 8,600,245</b>

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

Governmental Activities	
General government	\$ 391,081
Public safety	92,197
Highways and streets	479,991
Transfer station and recycling	17,826
Health and social services	3,702
Parks and recreation	4,780
Education	179,652
<b>Total depreciation expense – governmental activities</b>	<b>\$ 1,169,229</b>
Business-Type Activities	
Sewer	\$ 163,555

**Town of Redding, Connecticut**

**Notes to Financial Statements**

**Note 7. Interfund Accounts**

At June 30, 2014, the amounts due to and from other funds were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 816,249	\$ 592,172
Road Reconstruction	-	59,697
Capital Projects- Schools	107,170	-
Internal Service Fund	5,192	-
Nonmajor Governmental Fund	479,810	756,552
	<u>\$ 1,408,421</u>	<u>\$ 1,408,421</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 1,230,000	\$ -
Georgetown Sewer	-	1,230,000
	<u>\$ 1,230,000</u>	<u>\$ 1,230,000</u>

The advances amongst the funds relate to loans made between the Georgetown Sewer fund and the General fund. The Georgetown Sewer plans to repay funds with future revenues and collection of past accounts receivable. None of the balance is scheduled to be collected in the subsequent year.

Interfund Transfers:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ -	\$ 104,856
Reserve for CNR Fund	104,856	-
<b>Total</b>	<u>\$ 104,856</u>	<u>\$ 104,856</u>

During the year, transfers are used to move general fund resources to provide annual subsidy to the transit fund.

**Town of Redding, Connecticut**

**Notes to Financial Statements**

**Note 8. Bond Anticipation Notes and Subsequent Event**

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project. On December 19, 2013, the Town issued \$5,638,000 in bond anticipation notes for school projects and bridge and road improvements. The notes matured on September 18, 2014 and carry an interest rate of 1.0%. Short-term obligation activity for the year ended June 30, 2014 is as follows:

Description	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
Bond Anticipation Notes	\$ 4,281,000	\$ 5,638,000	\$ 4,281,000	\$ 5,638,000

The Town refinanced the \$5,638,000 of outstanding bond anticipation notes on September 18, 2014 with new notes in the amount of \$7,873,000, which mature on June 17, 2015.

**Note 9. Long-Term Debt**

Changes in Long-Term Obligations

Summary of Changes: The following is a summary of changes in long-term obligations during the fiscal year. All long-term liabilities are generally liquidated by the General Fund.

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate (%)	Balance July 1, 2013	Additions	Deductions	Balance Outstanding June 30, 2014	Current Portion
<b>Bond Notes</b>									
<b>General Purpose:</b>									
Improvement bond	\$ 8,345,000	10/15/99	10/15/19	4.75-6.5	\$ 2,919,000	\$ -	\$ 417,000	\$ 2,502,000	\$ 417,000
Improvement bond	6,729,950	07/15/10	07/15/30	2.0-4.0	6,060,000	-	335,000	5,725,000	335,000
Refunding bond	2,680,000	19/12/12	08/01/20	2.0-3.0	2,680,000	-	235,000	2,445,000	360,000
Premium on refunding					167,385	-	20,923	146,462	-
Total general purpose					11,826,385	-	1,007,923	10,818,462	1,112,000
<b>Schools:</b>									
Improvement bond	4,755,000	10/15/99	10/15/19	4.75-6.5	1,631,000	-	233,000	1,398,000	233,000
Improvement bond	3,585,050	07/15/10	07/15/31	2.0-4.0	3,225,000	-	180,000	3,045,000	180,000
Total schools					4,856,000	-	413,000	4,443,000	413,000
<b>Sewer:</b>									
Clean water note	246,648	06/01/11	04/01/16	2	141,635	-	49,076	92,559	50,066
Total bond/notes					16,824,020	-	1,469,999	15,354,021	1,575,066
Compensated Absences					159,855	44,720	-	204,575	67,475
Capital Leases					1,488,884	291,816	312,485	1,468,215	493,157
Net OPEB obligation					1,860,612	206,309	-	2,066,921	-
Landfill Closure and Post-Closure Care					35,000	-	3,500	31,500	3,500
Total general long-term liabilities					\$ 20,368,371	\$ 542,845	\$ 1,785,984	19,125,232	\$ 2,139,198

**Town of Redding, Connecticut**

**Notes to Financial Statements**

**Note 9. Long-Term Debt (Continued)**

The following is a summary of amounts to be provided for the retirement of bond and note maturities:

Year Ending June 30,	Principal		Interest	
	Bonds	Clean Water Loan	Bonds	Clean Water Loans
2015	\$ 1,525,000	\$ 50,066	\$ 512,800	\$ 1,394
2016	1,525,000	42,493	455,906	390
2017	1,520,000	-	394,306	-
2018	1,515,000	-	334,281	-
2019	1,510,000	-	278,431	-
2020-2024	3,900,000	-	845,291	-
2025-2029	2,580,000	-	413,344	-
2030-2033	1,040,000	-	38,675	-
	<u>\$ 15,115,000</u>	<u>\$ 92,559</u>	<u>\$ 3,273,034</u>	<u>\$ 1,784</u>

In addition to the above recorded amounts, the Town participates with the Town of Easton in providing a regional high school for students residing in each town. Accordingly, the outstanding debt and related interest expense of Regional School District No. 9 (the District) is shared by Easton and Redding based upon the respective number of students attending from each town. Total outstanding debt of the District at June 30, 2014, which matures through 2026, amounted to \$15,665,000. The Town's share of the debt was \$8,596,952.

In-Substance Defeasance – Prior Years: In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's government-wide financial statements. At June 30, 2014, \$2,345,000 of the defeased debt is outstanding.

Capital Leases: The Town has entered into leases for the purchase of a phone system, trucks, police vehicles and school buses.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The cost of these assets was approximately \$2,512,000 with accumulated depreciation as of June 30, 2014 of approximately \$377,000. The following is a schedule of the minimum lease payments under the leases and the present value of the future minimum lease payments reflected at June 30, 2014:

Year Ending June 30,	Amount
2015	\$ 570,469
2016	458,940
2017	543,111
2018	36,034
	<u>1,608,554</u>
Less amount representing interest	<u>140,338</u>
<b>Present value of future minimum lease payment</b>	<u><b>\$ 1,468,216</b></u>

Town of Redding, Connecticut

Notes to Financial Statements

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**Note 9. Long-Term Debt (Continued)**

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 106,284,299	\$ 11,748,851	\$ 94,535,448
Schools	212,568,597	13,044,538	199,524,059
Sewers	177,140,498	92,559	177,047,939
Urban renewal	153,521,765	-	153,521,765
Pension deficit	141,712,398	-	141,712,398

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$330,662,263.

The indebtedness reflected above includes bonds outstanding in addition to the Town's portion of Regional School District No.9's debt and the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

Landfill Closure and Post-Closure Care Costs: State and federal laws and regulations require landfill closures to meet certain standards. The Town landfill has been closed. Estimated monitoring costs for the next 10 years at \$3,500 per year are \$35,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. This estimated liability is recorded in the governmental activities statement of net position, since the liability will be funded from future financial resources, not from expendable available financial resources.

Authorized/Unissued Bonds: At June 30, 2014, the amount of authorized/unissued bonds is \$7,801. This amount was authorized on May 24, 2010 as part of a \$10,315,000 general obligation bond, which was issued on July 15, 2010.

**Town of Redding, Connecticut**

**Notes to Financial Statements**

**Note 10. Fund Balance**

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	General Fund	Road Reconstruction Fund	Capital Projects-Schools	Nonmajor Governmental Funds	Total
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Advance to other funds	\$ 1,230,000	\$ -	\$ -	\$ -	\$ 1,230,000
Prepays	42,748	-	-	-	42,748
	<u>1,272,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,748</u>
<b>Restricted for:</b>					
Grants	-	-	-	170,951	170,951
<b>Committed to:</b>					
General government	208,822	-	-	102,658	311,480
Public safety	-	-	-	14,506	14,506
Highway and streets	-	-	-	17,862	17,862
Education	-	-	-	4	4
Health and social services	-	-	-	31,529	31,529
Parks and recreation	-	-	-	22,210	22,210
Capital projects	-	-	-	1,069,069	1,069,069
	<u>208,822</u>	<u>-</u>	<u>-</u>	<u>1,257,838</u>	<u>1,466,660</u>
<b>Assigned to:</b>					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highway and streets	-	-	-	-	-
Education	91,466	-	-	-	91,466
Parks and recreation	-	-	-	-	-
Capital Projects	-	-	-	-	-
	<u>91,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,466</u>
<b>Unassigned</b>	5,587,046	(3,766,831)	(213,216)	(1,269,254)	337,745
<b>Total fund balances</b>	<u>\$ 7,160,082</u>	<u>\$ (3,766,831)</u>	<u>\$ (213,216)</u>	<u>\$ 159,535</u>	<u>\$ 3,339,570</u>

Encumbrances at June 30, 2014 are contained in the above table in the assigned category of the General Fund.

**Note 11. Risk Management**

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

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

**Town of Redding, Connecticut**

**Notes to Financial Statements**

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**Note 11. Risk Management (Continued)**

The medical claims fund is substantially funded by the Town's General Fund based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated.

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

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2012-2013	\$ 257,590	\$ 2,606,625	\$ 2,688,324	\$ 175,891
2013-2014	175,891	2,963,666	2,842,462	297,095

**Note 12. Employee Retirement Fund and Pension Plans**

**Municipal Employees' Retirement Fund**

*Plan Description:* All permanent Town employees who work at least 20 hours a week, excluding teachers, participate in the Municipal Employees' Retirement Fund (MERF). MERF is a cost-sharing, multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities.

Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

*Funding Policy:* Covered employees are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The contribution requirements of the Town are established and may be amended by the State Retirement Commission.

The required and actual contribution for the years ended June 30, 2012, 2013 and 2014 were \$501,151, \$505,605 and \$563,066, respectively.

*Teachers' Retirement:* All teachers 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 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Town withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$11,018,075 or 78% of the total Board of Education payroll of \$14,125,737.

Town of Redding, Connecticut

Notes to Financial Statements

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**Note 12. Employee Retirement Fund and Pension Plans (Continued)**

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The Town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$2,206,516 as payments made by the State on-behalf of the Town's teachers. The Town does not have any liability for teacher pensions.

**Note 13. Other Post-Employment Benefits Provided**

*Plan Description and Benefits Provided:* In addition to the pension benefits described in Note 11, certain employees retiring under the Town of Redding's Retiree Medical Program are provided post-employment benefits. The level of these benefits provided is as follows:

**Police**

Eligibility for Medical and Dental Coverage	Retirement on or after age 50 with 18 years of service.
Retiree/Spouse Cost of Medical and Dental Coverage	Town pays a share of cost until the retiree is eligible for Medicare. For retirees who retire after age 50 with 18 years of service, the retiree pays 50% of the cost for the retiree and spouse. For retirees who retire after the age 55 with 20 years of service, the retiree pays the same rate as active employees at the time of retirement (this amount is 11% of the premium beginning July 1, 2009 and 13% beginning July 1, 2010). For ages 65 and above, the retiree pays 100% of the cost.
Plan of Coverage	Anthem – fully insured medical and self-funded dental plans.

**Highway**

Eligibility for Medical and Dental Coverage	Retirement on or after age 62 with 18 years of service.
Retiree/Spouse Cost of Medical and Dental Coverage	Retiree pays 40% of the cost of insurance for the retiree only until age 65. For ages 65 and above, the retiree pays 100% of the cost.
Plan of Coverage	Anthem – fully insured medical and self funded dental plans.

Town of Redding, Connecticut

Notes to Financial Statements

**Note 13. Other Post-Employment Benefits Provided (Continued)**

Board of Education: The Board of Education provides certain post-retirement benefits to retirees through negotiated contracts. Eligibility for benefits is as follows:

**Teachers**

Eligibility for Medical, Dental and Life Coverage	Retirement under State of Connecticut Teachers' Retirement Plan (age 50 with 30 years, age 55 with 25 years, or age 60 with 10 years).
Retiree/Spouse Cost of Medical Coverage	100% of the contribution, depending on the plan selected, up to age 65.
Plan of Coverage	Self-insured medical and dental plans.

**BOE Support Staff and Custodians**

Eligibility for Medical and Dental Coverage	Retirement with 15 years of service
Retiree/Spouse Cost of Medical and Dental Coverage	Retiree pays full cost of insurance, spouse can continue coverage after retiree's death.
Plan of Coverage	Self-insured medical and dental plans.

Membership: Membership in the plan consisted of the following at July 1, 2013:

	<u>Retiree Medical Program</u>
Number of retirees and eligible surviving spouses	\$ 11
Number of active participants	<u>241</u>
Total	<u>\$ 252</u>

Description of Actuarial Assumptions and Methods: The following is a summary of certain significant actuarial assumptions and other PERS information:

	<u>Retiree Medical Program</u>
Actuarial valuation date	July 1, 2012
Actuarial cost method	Project Unit Credit Cost
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%/annum
Medical inflation	9.0%, decreasing .5% per year

Town of Redding, Connecticut

Notes to Financial Statements

Note 13. Other Post-Employment Benefits Provided (Continued)

	Retiree Medical Program
Annual required contribution	\$ 243,714
Interest on net OPEB obligation	83,728
Adjustment to annual required contribution	<u>(109,319)</u>
Annual pension cost	218,123
Contributions made	<u>11,814</u>
Increase in net OPEB obligation	206,309
Net OPEB obligation, July 1, 2013	<u>1,860,612</u>
Net OPEB obligation, June 30, 2014	<u><u>\$ 2,066,921</u></u>

*Schedule of Employer Contributions*

	Annual Required Contributions (ARC)	Actual Contribution	Percentage Contributed
6/30/12	\$ 350,209	\$ (5,729)	(2.0)%
6/30/13	357,269	21,284	6.0
6/30/14	243,714	11,814	5.0

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year June 30, 2014 is presented below:

	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/12	\$ 333,614	\$ (5,729)	(2.0)%	\$ 1,545,890
6/30/13	336,006	21,284	6.0	1,860,612
6/30/14	218,123	11,814	5.0	2,066,921

**Town of Redding, Connecticut**

**Notes to Financial Statements**

**Note 13. Other Post-Employment Benefits Provided (Continued)**

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 1,998,171	\$ 1,998,171	0%	\$ 17,089,078	11.7%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Note 14. Contingent Liabilities**

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

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

**Note 15. Prior Year Restatement**

The Town's fund balance was restated to properly report cash, prepaid items, and due to/from amounts from the prior year. The restatement was the result of correcting an error in cash reconciliations, amounts outstanding (receivables) on the books for a long period of time and write-off of due to/froms that could not be repaid. The restatement is detailed as follows:

	Net Position Governmental Activities	Fund Balance General Fund	Fund Balance Debt Service Fund	Fund Balance Water Wells and Oil Tanks
As previously reported:				
Fund Balance, June 30, 2013	\$ 45,723,221	\$ 6,940,679	\$ 10,030	\$ 46,227
Cash reconciliation error	(252,005)	(252,005)	-	-
Write-off of prepaids	(111,630)	(111,630)	-	-
Write-off of uncollectible receivables	(148,981)	(148,981)	-	-
Write off of uncollectible Due to/Froms	100	56,357	(10,030)	(46,227)
As restated:				
Fund Balance, June 30, 2013	\$ 45,210,705	\$ 6,484,420	\$ -	\$ -

## Town of Redding, Connecticut

### Notes to Financial Statements

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#### **Note 16. Governmental Accounting Standards Board (GASB) Statements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 68, for which there will be an effect due to the net pension liability:

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and its amendment, GASB Statement No. 71*, will be effective on July 1, 2014. This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required

*GASB Statement No. 69, Government Combinations and Disposals of Government Operations*, will be effective for the fiscal year beginning on July 1, 2014. This statement provides guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments.

*GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2014.

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**Required Supplementary Information**

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Town of Redding, Connecticut  
 Required Supplementary Information - *unaudited*  
 Schedule of Revenues and Other Financing Sources - Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2014

RSI-1

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Property Taxes</b>				
Property taxes, current and prior	\$ 44,833,981	\$ 44,661,113	\$ 45,440,943	\$ 779,830
Interest and lien fees	153,400	153,400	235,280	81,880
<b>Total Taxes, Liens and Interest</b>	<b>44,987,381</b>	<b>44,814,513</b>	<b>45,676,223</b>	<b>861,710</b>
<b>Intergovernmental</b>				
Educational Assistance Grants:				
ECS grant	682,175	682,175	508,030	(174,145)
Adult education	459	459	443	(16)
Regional School District No. 9	171,933	171,933	175,343	3,410
<b>Total Educational Assistance</b>	<b>854,567</b>	<b>854,567</b>	<b>683,816</b>	<b>(170,751)</b>
Town Assistance Grants				
In lieu of taxes - State property	-	172,868	172,868	-
Tax relief circuit breaker	21,740	21,740	23,510	1,770
Disability exemption	247	247	280	33
Veterans' exemption	1,039	1,039	1,273	234
Municipal video competition	28,629	28,629	10,216	(18,413)
At&T Tower	30,800	30,800	33,339	2,539
Proceeds	-	-	12,286	12,286
Telephone access line grant	12,605	12,605	24,743	12,138
Mashantucket Pequot Grant	9,678	9,678	9,433	(245)
Unclassified revenue	150,000	150,000	33,813	(116,187)
<b>Total Town Assistance Grants</b>	<b>254,738</b>	<b>427,606</b>	<b>321,761</b>	<b>(105,845)</b>
<b>Total Intergovernmental</b>	<b>1,109,305</b>	<b>1,282,173</b>	<b>1,005,577</b>	<b>(276,596)</b>
<b>Other</b>				
Ban Premium	-	-	34,549	34,549
Investment Income	27,000	27,000	21,099	(5,901)
<b>Total Other</b>	<b>27,000</b>	<b>27,000</b>	<b>55,648</b>	<b>28,648</b>
<b>Charges for Services</b>				
Town Clerk	275,371	275,371	239,375	(35,996)
Assessor	1,200	1,200	795	(405)
Conservation	5,000	5,000	3,822	(1,178)
Heritage Center	12,000	12,000	9,797	(2,203)
Planning Commission	1,200	1,200	-	(1,200)
Zoning Commission	37,508	37,508	49,119	11,611
Zoning Board of Appeals	700	700	800	100
Building inspection	175,821	175,821	246,619	70,798
Transfer station	176,000	176,000	166,602	(9,398)
Sanitarian	10,000	10,000	12,270	2,270
Parks and recreation	694,500	694,500	567,668	(126,832)
Fiber optics	17,193	17,193	10,523	(6,670)
Rental of Town property	7,605	7,605	7,606	1
Land use ordinance	-	-	800	800
<b>Total Charges for Services</b>	<b>1,414,098</b>	<b>1,414,098</b>	<b>1,315,796</b>	<b>(98,302)</b>

(Continued)

Town of Redding, Connecticut  
 Required Supplementary Information - *unaudited*  
 Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)  
 General Fund  
 For the Year Ended June 30, 2014

RSI-1

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Total Revenues</b>	<u>\$ 47,537,784</u>	<u>\$ 47,537,784</u>	48,053,244	<u>\$ 515,460</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			2,607,000	
Special education excess cost grant is recorded gross for GAAP			<u>234,436</u>	
<b>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds - Exhibit IV</b>			<u>\$ 50,894,680</u>	

Town of Redding, Connecticut  
 Required Supplementary Information - *unaudited*  
 Schedule of Expenditures and Other Financing Uses - Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2014

RSI-2

	Original	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Positive (Negative)
General Government					
Town meetings	\$ 1,500	\$ -	\$ 1,500	\$ 888	\$ 612
Board of selectmen	160,486	3,882	164,368	169,726	(5,358)
Probate court	3,000	-	3,000	1,968	1,032
Registrar's office	38,105	452	38,557	38,557	-
Controller's office	243,067	4,931	247,998	245,213	2,785
Independent audit	42,750	-	42,750	42,750	-
Assessor's office	154,923	3,164	158,087	154,891	3,196
Assessor's other	1,500	16,000	17,500	16,778	722
Board of assessment appeals	800	-	800	522	278
Tax collector	148,918	3,578	152,496	152,572	(76)
Town treasurer	23,138	320	23,458	23,006	452
Computer capability	50,000	-	50,000	37,362	12,638
Management services	28,453	-	28,453	15,637	12,816
Special legal	200,000	55,779	255,779	279,723	(23,944)
Town clerk	140,603	4,614	145,217	138,374	6,843
Annual town report	6,000	-	6,000	4,860	1,140
Board of ethics	425	-	425	-	425
Conservation	44,666	4,633	49,299	41,336	7,963
Heritage Center	160,027	3,055	163,082	153,785	9,297
Heritage Center senior bus	37,562	735	38,297	26,780	11,517
Town planning commission	27,800	8,280	36,080	31,535	4,545
HVCEO	11,092	-	11,092	11,092	-
Zoning commission	73,770	(2,196)	71,574	69,034	2,540
Zoning board of appeals	1,700	-	1,700	1,059	641
Council of small towns	825	-	825	825	-
Land use services	100,302	13,863	114,165	100,572	13,593
Office of tree warden	1,500	-	1,500	263	1,237
Town office building	54,500	778	55,278	46,175	9,103
Old town house	5,000	-	5,000	3,683	1,317
Town office building annex	3,000	-	3,000	3,401	(401)
Community center	197,586	5,471	203,057	202,108	949
Police headquarters/communications center	15,000	482	15,482	22,830	(7,348)
Administrative services	766,200	-	766,200	770,586	(4,386)
Memorial Day observance	350	-	350	100	250
Cemeteries	8,000	-	8,000	7,920	80
Insurance	127,500	-	127,500	126,470	1,030
Agencies serving residents	5,000	-	5,000	5,348	(348)
Provision of contingencies	150,000	(138,917)	11,083	-	11,083
<b>Total general government</b>	<b>3,035,048</b>	<b>(11,096)</b>	<b>3,023,952</b>	<b>2,947,729</b>	<b>76,223</b>

(Continued)

Town of Redding, Connecticut  
 Required Supplementary Information - *unaudited*  
 Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)  
 General Fund  
 For the Year Ended June 30, 2014

RSI-2

	Original	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Public Safety</b>					
Police Department - salaries and related expenses	\$ 1,391,081	\$ 38,258	\$ 1,429,339	\$ 1,419,271	\$ 10,068
Police Department - contractual services and expenses	155,350	1,295	156,645	145,585	11,060
Police Department - maintenance of vehicles	29,500	-	29,500	36,878	(7,378)
Volunteer fire companies	110,000	-	110,000	127,114	(17,114)
Building inspections	188,499	4,376	192,875	192,178	697
Communications Center	317,481	3,435	320,916	344,327	(23,411)
Dog licenses	58,452	1,711	60,163	60,163	-
<b>Total public safety</b>	<b>2,250,363</b>	<b>49,075</b>	<b>2,299,438</b>	<b>2,325,516</b>	<b>26,078</b>
<b>Highway and Streets</b>					
Wages-regular, overtime and seasonal	855,938	44,777	900,715	822,102	78,613
General maintenance and repair	269,500	5,050	274,550	255,301	19,249
Snow removal and ice control	173,000	-	173,000	325,919	(152,919)
Equipment maintenance and repair	88,500	-	88,500	52,403	36,097
Town garage buildings	12,000	-	12,000	28,533	(16,533)
<b>Total highway and streets</b>	<b>1,398,938</b>	<b>49,827</b>	<b>1,448,765</b>	<b>1,484,258</b>	<b>35,493</b>
<b>Transfer Station and Recycling</b>					
Salaries	175,830	4,952	180,782	180,128	654
General maintenance	146,000	-	146,000	108,252	37,748
Equipment maintenance	7,000	-	7,000	4,922	2,078
<b>Total transfers station and recycling</b>	<b>328,830</b>	<b>4,952</b>	<b>333,782</b>	<b>293,302</b>	<b>(40,480)</b>
<b>Health and Social Services</b>					
Sanitarian inspection	90,202	4,508	94,710	93,688	1,022
Social services	21,009	-	21,009	21,312	(303)
<b>Total health and social services</b>	<b>111,211</b>	<b>4,508</b>	<b>115,719</b>	<b>115,000</b>	<b>(719)</b>
<b>Mark Twain Library</b>					
Operations	433,000	-	433,000	433,000	-
<b>Parks and Recreation</b>					
Field maintenance	90,483	2,985	93,468	66,443	27,025
Administration	199,781	4,021	203,802	203,616	186
Summer camp	203,400	-	203,400	201,324	2,076
Recreation programs	168,700	2,985	171,685	160,158	11,527
Topstone park	106,668	-	106,668	100,036	6,632
Tennis courts	14,000	-	14,000	10,165	3,835
Extended day service	185,363	1,752	187,115	158,828	28,287
<b>Total parks and recreation</b>	<b>968,395</b>	<b>11,743</b>	<b>980,138</b>	<b>900,570</b>	<b>(79,568)</b>

(Continued)

Town of Redding, Connecticut  
 Required Supplementary Information - *unaudited*  
 Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)  
 General Fund  
 For the Year Ended June 30, 2014

RSI-2

	Original	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Employee Benefits	\$ 2,779,370	\$ -	\$ 2,779,370	\$ 2,727,287	\$ 52,083
Capital Outlay					
Selectmen's general maintenance	7,000	2,980	9,980	4,844	5,136
Debt Service					
Debt retirement	1,449,076	-	1,449,076	1,449,076	-
Interest payments	601,703	-	601,703	600,097	1,606
<b>Total debt service</b>	<b>2,050,779</b>	<b>-</b>	<b>2,050,779</b>	<b>2,049,173</b>	<b>1,606</b>
Education					
Redding Board of Education:					
General instruction	10,845,289	(80,567)	10,764,722	10,550,417	214,305
Kindergarten	14,175	-	14,175	13,733	442
Humanities	79,706	(21,010)	58,696	48,937	9,759
Integrated language arts	36,189	(3,553)	32,636	28,122	4,514
Curriculum	113,241	-	113,241	56,057	57,184
Industrial technology	14,215	-	14,215	14,022	193
Science/math technology	38,990	(1,869)	37,121	31,586	5,535
Physical education/health	13,844	-	13,844	12,413	1,431
Student activity co-curricular	90,567	175	90,742	80,223	10,519
Special services	30,240	-	30,240	28,453	1,787
Special education	4,339,726	25,000	4,364,726	4,743,530	(378,804)
Guidance	2,701	156	2,857	2,772	85
Health services	214,753	255	215,008	200,583	14,425
Psychological services	17,950	300	18,250	14,999	3,251
Speech services	10,400	(300)	10,100	1,484	8,616
Educational media services	68,380	(40)	68,340	51,333	17,007
Technology plan	432,005	30,615	462,620	458,517	4,103
Board of Education	110,650	-	110,650	127,064	(16,414)
Central administration	547,164	-	547,164	547,164	-
Magnet school	80,523	-	80,523	60,994	19,529
School administration	1,329,168	1,900	1,331,068	1,327,148	3,920
Operation/maintenance physical plant	2,309,542	48,603	2,358,145	2,234,365	123,780
Student transportation	1,001,633	-	1,001,633	1,019,432	(17,799)
Food service	4,500	335	4,836	4,024	812
<b>Total Redding Board of Education</b>	<b>21,745,551</b>	<b>-</b>	<b>21,745,552</b>	<b>21,657,372</b>	<b>88,180</b>
Regional School District No. 9	12,324,443	-	12,324,443	12,324,443	-
<b>Total Education</b>	<b>34,069,994</b>	<b>-</b>	<b>34,069,995</b>	<b>33,981,815</b>	<b>88,180</b>
<b>Total expenditures</b>	<b>47,432,928</b>	<b>111,989</b>	<b>47,544,918</b>	<b>47,262,494</b>	<b>164,032</b>

(Continued)

Town of Redding, Connecticut  
 Required Supplementary Information - *unaudited*  
 Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)  
 General Fund  
 For the Year Ended June 30, 2014

RSI-2

	Original	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Other Financing Uses					
Transfers Out:					
Reserve Fund for CNRE	\$ 104,856	\$ -	\$ 104,856	\$ 104,856	\$ -
<b>Total expenditures and other financing uses</b>	<u>\$ 47,537,784</u>	<u>\$ 111,989</u>	<u>\$ 47,649,774</u>	47,367,350	<u>\$ 164,032</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	2,607,000
Special education excess cost grant is recorded gross for GAAP	234,436
Prior year encumbrances are reported in current year for financial reporting purposes	101,698
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.	<u>(91,466)</u>

**Total expenditures and other financing uses as reported on the  
statement of revenues, expenditures and changes in fund  
balances - governmental funds - Exhibit IV**

\$ 50,219,018

**Required Supplementary Information**  
**Note to the Required Supplementary Information- unaudited**  
**June 30, 2014**

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**Note 1. Budgets and Budgetary Accounting**

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

- Prior to July 1, the budget is legally adopted by a vote at the Annual Town Budget Meeting.
- The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve one additional appropriation up to \$20,000 per department per year. Subsequent appropriations and appropriations of more than \$20,000 for any one department per year must be approved by Town Meeting. During the year, there was \$111,989 in additional appropriations from fund balance.

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

- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and Town Meeting approval.
- Generally, all unencumbered appropriations lapse at year end, except for those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

Budgetary accounting uses encumbrance accounting. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all budgeted governmental type funds. Encumbrances outstanding at year end are reported in the GAAP financial statements as reservations of fund balances since they do not constitute expenditures or liabilities.

**Required Supplementary Information**  
**Schedule of Funding Progress and Schedule of Employee Contributions - OPEB Plan**  
**June 30, 2014**

**Schedule of Funding Progress - OPEB**

Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Under) Funded (AAL) (a-b)	Funded AAL Ratio (a/b)	Covered Payroll (c)	Over/Under Funded AAL as a % of Covered Payroll (b-a)/c
7/1/2008	\$ -	\$ 4,309,183	\$ 4,309,183	0%	\$ 13,985,304	31%
7/1/2010	-	3,218,377	3,218,377	0%	16,198,958	20%
7/1/2012	-	1,998,171	1,998,171	0%	17,089,078	12%

\* Other postemployment benefits are not calculated as a percentage of pay and covered payroll was not considered pertinent by the actuary.

**Schedule of Employer Contributions - OPEB**

Year Ended	Annual Required Contribution	Percentage Contributed	Actual Contribution
2009	\$ 431,218	1%	\$ 5,856
2010	438,976	-1%	(5,594)
2011	343,454	-3%	(10,897)
2012	350,209	-2%	(5,729)
2013	257,269	6%	21,284
2014	241,714	5%	11,814