

Final Official Statement Dated September 4, 2019

NEW MONEY ISSUE: Book-Entry-Only

RATINGS: See "Rating" herein.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the Notes is excludable from the gross income of the owners thereof for purposes of federal income taxation and will not be treated as a preference item for purposes of computing the federal alternative minimum tax. In the opinion of Bond Counsel, based on 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 in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax. (See Appendix B – "Form of Legal Opinion of Bond Counsel and Tax Matters" herein.)



Town of Tolland, Connecticut \$12,670,000 General Obligation Bond Anticipation Notes

Dated: September 19, 2019
Rate: 2.00%

Due: September 17, 2020
CUSIP¹: 889481UE5

Underwriter: Jefferies
Amount: \$8,670,000

Yield: 1.20%

Underwriter: BNY Mellon Capital Markets, LLC
Amount: \$4,000,000

Yield: 1.20%

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated August 27, 2019. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town of Tolland, Connecticut (the "Town"), and the Town will pledge its full faith and credit to pay the principal of and the interest on the Notes when due. See "Security and Remedies" herein.

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Notes in book-entry-only form will be made through the facilities of DTC in New York, New York on or about September 19, 2019.

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Notes. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Notes or as indicated above. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Notes or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

No dealer, broker, salesman or other person has been authorized by the Town of Tolland, Connecticut (the “Town”) to give any information or to make any representations in connection with the offering of the Notes, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement or any earlier date as of which any information contained herein is given.

Set forth in Appendix A – “2018 General Purpose Financial Statements Excerpted from the Town’s Comprehensive Annual Financial Report” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendix B "Form of Opinion of Bond Counsel and Tax Matters" herein) and makes no representation that it has independently verified the same.

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Note Issue Summary

The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informal decision. This Official Statement speaks only as of its date and the information herein is subject to change.

| | |
|---|--|
| Date of Sale: | Wednesday, September 4, 2019 at 11:30 A.M. (E.D.T.) |
| Location of Sale: | Town of Tolland, Town Council Chambers, 6 th Level, Hicks Memorial Municipal Center, 21 Tolland Green, Tolland, Connecticut 06084. |
| Issuer: | Town of Tolland, Connecticut (the "Town"). |
| Issue: | \$12,670,000 General Obligation Bond Anticipation Notes (the "Notes"). |
| Dated Date: | Date of Delivery |
| Interest Due: | At maturity: September 17, 2020 |
| Principal Due: | At maturity: September 17, 2020 |
| Purpose: | The Notes are being issued to finance various general purpose and school projects for the Town. See "Authorization and Purpose" herein. |
| 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: | The Notes will not be rated. The Town has an outstanding rating of "AAA" and "AAA" by S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch"), respectively. |
| Note Insurance: | The Town does not expect to purchase a credit enhancement facility. |
| Basis of Award: | Lowest Net Interest Cost (NIC), as of the dated date. |
| Tax Matters: | See Appendix B – "Form of Opinion of Bond Counsel and Tax Matters" herein. |
| Bank Qualification: | The Notes <u>shall NOT</u> 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 of certain interest expense allocable to the Notes. |
| Continuing Disclosure: | In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, notices of the occurrence of certain listed events pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement. |
| Registrar, Transfer Agent, Certifying Agent, and Paying Agent: | U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103. |
| Municipal Advisor: | Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110. |
| Legal Opinion: | Udike, Kelly & Spellacy, P.C., of 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 September 19, 2019. Delivery of the Notes will be made against payment in Federal Funds. |
| Issuer Official: | Questions concerning the Official Statement should be addressed to Lisa Hancock, Director of Finance and Records, Town of Tolland, Hicks Memorial Municipal Center, 21 Tolland Green, Tolland, Connecticut 06084. Telephone: (860) 871-3658. |

I. Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Tolland, Connecticut (the "Town"), in connection with the issuance and sale of \$12,670,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town.

The Notes are being offered for sale at public bidding. A Notice of Sale dated August 27, 2019 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included herein as Appendix D, for the terms and conditions of the bidding on the Notes.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact or certainty, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such statutes or other laws and acts and proceedings of the Town. All references to the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The Town deems this Official Statement to be "final" for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Notes (the "Municipal Advisor"). The information in this Official Statement has been prepared by the Town of Tolland, with the help of the Municipal Advisor. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Notes

The Notes will be dated September 19, 2019 and will be due and payable as to both principal and interest at maturity on September 17, 2020. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 360-day year consisting of twelve 30-day months, at the rate or rates per annum specified by the successful bidder or bidders using the Net Interest Cost ("NIC") method. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership affected on the records of The Depository Trust Company, New York, New York ("DTC") and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry-Only Transfer System" herein.) The legal opinion for the Notes will be rendered by Updike, Kelly & Spellacy, P.C., Bond Counsel, in substantially the form set forth in Appendix B to this Official Statement.

Redemption Provisions

The Notes are NOT subject to redemption prior to maturity.

Authorization and Purpose

The Notes are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, the Charter of the Town of Tolland, and bond resolutions adopted by the Town's Town Council and, as applicable, the voters of the Town at referendum, more particularly described below:

Various Capital Projects (2017-18): Notes are being issued pursuant to appropriations and bonding authorizations in the aggregate amount of \$2,150,879 adopted by the Town Council on July 11, 2017, for the purpose of financing the cost of drainage and detention basin replacement and design, repairs and improvements to all or certain portions of town roads (\$200,000 appropriation and bond authorization), pavement resurfacing, sealing, repair and/or reconstruction of certain portions of Old Cathole Road North (\$410,800 appropriation and bond authorization), reconstruction, renovations and repairs to the Town's public works garage (\$1,349,779 appropriation and bond authorization), and purchasing heavy machinery and equipment, such as a front line dump truck to be used in connection with the transport of asphalt, gravel and other materials, plowing, sanding and other purposes and a pavement roller (\$190,300 appropriation and bond authorization).

Various Capital Projects (2018-19): Notes are being issued pursuant to appropriations and bonding authorizations in the aggregate amount of \$1,290,606 adopted by the Town Council on July 10, 2018, for the purpose of financing the cost of pavement resurfacing, sealing, overlay, repair and/or reconstruction of all or portions of certain Town roads (\$773,484 appropriation authorization), purchasing a salt shed tarp (\$100,000 appropriation authorization), and purchasing heavy machinery and equipment, such as two all-season front line trucks to be used in connection with the transport of asphalt, gravel and other materials, plowing, snow removal, sanding and other purposes, a lawn mower and the replacement of a truck utility body (\$417,122 appropriation authorization).

School Improvements Project: Notes are being issued pursuant to an appropriation and bonding authorization in the amount of \$9,600,000 adopted at referendum on November 8, 2016, for the purpose of financing costs related to certain repairs, renovations, construction and improvements, and equipment acquisition, at Tolland High School, Tolland Middle School, Tolland Intermediate School and Birch Grove Primary School.

Road Improvement Project (2018): Notes are being issued pursuant to an appropriation and bonding authorization in the amount of \$5,000,000 adopted at referendum on November 6, 2018, for the purpose of financing the cost of pavement resurfacing, sealing, overlay, drainage improvements, repair and reconstruction of all or portions of certain Town roads.

Birch Grove School Project: Notes are being issued pursuant to an appropriation and bonding authorization in the amount of \$46,000,000 adopted at referendum on May 7, 2019, for the purpose of financing costs related to certain building and infrastructure repairs, demolition, remediation work, renovations, construction and/or improvements associated with the replacement and/or reconstruction of the Birch Grove Primary School.

Use of Proceeds

| Project | Amount Authorized | <u>This Issue:</u> |
|---|------------------------------|--|
| | | <u>The Notes:</u> <u>Due: 9/17/2020</u> |
| Various Capital Projects (2017-18)..... | \$ 2,150,879 | \$ 334,800 |
| Various Capital Projects (2018-19)..... | 1,290,606 | 875,912 |
| School Improvements Project..... | 9,600,000 | 894,288 |
| Road Improvement Project (2018)..... | 5,000,000 | 1,000,000 |
| Birch Grove School Project..... | 46,000,000 | 9,565,000 |
| Total..... | \$ 64,041,485 | \$ 12,670,000 |

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996.

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

Under the current program, the State of Connecticut makes proportional progress payments for eligible construction costs during project construction. State grants are paid directly to the Town after it submits its request for progress payments, and accordingly, the Town will issue its bonds only for its net share of project costs.

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. For the Notes, one fully-registered note certificate will be issued for each interest rate on the Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of the Notes (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all the Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as proposed amendments to the note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Notes will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Neither the Town, the Paying Agent nor the Underwriter will have any responsibility or obligation to the Participants of DTC or the persons for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, or (iii) any other actions taken by DTC or its partnership nominees as owner of the Notes.

Replacement Notes

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 for the Notes 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 issue fully registered note certificates directly to the Beneficial Owner. A Beneficial Owner of the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Notes.

Security and Remedies

The Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due.

Unless paid from other sources, the Notes are payable from general property tax revenues of the Town. The Town has the power under Connecticut statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain 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. There was, however, no such classified property on the last completed grand list of the Town. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation debt, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. A court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or, hereafter enacted by the Congress or the Connecticut General Assembly and to the exercise of judicial discretion.

Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds, notes or other obligations.

***THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR
INTEREST ON ITS BONDS OR NOTES.***

Qualification for Financial Institutions

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.

Availability of Continuing Information

The Town prepares, in accordance with State law, annual independent audited financial statements and operating statements and files such annual reports with the State of Connecticut, Office of Policy and Management. The Town provides, and will continue to provide, rating agencies ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix C to this Official Statement ("Form of Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") timely notice of the occurrence of certain listed events not in excess of 10 business days after the occurrence of such events with respect to the Notes. The winning bidders' obligation to purchase the Notes shall be conditioned upon it receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. To its knowledge, in the past five years, the Town has not failed to comply in any material respect with its undertakings under such agreements.

Ratings

No application has been made for a rating on the Notes.

Currently, the Town has an outstanding rating of "AAA" and "AAA" by S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch"), respectively, on its outstanding bonds. Such ratings reflect only the views of the rating agencies and an explanation of the significance of each rating may be obtained from such rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions on its own. There can be no assurance that the ratings will continue for any given period of time or that they will not be revised or withdrawn entirely if in the judgment of such applicable rating agency, circumstances so warrant. A revision or withdrawal of the ratings may have an adverse effect on the marketability or market price of the Town's outstanding debt obligations, including the Notes. The Town expects to furnish the rating agencies with certain information and materials that the agencies may request.

Note Insurance

The Town does not expect to purchase a credit enhancement facility for the Notes.

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II. The Issuer



Description of the Municipality

CNN-Money Magazine began taking its biennial national poll of Best Small Towns in 2005. For communities in the 8,500-50,000 population range, Tolland has consistently ranked in the top 40. The ranking is based upon a strong local economy, great schools, affordable homes, low crime, and several ease-of-living criteria. In its write-up on Tolland, CNN-Money Magazine states that “residents of Tolland live in a mix of modernity and historic charm.” Tolland was ranked 34th in 2015 in Money Magazine’s “100 Best Places to Live” list in the United States.

Tolland is located 20 miles northeast of Hartford and approximately 90 miles southwest of Boston, Massachusetts. Interstate 84, a major east-west transportation corridor, bisects the Town. Bradley International Airport – approximately 25 minutes’ driving time away – provides convenient air connections to the rest of the country and the world. A majority of the Town’s labor force is employed in the central Connecticut area, primarily in the financial services, industrial, governmental and higher education sectors. Significant to the Town in several ways, the main campus of the University of Connecticut (the “University”) is within 10 miles of virtually any point within the Town. The main entrance road to the University goes through Tolland which increases the Town’s potential for further expansion of retail, commercial and multi-family housing in and around the travel way to the University. The University is in the process of a major expansion of its Storrs Campus that includes the development of a Business Research Park and an expansion in the number of students and faculty.

Tolland’s legacy includes a New England town green of substantial proportions as its signature amenity. Tolland Green is the heart of the community, and the area around it is designated as a National Historic District. Included in the district are several of the Town’s historic attractions, such as the former Tolland County Court House, the Old Jail Museum and the Hicks-Stearns Family Museum, plus a number of gracious 18th and 19th century homes. Many of these Colonial, Greek Revival and Victorian structures are still being used as residences and by several churches. Municipal offices and the Town Library anchor one end of the Green. A few miles from the Green, the Town’s oldest home, the 1733 Daniel Benton Homestead Museum, was restored by the local Historical Society with grant funding, symbolizing the value the community places on preserving its heritage. The Town is an outer-ring suburb of the Hartford metropolitan area. Ninety-five percent of its dwellings are owner-occupied and ninety-five

percent are single-family homes. Land subdivision activity and housing starts have slowed down over the last 9 years due to the economic downturn, planned changes in zoning regulations and purchase by the Town of open space. There are indications of increased activity in the commercial and multi-family sector based on discussions with potential developers.

Economic Development

Tolland continues to balance its strong emphasis on land preservation with the expansion and encouragement of commercial growth. Exit 68 off Interstate 84 is the main access point to Tolland and the primary gateway to the University of Connecticut's main campus. The Town anticipates that the University's expansion plans, including the development of a research park, will create economic development opportunities in Tolland.

The 2009 Plan of Conservation and Development set forth goals for a number of Tolland business areas, including the Tolland Village Area and Technology Campus Zone. The Planning and Zoning Commission's proposed 2019 Plan of Conservation and Development has a strong emphasis on economic development and recommends revisiting these zones. The Town and its Economic Development Commission have been working with property owners, developers and residents to promote development. The Town Council recently updated its tax abatement policy to expand eligibility for businesses. Along with efforts to produce a regional economic development marketing plan it is the Town's goal to more aggressively market opportunities in Tolland and the region for development.

The Town and proposed plan continue to promote the Town's vision for mixed use development. Studies show there is market potential for restaurants, apartments, possibly a hotel, and other uses.

Recognizing that business development often relies on infrastructure, the Town has undertaken road extensions (the Business Park) and sewer expansions. These projects increased economic development in Tolland. Businesses including Dari Farms, NESTEEL and the Star Hill Family Athletic Center moved into the Business Park. Sewer expansions enabled a 123,000-square-foot development with a 60,000 square foot Big Y supermarket, a new branch for a bank, a medical facility, a restaurant and other retail stores. The Town extended the sewer line to the Technology Campus Zone, enabling the approval of an 87-unit town house development, which is under construction.

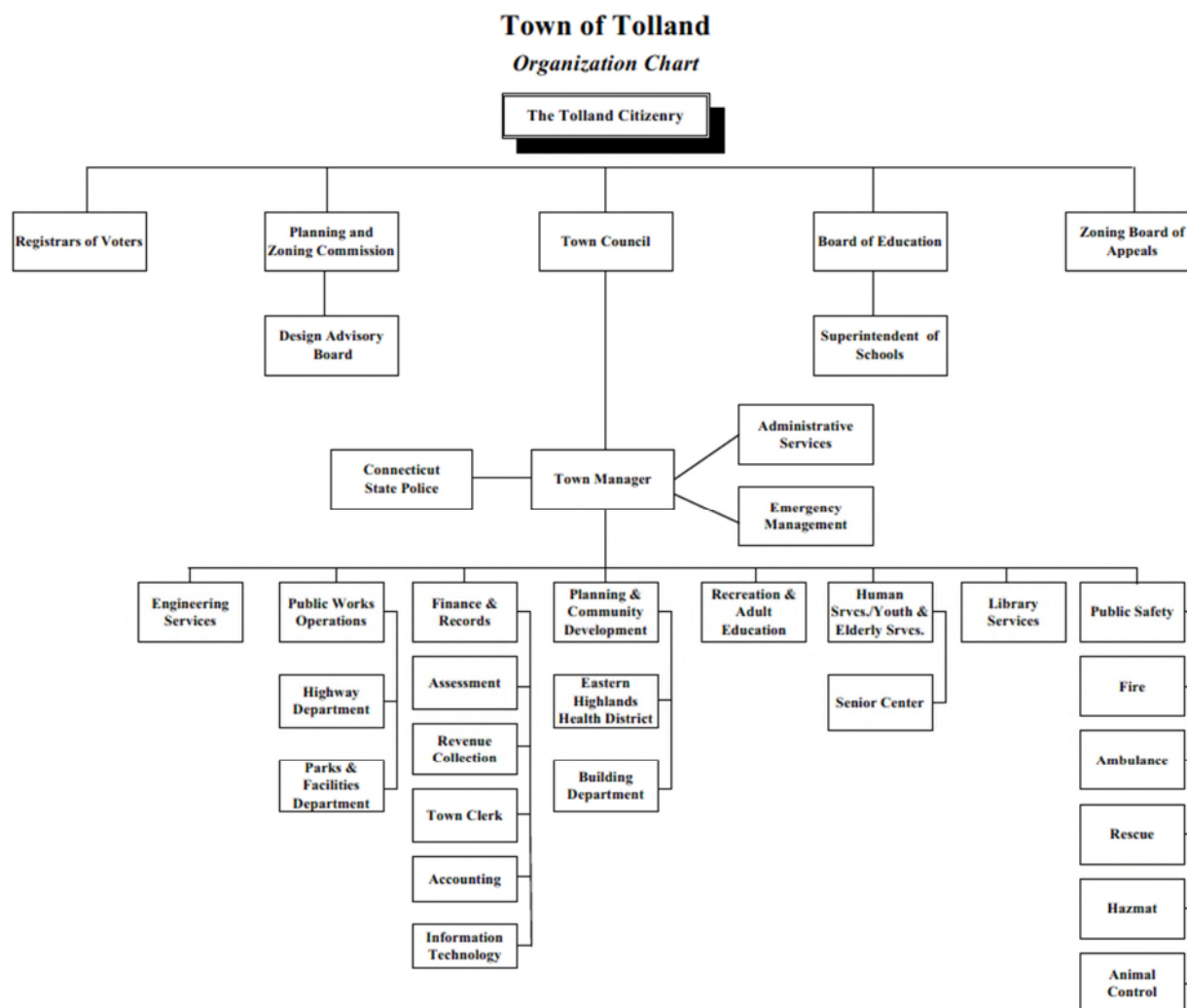
Tolland's attractiveness to new business and general population, as evidenced by its growth, was documented in the 2015 edition of Money Magazine's "100 Best Places to Live" in the United States. Government statistics reflect a well-educated citizenry with a median household income of \$112,740 (American Community Survey 2013-2017). Tolland's unemployment rate decreased from 3.3% in 2017 to 3.0% in 2018 and remains lower than the State's rate of 4.1%.

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Form of Government

Tolland is governed by a charter first adopted in 1973 (amended most recently in May 2004) under home rule provisions of the Connecticut General Statutes. As provided in the Charter, the Town utilizes the Council-Manager form of government. The seven members of the Town Council, who are elected at large for two-year terms, comprise the legislative and policy-making body of the Town. The Town Manager, who is appointed by the Town Council on the basis of executive and administrative qualifications, character, education, training and experience, is the full-time Chief Executive Officer. The Town Council elects its chairperson and vice-chairperson and appoints members to various Town boards, commissions, and committees. The Town Manager appoints department heads. The Town Manager and the Director of Finance and Records are responsible for the financial management of the Town.

Registered voters also have the power to approve or reject at referendum, with exceptions, any ordinance or other measure passed by the Town Council, including bonding authorizations, if a petition for the conduct of such referendum is filed within 30 days after adoption that contains the signatures of at least 5% of the registered voters at the last municipal election.



Town Officials

| Office | Name | Manner of Selection/Term | Years of Service |
|--|--------------------|---------------------------------|-------------------------|
| Town Manager ¹ | Steven Werbner | Appointed/indefinite | 14 |
| Town Council Chairperson..... | William Eccles | Elected/2 years | 5 |
| Director of Finance and Records/Treasurer.. | Lisa A. Hancock | Appointed/indefinite | 7 |
| Assistant Finance Director/Asst. Treasurer... | Christopher Jordan | Appointed/indefinite | 2 |
| Town Clerk..... | Sheila Bailey | Appointed/indefinite | 5 |
| Collector of Revenue..... | Michele Manas | Appointed/indefinite | 8 |
| Assessor..... | Jason Lawrence | Appointed/indefinite | 7 |
| Director of Planning and Community Development..... | Heidi Samokar | Appointed/indefinite | 4 |
| Superintendent of Schools..... | Dr. Walter Willett | Appointed/indefinite | 5 |

¹ The Town's current Town Manager, Steven Werbner, is expected to retire from the Town on or about October 1, 2019. The Town has hired Michael Rosen for the Town Manager position effective September 9, 2019.

Municipal Services

The Town's municipal services are currently organized under six (6) major divisions. They include: Administration, Finance and Records, Planning and Community Development, Community Services, Public Works and Environmental Maintenance, and Public Safety Services.

Administration: The Town Manager provides general supervision to all Town departments, which collectively staff approximately 78 employees. The Office of the Town Manager handles all human resource issues and other administrative services.

Finance and Records: The Town's financial operations, which include revenue collection, assessment services, town clerk, and accounting services, operate from several independent offices, all under the supervision of the Director of Finance and Records. The Accounting Office handles all financial transactions and administers financial control by balancing appropriations and expenditures with revenues. The Office of the Assessor compiles and updates valuation of all property within Tolland's borders. The Collector of Revenue is responsible for the prompt collection of all levied taxes. The Town Clerk is responsible for the recording and maintenance of all Town records.

Planning and Community Development: The Division of Planning and Community Development provides planning, zoning, health, inland wetlands, and building inspection services to residents and businesses of the Town. The Division employs a Director of Planning and Community Development and Building Inspector. Effective May 1, 2000, the Town joined the Eastern Highlands Health District to share sanitarian services with the Towns of Mansfield, Coventry, and Bolton. Since that time, the Towns of Andover, Ashford, Chaplin, Columbia, Scotland, and Willington have also joined the District. Through economies of scale, the District is able to provide high quality service to Tolland residents and businesses while realizing some financial benefits.

Community Services: The Community Services Department encompasses human services, library services, and recreation. A Library Director oversees the Tolland Library. The Director of Human Services oversees a Social Service Department, which provides a Marriage and Family Therapist, a Youth Services Coordinator, an Elderly Outreach Caseworker, and a Senior Center Director. The Town's Director of Recreation administers all recreational programs for Town residents, including an adult education program. Several recreational programs often occur during weekends and holidays. The Director of Recreation coordinates all park and field maintenance activities in conjunction with the Parks and Facilities Supervisor. One hundred forty-six acres were added to Crandall Park, which has a pond, hiking trails, pavilion, playground, and athletic fields, and provides an attractive and safe location for the Town's recreational activities. The Director operates The Lodge, a year-round rental facility overlooking Powell Pond in Crandall II Park. The facility can hold up to 100 guests with tables and chairs. The Pavilion at Crandall II Park is also available for rent seasonally and can hold up to 100 guests. Heron Cove Park and River Park include additional athletic fields to serve the Town. Kollar Wildlife Management Area, which covers 1,000 acres along the Willimantic River, is a popular site for hiking, biking, and fly-fishing; the Nye-Holman State Forest offers additional recreational opportunities. In 2013-14 two new recreational facilities were added to the Town. A new Artificial Turf field is available to the public for sports use and rental. The new Crossfarms Concession Stand at Crossfarms Recreation Complex also provides income to assist with the maintenance of that new building.

Public Works: The Public Works Department is divided into three service areas: Administration, Parks and Facilities and Highway Division. Administration focuses on coordinating department activities, oversight of contracted services, implementation of the capital improvement program, budget preparation and supporting activities to the Town Manager's office. The Parks and Facilities Division provide maintenance and repairs required to maintain Town buildings, cemeteries and grounds. The Highway Division is primarily focused on keeping Tolland's roads free from hazards and preserving the Town's investment in infrastructure through its pavement management program, maintenance activities such as sweeping and roadside mowing, and less routine activities such as drainage improvements, snow plowing and storm drainage restoration. The Public Works Department comprises 30.6 full-time equivalent employees and one part-time employee and is supplemented by contracted firms.

Engineering: The Town currently outsources engineering services which include the design and development of in-house projects, review of submissions to the Planning and Zoning Commission, and support services to the Water Pollution Control Authority and Tolland Water System.

Public Safety: The Town's Public Safety Services include police, fire, ambulance, and canine control. The Town contracts with the Connecticut State Police for the provision of law enforcement services throughout the Town, which includes four troopers. This contingent of officers coordinates closely with the Tolland-based State Police barracks to provide public safety services to residents and businesses. The Town employs a Public Safety Director to administer all fire, ambulance, and emergency services throughout the Town. The Director also serves as the Tolland Fire Department's Fire Chief. The Fire Department consists of both paid and volunteer firefighters operating out of four firehouses located strategically throughout the Town to minimize response time during emergency situations. There is also a full-time Fire Marshal. In an effort to provide funding for replacement vehicles, ambulance revenues in excess of \$39,140 are earmarked annually for a capital equipment replacement fund in the Capital Improvement Plan. The plan for ambulance revenues has been in effect for all fiscal years since fiscal year 2001.

Water: The Town water system provides water services to a small sector of the community, servicing approximately 501 residences, 32 businesses, 10 private fire services and six municipal accounts. In addition, the Town operates two satellite systems to address neighborhood needs. The Connecticut Water Company services other designated sections throughout the Town.

Sewer: Public sewers are available in the west central portion of the Town, including the expanded business park. The sewers have also been extended down to the schools, through the Gateway Design District and up Route 195.

Public Schools

An elected Board of Education of nine members makes the policy for the Town's pre-kindergarten through grade twelve educational system. It appoints the Superintendent of Schools who has responsibility for administration of the Tolland school system. As of October 2018, Tolland schools had an enrollment of approximately 2,386 students being taught in four facilities: the Birch Grove Primary School (grades Pre-K-2), the Tolland Intermediate School housing grades 3-5, the Tolland Middle School housing grades 6-8 and Tolland High School (grades 9-12).

Tolland students consistently rank well ahead of State averages in all categories of academic performance testing and have measured up well with peers in comparable communities. In contrast to this evidence of good outcome, the financial input to education is modest; Tolland's expenditures per pupil remain below the average for all school districts in Connecticut.

School Enrollment

| <i>Historical</i> | | | | |
|--------------------|--------------------------------------|------------------------------|-----------------------------|--------------|
| <i>School Year</i> | <i>Elementary Grades Pre-K-5</i> | <i>Middle Grades 6-8</i> | <i>High Grades 9-12</i> | <i>Total</i> |
| 2009-10 | 1,390 | 770 | 949 | 3,109 |
| 2010-11 | 1,364 | 750 | 940 | 3,054 |
| 2011-12 | 1,307 | 740 | 930 | 2,977 |
| 2012-13 | 1,250 | 695 | 913 | 2,858 |
| 2013-14 | 1,183 | 689 | 860 | 2,732 |
| 2014-15 | 1,141 | 684 | 853 | 2,678 |
| 2015-16 | 1,141 | 684 | 851 | 2,676 |
| 2016-17 | 1,040 | 603 | 841 | 2,484 |
| 2017-18 | 1,032 | 582 | 851 | 2,465 |
| 2018-19 | 985 | 574 | 827 | 2,386 |
| <i>Projected</i> | | | | |
| <i>School Year</i> | <i>Grades Pre-K-5</i> | <i>Grades 6-8</i> | <i>Grades 9-12</i> | <i>Total</i> |
| 2019-20 | 992 | 574 | 827 | 2,393 |
| 2020-21 | 900 | 567 | 793 | 2,260 |
| 2021-22 | 906 | 515 | 765 | 2,186 |

Source: Town of Tolland, Board of Education

School Facilities¹

| <i>School</i> | <i>Grades</i> | <i>Date of Construction (Additions, Remodeling)</i> | <i>Number of Classrooms</i> | <i>10/1/2018 Enrollment</i> | <i>Rated Capacity</i> |
|----------------------------------|---------------|---|---------------------------------|---------------------------------|---------------------------|
| Tolland High School | 9-12 | 2006 | 46 ² | 827 | 1,300 |
| Tolland Middle School | 6-8 | 1966 (1983) | 47 | 574 | 1,090 |
| Tolland Intermediate School | 3-5 | 1971 (1974) | 37 | 502 | 840 |
| Birch Grove Primary School ... | Pre-K, K-2 | 1999 (2003) | 41 | 483 | 785 |
| Total..... | | | 171 | 2,386 | 4,015 |

¹ Figures based on data from 2018-2019 school year.

² Excludes labs and science rooms.

Source: Town of Tolland, Board of Education

Principal Public Facilities

| <i>Facility</i> | <i>Year of Acquisition or Improvements</i> | <i>Type of Construction</i> | <i>Planned Major Improvements</i> |
|--|--|---------------------------------|---------------------------------------|
| Crandall's Lodge..... | 1989 | Wood Frame | None |
| Crandall Park Pavilion..... | 2011 | Post & Beam | None |
| Crossfarms Concession Stand..... | 2014 | Concrete Block/Wood | None |
| Senior Center..... | 1998 | Wood Frame | None |
| Maintenance Garage..... | 1991 | Steel | None |
| Highway Garage/Addition..... | 1981/2019 | Steel/Concrete Block | Expansion in Process |
| Old Tolland County Jail Museum..... | 1856 | Brick/Masonry | None |
| Town Hall Arts Center..... | 1879/1997 | Wood Frame | None |
| Tolland Rec. Center/Access Elderly Housing..... | 1964/1992/2011/2019 | Concrete Block | Elderly Housing in Process |
| Military Museum (Prior State Trooper Building).... | 1900 | Wood Frame | None |
| Hicks Municipal Center..... | 1986 / 2011 | Brick/Concrete Block | None |
| Plains Road Firehouse..... | 1990 | Concrete Block | None |
| Crystal Lake Road Firehouse..... | 1996 | Concrete Block | None |
| Fire Training Center..... | 1998 | Wood Frame | Potential Renovation |
| Rhodes & Merrow Road Firehouse..... | 1973 | Concrete Block | None |
| Gehring Road Firehouse..... | 1975 | Concrete Block | None |
| Tolland High School..... | 2006 | Concrete Block | None |
| Tolland Middle School..... | 1966/1975/2018 | Concrete Block | None |
| Tolland Intermediate School..... | 1971/1995 | Concrete Block | Roof |
| Birch Grove Primary School..... | 1999 | Concrete Block/Steel | Demolition/Rebuild |
| Tolland Board of Education..... | 1970 | Brick/Wood Frame | None |

Employee Relations and Collective Bargaining

Municipal Employees ¹

| | <i>2018-19</i> | <i>2017-18</i> | <i>2016-17</i> | <i>2015-16</i> | <i>2014-15</i> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| General Government..... | 78 | 77 | 78 | 78 | 77 |
| Board of Education..... | 403 | 403 | 406 | 422 | 427 |
| Total..... | 481 | 480 | 484 | 500 | 504 |

¹ Includes Full-Time Equivalents

Municipal Employee Bargaining Organizations

| <i>Organization</i> | <i>Positions Covered</i> | <i>Current Contract Expiration Date</i> |
|---|------------------------------|---|
| IAFF Local 3954 ² | 6.00 | 6/30/2020 |
| Teamsters Local 1035 ² | 23.00 | 6/30/2019 ³ |
| Tolland Educational Association ¹ | 202.10 | 6/30/2020 |
| Tolland Administrators ¹ | 13.80 | 6/30/2020 |
| Tolland Paraprofessionals ¹ | 98.08 | 6/30/2020 |
| Tolland School Nurses ¹ | 8.60 | 6/30/2020 |
| CSEA Local 2001 Town Hall Employees ² | 29.00 | 6/30/2019 ³ |
| Tolland BOE Custodians | 19.00 | 6/30/2019 ³ |
| Association of Education Secretaries ¹ | 16.00 | 6/30/2021 |
| Total Bargaining Group Employees..... | 415.58 | |
| Non Bargaining ² | 80.95 | |
| Total Bargaining and Non-Bargaining Employees..... | 496.53 | |

¹ Includes Full-Time Equivalents

² Town employees show number of positions and not full time equivalents of 77 employees

³ In negotiation

Source: Town of Tolland

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any items subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

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III. Economic and Demographic Information

Population and Density

| Year | Actual Population¹ | % Increase | Density² |
|-------------------|--|-------------------|----------------------------|
| 2017 ³ | 14,838 | -1.4% | 368.2 |
| 2010 | 15,052 | 14.5% | 373.5 |
| 2000 | 13,146 | 19.5% | 326.2 |
| 1990 | 11,001 | 13.5% | 273.0 |
| 1980 | 9,694 | 23.4% | 240.5 |
| 1970 | 7,857 | - | 195.0 |

¹ U.S. Department of Commerce, Bureau of Census, *Census of Population 1970-2010*.

² Per square mile: 40.3 square miles.

³ American Community Survey, 2013-2017

Age Distribution of the Population

| Age | Town of Tolland | | State of Connecticut | |
|------------------------------|------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Under 5 years | 455 | 3.1% | 186,188 | 5.2% |
| 5 to 9 years | 982 | 6.6 | 206,536 | 5.7 |
| 10 to 14 years | 1,291 | 8.7 | 225,831 | 6.3 |
| 15 to 19 years | 1,187 | 8.0 | 249,777 | 6.9 |
| 20 to 24 years | 1,089 | 7.3 | 245,849 | 6.8 |
| 25 to 34 years | 1,200 | 8.1 | 439,239 | 12.2 |
| 35 to 44 years | 1,750 | 11.8 | 433,401 | 12.1 |
| 45 to 54 years | 2,744 | 18.5 | 535,611 | 14.9 |
| 55 to 59 years | 1,102 | 7.4 | 266,501 | 7.4 |
| 60 to 64 years | 986 | 6.6 | 229,788 | 6.4 |
| 65 to 74 years | 1,149 | 7.7 | 318,515 | 8.9 |
| 75 to 84 years | 665 | 4.5 | 167,133 | 4.6 |
| 85 years and over | 238 | 1.6 | 90,109 | 2.5 |
| Total..... | 14,838 | 100% | 3,594,478 | 100% |
| Median Age (Years) 2017..... | 42.2 | | 40.8 | |
| Median Age (Years) 2010..... | 41.6 | | 40.0 | |

¹ U.S. Department of Commerce, Bureau of Census, 2010.

Source: American Community Survey 2013-2017

Income Distribution

| Income | Town of Tolland | | State of Connecticut | |
|------------------------|------------------------|----------------|-----------------------------|----------------|
| | Households | Percent | Households | Percent |
| \$ 0 - \$ 9,999..... | - | 0.0% | 27,787 | 3.1% |
| 10,000 - 14,999..... | 14 | 0.3 | 16,143 | 1.8 |
| 15,000 - 24,999..... | 54 | 1.3 | 41,072 | 4.6 |
| 25,000 - 34,999..... | 112 | 2.7 | 52,218 | 5.8 |
| 35,000 - 49,999..... | 194 | 4.7 | 82,371 | 9.2 |
| 50,000 - 74,999..... | 502 | 12.1 | 134,356 | 15.0 |
| 75,000 - 99,999..... | 544 | 13.1 | 122,244 | 13.6 |
| 100,000 - 149,999..... | 1,095 | 26.4 | 186,352 | 20.8 |
| 150,000 - 199,999..... | 808 | 19.5 | 100,359 | 11.2 |
| 200,000 and over..... | 829 | 20.0 | 132,765 | 14.8 |
| Total..... | 4,152 | 100.0% | 895,667 | 100.0% |

Source: American Community Survey 2013-2017

Income Levels

| | Town of Tolland | State of Connecticut |
|----------------------------------|----------------------------|---------------------------------|
| Per Capita Income, 2017..... | \$ 47,611 | \$ 41,365 |
| Per Capita Income, 2010..... | \$ 41,883 | \$ 36,775 |
| Median Family Income, 2017..... | \$ 130,345 | \$ 93,800 |
| Median Family Income, 2010 | \$ 108,564 | \$ 84,170 |

Source: American Community Survey 2013-2017

Educational Attainment Years of School Completed - Age 25 and Over

| | Town of Tolland | | State of Connecticut | |
|---|------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than 9th grade..... | 70 | 0.7% | 104,623 | 4.2% |
| 9th to 12th grade..... | 158 | 1.6 | 137,877 | 5.6 |
| High School graduate..... | 2,325 | 23.6 | 673,582 | 27.2 |
| Some college, no degree..... | 1,930 | 19.6 | 422,535 | 17.0 |
| Associate's degree | 909 | 9.2 | 188,481 | 7.6 |
| Bachelor's degree..... | 2,481 | 25.2 | 532,055 | 21.5 |
| Graduate or professional degree..... | 1,961 | 19.9 | 421,144 | 17.0 |
| Total..... | 9,834 | 100.0% | 2,480,297 | 100.0% |
| Total high school graduate or higher (%)..... | | 97.7% | | 90.2% |
| Total bachelor's degree or higher (%)..... | | 45.2% | | 38.4% |

Source: American Community Survey 2013-2017

**Major Employers
As of August 2019**

| Employer | Nature of Business | Number of Employees |
|---|---------------------------|----------------------------|
| Town of Tolland..... | Municipality | 498 |
| Gerber Garment Technologies..... | Precision Instruments | 286 |
| Woodlake at Tolland..... | Nursing Home | 255 |
| Big Y..... | Supermarket | 184 |
| CNC Software..... | Software Supplier | 152 |
| Dari Farms..... | Distribution | 122 |
| State Police Troop C..... | Law Enforcement | 70 |
| Star Hill Athletic Facility. ¹ | Athletic Facility | 75 |
| Eversource..... | Utility | 64 |
| NERAC, Inc..... | Research | 41 |

¹ Star Hill Athletic Facility averages between 50 to 150 employees depending on the season.

**Employment by Industry
Employed Persons 16 Years and Over**

| Sector | Town of Tolland | | State of Connecticut | |
|--|------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Agriculture, forestry, fishing and hunting, and mining..... | 61 | 0.7% | 7,166 | 0.4% |
| Construction..... | 540 | 6.5 | 104,122 | 5.8 |
| Manufacturing..... | 1,014 | 12.2 | 191,519 | 10.6 |
| Wholesale trade..... | 176 | 2.1 | 44,741 | 2.5 |
| Retail trade..... | 791 | 9.5 | 193,016 | 10.7 |
| Transportation warehousing, and utilities..... | 400 | 4.8 | 68,926 | 3.8 |
| Information..... | 125 | 1.5 | 42,200 | 2.3 |
| Finance, insurance, real estate, and leasing..... | 963 | 11.6 | 163,810 | 9.1 |
| Professional, scientific, management, administrative, and waste management..... | 844 | 10.2 | 208,130 | 11.5 |
| Education, health and social services..... | 2,060 | 24.8 | 478,083 | 26.5 |
| Arts, entertainment, recreation, accommodation and food services..... | 530 | 6.4 | 153,679 | 8.5 |
| Other services (except public admin.)..... | 380 | 4.6 | 82,538 | 4.6 |
| Public Administration..... | 426 | 5.1 | 67,156 | 3.7 |
| Total Labor Force, Employed..... | 8,310 | 100.0% | 1,805,086 | 100.0% |

Source: American Community Survey 2013-2017

Employment Data By Place of Residence

| Period | Town of Tolland | | Percentage Unemployed | | |
|-----------------------|------------------------|-------------------|------------------------------|------------------------------|-----------------------------|
| | Employed | Unemployed | Town of Tolland | Hartford Labor Market | State of Connecticut |
| June 2019..... | 8,445 | 271 | 3.1 | 3.9 | 3.9 |
| Annual Average | | | | | |
| 2018..... | 8,381 | 262 | 3.0 | 4.1 | 4.1 |
| 2017..... | 8,361 | 282 | 3.3 | 4.8 | 4.7 |
| 2016..... | 8,250 | 311 | 3.6 | 5.3 | 5.3 |
| 2015..... | 8,274 | 317 | 3.7 | 5.6 | 5.6 |
| 2014..... | 8,041 | 397 | 4.7 | 6.7 | 6.7 |
| 2013..... | 7,920 | 468 | 5.6 | 7.9 | 7.9 |
| 2012..... | 8,088 | 502 | 5.8 | 8.4 | 8.3 |
| 2011..... | 7,994 | 531 | 6.2 | 8.9 | 8.8 |
| 2010..... | 7,961 | 550 | 6.5 | 9.0 | 9.0 |
| 2009..... | 8,023 | 530 | 6.2 | 8.3 | 8.2 |

Source: State of Connecticut, Department of Labor.

Age Distribution of Housing

| Year Built | Town of Tolland | | State of Connecticut | |
|----------------------------------|------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1939 or earlier..... | 201 | 3.7% | 338,011 | 22.4% |
| 1940 to 1949..... | 73 | 1.4 | 104,251 | 6.9 |
| 1950 to 1959..... | 563 | 10.4 | 225,763 | 15.0 |
| 1960 to 1969..... | 997 | 18.4 | 205,463 | 13.6 |
| 1970 to 1979..... | 808 | 14.9 | 200,217 | 13.3 |
| 1980 to 1989..... | 815 | 15.1 | 191,939 | 12.7 |
| 1990 to 1999..... | 1,190 | 22.0 | 114,261 | 7.6 |
| 2000 or 2009..... | 706 | 13.1 | 105,131 | 7.0 |
| 2010 or later..... | 52 | 1.0 | 22,675 | 1.5 |
| Total Housing Units | 5,405 | 100.0% | 1,507,711 | 100.0% |

Source: American Community Survey 2013-2017

Housing Inventory

| Housing Units | Town of Tolland | | State of Connecticut | |
|-----------------------------|------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1-unit, detached..... | 5,072 | 93.8% | 892,621 | 59.2% |
| 1-unit, attached..... | 81 | 1.5 | 81,393 | 5.4 |
| 2 units..... | - | - | 123,040 | 8.2 |
| 3 or 4 units..... | 73 | 1.4 | 130,914 | 8.7 |
| 5 to 9 units..... | 132 | 2.4 | 82,787 | 5.5 |
| 10 to 19 units..... | 32 | 0.6 | 56,540 | 3.8 |
| 20 or more units..... | 15 | 0.3 | 128,477 | 8.5 |
| Mobile home..... | - | - | 11,564 | 0.8 |
| Boat, RV, van, etc..... | - | - | 375 | 0.0 |
| Total Inventory..... | 5,405 | 100.0% | 1,507,711 | 100.0% |

Source: American Community Survey 2013-2017

Owner Occupied Housing Values

| Specified Owner-Occupied Units | Town of Tolland | | State of Connecticut | |
|---------------------------------------|------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than \$50,000..... | 119 | 2.5% | 24,038 | 2.7% |
| \$50,000 to \$99,000..... | 70 | 1.5 | 29,789 | 3.3 |
| \$100,000 to \$149,999..... | 90 | 1.9 | 83,320 | 9.2 |
| \$150,000 to \$199,000..... | 568 | 12.0 | 141,024 | 15.6 |
| \$200,000 to \$299,999..... | 1,698 | 35.9 | 244,356 | 26.9 |
| \$300,000 to \$499,999..... | 1,905 | 40.3 | 236,671 | 26.1 |
| \$500,000 or more..... | 255 | 5.4 | 106,192 | 11.7 |
| \$1,000,000 or more..... | 21 | 0.4 | 41,408 | 4.6 |
| Total..... | 4,726 | 100.0% | 906,798 | 100.0% |
| Median Value..... | \$286,600 | | \$270,100 | |

Source: American Community Survey 2013-2017

Housing Vacancy Rates

| Housing Units | Town of Tolland | | State of Connecticut | |
|------------------------------|------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| Occupied Housing Units | 5,092 | 94.2% | 1,361,755 | 90.3% |
| Vacant Housing Units | 313 | 5.8% | 145,956 | 9.7% |
| Total Units | 5,405 | 100.0% | 1,507,711 | 100.0% |
| Homeowner Vacancy Rate | — | 3.3 | — | 1.9 |
| Rental Vacancy Rate | — | 0.0 | — | 6.6 |

Source: American Community Survey 2013-2017

Building Permits

| Fiscal Year | Single-Family Residential | | Total¹ | |
|--------------------|----------------------------------|--------------|--------------------------|--------------|
| | Number | Value | Number | Value |
| 2019 ² | 10 | \$ 2,521,440 | 1,008 | \$16,669,468 |
| 2018 | 8 | 2,695,642 | 1,141 | 17,487,957 |
| 2017 | 10 | 2,788,546 | 989 | 15,419,767 |
| 2016 | 5 | 1,688,787 | 1,096 | 10,602,382 |
| 2015 | 10 | 2,887,827 | 1,137 | 15,299,492 |
| 2014 | 13 | 4,212,416 | 914 | 11,237,363 |
| 2013 | 7 | 1,960,249 | 997 | 9,776,438 |
| 2012 | 8 | 2,781,931 | 1,078 | 12,885,208 |
| 2011 | 6 | 1,543,195 | 871 | 8,337,237 |
| 2010 | 9 | 1,957,878 | 745 | 10,207,828 |

¹ Includes Commercial and Industrial

² Through 01/01/2019

Land Use Summary

The Town experienced considerable single-family residential growth from 1995 to 2005 issuing approximately 100 dwelling permits each year. After a nine-month subdivision moratorium, which ended in December 2005, new Natural Resource Density Based Zoning Regulations were adopted to determine development potential in accordance with the property characteristics and constraints. The adoption of such regulations served to reduce the development potential of much vacant land and rendered some very steep, wet or rocky land unsuitable for development. The proposed Plan of Conservation and Development identifies the need for more diverse housing stock among other recommendations.

Currently, the Town continues to purchase open space with grant assistance as well as acquire it as part of the few approved subdivisions. Residential and commercial development has slowed considerably due to current market forces however there have been ongoing discussions with potential developers for future development.

| Land Use | Acres | % of Developed | |
|-------------------------------|---------------|-----------------------|------------------------|
| | | Committed Land | % of Total Land |
| Residential..... | 12,317 | 57.7% | 47.7% |
| Commercial/Industrial..... | 624 | 2.9% | 2.4% |
| Parks and Open Space..... | 5,076 | 23.8% | 19.6% |
| Agriculture..... | 1,182 | 5.5% | 4.6% |
| Town Land/ Institutional..... | 459 | 2.2% | 1.8% |
| Other..... | 1,696 | 7.9% | 6.6% |
| Vacant..... | 4,494 | | 17.4% |
| Total..... | 25,848 | | |

Source: Plan of Conservation and Development. As of February 2019.

Note: Other includes right-of-ways and water.

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IV. Tax Base Data

Property Tax – Assessments

Under Section 12-62 of the Connecticut General Statutes, as amended, the Town must conduct a revaluation of its real property every five years based on generally accepted mass appraisal methods. The Town completed a statistical revaluation effective as of October 1, 2014, and a full physical revaluation will be required in five years or October 1, 2019.

Prior to the completion of each revaluation, the Assessor shall conduct a field review. The Assessor must fully inspect each parcel of improved real property once in every ten assessment years, provided that the Assessor is not required to fully inspect all of a town's improved real property parcels in the same assessment year or to fully inspect any such parcel more than once during every ten assessment years. Section 12-62 provides that the full inspection requirement shall not apply to any parcel of improved real property for which the Assessor obtains satisfactory verification of data listed on the Assessor's property record by means of a questionnaire sent by the Assessor, at any time during the period in which a full inspection of an improved parcel of real property is required, to the owner of such parcel to (A) obtain information concerning the property's acquisition, and (B) obtain verification of the accuracy of data listed on the Assessor's property record for such parcel.

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. For the list of October 1, 2018, Tolland's net taxable grand list amounted to \$1,281,864,000. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year the Town's Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and the structure is given a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically by the Assessor.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has indicated that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the DMV after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 grand list. If such registration occurs subsequent to November 1 but prior to the following August 1, the tax is prorated, and the proration is based on the period of time from the date of registration until the following October 1. Motor vehicles purchased in August and September are not taxed until the next October 1 grand list. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. This statute provides that (1) for the assessment year October 1, 2016 (fiscal year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 (the fiscal year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. Any municipality may establish a mill rate for motor vehicles that is different from its mill rate for real property to comply with the provisions of the budget legislation. The Town's mill rate for motor vehicles for the assessment year commencing October 1, 2017 (the fiscal year ending June 30, 2019) is 35.00 mills.

The Town has not approved the use of Section 12-124a of the Connecticut General Statutes, which permits a municipality, upon approval of its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income.

Comparative Assessed Valuations (000s)

| Grand List As Of 10/1 | Residential Real Property (%) | Commercial and Industrial Real Property (%) | Other Real Property (%) | Personal Property (%) | Motor Vehicle (%) | Gross Taxable Grand List (000's) | Exemptions, Veterans Relief and Disabled (000's) | Net Taxable Grand List (000's) | Percent Growth |
|------------------------------|--------------------------------------|--|--------------------------------|------------------------------|--------------------------|---|---|---------------------------------------|-----------------------|
| 2018 | 78.5 | 7.8 | 0.1 | 3.5 | 10.1 | \$ 1,292,254 | \$ 10,390 | \$ 1,281,864 | 0.2% |
| 2017 | 78.9 | 7.9 | 0.1 | 3.1 | 10.0 | 1,289,527 | 10,542 | 1,278,985 | 0.2% |
| 2016 | 79.0 | 8.0 | 0.1 | 3.0 | 9.9 | 1,285,486 | 8,774 | 1,276,712 | 0.9% |
| 2015 | 79.4 | 7.5 | 0.3 | 2.8 | 10.0 | 1,275,802 | 11,045 | 1,264,757 | 0.8% |
| 2014 ¹ | 79.5 | 8.0 | 0.5 | 2.3 | 7.7 | 1,266,018 | 10,841 | 1,255,177 | -3.5% |
| 2013 | 82.1 | 6.2 | 0.5 | 2.0 | 9.2 | 1,312,486 | 11,567 | 1,300,919 | 0.4% |
| 2012 | 82.0 | 6.3 | 0.5 | 2.0 | 9.2 | 1,307,091 | 11,294 | 1,295,797 | 0.2% |
| 2011 | 81.6 | 6.2 | 0.6 | 2.4 | 9.2 | 1,304,100 | 10,811 | 1,293,289 | 0.9% |
| 2010 | 82.3 | 6.2 | 0.6 | 2.0 | 8.9 | 1,299,161 | 17,200 | 1,281,961 | 1.1% |
| 2009 ¹ | 82.0 | 6.1 | 0.6 | 2.7 | 8.6 | 1,284,654 | 16,498 | 1,268,156 | 3.0% |

¹ Revaluation.

Source: Town of Tolland, Assessor's Office.

Property Tax Levies and Collections

| Grand List of 10/1 | Fiscal Year Ending 6/30 | Net Taxable Grand List (000's) | Mill Rate | Adjusted Annual Levy (000's) | Percent of Annual Levy Collected at End of Fiscal Year | Percent of Annual Levy Uncollected at End of Fiscal Year | Percent of Annual Levy Uncollected as of 6/30/2018 |
|---------------------------|--------------------------------|---------------------------------------|------------------|-------------------------------------|---|---|---|
| 2017 | 2019 ^{1,2} | \$ 1,278,985 | 35.00 | \$45,014,124 | <i>In Collection</i> | | |
| 2016 | 2018 | 1,276,712 | 34.48 | 43,442,830 | 99.1% | 0.9% | 0.94% |
| 2015 | 2017 | 1,264,757 | 34.19 | 41,981,338 | 99.0 | 1.0 | 0.27% |
| 2014 ³ | 2016 | 1,255,177 | 33.36 | 41,586,635 | 99.2 | 0.8 | 0.08% |
| 2013 | 2015 | 1,300,919 | 31.05 | 40,444,416 | 99.1 | 0.9 | 0.07% |
| 2012 | 2014 | 1,295,797 | 30.19 | 38,885,680 | 99.2 | 0.8 | 0.05% |
| 2011 | 2013 | 1,293,289 | 29.99 | 38,831,167 | 99.1 | 0.9 | 0.05% |
| 2010 | 2012 | 1,281,961 | 29.73 | 38,099,627 | 99.0 | 1.0 | 0.02% |
| 2009 ³ | 2011 | 1,268,156 | 29.15 | 37,018,564 | 99.1 | 0.9 | - |
| 2008 | 2010 | 1,231,535 | 29.49 | 36,331,806 | 99.2 | 0.8 | - |

¹ Subject to audit.

² Budgeted.

³ Revaluation.

Source: Town of Tolland, Tax Collector

Ten Largest Taxpayers

| Name of Taxpayer | Business | Taxable Assessed Value | Percent of Net Taxable Grand List¹ |
|------------------------------------|------------------------|-----------------------------------|--|
| Eversource | Utility | \$ 15,595,270 | 1.22% |
| Capitol Ventures | Shopping Center | 13,848,900 | 1.08% |
| Gerber Scientific, Inc. | Manufacturing | 8,397,870 | 0.66% |
| Summers and Summers Realty | Holding Company | 7,128,040 | 0.56% |
| Woodlake at Tolland | Nursing & Rehab Center | 6,483,960 | 0.51% |
| Silva Real Estate/Dari Farms | Sales | 5,940,590 | 0.46% |
| Norwegian Woods, Inc. | Apartments | 4,882,460 | 0.38% |
| Ivy Woods LLC | Apartments | 4,173,800 | 0.33% |
| CT Water Company | Utility | 4,156,160 | 0.32% |
| MJB Realty | Sports Complex | 3,870,300 | 0.30% |
| Total..... | | \$ 74,477,350 | 5.81% |

¹ Based on the Net Taxable Grand List of October 1, 2018 of \$1,281,864,000.

Source: Town of Tolland, Assessor's Office.

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V. Debt Summary
Principal Amount of Indebtedness
As of September 19, 2019
(Pro Forma)

Long-Term Debt:¹

| <u>Date</u> | <u>Purpose</u> | <u>Interest Rate %</u> | <u>Original Issue</u> | <u>Amount Outstanding</u> | <u>Fiscal Year of Maturity</u> |
|---|---------------------------------|------------------------|-----------------------|---------------------------|--------------------------------|
| 08/01/10 | General Purpose | 2.00-4.00 | \$ 825,000 | \$ 498,278 | 2031 |
| 08/01/10 | School | 2.00-4.00 | 1,700,000 | 1,026,722 | 2031 |
| 10/18/11 | General Purpose | 2.00-4.00 | 1,942,000 | 617,000 | 2027 |
| 10/18/11 | School | 2.00-4.00 | 2,235,000 | 965,000 | 2024 |
| 10/18/11 | Sewer | 2.00-4.00 | 733,000 | 383,000 | 2027 |
| 08/29/12 | Series A - General Purpose | 1.50-3.00 | 1,145,310 | 596,160 | 2028 |
| 08/29/12 | Series A - School | 1.50-3.00 | 314,690 | 163,840 | 2028 |
| 08/29/12 | Series B - General Purpose | 3.00-5.00 | 256,700 | 85,700 | 2026 |
| 08/29/12 | Series B - School | 3.00-5.00 | 6,579,900 | 4,645,100 | 2026 |
| 08/29/12 | Series B - Sewer | 3.00-5.00 | 1,188,400 | 564,200 | 2026 |
| 10/22/14 | General Purpose | 2.00-4.00 | 1,499,715 | 1,133,075 | 2028 |
| 10/22/14 | School | 2.00-4.00 | 7,517,285 | 4,344,375 | 2028 |
| 10/22/14 | Sewer | 2.00-4.00 | 618,000 | 252,550 | 2023 |
| 10/21/15 | General Purpose | 2.00-4.00 | 7,275,000 | 6,187,000 | 2036 |
| 10/21/15 | School | 2.00-4.00 | 290,000 | 308,000 | 2036 |
| 05/24/18 | General Purpose | 3.00-5.00 | 7,169,908 | 7,169,908 | 2043 |
| 05/24/18 | School | 3.00-5.00 | 2,170,092 | 2,170,092 | 2043 |
| Total Outstanding Bonded Debt..... | | | \$ 43,460,000 | \$ 31,110,000 | |

¹ Excludes bonds refunded or defeased.

Short-Term Debt
As of September 19, 2019
(Pro Forma)

| <u>Project</u> | <u>Amount</u> | <u>This Issue:</u> |
|---|----------------------|-----------------------|
| | <u>Authorized</u> | <u>The Notes:</u> |
| | | <u>Due: 9/17/2020</u> |
| Various Capital Projects (2017-18)..... | \$ 2,150,879 | \$ 334,800 |
| Various Capital Projects (2018-19)..... | 1,290,606 | 875,912 |
| School Improvements Project..... | 9,600,000 | 894,288 |
| Road Improvement Project (2018)..... | 5,000,000 | 1,000,000 |
| Birch Grove School Project..... | 46,000,000 | 9,565,000 |
| Total..... | \$ 64,041,485 | \$ 12,670,000 |

Other Obligations

Solid Waste Service Contract: The Town in 2010 joined together with twenty-one towns in the region to solicit proposals for disposal services provided after 2012. After extensive review, the Town chose Willimantic Waste as the service provider. Beginning on December 1, 2012, the Town entered into a new contract with Willimantic Waste for \$60.00 per ton for the fiscal year. The cost will increase by 2.5% each year or the cost of living, whichever is less. The current tipping fee for Fiscal Year 2019-20 is \$71.27 per ton. Currently, Willimantic Waste also provides the Town with collection services as well as collection and disposal of recyclables. In addition the Town receives a \$25 per ton rebate from Willimantic Waste for recyclables collected.

Sewer Treatment Service Contract: The Town entered into an agreement on April 6, 1989 with the Town of Vernon whereby under certain conditions, the Town of Vernon will receive sanitary sewage, septage and industrial waste from the Town. The Town of Vernon has agreed to maintain a sewage treatment plant for treatment of domestic sewage and industrial waste water in compliance with State and Federal requirements. The Town, along with the Towns of Ellington, South Windsor, and Manchester, has agreed to pay the Town of Vernon a share of the total capital construction costs and future required improvements, modifications and/or enlargements plus accrued interest at the applicable financing rate.

Qualified Energy Conservation Bond Taxable Lease Obligation: In June 2011, the Town entered into a 15-year \$3.6 million taxable lease obligation, at an interest rate of 5.11% with Chase Equipment Finance, providing funds for geothermal energy improvements to the Hicks Municipal Building. The Town expects to receive a subsidy from the U.S. Treasury in the amount of 70% of the interest calculated at the U.S. Treasury-determined tax credit rate (5.01%) over the life of the obligation. However, because of federal spending cuts known as sequestration, the subsidy payments were reduced by 7.2% in part of federal fiscal year ending September 30, 2014, reduced by 7.3% in fiscal year ending September 30, 2015, reduced by 6.8% in fiscal year ending September 30, 2016, reduced by 6.6% in fiscal year ending September 30, 2017, reduced by 6.2% in fiscal year ending September 30, 2018 and reduced by 5.9% in fiscal year ending September 30, 2019. Sequestration for direct-pay bond subsidies and other mandatory spending is currently set to last through fiscal 2024.

Qualified Energy Conservation Lease Obligation: In October 2013, the Town entered into a 20-year, \$9,598,170 lease obligation, at an interest rate of 3.49%, with TD Equipment Leasing, providing funds for various energy improvements and efficiencies that are expected to save enough in energy costs to completely pay the lease payments. In October 2016, the Town refinanced this lease agreement with TD Equipment Leasing at a rate of 2.12% resulting in an overall savings of \$1,435,458. The lease payments are subject to annual appropriation.

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Annual Bonded Debt Maturity Schedule
As of September 19, 2019
(Pro Forma)

| Fiscal Year Ended 6/30 ¹ | Principal Payments | Interest Payments | Total | Total Principal | Cumulative Principal Retired % |
|--|-------------------------------|------------------------------|----------------------|----------------------------|---|
| 2020 ² | \$ 1,220,000 | \$ 835,553 | \$ 2,055,553 | \$ 1,220,000 | 3.92% |
| 2021 | 3,270,000 | 997,556 | 4,267,556 | 3,270,000 | 14.43% |
| 2022 | 3,285,000 | 861,100 | 4,146,100 | 3,285,000 | 24.99% |
| 2023 | 2,960,000 | 726,744 | 3,686,744 | 2,960,000 | 34.51% |
| 2024 | 2,985,000 | 607,016 | 3,592,016 | 2,985,000 | 44.10% |
| 2025 | 2,795,000 | 503,906 | 3,298,906 | 2,795,000 | 53.09% |
| 2026 | 2,335,000 | 419,031 | 2,754,031 | 2,335,000 | 60.59% |
| 2027 | 1,610,000 | 362,900 | 1,972,900 | 1,610,000 | 65.77% |
| 2028 | 1,330,000 | 321,713 | 1,651,713 | 1,330,000 | 70.04% |
| 2029 | 920,000 | 289,838 | 1,209,838 | 920,000 | 73.00% |
| 2030 | 920,000 | 262,100 | 1,182,100 | 920,000 | 75.96% |
| 2031 | 920,000 | 233,188 | 1,153,188 | 920,000 | 78.91% |
| 2032 | 770,000 | 207,088 | 977,088 | 770,000 | 81.39% |
| 2033 | 770,000 | 183,500 | 953,500 | 770,000 | 83.86% |
| 2034 | 770,000 | 159,425 | 929,425 | 770,000 | 86.34% |
| 2035 | 770,000 | 135,350 | 905,350 | 770,000 | 88.81% |
| 2036 | 770,000 | 110,300 | 880,300 | 770,000 | 91.29% |
| 2037 | 390,000 | 90,950 | 480,950 | 390,000 | 92.54% |
| 2038 | 390,000 | 78,763 | 468,763 | 390,000 | 93.80% |
| 2039 | 390,000 | 66,575 | 456,575 | 390,000 | 95.05% |
| 2040 | 385,000 | 53,900 | 438,900 | 385,000 | 96.29% |
| 2041 | 385,000 | 40,425 | 411,950 | 385,000 | 97.52% |
| 2042 | 385,000 | 26,950 | 411,950 | 385,000 | 98.76% |
| 2043 | 385,000 | 13,475 | - | 385,000 | 100.00% |
| Total..... | \$ 31,110,000 | \$ 7,587,344 | \$ 38,285,394 | \$ 31,110,000 | |

¹ Excludes bonds refunded or defeased.

² Excludes principal payments of \$2,055,000 and interest payments of \$289,572 made from July 1, 2019 through September 19, 2019.

Overlapping/Underlying Debt

The Town of Tolland does not have any overlapping or underlying debt.

**THE TOWN OF TOLLAND HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR
INTEREST ON ITS BONDS OR NOTES**

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Debt Statement
As of September 19, 2019
(Pro Forma)

Long-Term Debt Outstanding:

| | |
|---|----------------------|
| General Purpose | \$ 16,287,121 |
| Schools | 13,623,129 |
| Sewers | 1,199,750 |
| Total Long-Term Debt..... | 31,110,000 |
| Short-Term Debt (This Issue)..... | 12,670,000 |
| Direct Debt..... | 43,780,000 |
| Overlapping / Underlying Debt | - |
| Total Overall Debt..... | 43,780,000 |
| Less: School Construction Grants Receivable (As of June 30, 2019) | - |
| Total Overall Net Debt..... | \$ 43,780,000 |

Current Debt Ratios
As of September 19, 2019
(Pro Forma)

| | |
|---|-----------------|
| Population (2017) ¹ | 14,838 |
| Net Taxable Grand List (10/1/18) | \$1,281,864,000 |
| Estimated Full Value (70%)..... | \$1,831,234,286 |
| Equalized Net Grand List (10/1/16) ² | \$1,852,817,304 |
| Money Income per Capita (2017) ¹ | \$47,611 |

| | Total Overall Debt | Total Overall Net Debt |
|---|-------------------------------|-----------------------------------|
| Per Capita..... | \$2,950.53 | \$2,950.53 |
| Ratio to Net Taxable Grand List..... | 3.42% | 3.42% |
| Ratio to Estimated Full Value..... | 2.39% | 2.39% |
| Ratio to Equalized Net Grand List..... | 2.36% | 2.36% |
| Debt per Capita to Money Income per Capita (2017).... | 6.20% | 6.20% |

¹ American Community Survey, 2013-2017.

² Office of Policy and Management, State of Connecticut.

Authority to Incur Debt

The Town of Tolland has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is authorized by resolution of the Town Council. Notes and bonds may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes. Under the Town Charter, if any bond issue or note issue exceeds five percent (5%) of the current tax levy in any fiscal year, said bond or note issue must be approved by the Town's voters at referendum. Notwithstanding the foregoing, refunding bonds may be issued pursuant to a resolution of the Town Council (CGS Sec. 7-370c).

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by no later than the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time by which temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except for sewer or school notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the

municipality may renew the sewer or school notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Maturities

Except for refunding bonds that achieve net present value savings or are approved by a two-thirds vote of the municipality's legislative body, general obligation (serial or term) bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50%, or aggregate annual principal and interest payments must be substantially equal. The term of the issue may not exceed twenty years, except in the case of sewer and school bonds or other bonds issued on or after July 1, 2017, but prior to July 1, 2022, which may mature in up to thirty years.

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

| | |
|---------------------------------|--|
| General Purposes: | 2.25 times annual receipts from taxation |
| School Purposes: | 4.50 times annual receipts from taxation |
| Sewer Purposes: | 3.75 times annual receipts from taxation |
| Urban Renewal Purposes: | 3.25 times annual receipts from taxation |
| Unfunded Past Pension Purposes: | 3.00 times annual receipts from taxation |

"Annual receipts from taxation" (the "base") are defined as total tax collections including interest, penalties, late payment of taxes and state payments for revenue losses under Connecticut General Statutes Sections 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

Statement of Statutory Debt Limitation
As of September 19, 2019
(Pro Forma)

| | |
|--|----------------------|
| Total Tax Collections (including interest and lien fees) received by the Treasurer for the year ended June 30, 2018..... | \$ 43,429,218 |
| Reimbursement For Revenue Loss (Tax relief for elderly)..... | - |
| Base for Debt Limitation Computation..... | \$ 43,429,218 |

| | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Unfunded Pension</u> |
|-----------------------------------|------------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times base..... | \$ 97,715,741 | - | - | - | - |
| 4 1/2 times base..... | - | \$ 195,431,481 | - | - | - |
| 3 3/4 times base..... | - | - | \$ 162,859,568 | - | - |
| 3 1/4 times base..... | - | - | - | \$ 141,144,959 | - |
| 3 times base..... | - | - | - | - | \$ 130,287,654 |
| Total Debt Limitation..... | \$ 97,715,741 | \$ 195,431,481 | \$ 162,859,568 | \$ 141,144,959 | \$ 130,287,654 |

| | | | | | |
|--|----------------------|----------------------|---------------------|-------------|-------------|
| Indebtedness: | | | | | |
| Bonds Outstanding | \$ 16,287,121 | \$ 13,623,129 | \$ 1,199,750 | \$ - | \$ - |
| BANs – This Issue..... | 2,210,712 | 10,459,288 | - | - | - |
| Debt Authorized But Unissued..... | 5,778,177 | 42,356,834 | - | - | - |
| Total Net Indebtedness..... | 24,276,010 | 66,439,251 | 1,199,750 | - | - |
| Less: School Grant Receivable | - | - | - | - | - |
| Net Debt for Calculation of Debt Limitation.... | \$ 24,276,010 | \$ 66,439,251 | \$ 1,199,750 | \$ - | \$ - |

| | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS..... | \$ 73,439,731 | \$ 128,992,230 | \$ 161,659,818 | \$ 141,144,959 | \$ 130,287,654 |
|---|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$304,004,526

For the purpose of determining a municipality's compliance with the statutory debt limitation, there is no requirement that authorized but unissued debt be considered.

Authorized but Unissued Debt
As of September 19, 2019
(Pro Forma)

| <u>Project</u> | <u>Date Authorized</u> | <u>Amount Authorized</u> | <u>Previously Bonded</u> | <u>Grants / Paydowns</u> | <u>New Money</u> | <u>This Issue: The Notes: Due: 9/17/2020</u> | <u>Authorized But Unissued Debt</u> |
|--|------------------------|--------------------------|--------------------------|--------------------------|-------------------|--|-------------------------------------|
| Various Capital Projects (2015-16)..... | 07/14/2015 | \$ 2,091,608 | \$ 1,405,864 | \$ 276,088 | \$ - | \$ - | \$ 409,656 |
| Various Capital Projects (2017-18)..... | 07/11/2017 | 2,150,879 | 1,816,079 | - | 334,800 | 334,800 | - |
| Various Capital Projects (2018-19)..... | 07/10/2018 | 1,290,606 | - | - | - | 875,912 | 414,694 |
| Open Space (2006) | 11/07/2006 | 2,000,000 | 1,796,173 | - | - | - | 203,827 |
| School Improvements Project..... | 11/08/2016 | 9,600,000 | 2,170,092 | 613,786 | - | 894,288 | 5,921,834 |
| Road Improvement Project (2018)..... | 11/06/2018 | 5,000,000 | - | - | - | 1,000,000 | 4,000,000 |
| Fire Rescue Truck Acquisition (2019-20)..... | 07/09/2019 | 750,000 | - | - | - | - | 750,000 |
| Birch Grove School Project..... | 05/07/2019 | 46,000,000 | - | - | - | 9,565,000 | 36,435,000 |
| Total..... | | \$ 68,883,093 | \$ 7,188,208 | \$ 889,874 | \$ 334,800 | \$ 12,670,000 | \$ 48,135,011 |

Ratios of Net Long-Term Debt to Valuation, Population, and Income

| Fiscal Year Ended 6/30 | Net Assessed Value | Estimated Full Value | Net Long-Term Debt (000s)¹ | Ratio of Net Long-Term Debt to Assessed Value (%) | Ratio of Net Long-Term Debt to Estimated Full Value (%) | Population² | Net Long-Term Debt per Capita | Ratio of Net Long-Term Debt per Capita to Per Capita Income³ |
|-------------------------------|---------------------------|-----------------------------|--|--|--|-------------------------------|--------------------------------------|--|
| 2018 | \$ 1,276,712 | \$ 1,823,874 | \$ 36,310 | 2.84% | 1.99% | 14,976 | \$ 2,424.55 | 5.09% |
| 2017 | 1,264,757 | 1,806,796 | 30,435 | 2.41% | 1.68% | 14,976 | 2,032.25 | 4.27% |
| 2016 | 1,255,177 | 1,793,110 | 33,870 | 2.70% | 1.89% | 14,976 | 2,261.62 | 4.75% |
| 2015 | 1,300,919 | 1,858,456 | 29,290 | 2.25% | 1.58% | 14,977 | 1,955.67 | 4.11% |
| 2014 | 1,295,797 | 1,851,139 | 32,610 | 2.52% | 1.76% | 14,977 | 2,177.34 | 4.57% |

¹ Long-Term debt does not include Water debt, compensated absences, capital lease obligations, or State of Connecticut Clean Water Fund Debt.

² Bureau of Census.

³ American Community Survey (2013-2017), Money Income Per Capita \$47,611.

Source: Town of Tolland Audited Financial Reports 2014-2018.

Ratio of Total General Fund Debt Service Expenditures To Total General Fund Expenditures and Transfers Out Last Five Fiscal Years

| Fiscal Year Ended 6/30 | Total Debt Service | Total General Fund Expenditures¹ | Ratio of Total Debt Service to General Fund Expenditures |
|-------------------------------|---------------------------|--|---|
| 2019 ² | \$ 4,550,000 | \$ 56,170,697 | 8.96% |
| 2018 | 5,030,690 | 63,179,227 | 7.37% |
| 2017 | 4,655,944 | 63,172,806 | 6.64% |
| 2016 | 4,193,538 | 59,387,889 | 7.65% |
| 2015 | 4,542,249 | 53,201,794 | 8.92% |
| 2014 | 4,744,210 | 56,879,940 | 8.34% |
| 2013 | 4,642,785 | 56,482,370 | 8.22% |
| 2012 | 4,751,795 | 55,736,331 | 8.53% |
| 2011 | 4,730,620 | 51,380,440 | 9.21% |
| 2010 | 4,672,806 | 50,708,868 | 9.21% |

¹ Includes transfers out.

² Subject to audit.

Source: Town of Tolland Finance Department.

VI. Financial Administration

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Basis of Accounting

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The statement established a new reporting model for governments that is substantially different from prior reporting standards. The government-wide financial statements report information on all of the non-fiduciary activities of the Town. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The Town has established separate funds for governmental functions under General Fund, Special Revenue Funds, and Capital Projects Funds. The Town's accounting records for Governmental Funds follow the modified accrual basis of accounting; that is, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal period. The major source of revenue that is recognized under the modified accrual basis are funds received from the State of Connecticut and the Federal government. Expenditures are recognized in the accounting period in which the fund liability is incurred. The accrual basis of accounting is used for Agency and Pension Trust Funds. Revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See "Notes to the Financial Statements" in Appendix A herein for more information.

Budget Procedure

The annual budget serves as the foundation for the Town's financial planning and control of the General Fund and supports the Capital Improvement Plan. The All other funds are supported by related user fees and/or grants and do not have approved budgets. The Town maintains budgetary controls with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the budget referendum. The operational budget, including a five-year Capital Improvement Plan, is initially prepared by Department Heads and the Board of Education and presented to the Town Manager.

Not later than March 27th, the Town Manager shall present to the Town Council a budget consisting of: (a) a budget message outlining the financial policy of the Town and describing the important features of the budget plan, indicating any major changes from the current financial policies, revenues and expenditures, together with the reasons for such changes and containing a clear general summary of its contents; (b) estimates of revenue presenting, in parallel columns, the itemized receipts collected in the last completed fiscal year, the budget of the current fiscal year, total receipts estimated to be collected during the current fiscal year, estimated receipts, other than from the property tax, to be collected in the ensuing fiscal year and an estimate of available surplus; (c) itemized estimates presenting in parallel columns the actual expenditures for each department, office, agency or activity for the last completed fiscal year, the adopted budget for the current year, the adopted budget for the current year as amended, and recommended expenditures for the ensuing fiscal year and such other information as may be required by the Town Council. The Town Manager shall present reasons for his recommendations. The Board of Education, preparing its estimates for submission to the Town Manager, shall have the same duties and follow the same form and procedure with respect to the budget of the Board of Education. The Town Manager shall call and attend a joint meeting of the Town Council and the Board of Education for the purpose of discussing the appropriation request of the Board of Education on or before April 11th.

After such discussion, the Board of Education finalized appropriation request shall be submitted to the Town Council no later than the Council's budget public hearing [Charter of the Town of Tolland, § C9-4].

The Town Council shall hold one (1) or more public hearings at which any registered or non-registered voter may have an opportunity to be heard regarding appropriations for the ensuing fiscal year. Following the receipt of all estimates from the Town Manager and the holding of the final such public hearing, the Town Council shall prepare a

budget and shall recommend the same at the Annual Budget Presentation, to be held no later than one (1) week prior to the Budget Referendum. [Charter of the Town of Tolland, § C9-9]

Sufficient copies of said annual budget shall be made available for general distribution in the office of Town Clerk and the Town Manager, and, at least five (5) days prior to said Annual Budget Referendum a summary of the proposed budget shall be published. The budget shall become effective when passed at the Annual Budget Referendum to be held on the 1st Tuesday of May, and an official copy shall be filed with the Town Clerk. Additional referenda, as required, will be held every other week on Tuesday until a budget is approved. Within ten (10) days after the budget is approved at referendum, the Town Council shall fix the rate of mills, which shall be levied on all taxable property in the Town for the ensuing fiscal year. [Charter of the Town of Tolland, § C9-7]

After the start of the fiscal year, the Town Council, by resolution, may make appropriations to be funded by grants or gifts, and other additional and supplementary appropriations not to exceed an aggregate of forty thousand dollars (\$40,000) in any fiscal year. In addition, following a public hearing, the Town Council, by resolution, may make further additional and supplementary appropriations upon recommendation and certification of the Town Manager that there are available unappropriated funds in excess of the proposed additional appropriations. Upon request from the Town Manager, the Town Council, by resolution, may transfer any unencumbered appropriations, balances or portion thereof from one department to another. No transfer shall be made from any appropriation for debt service. Management is authorized after budget adoption to make budgetary transfers – amendments - within departments but cannot approve additional appropriations. The legal level of budgetary control is at the department level within a function. The Board of Education, which is not a separate function but a function of the Town, is authorized under State law to make transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Town Council approval.

Municipal Budget Expenditures Cap

Connecticut General Statutes Section 4-66l creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2019-2021 biennium budget legislation does not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2020 and June 30, 2021, and accordingly, the Town will not receive a municipal revenue sharing grant in fiscal year 2019-2020.

Capital Improvement Plan

The Town Manager submits annually a proposed five-year Capital Improvement Plan to the Town Council. The following is a summary of the plan (fiscal years ending 2019–2023) as submitted to the Town Council in the Town Manager’s fiscal year 2020 Budget.

| Purpose | Fiscal 2018-19 | Fiscal 2019-20 | Fiscal 2020-21 | Fiscal 2021-22 | Fiscal 2022-23 | Total |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------|
| Administration..... | \$ 166,335 | \$ 315,906 | \$ 261,078 | \$ 257,622 | \$ 254,166 | \$ 1,255,107 |
| Board of Education..... | 370,000 | 63,000 | 51,950 | - | 45,000 | 529,950 |
| Capital Equipment..... | 128,995 | 298,804 | 386,834 | 467,380 | 202,929 | 1,484,942 |
| Fire and Ambulance..... | 997,500 | 35,000 | 285,000 | 435,000 | 250,000 | 2,002,500 |
| Parks and Recreation..... | 47,355 | 40,810 | - | - | - | 88,165 |
| Public Facilities..... | 273,344 | 127,100 | 3,181,000 | 103,000 | 40,015,000 | 43,699,444 |
| Streets and Roads..... | 1,454,313 | 1,351,064 | 1,208,264 | 1,111,264 | 1,193,484 | 6,318,389 |
| Water Facilities..... | 1,500,000 | - | - | - | - | 1,500,000 |
| Total Expenditures | \$ 4,937,842 | \$ 2,231,684 | \$ 5,374,126 | \$ 2,374,266 | \$41,960,579 | \$ 56,878,497 |

| Funding | Fiscal 2018-19 | Fiscal 2019-20 | Fiscal 2020-21 | Fiscal 2021-22 | Fiscal 2022-23 | Total |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------|
| General Fund Contribution..... | \$ 121,048 | \$ 382,482 | \$ 247,249 | \$ 291,551 | \$ 331,095 | \$ 1,373,425 |
| Bonds and Notes..... | 1,750,000 | 1,199,570 | 4,268,055 | 1,173,451 | 40,936,000 | 49,327,076 |
| CNRE..... | 147,354 | 99,558 | 99,558 | - | - | 346,470 |
| Recreation Special Revenue..... | 47,355 | 40,810 | - | - | - | 88,165 |
| Grants..... | 469,185 | 474,264 | 474,264 | 474,264 | 443,484 | 2,335,461 |
| Ambulance Fees..... | 247,500 | 35,000 | 285,000 | 435,000 | 250,000 | 1,252,500 |
| Other Resources..... | 655,400 | - | - | - | - | 655,400 |
| Water Fund..... | 1,500,000 | - | - | - | - | 1,500,000 |
| Total Funding Sources..... | \$ 4,937,842 | \$ 2,231,684 | \$ 5,374,126 | \$ 2,374,266 | \$41,960,579 | \$ 56,878,497 |

Audit

The Town, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes (Sec. 7-391 through 7-397), is required to undergo an annual audit by an independent public accountant. The auditor is required to conduct the audit under the guidelines outlined by the State Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2018, the financial statements of the various funds of the Town were audited by Blum, Shapiro & Company, P.C., West Hartford, Connecticut. The annual audits are conducted in compliance with Chapter 111 and contain the financial statements of the Town and the auditor’s opinion thereon, in addition to specific comments and recommendations.

Certificate of Achievement

The financial statements and tables found in the Town’s Comprehensive Annual Financial Report conform to the high standards promulgated by the Government Accounting Standards Board. The Government Finance Officers’ Association each year since 1992 has awarded the Town a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement, which is valid for one year only, is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment for a governmental unit and its management. For additional information on accounting policies, financial statements, and tables refer to the 2017-18 financial statements and “Notes to the Financial Statements” incorporated in Appendix A to this Official Statement and the independent auditor’s report.

Liability Insurance

See Note number 6 in “Notes to Financial Statements” of Appendix A.

Pensions

The Town is the administrator of a single employer, defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time Town employees who work at least 25 hours per week, and all Board of Education employees who work 1,000 hours or more per year, are covered by and required, as a condition of employment, to participate in the Plan, except elected officials and certified teachers. Eligible employees must be at least 18 years of age on or prior to their employment date, and benefits vest at 100% after five years. Any non-vested Town contributions and related interest thereon of employees who leave employment are reserved in a forfeiture account to offset future Town contributions. Normal retirement date is age 65. Plan provisions and the authority to amend the provisions are established by Town ordinance.

The Town and Tolland Board of Education employees must contribute 2½% of their earnings for the plan year. The total Town and Board of Education contribution during the year ended June 30, 2018 was \$494,316 and represented 6.0% of covered payroll. The Town and Board of Education employees' mandatory contributions were \$205,950 and represented 2.5% of covered payroll for the same period. See Appendix A – "Auditor's Section, Notes to the Financial Statements, Note 5" for more information.

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in the state. The Town is not required to and does not contribute to this plan.

Other Post-Employment Benefits (OPEB)

The Town provides post-employment benefits for retirees who meet certain requirements regarding age and years of service and is in the process of complying with the requirements of Governmental Accounting Standards Board ("GASB") Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their Other Post-employment Benefits ("OPEB") plans and include information concerning the valuation of such plans in their financial statements. The Town complied with the reporting requirements of GASB 45 beginning with the 2009 fiscal year. An OPEB Trust Fund was established by the Town and an initial contribution of \$119,434 was deposited in September 2008.

The Town continues to comply with the requirements of GASB 45. The last OPEB valuation report was prepared by Milliman Actuaries as of July 1, 2018. The July 2018 valuation showed a net OPEB liability of \$2,265,588 using a phased-in funding approach and assuming an amortization period of 25 years decreasing and a discount rate of 6%. The group is a closed group. As of June 30, 2019 the contributions to the Trust exceeded the annual required contribution by \$5,442. Annual required contributions are budgeted each year and made accordingly. As of June 30, 2018 the OPEB Trust balance was \$1,164,041. The estimated employer contribution for Fiscal Year 2019-20 is \$303,217, consisting of pay-as-you-go payments in the amount of \$234,596 and Trust contributions of \$68,621.

Schedule of Employer Contribution

| Fiscal Year Ending | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a % of Covered Payroll |
|-------------------------------|--|---|---|----------------------------|---|
| 6/30/2019 ¹ | \$ 446,295 | \$ 451,737 | \$ (5,442) | N/A | N/A |
| 6/30/2018 | 437,000 | 494,000 | (57,000) | N/A | N/A |
| 6/30/2017 | 466,488 | 473,839 | (7,351) | \$ 16,844,405 | 2.81% |
| 6/30/2016 | 447,781 | 457,613 | (9,832) | 16,844,405 | 2.72% |
| 6/30/2015 | 508,000 | 512,000 | (4,000) | 22,286,770 | 2.30% |
| 6/30/2014 | 485,000 | 483,000 | 2,000 | 22,286,770 | 2.17% |

¹ Subject to audit.

Schedule of Funding Process

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | | Over (Under) Funded AAL | Funded AAL Ratio |
|-------------------------------------|--------------------------------------|--|------------|------------------------------------|-----------------------------|
| | | (AAL) Projected Unit Credit | (b) | | |
| July 1 | (a) | | | (a-b) | (a/b) |
| 2018 | \$ 1,172,359 | \$ 3,437,947 | | \$ (2,265,588) | 34.1% |
| 2016 | 924,993 | 4,630,389 | | (3,705,396) | 20.0% |
| 2014 | 626,658 | 4,623,714 | | (3,997,056) | 13.6% |
| 2012 | 372,000 | 4,667,000 | | (4,295,000) | 8.0% |
| 2010 | 229,000 | 5,399,000 | | (5,170,000) | 4.2% |

Investment Policy

The Town invests its public funds in accordance with Connecticut General Statutes Section 7-400 and 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 Town follows an investment policy that was adopted by the Town Council on June 26, 2007. The Town’s investment policy authorizes investment in the State Treasurer’s Short Term Investment Fund. Regulatory oversight for the State Treasurer’s Short Term Investment Fund is provided quarterly by the Investment Advisory Council and the Treasurer’s Cash Management Board. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in derivative securities; certificates of deposit; repurchase agreements; and obligations of the United States and agencies of the federal government.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 3” herein.

Risk Management

The Town is exposed to various risks of loss related to public officials and police liability; Board of Education liability; torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The Town purchases commercial insurance for all risks of loss. 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.

Financial Policies, Procedures, and Guidelines

On June 26, 2007, the Town Council approved the Town’s Financial Policies, Procedures and Guidelines (the “Policy”). The Policy was last reviewed in 2018 for the update of the Fund Balance policy and continues to be reviewed by the Town Administration and the Town Council. The content of the Policy addresses matters pertaining to investment, debt management, capital financing, reserve/fund balance, multi-year financial forecasting, purchasing, delinquent tax collection, and capital assets. The Reserve/Fund Balance Policy states that any year-end surpluses will revert to unappropriated fund balance for use in maintaining reserve levels set by policy. The Town strives to maintain a total fund balance level of 10% to 17% of the General Fund operating budget.

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Financial Statements and Schedules

The comparative balance sheets and statements of revenues, expenditures, and changes in fund balance for General Fund types presented herein are derived from audited financial statements for fiscal years ended June 30, 2014 through 2018. The Town's independent accountants have not examined, reviewed, or compiled any of the estimates or expressed any opinion or provided any other form of assurance with respect to such estimates, and, accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the Town's management.

Comparative Balance Sheets – General Fund

| | <i>Actual</i> 6/30/2018 | <i>Actual</i> 6/30/2017 | <i>Actual</i> 6/30/2016 | <i>Actual</i> 6/30/2015 | <i>Actual</i> 6/30/2014 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Assets: | | | | | |
| Cash and cash equivalents..... | \$ 13,242,795 | \$ 9,916,342 | \$ 9,709,769 | \$ 11,442,691 | \$ 9,979,009 |
| Investments | - | 2,027,194 | 1,507,072 | - | - |
| Receivables..... | 790,297 | 754,836 | 487,146 | 559,093 | 430,917 |
| Due from other funds..... | 77,258 | - | - | - | 57,615 |
| Other assets..... | - | - | - | 7,371 | - |
| Total Assets | 14,110,350 | 12,698,372 | 11,703,987 | 12,009,155 | 10,467,541 |
| Liabilities: | | | | | |
| Accounts and Other Payables..... | 940,941 | 863,348 | 357,801 | 787,818 | 177,833 |
| Accrued Liabilities | 71,608 | 80,072 | 55,917 | 232,393 | 327,713 |
| Due to other funds..... | - | 218,620 | 197,036 | 131,657 | 387,359 |
| Deferred Revenue..... | - | - | - | - | 1,179,532 |
| Total Liabilities | 1,012,549 | 1,162,040 | 610,754 | 1,151,868 | 2,072,437 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable Revenue - Property Taxes..... | 494,540 | 402,206 | 388,512 | 399,247 | - |
| Advance Property Taxes Collections..... | 1,872,836 | 1,110,288 | 1,762,282 | 1,991,820 | - |
| Total Deferred Inflows of Resources | 2,367,376 | 1,512,494 | 2,150,794 | 2,391,067 | - |
| Fund Balances: | | | | | |
| Restricted | - | - | - | - | 59,680 |
| Committed..... | 46,580 | 46,580 | 63,813 | 75,249 | - |
| Assigned..... | 2,363,364 | 2,053,282 | 1,764,973 | 1,537,737 | 1,281,734 |
| Unassigned..... | 8,320,481 | 7,923,976 | 7,113,653 | 6,853,234 | 7,053,690 |
| Total Fund Balances..... | 10,730,425 | 10,023,838 | 8,942,439 | 8,466,220 | 8,395,104 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances..... | \$ 14,110,350 | \$ 12,698,372 | \$ 11,703,987 | \$ 12,009,155 | \$ 10,467,541 |
| Operating revenues | \$ 63,412,253 | \$ 64,133,352 | \$ 59,775,912 | \$ 57,670,027 | \$ 57,368,477 |
| Fund balance as percent of | | | | | |
| operating revenues | 16.92% | 15.63% | 14.96% | 14.68% | 14.63% |
| Unassigned fund balance as percent of operating revenues | 13.12% | 12.36% | 11.90% | 11.88% | 12.30% |

General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis)
And Adopted Budgets (Budgetary Basis)

| Revenues: | Budget 2019-2020 | Budget 2018-19^{1, 3} | Actual 2017-18² | Actual 2016-17² | Actual 2015-16² | Actual 2014-15² |
|--|-----------------------------|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Property Taxes | \$ 46,287,504 | \$ 44,819,724 | \$ 44,200,499 | \$ 43,606,051 | \$ 42,183,337 | \$ 40,552,478 |
| Investment income..... | 190,000 | 90,000 | 115,143 | 90,895 | 70,918 | 64,498 |
| Intergovernmental | 9,393,791 | 9,949,533 | 18,332,893 | 19,708,750 | 16,861,099 | 16,383,122 |
| Charges for Services | 601,440 | 621,440 | 647,046 | 681,566 | 585,333 | 624,188 |
| Other | 300,000 | 690,000 | 116,672 | 46,090 | 75,225 | 45,741 |
| Total Revenues | \$ 56,772,735 | \$ 56,170,697 | \$ 63,412,253 | \$ 64,133,352 | \$ 59,775,912 | \$ 57,670,027 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Administration | 2,979,678 | 2,937,288 | 2,813,641 | 2,950,835 | 3,024,034 | 2,674,620 |
| Planning and community development..... | 437,295 | 415,570 | 406,893 | 397,518 | 355,841 | 360,179 |
| Community services..... | 934,157 | 918,468 | 888,453 | 918,523 | 932,577 | 848,992 |
| Public works..... | 4,494,404 | 4,410,043 | 4,154,866 | 4,332,924 | 4,455,193 | 4,404,190 |
| Public safety services..... | 2,128,204 | 2,139,104 | 1,741,310 | 1,882,243 | 1,857,452 | 1,747,294 |
| Record and financial services..... | 966,640 | 951,132 | 956,625 | 936,000 | 633,230 | 935,031 |
| Contingency and other..... | 185,704 | 144,579 | 176,038 | 68,707 | 124,671 | 144,844 |
| Board of Education ³ | 39,975,605 | 39,642,607 | 46,931,133 | 46,732,919 | 43,158,871 | 41,845,358 |
| Debt Service | 4,550,000 | 4,550,000 | 5,030,690 | 4,655,944 | 4,193,538 | 4,514,767 |
| Total Expenditures | 56,651,687 | 56,108,791 | 63,099,649 | 62,875,613 | 58,735,407 | 57,475,275 |
| Revenues over (under) expenditures | 121,048 | 61,906 | 312,604 | 1,257,739 | 1,040,505 | 194,752 |
| Other Financing Sources Uses: | | | | | | |
| Bond Issuance..... | - | - | - | - | - | - |
| Bond Premiums..... | - | - | - | - | - | - |
| Operating Transfers In | - | - | 473,561 | 120,853 | 88,196 | 86,820 |
| Operating Transfers (Out) | (121,048) | (61,906) | (79,578) | (297,193) | (652,482) | (210,456) |
| Total other Financing Sources (uses) | (121,048) | (61,906) | 393,983 | (176,340) | (564,286) | (123,636) |
| Revenues and other financing sources over (under) expenditures and other financing (uses) | \$ - | \$ - | \$ 706,587 | \$ 1,081,399 | \$ 476,219 | \$ 71,116 |
| Fund Balance, July 1..... | \$ 10,730,425 | \$ 10,730,425 | \$ 10,023,838 | \$ 8,942,439 | \$ 8,466,220 | \$ 8,395,104 |
| Fund Balance, June 30..... | \$ 10,730,425 | \$ 10,730,425 | \$ 10,730,425 | \$ 10,023,838 | \$ 8,942,439 | \$ 8,466,220 |

¹ Subject to audit.

² GAAP Basis

³ Doesn't include State contribution for Teacher's Retirement.

Intergovernmental Revenues

| Fiscal Year Ended 6/30 | Intergovernmental Revenues | Total Revenues | Percent |
|-----------------------------------|---------------------------------------|---------------------------|----------------|
| 2018 | \$ 18,332,893 | \$ 63,412,253 | 28.9% |
| 2017 | 19,708,750 | 64,133,352 | 30.7% |
| 2016 | 16,861,099 | 59,775,912 | 28.2% |
| 2015 | 16,383,122 | 57,670,027 | 28.4% |
| 2014 | 17,105,210 | 57,368,477 | 29.8% |
| 2013 | 16,502,034 | 56,290,219 | 29.3% |
| 2012 | 16,850,972 | 55,823,239 | 30.2% |
| 2011 | 13,912,509 | 51,852,277 | 26.8% |

Source: Annual Audited Financial Statements.

VII. Legal and Other Information

Litigation

The Town of Tolland, its officers, employees, boards, and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings, and other miscellaneous claims. It is the opinion of the Town officials, following consultation with the Town Attorney and other attorneys providing legal services to the Town, that such pending litigation, appeals, proceedings and other claims will not be finally determined, individually or in aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

Documents Furnished at Delivery of Bonds

The original purchaser will be furnished the following documents when the Notes are delivered:

1. A signature and No Litigation Certificate stating that at the time of delivery of the Notes no litigation is pending or threatened affecting the validity of the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Town Manager and the Town Treasurer which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were accepted for the Notes, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Notes.
4. The approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford, Connecticut substantially in the form attached hereto as Appendix B.
5. An executed Continuing Disclosure Agreement for the Notes in substantially the form attached hereto as Appendix C to this Official Statement.
6. The Town will make available to the winning bidder of the Notes twenty-five (25) copies of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder at the office of the Town's Municipal Advisor no later than seven business days of the bid opening. If the Town's Municipal Advisor is provided with the necessary information from the winning bidder by noon of the day after the day bids on the Notes are received, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, yields or reoffering prices, the name of the underwriter of the Notes, and any changes on the Notes. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchaser.

A record of the proceedings taken by the Town in authorizing the Notes will be kept on file at offices of U.S. Bank National Association, in Hartford, Connecticut, and may be examined upon reasonable request.

Concluding Statement

Information set forth herein has been derived or obtained by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

TOWN OF TOLLAND, CONNECTICUT

By: *Steven R. Werbner*

Steven R. Werbner, *Town Manager*

By: *Lisa A. Hancock*

Lisa A. Hancock, *Director of Finance and Records / Treasurer*

Dated: September 4, 2019

Appendix A

2018 General Purpose Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report

The following includes the General Purpose Financial Statements of the Town of Tolland, Connecticut for the fiscal year ended June 30, 2018. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.

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Independent Auditors' Report

To the Town Council
Town of Tolland, 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 Tolland, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Tolland, 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 from 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 entity'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 entity'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 Tolland, Connecticut, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 5 to the financial statements, during the fiscal year ended June 30, 2018, the Town of Tolland, Connecticut, adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The net position of the Town of Tolland, Connecticut, has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. 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 and the pension and OPEB schedules, as listed in the table of contents, 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 Tolland, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 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 10, 2018 on our consideration of the Town of Tolland, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Tolland, Connecticut's 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 Tolland, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

As management of the Town of Tolland, we offer readers of the Town of Tolland's financial statements this narrative overview and analysis of the financial activities of the Town of Tolland for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the introductory section of this report, as well as the Town's basic financial statements.

Financial Highlights

- On a government-wide basis, the assets of the Town of Tolland exceeded its liabilities at the close of the most recent year by \$101,280,464 (net position). Of this amount, \$23,906,730 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- On a government-wide basis, the government's total net position increased by \$312,188. Governmental and business-type activity expenses were \$68,469,120 while revenues were \$68,781,308.
- The total cost of all Town services for the fiscal year 2018 was \$68,469,120; of which \$67,644,867 was for governmental services and \$824,253 for business-type activities.
- At the close of the fiscal year, the Town's governmental funds reported, on a current resource basis, combined ending fund balances of \$22,997,289, an increase of \$8,251,702 from the prior fiscal year. Of the total fund balance as of June 30, 2018, \$8,320,481 represents the combined unassigned fund balance in the general fund, special revenue funds, capital projects funds and permanent funds.
- At the end of the current fiscal year, the total fund balance on a GAAP basis for the general fund alone was \$10,730,425, an increase of \$706,587 over the prior fiscal year. Unassigned fund balance for the general fund was \$8,320,481 or 13.3% of general fund expenditures and transfers out. Unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) for the general fund was \$10,730,425 or 17.0% of general fund expenditures and transfers out. There was no restricted fund balance in general fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Tolland's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 of Tolland's finances, in a manner similar to a private-sector business. All of the resources available to the Town are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide long-term and short-term information about the Town's overall financial status.

The *statement of net position* presents information on all of the Town of Tolland's assets and liabilities, with the difference reported as *net position*. One can think of the Town's net position, the difference between assets and liabilities, as one way to measure the Town's financial health and financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Tolland is improving or deteriorating. It addresses the question of whether or not the Town is better or worse off as a result of this year's activities.

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, for example, uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the Town of Tolland 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 of Tolland encompass most of the Town's basic services and include administration, planning and community development, community services, public works, public safety services, records and financial services and education. The business-type activities of the Town of Tolland are water and sewer operations. They are reported here because the Town charges a fee for providing water and sewer services to its customers, which are intended to cover the operating costs, including depreciation.

The government-wide financial statements can be found on Exhibits I and II of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Tolland, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Tolland 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 resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 of Tolland maintains 32 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, Sewer Assessment, CDBG Small Cities and Capital Projects, which are considered to be major funds. Data from the other 28 governmental funds are combined into a single, aggregated presentation under the caption "other governmental funds." Nonmajor governmental funds include the Dog, Open Space Maintenance, Stone Pond Sewer Escrow, Tolland Townhouse Sewer Escrow, Lodge Activity, Open Space, Tolland Business Park, Town Aid Road, Recreation, Water Assessment, School Lunch, State and Federal Education Grants, Before/After School Program, Eviction Fund, Cemetery Operations, Minnie Hicks, Training Center, Conservation Green Grant, Traffic Grant, Field Maintenance, Veterans Memorial, 300th Celebration, Emergency Storm, Miscellaneous Grants, Artificial Turf, Cemetery Perpetual Care, Debt Service Fund and Ratcliff Hicks Memorial School funds. Individual fund data for each of these nonmajor governmental funds is provided in the *form of combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on Exhibits III-V of this report.

Proprietary Funds. The Town of Tolland maintains four proprietary funds. The *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Tolland uses enterprise funds to account for its Water and Sewer operations. The *governmental activities* include two internal service funds.

- The ECHIP Internal Service Fund is used to report activities that provide self-insured medical services for both the Town and Board of Education which are funded by other Town programs or activities.
- The Utility Internal Service Fund (UISF) is used to pay for utility related expenses for both the Town and Board of Education which are funded by other Town programs or activities.

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 Water operations which is considered to be a major fund of the Town of Tolland.

The basic proprietary fund financial statements can be found on Exhibits VI-VIII of this report.

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

The basic fiduciary fund financial statements can be found on Exhibits IX-X of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 30 of this report.

The combining statements and supplemental schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 64 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. Town of Tolland's total assets exceeded liabilities by \$101,280,464 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Tolland's net position \$76,994,151 (76.0%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, water systems and infrastructure) less related outstanding debt used to acquire those assets. The Town of Tolland uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Tolland'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.

TOWN OF TOLLAND NET POSITION JUNE 30, 2018 AND 2017

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|----------------|-----------------------|
| | 2018 | 2017 (as Restated) | 2018 | 2017 (as Restated) | 2018 | 2017 (as Restated) |
| Current and other assets | \$ 32,557,100 | \$ 23,521,151 | \$ 1,073,523 | \$ 896,692 | \$ 33,630,623 | \$ 24,417,843 |
| Capital assets | 117,550,963 | 120,613,327 | 8,200,166 | 8,465,681 | 125,751,129 | 129,079,008 |
| Total assets | 150,108,063 | 144,134,478 | 9,273,689 | 9,362,373 | 159,381,752 | 153,496,851 |
| Deferred outflows of resources | 1,139,838 | 1,228,188 | | | 1,139,838 | 1,228,188 |
| Current liabilities | 6,561,344 | 7,110,202 | 58,048 | 62,415 | 6,619,392 | 7,172,617 |
| Noncurrent liabilities | 50,748,898 | 45,473,858 | | | 50,748,898 | 45,473,858 |
| Total liabilities | 57,310,242 | 52,584,060 | 58,048 | 62,415 | 57,368,290 | 52,646,475 |
| Advance property tax collections | 1,872,836 | 1,110,288 | | | 1,872,836 | 1,110,288 |
| Net investment in capital assets | 68,793,985 | 77,127,304 | 8,200,166 | 8,465,681 | 76,994,151 | 85,592,985 |
| Restricted | 313,063 | 313,063 | 66,520 | 49,825 | 379,583 | 362,888 |
| Unrestricted | 22,957,775 | 14,227,951 | 948,955 | 784,452 | 23,906,730 | 15,012,403 |
| Total Net Position | \$ 92,064,823 | \$ 91,668,318 | \$ 9,215,641 | \$ 9,299,958 | \$ 101,280,464 | \$ 100,968,276 |

An additional portion of the Town of Tolland's total net position, .37% or \$379,583, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,906,730 is *unrestricted net position* and may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Tolland is able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities. The same held true in for the prior fiscal year.

Restricted net position in the business-type activities increased by \$16,695 and there was no change for governmental activities from the previous year.

**TOWN OF TOLLAND CHANGES IN NET POSITION
JUNE 30, 2018 AND 2017**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|----------------------|-------------------------------------|---------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,712,070 | \$ 2,700,247 | \$ 738,188 | \$ 705,089 | \$ 3,450,258 | \$ 3,405,336 |
| Operating grants and contributions | 18,729,976 | 19,730,475 | | | 18,729,976 | 19,730,475 |
| Capital grants and contributions | 1,656,859 | 1,676,993 | | | 1,656,859 | 1,676,993 |
| General revenues: | | | | | | |
| Property taxes | 44,299,403 | 43,527,376 | | | 44,299,403 | 43,527,376 |
| Grants and contributions not restricted to specific programs | 281,712 | 627,533 | | | 281,712 | 627,533 |
| Investment income | 227,649 | 196,135 | 6,748 | 3,827 | 234,397 | 199,962 |
| Miscellaneous | 128,703 | 23,552 | | | 128,703 | 23,552 |
| Total revenues | <u>68,036,372</u> | <u>68,482,311</u> | <u>744,936</u> | <u>708,916</u> | <u>68,781,308</u> | <u>69,191,227</u> |
| Expenses: | | | | | | |
| Administration | 1,413,134 | 1,440,490 | | | 1,413,134 | 1,440,490 |
| Planning and community development | 491,843 | 474,277 | | | 491,843 | 474,277 |
| Community services | 1,698,846 | 2,292,140 | | | 1,698,846 | 2,292,140 |
| Public works | 8,165,431 | 8,422,874 | | | 8,165,431 | 8,422,874 |
| Public safety services | 2,308,812 | 2,478,544 | | | 2,308,812 | 2,478,544 |
| Records and financial services | 1,186,970 | 1,139,430 | | | 1,186,970 | 1,139,430 |
| Board of education | 51,267,751 | 50,393,047 | | | 51,267,751 | 50,393,047 |
| Interest expense | 1,112,080 | 915,251 | | | 1,112,080 | 915,251 |
| Sewer Fund | | | 491,475 | 487,772 | 491,475 | 487,772 |
| Water Fund | | | 332,778 | 313,802 | 332,778 | 313,802 |
| Total expenses | <u>67,644,867</u> | <u>67,556,053</u> | <u>824,253</u> | <u>801,574</u> | <u>68,469,120</u> | <u>68,357,627</u> |
| Excess (deficiency) before transfers | 391,505 | 926,258 | (79,317) | (92,658) | 312,188 | 833,600 |
| Transfers | 5,000 | | (5,000) | | - | - |
| Change in net position | <u>396,505</u> | <u>926,258</u> | <u>(84,317)</u> | <u>(92,658)</u> | <u>312,188</u> | <u>833,600</u> |
| Net Position - July 1 | 91,668,318 | 94,725,876 | 9,299,958 | 9,392,616 | 100,968,276 | 104,118,492 |
| Restatement | | <u>(3,983,816)</u> | | | - | <u>(3,983,816)</u> |
| Net Position - June 30 | <u>\$ 92,064,823</u> | <u>\$ 91,668,318</u> | <u>\$ 9,215,641</u> | <u>\$ 9,299,958</u> | <u>\$ 101,280,464</u> | <u>\$ 100,968,276</u> |

The Town of Tolland's overall net position increased \$312,188 from the prior fiscal year. The major changes in revenues and expenses creating this overall increase are discussed in the following sections for governmental activities and business-type activities. Governmental activities increased the Town of Tolland's net position by \$396,505 and business-type activities reduced it by \$84,317.

Governmental Activities

For governmental activities, approximately 65.1% of the revenues were derived from property taxes, followed by 29.9% in other intergovernmental revenues. These numbers reflect an increase in property tax revenue and a decrease in intergovernmental revenue as compared to the prior fiscal year where property taxes were 63.6% and other intergovernmental revenues were 28.8% of total revenues.

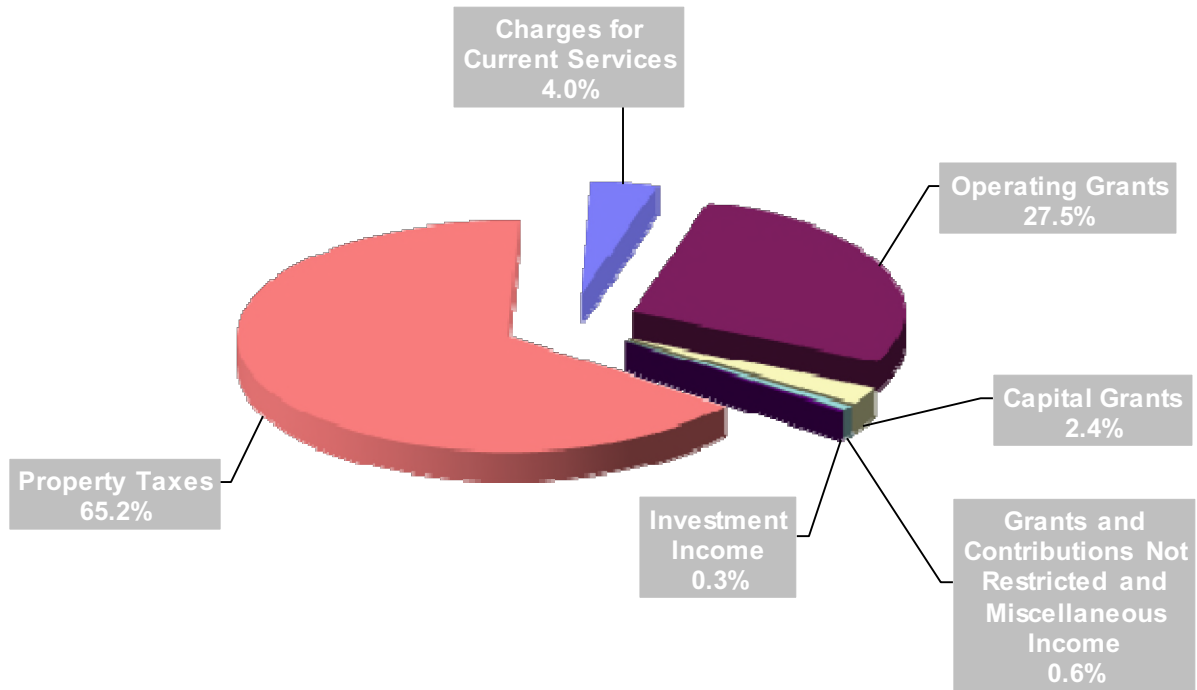
Major revenue factors included:

1. *Property tax revenues* recorded during the fiscal year 2018 reflect a .29 mill increase in the mill rate for the current levy and the impact of a .81% increase in the grand list. There was \$772,027 more in property tax revenues collected over the previous year.
2. *Charges for services* were \$11,823 higher than the prior year.
3. *Operating grants* reflected a decrease of \$1,000,499 mainly due to a decrease in Education Cost Sharing and \$354,269 in Special Education Excess Cost, offset by minor increases in other operating grants.
4. *Capital grants and contributions* reflected a decrease of \$20,134 over the previous year due to grants received for school construction and public works projects versus a one-time library grant received last year.
5. *Grants and contributions not restricted to specific programs* decreased by \$345,821 mainly due to a reduction in the state municipal revenue sharing grant for \$255,100 and the elimination of the Elderly Circuit Breaker grant of \$70,907 and other one-time grants received last year.
6. *Miscellaneous General Revenues* increased by \$105,151 over the previous year mainly due to one-time receipts in 2018 from bond premiums and insurance rebates.

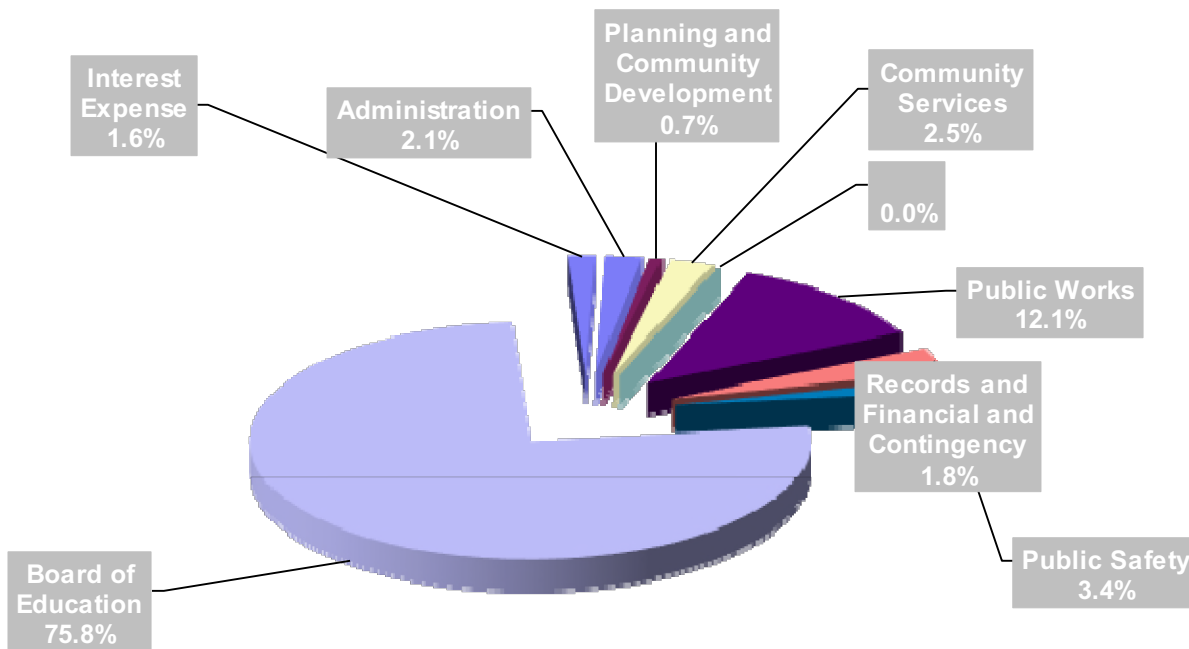
Overall governmental revenue decreased by \$445,939. This is mainly due to a decrease in program revenues of \$1,000,499 and a decrease of \$345,821 in grants and contributions not restricted to specific programs. This was offset by an increase of property taxes of \$772,027, an increase in miscellaneous and investment income of \$31,514 and an increase in miscellaneous general revenues of \$105,151.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

The largest component of revenue, which is from property taxes, increased to 65.8% of total revenue in the current year as compared to 63.6% in the prior year.



EXPENSES BY SOURCE - GOVERNMENTAL ACTIVITIES



For governmental activities, 75.8% of the Town's expenses relate to education, 12.1% to public works, 3.4% to public safety, 2.5% to community services, 1.6% to interest payments on long-term debt, 2.1% to administration, 1.8% to records & financial services and contingency and 0.7% to planning and community development.

The overall total of governmental expenses excluding transfers increased in the amount of \$88,814 with the biggest impact of a decrease of \$850,737 in Public Works and Community Services, offset by increases in the Board of Education and other departments. The Board of Education expenses include the impact for the State Teacher's Retirement funding for the current year in the amount of \$6,854,252 or an increase of \$887,382 over the previous year's amount of \$6,817,607. The overall increase for governmental expenditures was impacted by various increases and decreases within other Town operations with the largest decrease in Community Services in the amount of \$593,294 due to capital projects that had been completed in the previous fiscal year.

Business-Type Activities. Business-type activities decreased the Town of Tolland's net position by \$84,317. Key elements of this year's activities are as follows:

- The Water Fund had operating income of \$78,340 and the Sewer Fund experienced an operating loss of \$152,780 for a combined operating loss of \$74,440. The non-operating losses of \$4,877 and transfers out to Capital Reserves of \$5,000 bring the reduction in net position to \$84,317 at year end. A majority of the operating loss in the Sewer Fund relates to the impact of depreciation expense. The Water Commission and the Water Pollution Control Authority continue to address user fees and funding resources to eliminate future operating losses as well as to address future capital needs.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town of Tolland'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 of Tolland's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Tolland's governmental funds reported combined ending fund balances of \$22,997,289, an increase of \$8,251,702 from the previous year.

The largest change in fund balance was an increase in the Capital Projects Fund by \$7,116,824 due to the issuance of General Obligation Bonds. The General Fund also increased by \$706,587. There were also decreases in the Sewer Assessment and Small Cities funds. Nonmajor Governmental funds had an increase of \$455,068.

The general fund balance increased by \$706,587 due to an excess of \$312,604 in revenues over expenditures plus the other financing sources and uses of \$393,983.

The sewer assessment fund decreased by \$15,889 due to sewer assessment fees that were lower than the cost of debt service.

The overall amount of the governmental fund balances totals up to \$22,997,289. Of that amount the assigned fund balance is \$2,363,364 which includes \$1,673,364 for encumbrances and \$690,000 for the subsequent budget. The restricted amount of the total fund balance is a restriction on spending grant receipts and bond proceeds in the amount of \$193,061. There are balances committed in the amount of \$11,773,002 for capital projects and other special commitments. An additional amount of \$347,381 represents the non-spendable portion of fund balance and the unassigned portion of fund balance is \$8,320,481 or 36.2% of total fund balance.

The general fund is the chief operating fund of the Town of Tolland. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,320,481, while total fund balance was \$10,730,425. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.2% of total general fund expenditures including transfers out. Total fund balance represents 17.0% of that same amount. The unassigned portion of fund balance, when compared with unassigned last year portion for the general fund had increased by \$396,505 while the total fund balance increased by \$706,587.

Key factors contributing to the increase in the *General Fund* were:

- Although the Town experienced a shortfall in Intergovernmental revenues for \$818,489, the current, prior year, and motor vehicle supplemental tax collections exceeded the budget by \$218,087. Motor vehicle supplemental taxes collected as part of this amount account for \$53,409 due to more than anticipated vehicles being added to the Motor Vehicle list.
- Additional revenue collected in investment income and other revenues was \$231,815 was mainly due to higher investment returns and longer maturity investments and the receipt of bond premiums and unanticipated insurance rebates.
- The original intent of using of \$400,000 of fund balance did not have to be used.
- Total Expenditures were \$1,565,408 less than anticipated. \$1,220,826 of this amount was unexpended from the Board of Education,
- The Town unexpended balance of \$344,582 mainly consisted of unexpended State Police contracted services of \$290,000.

The *Sewer Assessment fund* had a decrease in its operating revenue by \$11,874 as compared to last year and a decrease of fund balance of \$15,889

The *CDBG Small Cities funds* produced program income revenues of \$23,044 and program expenditures of \$33,932 resulting in a net reduction to fund balance by \$10,888.

The *Capital Projects funds* produced revenues and other financing sources that exceeded expenditures and other financing uses by \$7,116,824 due to the timing of capital projects and the bond issue.

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

Net position of the water fund amounted to \$3,159,250 and \$6,056,391 for the sewer fund at year end. This represented an increase of \$71,442 for water and a decrease of \$155,759 for sewer. The increase in water resulted from an increase in customer user fees and a decrease in repairs and material supply expenses. The decrease in sewer is due mainly to expenses, including depreciation, not being covered by user fees. The Sewer Operating expenses were \$3,703 higher than the previous fiscal year. This was mainly due to increased Professional Services in this fiscal year. The Water Pollution Control Authority continues to address user fees and other funding resources to eliminate future operating losses.

The Utility Internal Service Fund operating revenues were \$1,782,642 and operating expenses were \$1,157,408, when combined with non-operating expenses of \$202,926, non-operating revenues of \$13,967 and transfers-out of \$523,561, resulted in a change in net position of \$87,286. Total net position as of June 30, 2018 was \$900,866. Operating expenses increased by \$20,545 due to increases in utility costs. Our current fiscal year non-operating revenues/expenses are \$72,253 less than the previous fiscal year mainly due to the reduction in interest expense.

The ECHIP Health Insurance Internal Service Fund had total revenue of \$7,389,974 and operating expenses of \$6,697,336 resulting in a change in net position of \$692,638. A majority of these excess funds were expended in July, 2018 due to timing differences. The total net position as of June 30, 2018 was \$2,717,873.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget. During the year, actual revenues and other financing sources on a budgetary basis were \$55,011,344, which exceeded budgetary estimates by \$708,903.

Actual tax revenues were over budget by \$218,087 due to an increase in current year tax collections, aggressive prior year's delinquent collections and unanticipated supplemental motor vehicles added to the grand list.

Actual intergovernmental revenue was under the budget by \$818,489. The major impact in this revenue shortage was due to the reduction in the State payment for Educational cost sharing of \$831,915 which was offset partially by \$13,426 in other miscellaneous grants.

Charges for current services exceeded the budget by \$59,406 due to higher than anticipated Property Conveyance Taxes. Investment income was \$55,143 over budget due to investing a portion of cash not currently needed into longer term investments for higher interest rates. Other financing sources included \$70,278 for cancellation of previous year encumbrances.

Other revenues exceeded the budget by \$106,672. A majority of that amount came from bond premiums that were received for \$32,079, insurance rebates of \$29,242, and \$15,000 from our sports leagues to assist with the cost associated with the Artificial Turf field.

The Town had an original budgeted appropriation for the use of fund balance in the amount of \$400,000. Fund Balance did not have to be used mainly due to unanticipated excess revenues received for current and prior motor vehicle supplemental taxes, property conveyance taxes and expenditures less than budgeted. The actual amount of budgetary basis fund balance was increased by \$856,505.

Actual expenditures on a budgetary basis and other financing uses totaled \$54,154,839 which was less than budgeted by \$1,565,408. Of this amount, savings resulting from the Board of Education were \$1,220,826. The remaining savings are mainly due to savings from Public Safety funding for additional State Troopers that were not hired until fiscal year 2018-19.

Capital Asset and Debt Administration

TOWN OF TOLLAND'S CAPITAL ASSETS (net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|---------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 14,871,215 | \$ 14,871,215 | \$ 50,858 | \$ 50,858 | \$ 14,922,073 | \$ 14,922,073 |
| Construction in progress | 768,456 | 3,267,753 | | | 768,456 | 3,267,753 |
| Buildings | 78,876,599 | 78,311,014 | | | 78,876,599 | 78,311,014 |
| Vehicles, furniture and equipment | 5,366,711 | 5,756,673 | | | 5,366,711 | 5,756,673 |
| Plant and pumping station | | | 1,094,071 | 1,186,754 | 1,094,071 | 1,186,754 |
| Water distribution system | | | 7,055,237 | 7,228,069 | 7,055,237 | 7,228,069 |
| Infrastructure | <u>17,667,982</u> | <u>18,406,672</u> | | | <u>17,667,982</u> | <u>18,406,672</u> |
| Total | <u>\$ 117,550,963</u> | <u>\$ 120,613,327</u> | <u>\$ 8,200,166</u> | <u>\$ 8,465,681</u> | <u>\$ 125,751,129</u> | <u>\$ 129,079,008</u> |

Capital Assets. The Town of Tolland's investment in capital assets for its combined governmental and business-type assets includes land, buildings and improvements, vehicles and equipment, roads, rights of way, water systems, dams, bridges and sewer lines. The total decrease in the Town of Tolland's investment in capital assets for the current fiscal year was \$3,327,879 or approximately 2.58%, with a decrease of \$3,062,364 for governmental activities and a decrease of \$265,515 for business-type activities.

The Town's Governmental Activities type capital assets decrease of \$3,062,364 is the net result of depreciation and deletions combined with the addition of the following assets:

| | |
|---|-----------|
| THS WARNING TRANSITION STRIPS | 231,812 |
| STEINER SNOWBLOWER | 35,624 |
| CAB SNOWBLOWER/PLOW | 20,810 |
| THS PA SYSTEM EXPANSION | 37,374 |
| BGP CHAIN LINK FENCE | 13,070 |
| DISTRICT WIDE SECURITY UPGRADES | 155,829 |
| WACKER NEUSON PRO-LINE ROLLER | 39,594 |
| 2018 INTERNATIONAL LOW-PROFILE DUMP TRUCK | 137,073 |
| HENKE 10' REVERSIBLE SNOW PLOW | 5,927 |
| BRITE STRIPER | 13,890 |
| AMBULANCE 540 | 137,877 |
| RECREATION CENTER HEATING SYSTEM | 191,281 |
| HP PROLIANT DL360 GEN SERVER AND MONITOR | 4,360 |
| PUBLIC WORKS GARAGE RENOVATION | 365,816 |
| TOWN WIDE VOIP SYSTEM | 322,920 |
| LIBRARY EXPANSION PROJECT | 2,042,159 |
| TOWN WIDE FIBER OPTICS | 998,534 |

Business type activities decreased by \$265,515 due to the net effect of depreciation and the addition of the following assets:

| | |
|-------------------------|--------|
| REGIONAL PIPELINE | 43,181 |
| PUMP HOUSE ALARM SYSTEM | 6,939 |

Additional information on the Town of Tolland's capital assets can be found in Note 3D on pages 43-44 of this report.

Long-Term Debt. At the end of the current fiscal year, the Town of Tolland had total bonded debt outstanding of \$36,310,000, all of which is backed by the full faith and credit of the Town. Of this debt, \$16,943,007 is school related and \$19,366,993 is general obligation. The Town of Tolland's total debt increased by the amount of \$5,875,000 due to a combination of new bonds issued in May, 2018 for \$9,340,000 and the reduction of \$3,465,000 for payments made during the fiscal year.

In October 2016 the Town was upgraded to 'AAA' from 'AA+' by Fitch Rating Agency based on revised criteria on prior debt issuances. The last bond rating before June 30, 2018 for the Town of Tolland was in May, 2018 affirming an "AAA" rating from Standard and Poor's, and Fitch Rating Agency for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2¼ to 4½ times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town of Tolland is \$304,004,526 which is significantly in excess of the Town of Tolland's outstanding general obligation debt.

Additional information on the Town of Tolland's long-term debt can be found in Note 3F on pages 45-48 of this report.

Economic Factors and Next Year's Budget and Rates

Local and State Governments throughout the country, including Tolland, continue to deal with the global and national issues and the economic reality of the Federal and State budget deficits. The Town Council and staff have continued to address these issues while still trying to provide first rate services. There are continued efforts to grow the Town's tax base, retain current businesses and increase economic development opportunities. Some significant items to note for economic growth are as follows:

- Addition of \$5.9 million to the Grand List for a Nursing and Rehabilitation Center that was previously listed as non-taxable property after it was converted to a for profit organization

The new economic indicators were taken into consideration when adopting the general fund budget for fiscal year 2018/2019. The approved State budget reduced Tolland's municipal aid by \$730,662 or 7.43%. A budget was approved at Town-wide referendum on May 1, 2018.

We are fortunate that we did experience a .23% increase in our October 1, 2017 Grand List. This resulted in an increase of approximately \$100,064 in actual dollars generated based on the FY 17-18 mill rate. The value of these funds is factored into the FY 18-19 mill rate calculation. Without them, the mill rate would have been much higher.

When factoring in all the changes in non-tax revenue sources including the reduction of State Municipal aid we are experiencing a decrease in revenues overall in the amount of \$412,862. A majority of this revenue loss is covered by a combined increase in tax revenue along with using \$690,000 from fund balance. The Town Manager and Finance Director have recommended cautious use of fund balance and a plan should be in place for the next budget to responsibly plan to replenish or limit the future use of fund balance.

In 2018/2019 the overall Town expenditure budget increased by .81% which required a .52 mills increase. These increases were much less than comparable Connecticut Towns. As we have on a regular basis over the last several years in response to the economic times, we have minimized, to the extent practical, expenditures while doing everything possible to retain or improve upon the quality of programs and services offered. Our budget philosophy is to focus on our ability to sustain over time essential services and programs and to address absolute needs in a prioritized manner.

Amounts available for the FY 2018/2019 appropriation in the general fund budget are \$56,170,697, an increase of \$450,450 over the fiscal year 2018 budget of \$55,720,247. A combination of increased costs for fixed items such as, insurance, utilities, salaries, employee benefits and other commodities and a change in professional services (addition of two State Troopers) along with a substantial change in the percentage decrease in State aid had the biggest impact on the fiscal year 2018/2019 budget. In order to achieve this budget level, cost savings measures were employed such as reducing the cost for snow and ice materials as a result of lower costs and lesser materials being used, reorganizing staffing in the Public Works department, savings in bulky waste costs by reducing services to one bulky waste pickup, and savings in health insurance premiums using revised trend assumptions and some of the reserve balance.

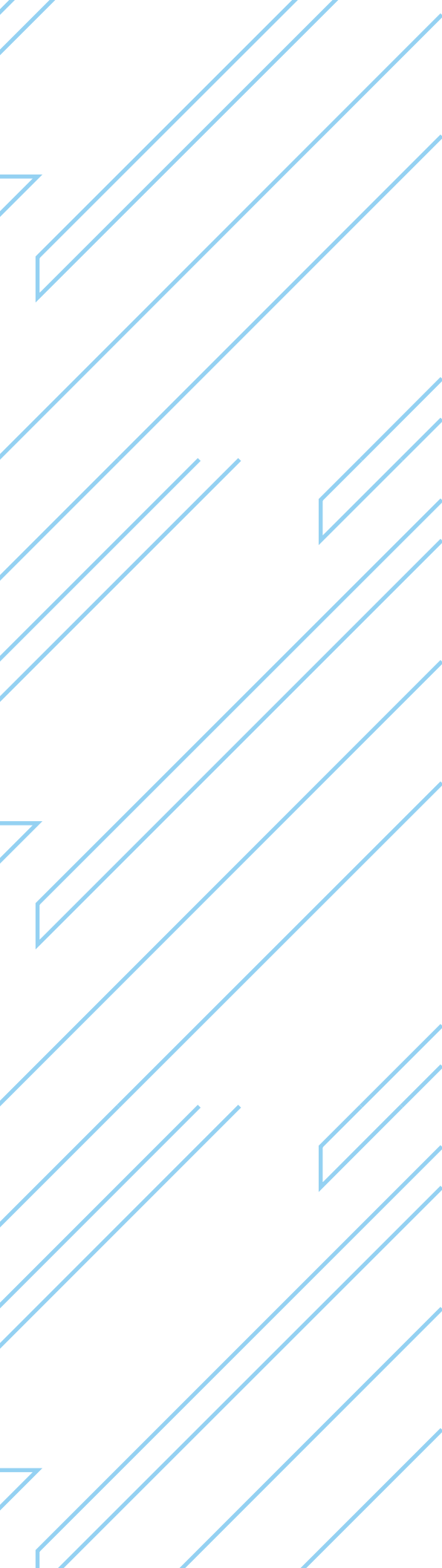
In an attempt to meet the challenge of accomplishing the most with limited resources, the Town continued strong efforts to apply for several grant funding initiatives to address infrastructure and community needs. The Town was successful in obtaining grant funds to do road improvements, community development grants (CDBG-Small Cities) and other social service grants.

Tolland's unemployment rate increased from 3.7% as of June 2017 to 3.8% as of June 2018. The State of CT unemployment rate decreased from 5.1% (June 2017) to 4.5% as of June 2018.

Requests for Information

This financial report is designed to provide a general overview of the Town of Tolland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance and Records, 21 Tolland Green, Tolland, CT 06084.

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Basic Financial Statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 25,266,305 | \$ 815,934 | \$ 26,082,239 |
| Investments | 1,413,385 | | 1,413,385 |
| Property taxes receivable | 703,633 | | 703,633 |
| Intergovernmental receivable | 62,447 | | 62,447 |
| Accounts and other receivables | 1,545,876 | 257,589 | 1,803,465 |
| Other assets | 34,318 | | 34,318 |
| Advance to plan administrator | 3,218,073 | | 3,218,073 |
| Restricted cash | 292,263 | | 292,263 |
| Restricted investments | 20,800 | | 20,800 |
| Capital assets, nondepreciable | 15,639,671 | 50,858 | 15,690,529 |
| Capital assets, net of accumulated depreciation | 101,911,292 | 8,149,308 | 110,060,600 |
| Total assets | <u>150,108,063</u> | <u>9,273,689</u> | <u>159,381,752</u> |
| Deferred Outflow of Resources: | | | |
| Difference between projected and actual earnings on OPEB plan investments | 16,606 | | 16,606 |
| Deferred charge on refunding | 1,123,232 | | 1,123,232 |
| Total deferred outflow of resources | <u>1,139,838</u> | | <u>1,139,838</u> |
| Liabilities: | | | |
| Accounts payable | 1,744,974 | 58,048 | 1,803,022 |
| Accrued liabilities | 74,208 | | 74,208 |
| Accrued interest payable | 387,051 | | 387,051 |
| Unearned revenue | 293,588 | | 293,588 |
| Noncurrent liabilities, due within one year | 4,061,523 | | 4,061,523 |
| Noncurrent liabilities, due in more than one year | 50,748,898 | | 50,748,898 |
| Total liabilities | <u>57,310,242</u> | <u>58,048</u> | <u>57,368,290</u> |
| Deferred Inflows of Resources: | | | |
| Advance property tax collections | <u>1,872,836</u> | | <u>1,872,836</u> |
| Net Position: | | | |
| Net investment in capital assets | 68,793,985 | 8,200,166 | 76,994,151 |
| Restricted for: | | | |
| Committed for capital repairs and improvements | | 66,520 | 66,520 |
| Endowments - nonexpendable | 20,800 | | 20,800 |
| Perpetual care - nonexpendable | 292,263 | | 292,263 |
| Unrestricted | <u>22,957,775</u> | <u>948,955</u> | <u>23,906,730</u> |
| Total Net Position | <u>\$ 92,064,823</u> | <u>\$ 9,215,641</u> | <u>\$ 101,280,464</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| Functions/Programs | Expenses | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Administration | \$ 1,413,134 | \$ | \$ | \$ | \$ (1,413,134) | \$ | \$ (1,413,134) |
| Planning and community development | 491,843 | 437,551 | | 28,302 | (25,990) | | (25,990) |
| Community services | 1,698,846 | 414,253 | 7,427 | 85,401 | (1,191,765) | | (1,191,765) |
| Public works | 8,165,431 | 91,366 | 22,622 | 685,461 | (7,365,982) | | (7,365,982) |
| Public safety services | 2,308,812 | 407,397 | 21,609 | | (1,879,806) | | (1,879,806) |
| Record and financial services | 1,186,970 | 99,445 | | | (1,087,525) | | (1,087,525) |
| Board of education | 51,267,751 | 1,262,058 | 18,678,318 | 853,821 | (30,473,554) | | (30,473,554) |
| Interest expense | 1,112,080 | | | 3,874 | (1,108,206) | | (1,108,206) |
| Total governmental activities | <u>67,644,867</u> | <u>2,712,070</u> | <u>18,729,976</u> | <u>1,656,859</u> | <u>(44,545,962)</u> | <u>-</u> | <u>(44,545,962)</u> |
| Business-Type Activities: | | | | | | | |
| Sewer Fund | 491,475 | 338,695 | | | | (152,780) | (152,780) |
| Water Fund | <u>332,778</u> | <u>399,493</u> | | | | <u>66,715</u> | <u>66,715</u> |
| Total business-type activities | <u>824,253</u> | <u>738,188</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(86,065)</u> | <u>(86,065)</u> |
| Total | <u>\$ 68,469,120</u> | <u>\$ 3,450,258</u> | <u>\$ 18,729,976</u> | <u>\$ 1,656,859</u> | <u>(44,545,962)</u> | <u>(86,065)</u> | <u>(44,632,027)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 44,299,403 | | 44,299,403 |
| Grants and contributions not restricted to specific programs | | | | | 281,712 | | 281,712 |
| Investment income | | | | | 227,649 | 6,748 | 234,397 |
| Miscellaneous | | | | | 128,703 | | 128,703 |
| Transfers | | | | | 5,000 | (5,000) | - |
| Total general revenues and transfers | | | | | <u>44,942,467</u> | <u>1,748</u> | <u>44,944,215</u> |
| Change in net position | | | | | 396,505 | (84,317) | 312,188 |
| Net Position at Beginning of Year, as Restated | | | | | <u>91,668,318</u> | <u>9,299,958</u> | <u>100,968,276</u> |
| Net Position at End of Year | | | | | <u>\$ 92,064,823</u> | <u>\$ 9,215,641</u> | <u>\$ 101,280,464</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

| | <u>General</u> | <u>Sewer Assessment</u> | <u>CDBG Small Cities</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-----------------------------|------------------------------|-----------------------------|--|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 13,242,795 | \$ 874,353 | \$ 131,344 | \$ 7,734,680 | \$ 2,615,493 | \$ 24,598,665 |
| Investments | | | | 406,439 | 1,027,746 | 1,434,185 |
| Receivables | 790,297 | 403,900 | 932,248 | | 93,837 | 2,220,282 |
| Due from other funds | 77,258 | | | | | 77,258 |
| Other | | | | | 34,318 | 34,318 |
| Total Assets | <u>\$ 14,110,350</u> | <u>\$ 1,278,253</u> | <u>\$ 1,063,592</u> | <u>\$ 8,141,119</u> | <u>\$ 3,771,394</u> | <u>\$ 28,364,708</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts and other payables | \$ 940,941 | \$ | \$ | \$ 220,684 | \$ 20,359 | \$ 1,181,984 |
| Accrued liabilities | 71,608 | | | 2,600 | | 74,208 |
| Due to other funds | | | | | 77,258 | 77,258 |
| Unearned revenue | | | | 153,874 | 139,714 | 293,588 |
| Total liabilities | <u>1,012,549</u> | <u>-</u> | <u>-</u> | <u>377,158</u> | <u>237,331</u> | <u>1,627,038</u> |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue - property taxes | 494,540 | | | | | 494,540 |
| Unavailable revenue - special assessments | | 403,900 | | | 27,282 | 431,182 |
| Unavailable revenue - loans receivable | | | 932,248 | | | 932,248 |
| Unavailable revenue - cemetery | | | | | 9,575 | 9,575 |
| Advance property tax collections | 1,872,836 | | | | | 1,872,836 |
| Total deferred inflows of resources | <u>2,367,376</u> | <u>403,900</u> | <u>932,248</u> | <u>-</u> | <u>36,857</u> | <u>3,740,381</u> |
| Fund balances: | | | | | | |
| Nonspendable | | | | | 347,381 | 347,381 |
| Restricted | | | 131,344 | | 61,717 | 193,061 |
| Committed | 46,580 | 874,353 | | 7,763,961 | 3,088,108 | 11,773,002 |
| Assigned | 2,363,364 | | | | | 2,363,364 |
| Unassigned | 8,320,481 | | | | | 8,320,481 |
| Total fund balances | <u>10,730,425</u> | <u>874,353</u> | <u>131,344</u> | <u>7,763,961</u> | <u>3,497,206</u> | <u>22,997,289</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 14,110,350</u> | <u>\$ 1,278,253</u> | <u>\$ 1,063,592</u> | <u>\$ 8,141,119</u> | <u>\$ 3,771,394</u> | <u>\$ 28,364,708</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position:

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) | \$ 22,997,289 |
|-----------------------------------|---------------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | | |
|-------------------------------|----------------------|-------------|
| Governmental capital assets | \$ 218,347,409 | |
| Less accumulated depreciation | <u>(100,796,446)</u> | |
| | | 117,550,963 |

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

| | |
|---|-----------|
| Property tax interest and lien accrual | 96,617 |
| Property tax, sewer use, water assessment and community development block grant receivable - accrual basis change | 1,867,545 |
| Allowance for doubtful accounts on interest and liens | (8,696) |
| Deferred outflow related to OPEB changes in projected investment earnings | 16,606 |

| | |
|--|-----------|
| Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position. | 3,618,739 |
|--|-----------|

Some 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 | (36,310,000) |
| Other post employment benefit liability | (3,739,622) |
| Deferred charge on refunding | 1,123,232 |
| Compensated absences | (1,190,589) |
| Accrued interest payable | (387,051) |
| Capital lease | (11,231,771) |
| Bond premium | <u>(2,338,439)</u> |

| | |
|---|----------------------|
| Net Position of Governmental Activities (Exhibit I) | <u>\$ 92,064,823</u> |
|---|----------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>General</u> | <u>Sewer Assessment</u> | <u>CDBG Small Cities</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-----------------------------|------------------------------|-----------------------------|--|---|
| Revenues: | | | | | | |
| Property taxes | \$ 44,200,499 | \$ | \$ | \$ | \$ | \$ 44,200,499 |
| Intergovernmental | 18,332,893 | | | 1,652,986 | 931,294 | 20,917,173 |
| Charges for services | 647,046 | 156,215 | 23,044 | | 1,588,119 | 2,414,424 |
| Investment income | 115,143 | | | 34,819 | 77,687 | 227,649 |
| Other revenues | 116,672 | 72 | | 372,871 | 12,081 | 501,696 |
| Total revenues | <u>63,412,253</u> | <u>156,287</u> | <u>23,044</u> | <u>2,060,676</u> | <u>2,609,181</u> | <u>68,261,441</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Administration | 2,813,641 | | | | | 2,813,641 |
| Planning and community development | 406,893 | | | | | 406,893 |
| Community services | 888,453 | | 33,932 | | 362,595 | 1,284,980 |
| Public works | 4,154,866 | | | | 45,021 | 4,199,887 |
| Public safety services | 1,741,310 | | | | 32,734 | 1,774,044 |
| Record and financial services | 956,625 | | | | | 956,625 |
| Contingency and other | 176,038 | | | | | 176,038 |
| Board of Education | 46,931,133 | | | | 1,953,539 | 48,884,672 |
| Capital outlay | | | | 4,239,918 | | 4,239,918 |
| Debt service | 5,030,690 | 192,176 | | 148,512 | 57,918 | 5,429,296 |
| Total expenditures | <u>63,099,649</u> | <u>192,176</u> | <u>33,932</u> | <u>4,388,430</u> | <u>2,451,807</u> | <u>70,165,994</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>312,604</u> | <u>(35,889)</u> | <u>(10,888)</u> | <u>(2,327,754)</u> | <u>157,374</u> | <u>(1,904,553)</u> |
| Other Financing Sources (Uses): | | | | | | |
| Bond issuance | | | | 9,340,000 | | 9,340,000 |
| Bond premium | | | | | 255,615 | 255,615 |
| BAN premium | | | | | 32,079 | 32,079 |
| Transfers in | 473,561 | 20,000 | | 104,578 | 10,000 | 608,139 |
| Transfers out | (79,578) | | | | | (79,578) |
| Net other financing sources | <u>393,983</u> | <u>20,000</u> | <u>-</u> | <u>9,444,578</u> | <u>297,694</u> | <u>10,156,255</u> |
| Net Change in Fund Balances | 706,587 | (15,889) | (10,888) | 7,116,824 | 455,068 | 8,251,702 |
| Fund Balances at Beginning of Year | <u>10,023,838</u> | <u>890,242</u> | <u>142,232</u> | <u>647,137</u> | <u>3,042,138</u> | <u>14,745,587</u> |
| Fund Balances at End of Year | <u>\$ 10,730,425</u> | <u>\$ 874,353</u> | <u>\$ 131,344</u> | <u>\$ 7,763,961</u> | <u>\$ 3,497,206</u> | <u>\$ 22,997,289</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities:

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

| | |
|---|--------------|
| Net change in fund balances - total governmental funds (Exhibit IV) | \$ 8,251,702 |
|---|--------------|

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

| | |
|----------------------|-------------|
| Capital outlay | 1,595,131 |
| Depreciation expense | (4,640,139) |

| | |
|---|----------|
| The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. | (17,356) |
|---|----------|

| | |
|---|--------|
| Change in deferred outflow related to difference between projected and actual earnings on OPEB plan investments | 16,606 |
|---|--------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

| | |
|---|-----------|
| School building grant receipts | (257,696) |
| Decrease in property tax, sewer use, water assessment and community development block grant receivable - accrual basis change | (6,022) |
| Increase in property tax interest and lien revenue | 7,220 |
| Increase in property tax, sewer use and community development block grant allowance for doubtful accounts | (650) |
| Amortization of bond premiums | 224,388 |

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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:

| | |
|--------------------------|-------------|
| Issuance of bonds | (9,340,000) |
| Bond payments | 3,465,000 |
| Premium on bond issuance | (255,615) |
| Capital lease payments | 740,228 |

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:

| | |
|--|-----------|
| Compensated absences | 57,589 |
| Change in accrued interest | (7,444) |
| Amortization of deferred charge on refunding | (104,956) |
| Net other post employment benefit expense | 63,167 |

| | |
|--|----------------|
| The net income of the internal service funds is reported with governmental activities. | <u>605,352</u> |
|--|----------------|

| | |
|--|-------------------|
| Change in Net Position of Governmental Activities (Exhibit II) | <u>\$ 396,505</u> |
|--|-------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | |
| Property taxes | \$ 43,982,412 | \$ 43,982,412 | \$ 44,200,499 | \$ 218,087 |
| Intergovernmental | 10,680,195 | 10,680,195 | 9,861,706 | (818,489) |
| Charges for services | 587,640 | 587,640 | 647,046 | 59,406 |
| Investment income | 60,000 | 60,000 | 115,143 | 55,143 |
| Other revenues | 10,000 | 10,000 | 116,672 | 106,672 |
| Total revenues | <u>55,320,247</u> | <u>55,320,247</u> | <u>54,941,066</u> | <u>(379,181)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Administrative | 2,899,678 | 2,903,440 | 2,893,573 | 9,867 |
| Planning and community development | 431,742 | 435,005 | 433,219 | 1,786 |
| Community services | 910,796 | 913,847 | 907,175 | 6,672 |
| Public works | 4,394,792 | 4,396,152 | 4,384,733 | 11,419 |
| Public safety services | 1,986,015 | 1,986,015 | 1,682,030 | 303,985 |
| Record and financial services | 942,764 | 946,529 | 943,671 | 2,858 |
| Contingency and other | 190,934 | 168,604 | 160,609 | 7,995 |
| Board of Education | 39,333,948 | 39,333,948 | 38,113,122 | 1,220,826 |
| Debt service | 4,550,000 | 4,557,129 | 4,557,129 | - |
| Total expenditures | <u>55,640,669</u> | <u>55,640,669</u> | <u>54,075,261</u> | <u>1,565,408</u> |
| Excess of Revenues over Expenditures | <u>(320,422)</u> | <u>(320,422)</u> | <u>865,805</u> | <u>1,186,227</u> |
| Other Financing Sources (Uses): | | | | |
| Cancellation of prior year encumbrances | | | 70,278 | 70,278 |
| Appropriation of fund balance | 400,000 | 400,000 | | (400,000) |
| Transfers in | | | | - |
| Transfers out | <u>(79,578)</u> | <u>(79,578)</u> | <u>(79,578)</u> | <u>-</u> |
| Net other financing sources (uses) | <u>320,422</u> | <u>320,422</u> | <u>(9,300)</u> | <u>(329,722)</u> |
| Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses | <u>\$ -</u> | <u>\$ -</u> | <u>856,505</u> | <u>\$ 856,505</u> |
| Fund Balance at Beginning of Year | | | <u>8,153,976</u> | |
| Fund Balance at End of Year | | | <u>\$ 9,010,481</u> | |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|---|--|---------------------|---------------------|---------------------------------------|
| | Water Fund | Sewer Fund | Total | Internal Service Funds |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 770,902 | \$ 45,032 | \$ 815,934 | \$ 959,903 |
| Advance to plan administrator | | | - | 3,218,073 |
| Accounts receivable | 83,254 | 174,335 | 257,589 | 3,753 |
| Total current assets | <u>854,156</u> | <u>219,367</u> | <u>1,073,523</u> | <u>4,181,729</u> |
| Noncurrent assets: | | | | |
| Capital assets, nondepreciable: | | | | |
| Land | 50,858 | | 50,858 | |
| Capital assets, net of accumulated depreciation: | | | | |
| Plant and pumping station | 392,148 | 701,923 | 1,094,071 | |
| Distribution system | <u>1,882,624</u> | <u>5,172,613</u> | <u>7,055,237</u> | |
| Total noncurrent assets | <u>2,325,630</u> | <u>5,874,536</u> | <u>8,200,166</u> | <u>-</u> |
| Total assets | <u>3,179,786</u> | <u>6,093,903</u> | <u>9,273,689</u> | <u>4,181,729</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 20,536 | 37,512 | 58,048 | 62,790 |
| Claims payable | | | - | 500,200 |
| Total current liabilities | <u>20,536</u> | <u>37,512</u> | <u>58,048</u> | <u>562,990</u> |
| Net Position: | | | | |
| Net investment in capital assets | 2,325,630 | 5,874,536 | 8,200,166 | |
| Restricted for commitments for capital repairs and improvements | 66,520 | | 66,520 | |
| Unrestricted | <u>767,100</u> | <u>181,855</u> | <u>948,955</u> | <u>3,618,739</u> |
| Total Net Position | <u>\$ 3,159,250</u> | <u>\$ 6,056,391</u> | <u>\$ 9,215,641</u> | <u>\$ 3,618,739</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|------------------------------------|--|---------------------|---------------------|---------------------------------------|
| | Water Fund | Sewer Fund | Total | Internal Service Funds |
| Operating Revenues: | | | | |
| Charges for services | \$ 389,775 | \$ 338,695 | \$ 728,470 | \$ 1,717,416 |
| Other charges for services | 9,718 | | 9,718 | |
| Employer contributions | | | - | 7,358,084 |
| Other income | | | - | 65,226 |
| Total operating revenues | <u>399,493</u> | <u>338,695</u> | <u>738,188</u> | <u>9,140,726</u> |
| Operating Expenses: | | | | |
| Professional services | 62,076 | 57,472 | 119,548 | |
| Repairs and maintenance | 31,415 | 23,349 | 54,764 | |
| Service fees | 470 | 141,438 | 141,908 | |
| Materials and supplies | 15,245 | 25,957 | 41,202 | |
| Utilities | 114,932 | 36,264 | 151,196 | 1,140,826 |
| Administration | | | - | 48,808 |
| Employee benefits | | | - | 6,665,110 |
| Depreciation | 97,015 | 206,995 | 304,010 | |
| Total operating expenses | <u>321,153</u> | <u>491,475</u> | <u>812,628</u> | <u>7,854,744</u> |
| Operating Income (Loss) | <u>78,340</u> | <u>(152,780)</u> | <u>(74,440)</u> | <u>1,285,982</u> |
| Nonoperating Revenue (Expenses): | | | | |
| Interest expense | | | - | (202,926) |
| Investment income | 4,727 | 2,021 | 6,748 | 45,857 |
| Loss on disposal | (11,625) | | (11,625) | |
| Net nonoperating revenue (expense) | <u>(6,898)</u> | <u>2,021</u> | <u>(4,877)</u> | <u>(157,069)</u> |
| Income (Loss) Before Transfers | <u>71,442</u> | <u>(150,759)</u> | <u>(79,317)</u> | <u>1,128,913</u> |
| Transfers Out | | <u>(5,000)</u> | <u>(5,000)</u> | <u>(523,561)</u> |
| Change in Net Position | 71,442 | (155,759) | (84,317) | 605,352 |
| Net Position at Beginning of Year | <u>3,087,808</u> | <u>6,212,150</u> | <u>9,299,958</u> | <u>3,013,387</u> |
| Net Position at End of Year | <u>\$ 3,159,250</u> | <u>\$ 6,056,391</u> | <u>\$ 9,215,641</u> | <u>\$ 3,618,739</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|--|--|------------------|-------------------|------------------------------|
| | Water Fund | Sewer Fund | Total | Internal Service Funds |
| Cash Flows from Operating Activities: | | | | |
| Receipts from customers | \$ 396,535 | \$ 353,468 | \$ 750,003 | \$ 9,136,973 |
| Payments to suppliers | (213,953) | (305,457) | (519,410) | (1,120,245) |
| Payments to providers of benefits | | | - | (7,389,974) |
| Net cash provided by (used in) operating activities | <u>182,582</u> | <u>48,011</u> | <u>230,593</u> | <u>626,754</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Transfers out | | | - | (523,561) |
| Interest expense | 4,727 | 2,021 | 6,748 | (202,926) |
| Purchase of capital assets | <u>(50,120)</u> | | <u>(50,120)</u> | |
| Net cash provided by (used in) capital and related financing activities | <u>(45,393)</u> | <u>2,021</u> | <u>(43,372)</u> | <u>(726,487)</u> |
| Cash Flows from Investing Activities: | | | | |
| Investment income | <u>4,727</u> | <u>2,021</u> | <u>6,748</u> | <u>45,857</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 137,189 | 45,032 | 182,221 | (53,876) |
| Cash and Cash Equivalents at Beginning of Year | <u>633,713</u> | | <u>633,713</u> | <u>1,013,779</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 770,902</u> | <u>\$ 45,032</u> | <u>\$ 815,934</u> | <u>\$ 959,903</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Operating income (loss) | \$ 78,340 | \$ (152,780) | \$ (74,440) | \$ 1,285,982 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 97,015 | 206,995 | 304,010 | |
| (Increase) decrease in accounts receivable | (2,958) | 14,773 | 11,815 | (3,753) |
| Increase (decrease) in due to/from other funds | 19,279 | (25,704) | (6,425) | |
| (Increase) decrease in advance to plan administrator | | | | (674,738) |
| Increase (decrease) in accounts payable | (9,094) | 4,727 | (4,367) | 37,163 |
| Increase (decrease) in claims payable | | | | (17,900) |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 182,582</u> | <u>\$ 48,011</u> | <u>\$ 230,593</u> | <u>\$ 626,754</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | OPEB Trust Fund | Private Purpose Trust Fund Stevenson Scholarship | Agency Funds |
|----------------------------------|----------------------------|---|-------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ | \$ 25,061 | \$ 688,527 |
| Investments: | | | |
| Mutual funds | 1,164,041 | | |
| Accounts receivable | | | 25,351 |
| Total assets | <u>1,164,041</u> | <u>25,061</u> | <u>713,878</u> |
| Liabilities: | | | |
| Accounts payable | | | <u>713,878</u> |
| Net Position: | | | |
| Held in Trust for Other Purposes | \$ <u>1,164,041</u> | \$ <u>25,061</u> | \$ <u>-</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | OPEB Trust Fund | Private Purpose Trust Fund Stevenson Scholarship |
|---|----------------------------|---|
| Additions: | | |
| Interest and dividends | \$ | \$ 71 |
| Contributions | 444,283 | |
| Net change in fair value of investments | 45,139 | |
| Total additions | <u>489,422</u> | <u>71</u> |
| Deductions: | | |
| Benefits | <u>402,893</u> | |
| Change in Net Position | 86,529 | 71 |
| Net Position at Beginning of Year | <u>1,077,512</u> | <u>24,990</u> |
| Net Position at End of Year | <u>\$ 1,164,041</u> | <u>\$ 25,061</u> |

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Tolland, Connecticut (the Town), originally part of the Town of Windsor, was chartered in 1715 and incorporated in 1722. The Town maintains a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, education and social services.

The Town has considered all agencies, departments, commissions, boards (including the Board of Education), authorities and funds to determine the “financial reporting entity” of the Town. The “financial reporting entity” includes all funds of the Town (primary government) and its component unit. The Non-Profit Housing Corporation has been included in the reporting entity as an Agency fund because the Town has a fiduciary responsibility with respect to the Corporation.

B. Basis of Presentation

The financial statements of 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 of the Town’s accounting policies are described below.

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 non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 *Sewer Assessment Fund* accounts for the capital resources used for sewer capital improvements that benefit property owners in a limited area. A special assessment on the benefiting property owners imposes the recovery of the cost of the improvements. A special assessment debt is secured by anticipated payments from property owners with the option of paying in a lump sum or in interest bearing annual installments over the life of the bonds. The major source of revenue is derived from assessment fees and use charges.

The *CDBG Small Cities Fund* accounts for funds for rehabilitation loans to property owners. The major source of revenue for this fund is intergovernmental revenues and program income.

The *Capital Projects Fund* accounts for revenues to be used for major capital asset construction and/or purchases funded by debt issuances, grants and General Fund appropriations.

The Town reports the following major proprietary funds:

The *Water Fund* accounts for activities of the government's water operations.

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The *Sewer Fund* accounts for the maintenance and repair needs of the sewer system. The Town of Tolland does not own its own sanitary sewer treatment plant and contracts for treatment with the Town of Vernon. The Sewer Fund pays for treatment on the basis of volume of waste and in accordance with sewer usage fees of the Town of Vernon. The major source of revenue for this fund is the collection of sewer use fees.

Additionally, the Town reports the following fund types:

The *Internal Service Funds* are used to account for the financing of goods or services provided by one department to other departments or agencies on a cost-reimbursement basis.

The *Other Post Employment Benefit Trust Fund* is used to account for the activities for both Town and Board of Education for other post employment benefits (e.g. health insurance, life insurance) that accumulate resources for other post employment benefit payments to qualified employees.

The *Private Purpose Trust Fund* is used to account for resources legally held in trust for student scholarships. None of the resources of the fund, including any earnings on invested resources, can be used to support the Town's activities. The fund has a nonexpendable portion.

The *Agency Funds* account for monies held on behalf of students, employees and other community groups and amounts held for performance bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Water Fund and Sewer Fund and various other functions of the government. 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. The enterprise 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 include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government'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.

C. Cash and Cash Equivalents

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

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D. Investments

Investments are reported at fair value.

E. Receivables and Payables

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

F. Restricted Assets

The Cemetery Perpetual Care and Ratcliff Memorial School Funds are restricted to expenditure of the investment income only for the donor-designated purpose. Any appreciation of the funds is also restricted.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 for equipment, \$25,000 for improvements and \$50,000 for infrastructure, and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives.

| Assets | Years |
|--------------------------|--------------|
| Buildings | 50-75 |
| Building improvements | 50 |
| Land improvements | 20-30 |
| Roads | 30-50 |
| Bridges | 30-50 |
| Sewer transmission lines | 50 |
| Meters and hydrants | 50 |
| Vehicles | 5-30 |
| Machinery and equipment | 3-10 |
| Fire equipment | 20-25 |

H. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to OPEB in the government-wide statement of net position. A deferred charge on 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. A deferred outflow of resources related to OPEB results from differences between expected and actual experience and investment gains or losses. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees). No deferred outflows of resources affect the governmental fund financial statements in the current year.

I. Deferred Inflows of Resources

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. 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. 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, special assessments, cemetery operations and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

J. Compensated Absences

Based on union contracts, certain Town and Board of Education employees may accumulate a certain amount of unused vacation and sick leave based upon length of employment. The amount recorded as a liability is based upon current salary levels. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

L. 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

M. Equity

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Nonspendable Fund Balance

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance

This represents the portion of a governmental fund's resources whose use is subject to a legally binding constraint that is imposed by the Town Council that remains legally binding unless removed in the same manner. These constraints are set by the Town Council through an ordinance.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by the Town Council or Finance Director that has been delegated authority to assign amounts by the Town Charter.

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.

The Town has a minimum fund balance policy that states that the unassigned fund balance of the Town must be between 8-15% of the Town's most recent approved operating budget.

N. Property Taxes

Property taxes are assessed as of October 1 and billed the following July 1 and January 1. Interest at the rate of 1.5% per month accrues on all overdue taxes. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of appraised market value. A lien is placed on the property if real estate taxes are unpaid as of June 30 following the payable date.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year-end. Property taxes receivable not expected to be collected during the available period are reflected in deferred revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

O. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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. The budget is prepared by the Town Manager and submitted to the Town Council in March. In April, the Town Council submits the proposed Town budget for the year commencing July 1 to the public for comment. In May, the Town budget is presented at referendum for approval. After approval, the Town Council meets to set the mill rate. The operating budget includes proposed expenditures and the means of financing them.

- The Town Council is authorized to transfer any budgeted amounts between departments and to approve additional appropriations up to \$40,000 in the aggregate in any one year. All additional appropriations in excess of \$40,000 in the aggregate must be subject to a public hearing.
- Management is authorized to make budgetary transfers within departments but cannot approve additional appropriations.
- 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 within a function.
- 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 and Town Council approval.
- Encumbrances are recognized as valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Project Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

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A reconciliation of the accounting treatment required by GAAP and budgetary requirements at June 30, 2018 is as follows:

| | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | Fund Balance |
|--|---|--|-------------------------|
| Balance, budgetary basis | \$ 55,011,344 | \$ 54,154,839 | \$ 9,010,481 |
| Prior year encumbrances liquidated | | 1,661,871 | |
| Prior year encumbrances cancelled | (70,278) | | |
| Prior year encumbrances still outstanding | | | 91,133 |
| Utility Service Fund transfer non-budgeted | 473,561 | 473,561 | |
| Education Reserve Fund beginning fund balance | | | 46,580 |
| Current year encumbrances | | (1,582,231) | 1,582,231 |
| State of Connecticut grants for Special Education Excess Costs, netted for budgetary purposes | 910,082 | 910,082 | |
| State Teachers' Retirement on-behalf OPEB payment | 706,853 | 706,853 | |
| State Teachers' Retirement on-behalf pension payment | <u>6,854,252</u> | <u>6,854,252</u> | |
| Balance, GAAP basis | <u>\$ 63,885,814</u> | <u>\$ 63,179,227</u> | <u>\$ 10,730,425</u> |

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully

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JUNE 30, 2018

collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have 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*, \$17,546,346 of the Town's bank balance of \$18,664,076 was exposed to custodial credit risk as follows:

| | |
|---|----------------------|
| Uninsured and uncollateralized | \$ 15,689,204 |
| Uninsured and collateral held by the pledging bank's trust department, not in the Town's name | <u>1,857,142</u> |
| Total Amount Subject to Custodial Credit Risk | <u>\$ 17,546,346</u> |

Cash Equivalents

At June 30, 2018, the Town's cash equivalents amounted to \$9,310,648. 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 & Poor's</u> | <u>Fitch Ratings</u> |
|---|----------------------------------|--------------------------|
| State Short-Term Investment Fund (STIF) | AAAm | |

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Investments

As of June 30, 2018, the Town had the following investments:

| <u>Investment Type</u> | <u>Credit Rating</u> | <u>Fair Value</u> | <u>Investment Maturities (Years)</u> | | |
|--------------------------|----------------------|-------------------|--------------------------------------|---------------|---------------------|
| | | | <u>Less Than 1</u> | <u>1 - 10</u> | <u>More than 10</u> |
| Certificates of Deposit* | | \$ 298,173 | \$ 298,173 | \$ _____ | \$ _____ |
| Total | | 298,173 | \$ 298,173 | \$ - | \$ - |
| Other investments: | | | | | |
| Mutual funds | | 2,300,053 | | | |
| Total Investments | | \$ 2,598,226 | | | |

*Subject to coverage by Federal Depository Insurance and collateralization.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2018:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------------------|-------------------|----------------|----------------|----------------|
| Investments by fair value level: | | | | |
| Mutual Funds | \$ 2,300,053 | \$ 2,300,053 | \$ _____ | \$ _____ |
| Total investments by fair value level | 2,300,053 | \$ 2,300,053 | \$ - | \$ - |
| Certificates of Deposit | 298,173 | | | |
| Total Investments | \$ 2,598,226 | | | |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Investment Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. The Town does not hold any uninsured or unregistered securities at June 30, 2018.

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Credit Risk

The Town has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments in obligations of any state or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk

The Town places no limit on the amount invested in any one issuer. No more than 5% of the Town's investments were invested in any one issuer in which credit risk was applicable.

Interest Rate Risk

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

The Town's investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer's Short-Term Investment Fund (STIF) and MBIA Class Plus Investment. The value of the position in the pools is the same as the value of the pool shares. Regulatory oversight for the State Treasurer's Short-Term Investment Fund is provided quarterly by the Investment Advisory Council and the Treasurer's Cash Management Board. Regulatory oversight for MBIA Class Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in "derivative" securities; certificates of deposit; repurchase agreements; and obligations of the United States and agencies of the federal government.

B. Endowments Received

| | Cemetery Perpetual Care Fund | Ratcliff Hicks Memorial School Fund | Total |
|---------------------------------|---|--|---------------------|
| Original principal received | \$ 292,263 | \$ 20,800 | \$ 313,063 |
| Net appreciation on investments | <u>3,239</u> | <u>774,884</u> | <u>778,123</u> |
| Total Value | <u>\$ 295,502</u> | <u>\$ 795,684</u> | <u>\$ 1,091,186</u> |

The original principal received remains in the net position on the statement of net position and is restricted for the trust principal, and in nonspendable fund balance on the balance sheet - governmental funds. The net appreciation on investments available for expenditures is included in unrestricted net position on the statement of net position, and in committed fund balance on the balance sheet - governmental funds and is spent based on the original criteria established by the trust. The Town's policy is to spend only investment income for the purposes of the trust.

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The Town has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Town classifies as nonspendable fund balance (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in nonspendable fund balance is classified as committed fund balance until those amounts are appropriated for expenditure by the Town in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the Town considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Town
- The investment policies of the Town

C. Receivables

Receivables as of year end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

| | <u>General</u> | <u>Sewer Assessment</u> | <u>CDBG Small Cities</u> | <u>Nonmajor and Other Funds</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|-------------------|-----------------------------|----------------------------------|---|------------------|-------------------|---------------------|
| Receivables: | | | | | | | |
| Taxes | \$ 637,189 | \$ | \$ | \$ | \$ | \$ | \$ 637,189 |
| Accounts and other | 163,264 | 403,900 | 932,248 | 74,899 | 84,943 | 176,173 | 1,835,427 |
| Intergovernmental | <u>11,321</u> | | | <u>48,042</u> | | | <u>59,363</u> |
| Gross receivables | 811,774 | 403,900 | 932,248 | 122,941 | 84,943 | 176,173 | 2,531,979 |
| Less allowance for collection losses | <u>21,477</u> | | | | <u>1,689</u> | <u>1,838</u> | <u>25,004</u> |
| Net Total Receivables | <u>\$ 790,297</u> | <u>\$ 403,900</u> | <u>\$ 932,248</u> | <u>\$ 122,941</u> | <u>\$ 83,254</u> | <u>\$ 174,335</u> | <u>\$ 2,506,975</u> |

TOWN OF TOLLAND, CONNECTICUT
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D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 14,468,253 | \$ | \$ | \$ | \$ 14,468,253 |
| Rights of way | 402,962 | | | | 402,962 |
| Construction in progress | 3,267,753 | 659,522 | | (3,158,819) | 768,456 |
| Total capital assets not being depreciated | <u>18,138,968</u> | <u>659,522</u> | <u>-</u> | <u>(3,158,819)</u> | <u>15,639,671</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 136,525,052 | 204,794 | | 3,158,819 | 139,888,665 |
| Vehicles, furniture and equipment | 13,743,775 | 539,534 | 69,648 | | 14,213,661 |
| Infrastructure | 48,414,131 | 191,281 | | | 48,605,412 |
| Total capital assets being depreciated | <u>198,682,958</u> | <u>935,609</u> | <u>69,648</u> | <u>3,158,819</u> | <u>202,707,738</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 58,214,038 | 2,798,028 | | | 61,012,066 |
| Vehicles, furniture and equipment | 7,987,102 | 912,140 | 52,292 | | 8,846,950 |
| Infrastructure | 30,007,459 | 929,971 | | | 30,937,430 |
| Total accumulated depreciation | <u>96,208,599</u> | <u>4,640,139</u> | <u>52,292</u> | <u>-</u> | <u>100,796,446</u> |
| Total capital assets being depreciated, net | <u>102,474,359</u> | <u>(3,704,530)</u> | <u>17,356</u> | <u>3,158,819</u> | <u>101,911,292</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 120,613,327</u> | <u>\$ (3,045,008)</u> | <u>\$ 17,356</u> | <u>\$ -</u> | <u>\$ 117,550,963</u> |
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 50,858 | \$ | \$ | \$ | \$ 50,858 |
| Capital assets being depreciated: | | | | | |
| Plant and pumping stations | 2,561,179 | | 11,625 | | 2,549,554 |
| Water/sewer distribution system | 10,758,232 | 50,120 | | | 10,808,352 |
| Total capital assets being depreciated | <u>13,319,411</u> | <u>50,120</u> | <u>11,625</u> | <u>-</u> | <u>13,357,906</u> |
| Less accumulated depreciation for: | | | | | |
| Plant and pumping stations | 1,374,425 | 81,058 | | | 1,455,483 |
| Water/sewer distribution system | 3,530,163 | 222,952 | | | 3,753,115 |
| Total accumulated depreciation | <u>4,904,588</u> | <u>304,010</u> | <u>-</u> | <u>-</u> | <u>5,208,598</u> |
| Total capital assets being depreciated, net | <u>8,414,823</u> | <u>(253,890)</u> | <u>11,625</u> | <u>-</u> | <u>8,149,308</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 8,465,681</u> | <u>\$ (253,890)</u> | <u>\$ 11,625</u> | <u>\$ -</u> | <u>\$ 8,200,166</u> |

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

| | |
|---|---------------------|
| Governmental Activities: | |
| Administration | \$ 261,989 |
| General finance | 9,479 |
| Planning and development | 8,390 |
| Development and community affairs | 125,288 |
| Public works | 1,982,410 |
| Public safety services | 289,388 |
| Board of education | <u>1,963,195</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 4,640,139</u> |
| Business-type activities: | |
| Water | \$ 97,015 |
| Sewer | <u>206,995</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 304,010</u> |

Construction Commitments

The Town has active construction projects as of June 30, 2018. The projects include new construction. At year end, the government's commitments with contractors are as follows:

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|-----------------------------------|----------------------|-----------------------------|
| Town Wide VOIP | \$ 322,920 | \$ 6,170 |
| 2017-2018 Education Bond Issue | 2,338,769 | 7,261,231 |
| Ambulance 540 | 137,877 | 76,123 |
| Library Expansion Project | 2,549,821 | 50,179 |
| Public Works Garage Renovations | 464,419 | 3,663,697 |
| Bonded Roads | 4,468,023 | 531,977 |
| Drainage Design & Construction | 38,822 | 361,178 |
| Old Cathole Road North Town Share | 45,925 | 364,875 |
| Pavement Management | 3,230 | 401,821 |

The commitments are being financed with general obligation bonds and state and federal grants.

TOWN OF TOLLAND, CONNECTICUT
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E. Interfund Receivables, Payables and Transfers

Interfund loans were generally used to transfer monies as a result of issuing bonds. The composition of interfund balances as of June 30, 2018 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|-------------------------|
| General Fund | Nonmajor Governmental Funds | \$ <u>77,258</u> |
| | | \$ <u><u>77,258</u></u> |

All balances are expected to be repaid within a year.

Interfund transfers are generally used to supplement revenues of other funds. The transfers that occurred during the year are as follows:

| | Transfers In | | | | Total Transfers Out |
|-----------------------|-----------------|-----------------------------|-----------------------------|-----------------------------------|---------------------------|
| | General Fund | Sewer Assessment Fund | Capital Projects Fund | Nonmajor Governmental Funds | |
| Transfers out: | | | | | |
| General Fund | \$ | \$ 20,000 | \$ 54,578 | \$ 5,000 | \$ 79,578 |
| Sewer Fund | | | | 5,000 | 5,000 |
| Internal Service Fund | <u>473,561</u> | <u></u> | <u>50,000</u> | <u></u> | <u>523,561</u> |
| Total Transfers In | \$ 473,561 | \$ 20,000 | \$ 104,578 | \$ 10,000 | \$ 608,139 |

F. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------------|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation bonds | \$ 30,435,000 | \$ 9,340,000 | \$ 3,465,000 | \$ 36,310,000 | \$ 3,145,000 |
| Premium | <u>2,307,212</u> | <u>255,615</u> | <u>224,388</u> | <u>2,338,439</u> | |
| Total bonds and notes payable | <u>32,742,212</u> | <u>9,595,615</u> | <u>3,689,388</u> | <u>38,648,439</u> | <u>3,145,000</u> |
| Capital lease | 11,971,999 | | 740,228 | 11,231,771 | 750,268 |
| Net OPEB liability | 3,802,789 | | 63,167 | 3,739,622 | |
| Compensated absences | <u>1,248,178</u> | <u>57,465</u> | <u>115,054</u> | <u>1,190,589</u> | <u>166,255</u> |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | \$ <u>49,765,178</u> | \$ <u>9,653,080</u> | \$ <u>4,607,837</u> | \$ <u>54,810,421</u> | \$ <u>4,061,523</u> |

For the governmental activities, compensated absences are generally liquidated by the General Fund.

TOWN OF TOLLAND, CONNECTICUT
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General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town.

General obligation bonds and long-term notes currently outstanding are as follows:

| Description | Date of Issue | Maturity | Interest Rate (%) | Amount of Original Issue | Annual Principal | Balance Outstanding June 30, 2018 |
|--------------------------------|----------------------|-----------------|--------------------------|---------------------------------|-------------------------|--|
| General purpose: | | | | | | |
| General obligation | 9/1/08 | 9/1/18 | 3.0-4.0 | \$ 2,010,000 | Various | \$ 265,000 |
| General obligation | 8/1/10 | 8/1/30 | 2.0-4.0 | 825,000 | Various | 579,960 |
| General obligation refunding | 10/1/11 | 10/1/26 | 2.0-3.0 | 2,675,000 | Various | 1,250,000 |
| General obligation | 9/1/12 | 9/1/27 | 1.5-3.0 | 1,145,310 | Various | 753,060 |
| General obligation refunding | 9/1/12 | 9/1/25 | 3.0-5.0 | 1,445,100 | Various | 911,300 |
| General obligation refunding | 10/1/14 | 8/1/24 | 2.0-4.0 | 2,117,715 | Various | 1,884,765 |
| General obligation | 10/15/15 | 10/15/35 | 2.0-4.0 | 7,275,000 | Various | 6,553,000 |
| General obligation | 5/15/18 | 5/15/43 | 3.0-5.0 | 7,169,908 | Various | 7,169,908 |
| Total general purpose | | | | <u>24,663,033</u> | | <u>19,366,993</u> |
| School: | | | | | | |
| School improvement | 8/1/10 | 8/1/30 | 2.0-4.0 | \$ 1,700,000 | Various | \$ 1,195,040 |
| School improvement | 10/1/11 | 10/1/26 | 2.0-3.0 | 2,235,000 | Various | 1,160,000 |
| School improvement | 9/1/12 | 9/1/27 | 1.5-3.0 | 314,690 | Various | 206,940 |
| School improvement - refunding | 9/1/12 | 9/1/25 | 3.0-5.0 | 6,579,900 | Various | 5,353,700 |
| School improvement - refunding | 10/1/14 | 8/1/27 | 2.0-4.0 | 7,517,285 | Various | 6,530,235 |
| School improvement | 10/15/15 | 10/15/35 | 2.0-4.0 | 290,000 | Various | 327,000 |
| School improvement | 5/15/18 | 5/15/43 | 3.0-5.0 | 2,170,092 | Various | 2,170,092 |
| Total school | | | | <u>20,806,967</u> | | <u>16,943,007</u> |
| Total Outstanding | | | | <u>\$ 45,470,000</u> | | <u>\$ 36,310,000</u> |

TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Annual debt service requirements to maturity for general obligation bonds and long-term notes are as follows:

| | Bonds | |
|-----------|----------------------|---------------------|
| | Principal | Interest |
| 2019 | \$ 3,145,000 | \$ 1,227,062 |
| 2020 | 3,275,000 | 1,125,125 |
| 2021 | 3,270,000 | 997,557 |
| 2022 | 3,285,000 | 861,101 |
| 2023 | 2,960,000 | 726,744 |
| 2024-2028 | 11,055,000 | 2,214,568 |
| 2029-2033 | 4,300,000 | 1,175,715 |
| 2034-2038 | 3,090,000 | 574,787 |
| 2039-2043 | 1,930,000 | 201,325 |
| | <u>\$ 36,310,000</u> | <u>\$ 9,103,984</u> |

Authorized but Unissued Bonds

The total of authorized but unissued bonds at June 30, 2018 is \$7,764,405. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Statutory Debt Limitation

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

| Category | Debt Limitation | Net Indebtedness | Balance |
|-----------------|------------------------|-------------------------|----------------|
| General purpose | \$ 97,715,741 | \$ 18,586,176 | \$ 79,129,565 |
| Schools | 195,431,481 | 23,759,129 | 171,672,352 |
| Sewers | 162,859,568 | 1,729,100 | 161,130,468 |
| Urban renewal | 141,144,959 | | 141,144,959 |
| Pension deficit | 130,287,654 | | 130,287,654 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$304,004,526. All long-term debt obligations are retired through General Fund appropriations. The indebtedness reflected above includes bonds and notes outstanding in addition to the amounts of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

TOWN OF TOLLAND, CONNECTICUT
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Capital Lease

During 2011, the Town entered into a \$3,600,000 equipment taxable direct pay qualified energy conservation bond (QECB) lease/purchase agreement. The lease has an interest rate of 5.11%, a tax credit rate of 5.01% (70% of tax credit rate of 3.51%), and a net effective rate of 1.6% and matures on June 29, 2026. Principal and interest payments are made biannually and vary throughout the life of the lease.

In October 2013, the Town entered into a \$9,598,157 equipment lease to finance energy improvements across the Town's facilities to generate energy savings in the future. The lease had an interest rate of 3.49% and matures on October 2, 2033. During 2017 the Town refinanced this lease entering into a new lease for \$9,572,000, to pay off the old lease and prepayment penalty of \$9,332,590 and \$186,652, respectively. The new lease has an interest rate of 2.12% and matures on October 3, 2033. The debt is being repaid with the savings resulting from the energy improvements that have been made. Honeywell Corporation was awarded the contract to do the work and the contract provides for a performance guarantee to be paid by them if contractual savings are not met.

The assets acquired through the capital leases are as follows:

| | Governmental Activities |
|-------------------------------|------------------------------------|
| Asset: | |
| ESCO Project | \$ 10,461,490 |
| Geothermal heating system | 3,682,123 |
| Less accumulated depreciation | <u>2,622,960</u> |
| Total | <u>\$ 11,520,653</u> |

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2018 were as follows:

| Fiscal Year Ending June 30, | Governmental Activities |
|---|------------------------------------|
| 2019 | \$ 1,048,762 |
| 2020 | 1,035,135 |
| 2021 | 1,021,508 |
| 2022 | 1,007,881 |
| 2023 | 994,254 |
| Thereafter | <u>8,312,902</u> |
| Total lease payments | 13,420,442 |
| Less amount representing interest | <u>2,188,671</u> |
| Present Value of Future Minimum Lease Payments | <u>\$ 11,231,771</u> |

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2018 are as follows:

| | <u>General Fund</u> | <u>Sewer Assessment</u> | <u>CDBG Small Cities</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|---|-------------------------|-----------------------------|----------------------------------|-----------------------------|--|----------------------|
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | \$ | \$ | \$ | \$ | \$ 34,318 | \$ 34,318 |
| Permanent fund principal | | | | | 313,063 | 313,063 |
| Restricted for: | | | | | | |
| Community rehabilitation services | | | 131,344 | | | 131,344 |
| Unspent grant proceeds | | | | | 61,717 | 61,717 |
| Committed to: | | | | | | |
| Sewer capital improvements | | 874,353 | | | | 874,353 |
| Dog warden | | | | | 60,119 | 60,119 |
| Open space | | | | | 127,381 | 127,381 |
| Sewer escrow | | | | | 25,057 | 25,057 |
| Lodge furnishings | | | | | 57,734 | 57,734 |
| Business park improvements | | | | | 19,533 | 19,533 |
| Recreation | | | | | 253,331 | 253,331 |
| Water assessments | | | | | 210,933 | 210,933 |
| Food service | | | | | 95,609 | 95,609 |
| Education programs | 46,580 | | | | 1,170,160 | 1,216,740 |
| Eviction storage | | | | | 41 | 41 |
| Cemeteries | | | | | 226,448 | 226,448 |
| Training center repair and replacement | | | | | 6,222 | 6,222 |
| Field maintenance | | | | | 12,910 | 12,910 |
| Veterans memorial | | | | | 187 | 187 |
| Emergency storms | | | | | 177,717 | 177,717 |
| Artificial turf operation | | | | | 10,100 | 10,100 |
| Debt service | | | | | 634,626 | 634,626 |
| Special assessment projects | | | | 7,763,961 | | 7,763,961 |
| Assigned to: | | | | | | |
| Purchases on order | 1,673,364 | | | | | 1,673,364 |
| Contribution to next fiscal budget | 690,000 | | | | | 690,000 |
| Unassigned | <u>8,320,481</u> | | | | | <u>8,320,481</u> |
| Total Fund Balances | <u>\$ 10,730,425</u> | <u>\$ 874,353</u> | <u>\$ 131,344</u> | <u>\$ 7,763,961</u> | <u>\$ 3,497,206</u> | <u>\$ 22,997,289</u> |

Significant encumbrances of \$1,673,364 at June 30, 2018 are contained in the above table in the assigned category of the General Fund.

5. EMPLOYEE RETIREMENT PLANS

A. Pension Plan - Defined Contribution

The Town is the administrator of a single employer, defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan covers substantially all Town and Board of Education employees except elected officials and certified teachers. Contributions are established and amended by the approval of the Town Council.

Summary Plan Description

All full-time Town employees who work at least 25 hours a week and all Board of Education employees who work 1,000 hours or more per year are required, as a condition of employment, to participate in the plan, except for elected officials and certified teachers. Eligible employees must be at least 18 years of age on or prior to their date of employment. Benefits vest 100% after five years. Any nonvested Town contributions and related interest thereon of employees who leave employment are reserved in a forfeiture account to offset future Town contributions. Normal retirement date is age 65. Plan provisions and the authority to amend the provisions are established by Town ordinance.

Contribution Requirements/Contributions Made

The employer contribution for Town and Board of Education employees for the plan year is 6% of earnings. The total Town and Board of Education contribution during the year ended June 30, 2018 was \$494,316 and represented 6% of covered payroll. The employees' required contributions were \$205,950 and represented 2.5% of covered payroll. The Town fully funded required employer's contributions and members who left the Town employment during a year have forfeiture assets in the amount of \$93,145 which will be available for future contributions.

Employer and Employee Obligations

Members are required to contribute 2.5% of their annual earnings. The Town is required to contribute 6% of the members' annual earnings.

B. Teachers Retirement

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the three years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

**TOWN OF TOLLAND, CONNECTICUT
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Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|---|-----------------------------|
| Town's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>59,256,551</u> |
| Total | \$ <u><u>59,256,551</u></u> |

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2018, the Town recognized pension expense and revenue of \$6,854,252 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**TOWN OF TOLLAND, CONNECTICUT
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.75% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

TOWN OF TOLLAND, CONNECTICUT
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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|--------------------------|---|
| Large Cap U.S. equities | 21.0% | 5.8% |
| Developed non-U.S. equities | 18.0% | 6.6% |
| Emerging markets (non-U.S.) | 9.0% | 8.3% |
| Core fixed income | 7.0% | 1.3% |
| Inflation linked bond fund | 3.0% | 1.0% |
| Emerging market bond | 5.0% | 3.7% |
| High yield bonds | 5.0% | 3.9% |
| Real estate | 7.0% | 5.1% |
| Private equity | 11.0% | 7.6% |
| Alternative investments | 8.0% | 4.1% |
| Cash | 6.0% | 0.4% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

6. OTHER POST EMPLOYMENT BENEFITS PLAN

A. Retiree Medical Program

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Retiree Medical Program (RMP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the Town.

Investments are reported at fair value. Investment income is recognized as earned.

Plan Description

The RMP is a single-employer defined benefit healthcare plan administered by the Town. The RMP provides medical and dental benefits to eligible retirees and their spouses. The Town nonunion, Board of Education certified and Board of Education noncertified groups are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees.

The plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Other Post Employment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

Management of the post employment benefits plan is vested with the Town Manager and Director of Finance. Policy oversight is provided by the OPEB Trust Committee, which consists of four members: the Town Manager, Director of Finance & Records, Tolland Superintendent of Schools and Business Manager for the Board of Education.

At July 1, 2016, plan membership consisted of the following:

| | <u>Retiree Medical Program</u> |
|---|---|
| Retired members and spouses of retired members | 78 |
| Active plan members | <u>254</u> |
| Total | <u><u>332</u></u> |

TOWN OF TOLLAND, CONNECTICUT
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Funding Policy

The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

| | | 2010-2011 Monthly COBRA | |
|----------------|---------|--------------------------------|---------------|
| | | Premiums | |
| | | Employee | Spouse |
| Medical - Town | Pre 65 | \$ 446.57 | \$ 362.71 |
| | Post 65 | 289.94 | 289.94 |
| Medical - BOE | Pre 65 | 743.42 | 742.34 |
| | Post 65 | 289.94 | 289.94 |
| Dental | | 37.91 | 53.89 |

Employer contributions to the plan of \$444,283 were made in accordance with actuarially determined requirements.

Investments

Investment policy

OPEB Benefits Plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB Trust Committee by a majority vote of its members. It is the policy of the OPEB Trust Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Trust requires the funds to be invested in VantageCare RHS Employer Investment Program which is specifically designed to reach goals.

Rate of return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

Net OPEB Liability of the Town

The Town's net OPEB liability was measured as of June 30, 2018. The components of the net OPEB liability of the Town at June 30, 2018, were as follows:

| | |
|---|----------------------------|
| Total OPEB liability | \$ 4,903,663 |
| Plan fiduciary net position | <u>1,164,041</u> |
| Net OPEB Liability | <u><u>\$ 3,739,622</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 23.74% |

TOWN OF TOLLAND, CONNECTICUT
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Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.75% |
| Salary increases | 4.0%, average, including inflation |
| Investment rate of return | 6.0%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | BOE, 5.3% decreasing to 4.4% over 69 years Town, 5.2% decreasing to 4.3% over 65 years |

Mortality rates for teachers and administrators were based on the RP-2000 Combined Healthy Annuitant Mortality Table for Males or Females projected forward 19 years using Scale AA, with a two-year age setback. For all others, RP-2000 Mortality Table for Males and Females, with generational project per Scale AA; separate tables for active employees and annuitants.

The actuarial assumptions used in the July 1, 2016 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study has not been completed.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset as of June 30, 2018 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|---|
| US Core Fixed Income | 19.10 % | 2.65 % |
| US Short Bonds | 27.55 | 1.63 |
| US Inflation-Indexed Bonds | 7.50 | 1.81 |
| US High Yield Bonds | 9.65 | 5.61 |
| US Large Caps | 23.55 | 4.57 |
| US Small Caps | 1.40 | 5.81 |
| US Mid Caps | 3.95 | 5.10 |
| Foreign Developed Equity | 6.35 | 5.79 |
| Emerging Markets Equity | 0.95 | 8.12 |
| Total | <u>100.00 %</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TOWN OF TOLLAND, CONNECTICUT
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Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|----------------------------------|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances as of July 1, 2017 | \$ 4,880,301 | \$ 1,077,512 | \$ 3,802,789 |
| Changes for the year: | | | |
| Service cost | 137,121 | | 137,121 |
| Interest on total OPEB liability | 289,134 | | 289,134 |
| Employer contributions | | 444,283 | (444,283) |
| Net investment income (loss) | | 45,139 | (45,139) |
| Benefit payments | (402,893) | (402,893) | - |
| Net changes | 23,362 | 86,529 | (63,167) |
| Balances as of June 30, 2018 | \$ 4,903,663 | \$ 1,164,041 | \$ 3,739,622 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.0%) or 1% higher (7.0%) than the current discount rate:

| | 1% Decrease 5.0% | Current Discount Rate 6.0% | 1% Increase 7.0% |
|--------------------|---------------------------------|---|---------------------------------|
| Net OPEB liability | \$ 4,144,671 | \$ 3,739,622 | \$ 3,379,845 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.3% and 4.2% decreasing to 4.4% and 3.3%) or 1% higher (6.3% and 6.2% decreasing to 5.4% and 5.3%) than the current healthcare cost trend rates:

| | 1% Decrease Healthcare cost Trend Rates (4.3%, 4.2%) Decreasing to (3.4%, 3.3%) | Current Rate Healthcare cost Trend Rates (5.3%, 5.2%) Decreasing to (4.4%, 4.3%) | 1% Increase Healthcare cost Trend Rates (6.3%, 6.2%) Decreasing to (5.4%, 5.3%) |
|--------------------|--|---|--|
| Net OPEB liability | \$ 3,239,436 | \$ 3,739,622 | \$ 4,323,989 |

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$364,510. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual earnings on OPEB plan investments | \$ _____ | \$ <u>16,606</u> |
| Total | \$ <u>-</u> | \$ <u>16,606</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30</u> | |
|----------------------------|----------|
| 2019 | \$ 4,151 |
| 2020 | 4,151 |
| 2021 | 4,151 |
| 2022 | 4,153 |

B. State Teachers Retirement Plan

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit Provisions

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, and any remaining portion is used to offset the district's cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

| | |
|--|-------|
| • Medicare Supplement with Prescriptions | \$ 92 |
| • Medicare Supplement with Prescriptions and Dental | 136 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 141 |

Those participants electing vision, hearing and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the plan for these benefits.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of credited service

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

| | |
|--|----------------------|
| Town's proportionate share of the net OPEB liability | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | <u>15,251,964</u> |
| Total | \$ <u>15,251,964</u> |

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$706,853 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75% |
| Health care costs trend rate | 7.25% decreasing to 5.00% by 2022 |
| Salary increases | 3.25-6.50%, including inflation |
| Investment rate of return | 3.56%, net of OPEB plan investment expense, including inflation |
| Year fund net position will be depleted | 2018 |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

7. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to public officials and police liability; Board of Education liability; torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for all risks of loss. Settled claims from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2018. There have been no significant reductions in insurance coverage during the year.

Health Insurance Internal Service Fund

The Health Insurance Fund (the Fund), which has been recorded as an Internal Service Fund, was established to provide medical and dental health coverage for all eligible Town and Board of Education employees. The 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) as well as trends in the costs of coverage and costs of administration. The program's general objectives are to provide the members of the health insurance program with lower costs for coverage and to develop a systematic method to control health costs through wellness initiatives.

The Town and Board of Education participate in the Eastern Connecticut Health Insurance Program (ECHIP). This group consists of 5 entities, the Towns and Boards of Education of Coventry, Tolland, Plainfield and Putnam, and also includes EASTCONN, a regional educational service center. This partnership is the first in the state of Connecticut and was formed with a goal to reduce costs through collaboration. A third party administers the plan for which the Fund pays a fee. The Fund has purchased individual stop loss coverage of \$150,000 per claim.

TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The Town's health self-insurance fund is used to account for medical insurance coverage for Town and Board of Education employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2017 and 2018, are as follows:

| | <u>Claims Payable July 1</u> | <u>Claims and Changes in Estimates</u> | <u>Claims Paid</u> | <u>Claims Payable June 30</u> |
|-----------|--------------------------------------|--|------------------------|---------------------------------------|
| 2016-2017 | \$ 448,600 | \$ 7,053,620 | \$ 6,984,120 | \$ 518,100 |
| 2017-2018 | 518,100 | 6,665,110 | 6,683,010 | 500,200 |

B. Contingent Liabilities

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management, based on the advice of counsel, believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

8. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning net position of the governmental activities as a result of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

| | |
|---|----------------------|
| Net position at June 30, 2017, as previously reported | \$ 95,652,134 |
| Adjustments: | |
| Eliminate net OPEB asset reported per GASB No. 45 | (181,027) |
| Record total OPEB liability per GASB No. 75 | <u>(3,802,789)</u> |
| Net Position at July 1, 2017, as Restated | <u>\$ 91,668,318</u> |

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Required Supplementary Information

TOWN OF TOLLAND, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FOUR FISCAL YEARS*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>59,256,551</u> | <u>62,516,115</u> | <u>49,337,774</u> | <u>45,543,825</u> |
| Total | <u>\$ 59,256,551</u> | <u>\$ 62,516,115</u> | <u>\$ 49,337,774</u> | <u>\$ 45,543,825</u> |
| Town's covered payroll | \$ 16,181,359 | \$ 16,928,720 | \$ 17,285,173 | \$ 17,474,844 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.93% | 52.26% | 59.50% | 61.51% |

Notes to Schedule

| | |
|-------------------------------|---|
| Changes in benefit terms | None |
| Changes of assumptions | During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015. During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010. |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of salary, closed |
| Remaining amortization period | 20.4 years |
| Asset valuation method | 4-year smoothed market |
| Investment rate of return | 8.50%, net of investment related expense |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TOLLAND, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS*
(In Thousands)

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Total OPEB liability: | | |
| Service cost | \$ 137,121 | \$ 129,359 |
| Interest | 289,134 | 287,531 |
| Benefit payments | <u>(402,893)</u> | <u>(393,092)</u> |
| Net change in total OPEB liability | 23,362 | 23,798 |
| Total OPEB liability - beginning | <u>4,880,301</u> | <u>4,856,503</u> |
| Total OPEB liability - ending | <u>4,903,663</u> | <u>4,880,301</u> |
| Plan fiduciary net position: | | |
| Contributions - employer | 444,283 | 473,839 |
| Net investment income (loss) | 45,139 | 71,772 |
| Benefit payments | <u>(402,893)</u> | <u>(393,092)</u> |
| Net change in plan fiduciary net position | 86,529 | 152,519 |
| Plan fiduciary net position - beginning | <u>1,077,512</u> | <u>924,993</u> |
| Plan fiduciary net position - ending | <u>1,164,041</u> | <u>1,077,512</u> |
| Net OPEB Liability - Ending | <u>\$ 3,739,622</u> | <u>\$ 3,802,789</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 23.74% | 22.08% |
| Covered-employee payroll | \$ 16,323,734 | \$ 16,844,405 |
| Net OPEB liability as a percentage of covered-employee payroll | 22.91% | 22.58% |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF TOLLAND, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB
LAST TEN FISCAL YEARS
(In Thousands)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|------------|------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution (1) | \$ 437,000 | \$ 461,000 | \$ 486,000 | \$ 521,000 | \$ 547,000 | \$ 485,000 | \$ 508,000 | \$ 447,781 | \$ 466,488 | \$ 437,420 |
| Contributions in relation to the actuarially determined contribution | 494,000 | 521,000 | 559,000 | 491,000 | 549,000 | 483,000 | 512,000 | 457,613 | 473,839 | 444,283 |
| Contribution Deficiency (Excess) | \$ (57,000) | \$ (60,000) | \$ (73,000) | \$ 30,000 | \$ (2,000) | \$ 2,000 | \$ (4,000) | \$ (9,832) | \$ (7,351) | \$ (6,863) |
| Covered-employee payroll | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ 22,286,770 | \$ 22,286,770 | \$ 16,844,405 | \$ 16,844,405 | \$ 16,323,734 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 2.17% | 2.30% | 2.72% | 2.81% | 2.72% |

(1) Actuarially Determined Contributions prior to fiscal year ended June 30, 2017 are based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.

Notes to Schedule

Valuation date: July 1, 2016

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of payroll, closed |
| Amortization period | 16 years |
| Asset valuation method | Market Value |
| Inflation | 2.75% |
| Healthcare cost trend rates | BOE - 5.30% decreasing to 4.40% over 69 years Town - 5.20% decreasing to 4.30% over 65 years |
| Salary increases | 4.0%, average, including inflation |
| Investment rate of return | 6.00%, net of pension plan investment expense, including inflation |
| Retirement age | Scale from 15% at age 59 with 20 years of service, to 100% at age 70 with 20 years of service. |
| Mortality | Teachers and Administrators: RP-2000 Combined Healthy Mortality Table for males and females projected forward 19 years using Scale AA, with a two-year age setback. For All others, RP-2000 Mortality Table for males and females with generational projection per Scale AA; separate tables for active employees and annuitants. |

TOWN OF TOLLAND, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
OPEB
LAST TWO FISCAL YEARS*

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 4.06% | 7.39% |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF BLUM, CONNECTICUT**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY****TEACHERS RETIREMENT PLAN****LAST FISCAL YEAR***

| | <u>2018</u> |
|--|----------------------|
| Town's proportion of the net OPEB liability | 0.00% |
| Town's proportionate share of the net OPEB liability | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | <u>15,251,964</u> |
| Total | \$ <u>15,251,964</u> |
| Town's covered payroll | \$ 16,181,359 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.79% |

Notes to Schedule

| | |
|-------------------------------|--|
| Changes in benefit terms | None |
| Changes of assumptions | <p>The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate.</p> <p>Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations.</p> <p>As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.</p> |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 30 years, open |
| Asset valuation method | Market value of assets |
| Investment rate of return | 4.25%, net of investment related expense including price inflation |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Appendix B

Form of Legal Opinion of Bond Counsel and Tax Matters

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Appendix B

Form of Legal Opinion of Bond Counsel and Tax Matters

September 19, 2019

Town of Tolland
21 Tolland Green
Tolland, CT 06084

RE: Town of Tolland, Connecticut
\$12,670,000 General Obligation Bond Anticipation Notes, dated September 19, 2019

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Tolland, Connecticut (the "Town") of its \$12,670,000 General Obligation Bond Anticipation Notes, dated September 19, 2019 (the "Notes").

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Town and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Town authorized to issue the Notes, in connection with the issuance and delivery of the Notes, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement, the final Official Statement or any other offering material relating to the Notes (except only the matters set forth as our opinion in the Preliminary Official Statement and the final Official Statement), and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of U.S. Bank National Association, the Notes will be the valid and binding general obligations of the Town. The Notes will be payable as to both principal and interest, unless paid from other sources, 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 certain classified property. Pursuant to the Connecticut General Statutes, classified property includes certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts.

2. Under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax.

The opinions set forth in the preceding paragraphs are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Under existing law, 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 in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

It is to be understood that the rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Notes 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 the gross income of the owners thereof for purposes of federal income taxation, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any other federal or state tax consequence of ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Notes in order that interest on the Notes be and remains excluded from gross income for federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Notes, contains certain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Notes in order to comply with requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax.

Ownership of the Notes may result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Notes. The foregoing is not intended to be an exhaustive list of potential tax consequences. Prospective purchasers of the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of the Notes.

State Taxes

In the opinion of Bond Counsel, based on 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 in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or to reflect any changes in law that may thereafter occur or become effective.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon.

Prospective purchasers of the Notes are advised to consult their own tax advisors regarding other state and local tax consequences of ownership and disposition of the Notes.

Original Issue Discount

With respect to any of the Notes where the initial public offering price of such Notes is less than the amount payable on those Notes at maturity (the “OID Notes”), the difference between the initial public offering price to the public (excluding bond houses and brokers) at which a substantial amount of the OID Notes of any maturity are sold and the amount payable on such OID Notes at maturity constitutes original issue discount. Accrued original issue discount is excludable from gross income for federal income tax purposes if interest on the OID Notes is excluded therefrom. Accrued original issue discount on an OID Note is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any note during each day it is owned is added to the adjusted basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such notes by such owner. Original issue discount on any note is treated as accruing on the basis of economic accrual, computed by a constant semiannual compounding method using the yield to maturity on such note, and the adjusted basis of such OID Note acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. Owners of the OID Notes are advised to consult with their tax advisors with respect to the federal, state and local tax consequences of owning the OID Notes.

Prospective purchasers of OID Notes should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Notes purchasing such Notes after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Notes.

Original Issue Premium

With respect to any of the Notes where the initial public offering price of such Notes is greater than the amount payable on those Notes at maturity (the “OIP Notes”), the excess of the price paid by the first owner of a OIP Note over the principal amount payable at the maturity of such OIP Note constitutes original issue premium. Original issue premium on any note is treated as amortizing on the basis of the taxpayer’s yield to maturity using the taxpayer’s adjusted basis and a constant semiannual compounding method. The portion of such premium amortizing over the period the OIP Note is held by the owner does not reduce taxable income for purposes of either the federal income tax or the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax, but it does reduce the owner’s adjusted basis in the OIP Note for purposes of determining gain or loss on its disposition. Prospective purchasers of OIP Notes should consult their own tax advisors regarding the amortization of premium and the effect upon basis.

Proposed Legislation and Other Matters

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Notes, gain from the sale or other disposition of the Notes, the

market value of the Notes, or the marketability of the Notes, or otherwise prevent the owners of the Notes from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made recently and in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Notes for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Notes or the market price for, or marketability of, the Notes. No assurance can be given with respect to the impact of future legislation on the Notes. Prospective purchasers of the Notes should consult their own tax and financial advisors regarding such matters.

General

The opinions of Bond Counsel are rendered as of their date, and Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may come to their attention or any changes in law that may occur after the date of their opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Notes. No assurance can be given that future legislation, or amendments to the State of Connecticut income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates. The opinions of Bond Counsel are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The information above does not purport to deal with all aspects of federal or state taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal and state tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

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Appendix C

Form of Continuing Disclosure Agreement

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Appendix C – Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (“Agreement”) is executed and delivered as of the 19th day of September, 2019 by the Town of Tolland, Connecticut (the “Town”) acting by its undersigned officers, duly authorized, in connection with the issuance of its \$12,670,000 General Obligation Bond Anticipation Notes, dated September 19, 2019 (the “Notes”), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions.

For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Listed Events” means any of the events listed in Section 2 of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” means the MSRB, through the operation of the Electronic Municipal Market Access (EMMA) system as described in 1934 Act Release No. 59061 and maintained by the MSRB for purposes of the Rule, or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“Rule” means rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Reporting of Listed Events.

The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of the occurrence of any of the following Listed Events with respect to the Notes, in a timely manner not later than ten (10) business days after the occurrence of any such Listed Event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;

- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Town;

Note to clause (l): For the purposes of the event identified in clause (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of trustee, if material;
- (o) the incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect securities holders, if material; and

- (p) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties.

Note to clauses (o) and (p): For the purposes of the events identified in clauses (o) and (p) above, the term “financial obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii) but shall not include municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule.

Section 3. Use of Agents.

Notices to be provided pursuant to this Agreement may be provided by the Town or by any agents which may be employed by the Town for such purpose from time to time.

Section 4. Termination.

The obligations of the Town under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the Town ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The Town acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure within a reasonable time (but not exceeding five (5) business days) from the time the Town Manager receives written notice from any beneficial owner of the Notes of such failure. For purposes of this section, notice to the Town should be made to the Town Manager, Town of Tolland, 21 Tolland Green, Tolland, Connecticut 06084.

In the event the Town does not cure such failure within the time specified above, the beneficial owner of any of the Notes shall be entitled only to the remedy of specific performance. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

(a) The Town shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Town from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Notes. If the Town elects to provide any such additional information, data or notices, the Town shall have no obligation

under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provisions of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, (ii) this Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Notes or an approving vote by the holders of not less than 66 2/3% of the aggregate principal amount of the Notes then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with the Repository in electronic format.

TOWN OF TOLLAND, CONNECTICUT

By: _____
STEVEN R. WERBNER
Town Manager

By: _____
LISA A. HANCOCK
Director of Finance and Records/Treasurer

Appendix D

Notice of Sale

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Appendix D – Notice of Sale

NOTICE OF SALE

TOWN OF TOLLAND, CONNECTICUT

\$12,670,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

PROPOSALS will be received by the TOWN OF TOLLAND, CONNECTICUT (the “Town”), by TELEPHONE BID by an authorized agent of Phoenix Advisors, LLC, the Town’s Municipal Advisor, at (203) 283-1110 and by ELECTRONIC BID via PARITY® until 11:30 A.M. (Eastern Time) on WEDNESDAY,

SEPTEMBER 4, 2019

for the purchase, when issued, of all, or any part of, the Town’s \$12,670,000 General Obligation Bond Anticipation Notes, dated September 19, 2019 and due September 17, 2020 (the “Notes”).

The Notes are due and payable as to both principal and interest at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are **not** subject to redemption prior to maturity.

Nature of Obligation. The Notes will constitute general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due. Unless paid from other sources, the Notes are payable from ad valorem taxes levied against all taxable property subject to taxation by the Town. All property taxation is 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 qualified disabled persons taxable at limited amounts.

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.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available federal funds through the facilities of The Depository Trust Company, New York, New York on September 19, 2019.

Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note 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 (“DTC”), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing

ownership of the Notes in principal amounts of \$1,000, or any integral multiples thereof, 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 purchaser, 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 to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC 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 or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. Upon receipt from the Town, the Paying Agent will pay principal of and interest on the Notes directly to DTC so long as DTC or its nominee, Cede & Co, is the noteholder.

Bid Terms and Basis of Award. Except as otherwise provided herein, bidders may submit proposals for all or any part of the Notes, but any proposal for a part must be for a minimum of \$100,000 of principal amount or integral multiples of \$5,000 in excess thereof. A separate proposal is required for each part of the Notes for which a separate stated interested rate is bid. Bidders are to name one rate of interest in a multiple of one hundredths (1/100ths) of one per cent for each part of the Notes for which a separate interest rate is bid. Unless all bids are rejected, the Notes will be awarded to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest cost to the Town, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest cost, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified. No bid for less than par and accrued interest, if any, will be considered. The Town reserves the right to award to any bidder all or any part of the Notes bid in its proposal. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The right is reserved to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received until 11:30 A.M. (Eastern Time) on behalf of the Town by telephone call to Phoenix Advisors, LLC, the Town's Municipal Advisor, at (203) 283-1110. All telephone bids must be completed by 11:30 A.M. (Eastern Time) on Wednesday, September 4, 2019, and shall be submitted in the form of the Bid Form attached hereto as Attachment A. All telephone bids shall be deemed to incorporate the provisions of this Notice of Sale.

For the purpose of the bidding process, the time maintained by the Town's Municipal Advisor shall constitute the official time.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of **PARITY®** by 11:30 A.M. (Eastern Time) on Wednesday, September 4, 2019. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe. All bids shall be deemed to incorporate the provisions of this Notice.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Town. By submitting a bid for the Notes via **PARITY®**, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of **PARITY®** prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Town nor **PARITY®** shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town or **PARITY®** shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Town is using **PARITY®** as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Town is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone **PARITY®** at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY®**, this Notice shall control.

For the purpose of the sealed proposals bidding procedure and the electronic proposals bidding procedure, the time maintained on **PARITY®** shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent. The Notes will be certified by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Bond Counsel Opinion. The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form attached as Appendix B to the Official Statement. The opinion will appear on each Note certificate and will state that the Notes are valid and binding obligations of the Town. Absent special circumstances preventing compliance, Bond Counsel will require as a precondition to release of its opinion printed on the Notes that the purchaser of such Notes deliver to it a completed “issue price” certificate regarding public offering prices with respect to the Notes awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price. In order to provide the Town with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Town at or prior to the delivery of the Notes an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Michael Botelho, Esq., Updike, Kelly & Spellacy, P.C., 100 Pearl Street, 17th floor, Hartford, CT 06103, Telephone: (860) 548-2637, E-mail: mbotelho@uks.com and (2) the Municipal Advisor at Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Town and the Municipal Advisor may act on behalf of the Town.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Town that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Notes, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes, and understands that upon award by the Town that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Town.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Town intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Rule”) because:

- (1) the Town shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Town, or the Municipal Advisor on behalf of the Town, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment B.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Town, or the Municipal Advisor on behalf of the Town, shall at the time of award advise the winning bidder. The Town may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Notes (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Notes as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 3:30 p.m. (Eastern Time) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (A)(I) of the first price at which ten percent (10%) of each Maturity of Notes has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is

acceptable to Bond Counsel; i.e., those Maturities of the Notes that satisfy the Actual Sales Rule as of the Sale Date, and (B) those Maturities of the Notes that the winning bidder is purchasing for its own account and not with a view to distribution or resale of such Maturity to the Public. After such receipt, the Town, or Bond Counsel on behalf of the Town, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Notes shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Notes subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Notes (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Notes to the Public on or before the date of award at the Initial Offering Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Notes, that each Underwriter will neither offer nor sell unsold Notes of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if

applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

Official Statement. For more information regarding the Notes or the Town, reference is made to the Preliminary Official Statement dated August 27, 2019 (the “Official Statement”) describing the Notes and the financial condition of the Town. The Official Statement is available in electronic format at www.i-dealprospectus.com, and such electronic access is being provided as a matter of convenience only. Copies of the Official Statement may be obtained from the Municipal Advisor. The Town deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Town will make available to the purchaser five (5) copies of the final Official Statement at the Town’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Notes or by the seventh (7th) business day after the day bids on the Notes are received. If the Town’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Notes, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the

purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure. As required by the Rule, the Town will undertake, pursuant to a Continuing Disclosure Agreement, to provide notice of the occurrence of certain events with respect to the Notes within ten (10) business days of the occurrence of such events. The Continuing Disclosure Agreement will be substantially in the form attached as Appendix C to the Official Statement. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

Delivery, Payment and Closing Requirements. The Notes will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer ("FAST") on or about September 19, 2019. At or prior to the delivery of the Notes, the winning bidder shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut (see "Bond Counsel Opinion" above); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement, (d) an executed copy of the Continuing Disclosure Agreement; and (e) a receipt of payment for 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.

CUSIP Numbers. The deposit of the Notes with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. The Town's Municipal Advisor will apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

TOWN OF TOLLAND, CONNECTICUT

By: STEVEN R. WERBNER
Town Manager

By: LISA A. HANCOCK
Director of Finance and Records/Treasurer

August 27, 2019

(See attached form of Proposal for Notes)

ATTACHMENT A

BID FORM – PROPOSAL FOR NOTES

Steven R. Werbner, Town Manager
Lisa A. Hancock, Director of Finance and Records/Treasurer
Town of Tolland
21 Tolland Green
Tolland, CT 06084

Tolland Town Officials:

Subject to the provisions of the Notice of Sale dated August 27, 2019, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$12,670,000 General Obligation Bond Anticipation Notes of the Town of Tolland (the "Issuer") and to pay therefor par and pay the premium specified below, if any, as follows:

For \$_____ of \$12,670,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated September 19, 2019 and maturing on September 17, 2020, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Issuer is _____% (four decimals).

For \$_____ of \$12,670,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated September 19, 2019 and maturing on September 17, 2020, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Issuer is _____% (four decimals).

For \$_____ of \$12,670,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated September 19, 2019 and maturing on September 17, 2020, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Issuer is _____% (four decimals).

This undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in immediately available federal funds on the date of the Notes.

Dated: September 4, 2019

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)

(E-mail Address)

ATTACHMENT B

ISSUE PRICE CERTIFICATE

Town of Tolland, Connecticut
\$[Par] General Obligation Bond Anticipation Notes
Dated and Issued September 19, 2019

The undersigned, on behalf of [Underwriter] (“[Short Name of Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Notes”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [Short Name of Underwriter], the purchaser of the Notes.

2. ***Purchase Price.*** The Town of Tolland, Connecticut (the “Issuer”) sold to [Short Name of Underwriter], for delivery on or about September 19, 2019 (the “Issue Date”), the Notes at a price of par (\$[Par]), plus an aggregate net premium of \$_____ and less an underwriter’s discount of \$_____, resulting in an aggregate net purchase price of \$_____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of September 4, 2019 (the “Sale Date”), the reasonably expected initial offering price(s) of the Notes to the Public by [Short Name of Underwriter] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Notes used by [Short Name of Underwriter] in formulating its bid to purchase the Notes. Attached as **Schedule B** is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Notes.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Notes.

4. ***Defined Terms.***

(a) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the

initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of the selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the "Code"). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Notes under the Code and with respect to compliance with the federal income tax rules affecting the Notes. Updike, Kelly & Spellacy, P.C., bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Notes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Notes. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of September 19, 2019.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

| Maturity <u>Date</u> | <u>Principal Amount (\$)</u> | Interest <u>Rate (%)</u> | Price <u>(\$, not Yield)</u> |
|-------------------------|------------------------------|-----------------------------|---------------------------------|
|-------------------------|------------------------------|-----------------------------|---------------------------------|

Schedule B to Issue Price Certificate

[Copy of Bid]