



August 8, 2017

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: TOWN OF TOLLAND, CONNECTICUT
\$4,810,000 General Obligation Bond Anticipation Notes**

Dated: August 29, 2017

Date of Sale: Tuesday, August 15, 2017

Due: May 24, 2018

Time of Sale: 11:30 A.M. (Eastern Time)

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Tuesday, August 15, 2017. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Tuesday, August 15, 2017.**

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

The General Purpose Financial Statements have been excerpted from the Comprehensive Annual Financial Report of the Town of Tolland, Connecticut as of June 30, 2016. These excerpts are included in this package. Copies of the complete reports for June 30, 2016 are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

PHOENIX ADVISORS, LLC



BAN Sale Term Sheet

Town of Tolland, Connecticut \$4,810,000 General Obligation Bond Anticipation Notes

Date of Sale:	Tuesday, August 15, 2017 at 11:30 A.M. (Eastern Time).
Location of Sale:	Town Council Chambers, 6 th Level, Hicks Memorial Municipal Center, 21 Tolland Green, Tolland, Connecticut 06084.
Issuer:	Town of Tolland, Connecticut (the "Town").
Issue:	\$4,810,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	August 29, 2017
Principal and Interest Due:	At maturity on May 24, 2018
Purpose:	The Notes are being issued to finance various capital improvements.
Denominations:	In minimum denominations of \$100,000 or multiples thereof, plus any odd amount.
Redemption:	The Notes are not subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	No application for a rating on this Note issue has been made to any credit rating agency. The Town has outstanding bond ratings of "AAA" from both S&P Global Ratings and Fitch Ratings.
Basis of Award:	Lowest Net Interest Cost (NIC), as of dated date.
Opinion of Bond Counsel and Tax Matters:	See "Opinion of Bond Counsel and Tax Matters" attached.
Bank Qualification:	The Notes shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103. Unless an alternate Certifying Agent, Paying Agent and Registrar is designated by the Town as provided under "Option For No Book-Entry" as described in the Notice of Sale.
Option for No Book-Entry:	A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. See "Option for No Book-Entry" in the Notice of Sale.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Telephone (203) 283-1110, email: bbernabe@muniadvisors.com
Legal Opinion:	Updike, 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 August 29, 2017 except as otherwise noted. Delivery of the Notes will be made against payment in immediately available Federal Funds.
Issuer Official:	Questions concerning the Town should be directed to Ms. Lisa Hancock, Director of Finance and Records, Hicks Memorial Municipal Center, 21 Tolland Green, Tolland, Connecticut 06084. Telephone: (860) 871-3658.

NOTICE OF SALE

TOWN OF TOLLAND, CONNECTICUT

\$4,810,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES (BANK QUALIFIED)

PROPOSALS will be received by the TOWN OF TOLLAND, CONNECTICUT (the “Issuer”) by TELEPHONE BID by an authorized agent of Phoenix Advisors, LLC, the Issuer’s Financial Advisor, at (203) 283-1110 until 11:30 A.M. (Eastern Time) on TUESDAY,

AUGUST 15, 2017

for the purchase, when issued, at no less than par of \$4,810,000 General Obligation Bond Anticipation Notes of the Issuer, dated August 29, 2017 and due May 24, 2018 (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 Issuer and are payable, unless paid from other sources, from ad valorem taxes levied against all taxable property subject to taxation by the Issuer. 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 taxable at limited amounts.

Bank Qualification. The Notes SHALL be designated by the Issuer as “qualified tax-exempt obligations” under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

DTC 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, except as set forth below under “Option For No Book-Entry”, 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 \$100,000 or any integral multiple 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 Issuer or its agent in same-day funds 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 Issuer 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 Issuer, 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.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Issuer fails to identify another qualified securities depository to replace DTC, or (b) the Issuer determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Issuer will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Option For No Book-Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all of the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Issuer as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Issuer at the time of the submission of the bid. The Issuer reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the winning bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the winning bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Issuer any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the winning bidder is so designated. The terms and covenants of the Notes issued in non-book-entry form shall be the same as if the Notes were issued in book-entry form, except as required to reflect that the Notes are non-book-entry and the designation of the purchaser as Certifying Agent, Registrar and Paying Agent.

Bid Terms and Basis of Award. Except as otherwise provided herein, bidders may submit proposals for all or a portion of the Notes. Any proposal for a portion of the Notes must be for a minimum of \$100,000 of principal amount per interest rate bid, or a whole multiple thereof. No proposal for less than the minimum denomination or for less than par and accrued interest will be accepted. 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 Issuer, 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 Issuer 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 Issuer further reserves the right to postpone the sale to another

time and date in its sole discretion for any reason. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

CUSIP Numbers. Unless the winning bidder requests the no book-entry option, the Notes will be delivered to DTC or its agent on or about August 29, 2017. The deposit of the Notes with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. It is anticipated that the purchaser 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 Issuer; provided, however, that the Issuer 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.

Proposals. 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 Issuer by telephone call to Phoenix Advisors, LLC, the Issuer's Financial Advisor, at (203) 283-1110. All telephone bids must be completed by 11:30 A.M. (Eastern Time) on Tuesday, August 15, 2017, 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 Issuer's Financial Advisor shall constitute the official time.

Certifying Agent, Registrar and Paying Agent. Unless the winning bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book-Entry" above, the Notes will be certified by U.S. Bank National Association, Hartford, Connecticut, and U.S. Bank National Association will also act as Registrar and Paying Agent.

Delivery 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 August 29, 2017; unless the option for no book-entry is exercised, in which case payment shall be made in immediately available federal funds to the Issuer in accordance with the Issuer's instructions.

At or prior to the delivery of the Notes the purchaser shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut, Bond Counsel; (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 Issuer to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes.

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 set forth in the Appendix 1 to this Notice of Sale. The opinion will appear on each Note certificate and will state that the Notes are valid and binding obligations of the Issuer. Bond Counsel will require as a precondition to release of its opinion printed on the Bonds that the purchaser of such Bonds deliver to it a completed "issue price" certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under "Establishment of Issue Price".

Establishment of Issue Price

In order to provide the Issuer 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 Issuer 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 Sandra Dawson, Esq., Updike, Kelly & Spellacy, P.C., 100 Pearl Street, 17th floor, Hartford, CT 06103, Telephone: (860) 548-2643, E-mail: sdawson@uks.com and (2) the Financial Advisor at Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River St., Suite 1, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Financial Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Financial Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Financial Advisor may act on behalf of the Issuer.

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 Issuer 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 Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) 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 Financial 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer, or the Financial Advisor on behalf of the Issuer, 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 Financial Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment B. If the winning bidder is purchasing any Maturity (as hereinafter defined) of the Notes for its own account and not with a view to distribution or resale of such Maturity to the Public, then the winning bidder shall provide Bond Counsel and the Financial Advisor a completed “Certificate as to Issue Price” (in form satisfactory to Bond Counsel) for such Maturity or Maturities of the Notes.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Financial Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer 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 8:00 a.m. (Eastern Time) on August 16, 2017 (the morning after the Sale Date), shall notify and provide, via e-mail, Bond Counsel and the Financial Advisor (A)(I) of the first price at which ten percent (10%) of each Maturity of Bonds 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 Issuer, or Bond Counsel on behalf of the Issuer, 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 Bonds 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 Bonds 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 Financial 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds 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.

“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 a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

No Continuing Disclosure or Official Statement. Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Issuer will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

More Information. For more information regarding this issue and the Issuer reference is made to the Issuer's financial statements. Proposal forms and copies of the Issuer's financial statements may be obtained from Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River St., Suite 1, Milford, CT 06460 (telephone: (203) 283-1110). Questions concerning the Issuer should be directed to Lisa A. Hancock, Director of Finance & Records/Treasurer, 21 Tolland Green, Tolland, CT 06084 (telephone: (860) 871-3658).

TOWN OF TOLLAND, CONNECTICUT

STEVEN R. WERBNER
Town Manager

LISA A. HANCOCK
Treasurer

August 8, 2017

(See attached form of the Bid Form Proposal for Tolland Notes)

ATTACHMENT A

BID FORM – PROPOSAL FOR NOTES

Steven R. Werbner, Town Manager
Lisa A. Hancock, Treasurer
Town of Tolland
21 Tolland Green
Tolland, CT 06084

Tolland Town Officials:

Subject to the provisions of the Notice of Sale dated August 8, 2017, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$4,810,000 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 \$4,810,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated August 29, 2017 and maturing on May 24, 2018, 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 \$4,810,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated August 29, 2017 and maturing on May 24, 2018, 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 \$4,810,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated August 29, 2017 and maturing on May 24, 2018, 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: August 15, 2017

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)

(E-mail Address)

We request that the Notes not be issued in book-entry form, but be registered in the name of the bidder, as provided in the Notice of Sale.

Only if submitting request that Notes not be issued in book-entry form: We request to be designated as the Certifying Agent, Registrar and Paying Agent for the Notes, as provided in the Notice of Sale.

ATTACHMENT B

ISSUE PRICE CERTIFICATE

TOWN OF TOLLAND, CONNECTICUT
\$4,810,000 General Obligation Bond Anticipation Notes
Dated and Issued August 29, 2017

The undersigned, on behalf of [Underwriter] (“[Short Name]”), 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], the purchaser of the Notes.

2. **Purchase Price.** The Town of Tolland, Connecticut (the “Issuer”) sold to [Short Name], for delivery on or about August 29, 2017 (the “Issue Date”), the Notes at a price of 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 August 15, 2017 (the “Sale Date”), the reasonably expected initial offering price(s) of the Notes to the Public by [Short Name] 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] 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] to purchase the Notes.

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

(c) The bid submitted by [Short Name] 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]’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 the August 15, 2017.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

<u>Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
May 24, 2018			

Schedule B to Issue Price Certificate

[Copy of Bid]

APPENDIX 1

Form of Opinion of Bond Counsel and Tax Matters

August 29, 2017

Town of Tolland
21 Tolland Green
Tolland, CT 06084

RE: Town of Tolland, Connecticut
\$4,810,000 General Obligation Bond Anticipation Notes, dated August 29, 2017

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Tolland, Connecticut (the "Town") of its \$4,810,000 General Obligation Bond Anticipation Notes, dated August 29, 2017 (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 any offering material relating to the Notes 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 _____, 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 such as certified forest land taxable at a limited rate pursuant to Section 12-97 of the Connecticut General Statutes and dwelling houses of qualified elderly persons of low income taxable at limited amounts pursuant to Section 12-129b of the Connecticut General Statutes. Subject to conformity with Section 12-129d of the Connecticut General 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 upon its power to tax such dwelling houses.

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 for individuals or corporations. Such interest is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on such corporations.

The Notes are qualified to be "qualified tax-exempt obligations" of the Town in accordance with Section 265(b)(3) of the Code.

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. Interest on the Notes is, however, includable in adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on such corporations.

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

The initial public offering prices of the Notes (the “OID Notes”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Notes to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Notes is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the inside cover page of the Official Statement for the OID Notes are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Notes are sold. Under existing law, OID on the Notes accrued and properly allocable to the owners thereof under the Code is not included in gross income of the owners of the Notes for federal income tax purposes if interest on the Notes is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Note, OID treated as having accrued while the owner holds the OID Note will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Note. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Note will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Note by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

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

The initial public offering prices of the Notes (the “OIP Notes”) may be more than their stated principal amounts. An owner who purchases a Note at a premium to its principal amount must amortize Note premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Note for federal income tax purposes. The offering prices relating to the yields set forth on the inside cover page of the Official Statement for the OIP Notes are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OIP Notes are sold. 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 Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Bonds. 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 Bonds 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.

TOWN OF TOLLAND, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Comprehensive Annual Financial Report of
The Town of Tolland, Connecticut
Year Ended June 30, 2016

BlumShapiro

Accounting | Tax | Business Consulting

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, 2016, 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, 2016 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 3 to the financial statements, during the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. 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 on pages 4 through 17, and the schedule of the Town's Proportionate Share of the Net Pension Liability, Teachers Retirement Plan on page 59 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 November 22, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tolland, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 \$104,118,492 (net position). Of this amount, \$18,668,023 (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 decreased by \$1,641,836. Governmental and business-type activity expenses were \$66,066,883 while revenues were \$64,425,047.
- The total cost of all Town services for the fiscal year 2016 was \$66,066,883; of which \$65,270,003 was for governmental services and \$796,880 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 \$15,243,235, a decrease of \$700,837 from the prior fiscal year. Of the total fund balance as of June 30, 2016, \$7,113,653 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 \$8,942,439 an increase of \$476,219 over the prior fiscal year. Unassigned fund balance for the general fund was \$7,113,653 or 12% 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 \$8,942,439 or 15.1% 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 statement 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 59 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 \$104,118,492 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Tolland's net position \$85,087,581 (81.7%) 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, 2016 AND 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 24,177,214	\$ 25,293,315	\$ 757,100	\$ 596,260	\$ 24,934,314	\$ 25,889,575
Capital assets	123,555,608	125,126,411	8,705,538	9,007,412	132,261,146	134,133,823
Total assets	<u>147,732,822</u>	<u>150,419,726</u>	<u>9,462,638</u>	<u>9,603,672</u>	<u>157,195,460</u>	<u>160,023,398</u>
Deferred charge on refunding	1,333,144	1,438,100			1,333,144	1,438,100
Current liabilities	6,578,200	2,381,176	70,022	64,385	6,648,222	2,445,561
Noncurrent liabilities	45,999,608	51,263,789			45,999,608	51,263,789
Total liabilities	<u>52,577,808</u>	<u>53,644,965</u>	<u>70,022</u>	<u>64,385</u>	<u>52,647,830</u>	<u>53,709,350</u>
Advance property tax collections	1,762,282	1,991,820			1,762,282	1,991,820
Net investment in capital assets	76,382,043	76,933,951	8,705,538	9,007,412	85,087,581	85,941,363
Restricted	313,063	313,063	49,825	42,725	362,888	355,788
Unrestricted	<u>18,030,770</u>	<u>18,974,027</u>	<u>637,253</u>	<u>489,150</u>	<u>18,668,023</u>	<u>19,463,177</u>
Total Net Position	<u>\$ 94,725,876</u>	<u>\$ 96,221,041</u>	<u>\$ 9,392,616</u>	<u>\$ 9,539,287</u>	<u>\$ 104,118,492</u>	<u>\$ 105,760,328</u>

An additional portion of the Town of Tolland's total net position, .35% or \$362,888, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$18,668,023 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.

There was an increase of \$7,100 in restricted net position in the business-type activities and no change in the governmental activities from the previous year.

**TOWN OF TOLLAND CHANGES IN NET POSITION
JUNE 30, 2016 AND 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,410,026	\$ 2,403,163	\$ 629,930	\$ 670,406	\$ 3,039,956	\$ 3,073,569
Operating grants and contributions	17,379,237	16,783,044			17,379,237	16,783,044
Capital grants and contributions	1,294,653	641,948			1,294,653	641,948
General revenues:						
Property taxes	42,207,337	40,575,260			42,207,337	40,575,260
Grants and contributions not restricted to specific programs	318,864	371,281			318,864	371,281
Investment income	102,253	108,406	5,279	1,958	107,532	110,364
Miscellaneous	77,468	1,092,241			77,468	1,092,241
Total revenues	<u>63,789,838</u>	<u>61,975,343</u>	<u>635,209</u>	<u>672,364</u>	<u>64,425,047</u>	<u>62,647,707</u>
Expenses:						
Administration	1,600,623	1,058,486			1,600,623	1,058,486
Planning and community development	438,009	448,187			438,009	448,187
Community services	1,687,426	1,724,251			1,687,426	1,724,251
Public works	9,763,091	8,579,435			9,763,091	8,579,435
Public safety services	2,445,574	2,170,204			2,445,574	2,170,204
Records and financial services	875,914	1,149,410			875,914	1,149,410
Board of education	47,211,938	45,685,969			47,211,938	45,685,969
Interest expense	1,247,428	1,405,788			1,247,428	1,405,788
Sewer Fund			472,864	535,004	472,864	535,004
Water Fund			324,016	342,447	324,016	342,447
Total expenses	<u>65,270,003</u>	<u>62,221,730</u>	<u>796,880</u>	<u>877,451</u>	<u>66,066,883</u>	<u>63,099,181</u>
Excess (deficiency) before transfers	(1,480,165)	(246,387)	(161,671)	(205,087)	(1,641,836)	(451,474)
Transfers	(15,000)	(15,000)	15,000	15,000	-	-
Change in net position	<u>(1,495,165)</u>	<u>(261,387)</u>	<u>(146,671)</u>	<u>(190,087)</u>	<u>(1,641,836)</u>	<u>(451,474)</u>
Net Position - July 1	<u>96,221,041</u>	<u>96,482,428</u>	<u>9,539,287</u>	<u>9,729,374</u>	<u>105,760,328</u>	<u>106,211,802</u>
Net Position - June 30	<u>\$ 94,725,876</u>	<u>\$ 96,221,041</u>	<u>\$ 9,392,616</u>	<u>\$ 9,539,287</u>	<u>\$ 104,118,492</u>	<u>\$ 105,760,328</u>

The Town of Tolland's overall net position decreased \$1,641,836 from the prior fiscal year. The major changes in revenues and expenses creating this overall decrease are discussed in the following sections for governmental activities and business-type activities. Governmental activities decreased the Town of Tolland's net position by \$1,495,165 and business-type activities reduced it by \$146,671.

Governmental Activities

For governmental activities, approximately 66.2% of the revenues were derived from property taxes, followed by 27.2% 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 65.5% and other intergovernmental revenues were 28.7% of total revenues.

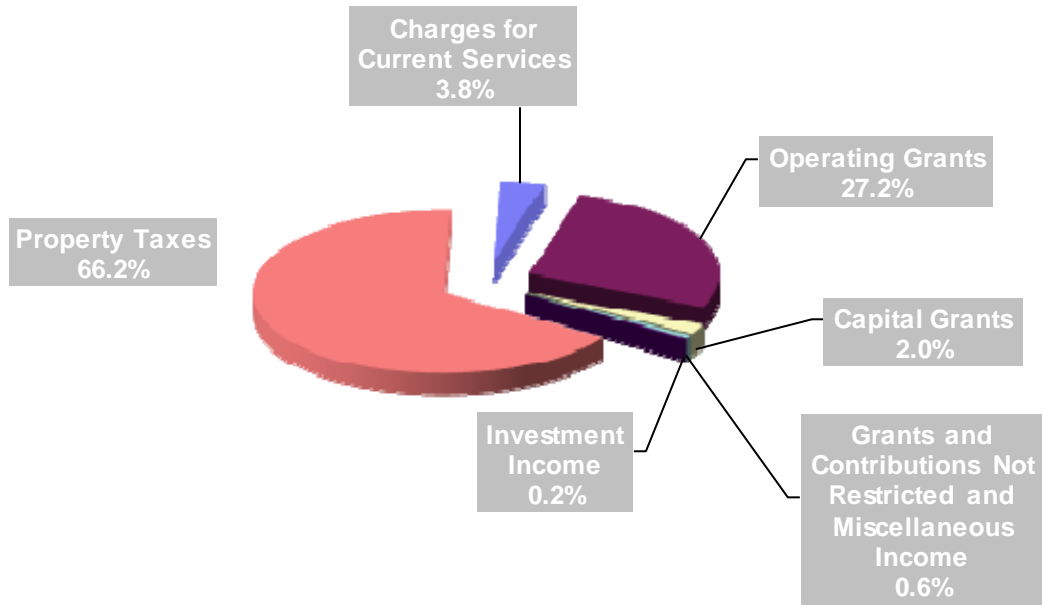
Major revenue factors included:

1. *Property tax revenues* recorded during the fiscal year 2016 reflect a 2.31 mill increase in the mill rate for the current levy and the impact of a 3.51% decline in the grand list. There was \$1,632,077 more in property tax revenues collected over the previous year.
2. *Charges for services* were \$6,863 slightly higher than the prior year due to deferred revenue recognition for government-wide in the prior year.
3. *Operating grants* reflected an increase of \$596,194 mainly due to an increase of \$531,639 in the State Teacher Retirement Revenue.
4. *Capital grants and contributions* reflected an increase of \$652,705 over the previous year due to Open space grant reimbursement of \$395,200 and the nonprofit's donation of Adam's Adventure Playground in the value of \$302,098.
5. *Miscellaneous General Revenues* decreased by \$1,014,773 over the previous year mainly due to receipts received in 2015 a loan and utility project rebates for the Honeywell Energy Project.

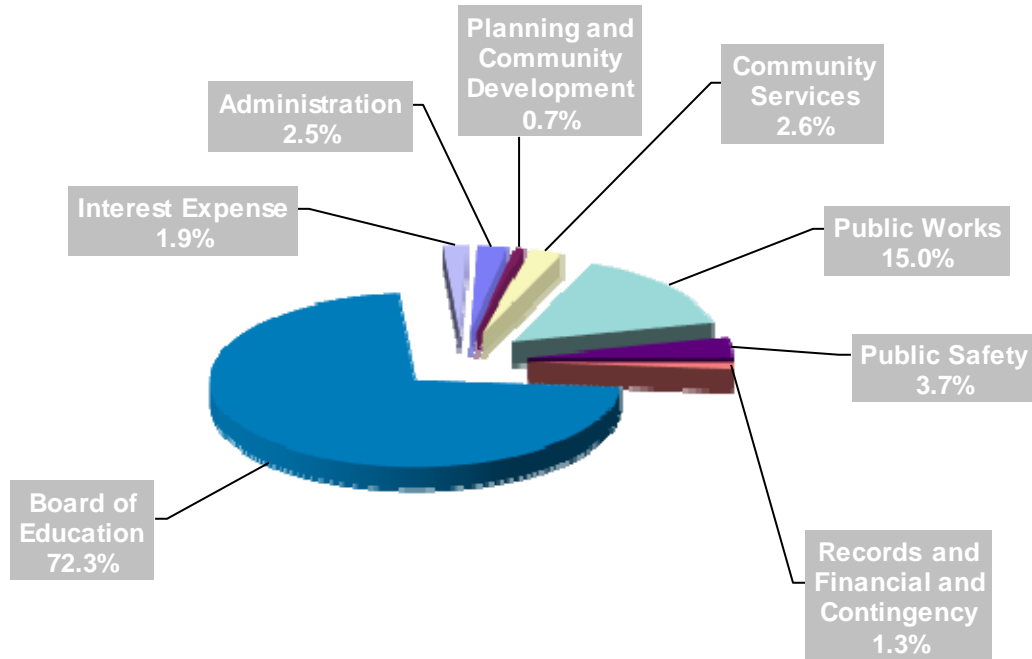
Overall governmental revenue increased by \$1,814,497 due to an increase in program revenues of \$1,255,761 and an increase of property taxes of \$1,632,077 offset by a decrease in miscellaneous income of \$1,014,773.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

The largest component of revenue, which is from property taxes, increased to 66.2% of total revenue in the current year as compared to 65.5% in the prior year.



EXPENSES BY SOURCE - GOVERNMENTAL ACTIVITIES



For governmental activities, 72.3% of the Town's expenses relate to education, 15% to public works, 3.7% to public safety, 2.6% to community services, 1.9% to interest payments on long-term debt, 2.5% to administration, 1.3% 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 \$3,048,273 with the biggest impact of \$1,183,656 in Public Works due to the funding of ongoing road pavement project. In addition, the increase of \$1,525,969 in the Board of Education expenses reflects the operational needs of 2015/2016 budget year. The Board of Education expenses for State Teacher's Retirement funding for the current year was \$3,953,199 or an increase of \$531,679 over the previous year's amount of \$3,421,520.

Business-type activities. Business-type activities decreased the Town of Tolland's net position by \$146,671. Key elements of this year's activities are as follows:

- The Water Fund had operating income of \$38,658, and the Sewer Fund experienced an operating loss of \$205,608 for a combined operating loss of \$166,950. The non-operating revenues of both funds and subsidized contributions from General Fund to Sewer Fund helped to offset the loss still resulting in the reduction in net position of \$146,671 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 addresses the needs of 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 \$15,243,235, a decrease of \$700,837 from the previous year.

The largest change in fund balance was a decrease of \$1,779,266 in capital projects due to the timing of expenditures with revenues that had been reported in the prior year. Increases in the General Fund, Small Cities and Non-Major funds offset most of the decrease.

The general fund balance increased by \$476,219 due to an excess of \$1,040,505 revenues over expenditures less the other financing uses of \$564,285.

The sewer assessment fund decreased by \$67,559 due to sewer assessment fees that were lower than cost of debt service.

The overall amount of the **governmental fund** balances totals up to \$15,243,235. Of that amount the assigned fund balance is \$1,764,973 which includes \$1,514,973 for encumbrances and \$250,000 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 \$264,540. There are balances committed in the amount of \$5,757,237 for capital projects and other special commitments. An additional amount of \$342,832 represents the non-spendable portion of fund balance and the unassigned portion of fund balance is \$7,113,653 or 47% 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 \$7,113,653, while total fund balance was \$8,942,439. 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 12% of total general fund expenditures including transfers out. Total fund balance represents 15% of that same amount. The unassigned portion of fund balance, when compared with unassigned last year portion for the general fund had increased by \$260,419 while the total fund balance increased \$476,219.

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

- Although the Town experienced shortfall in charges for services for \$109,004, the current year levy and Motor vehicle supplement collection exceeded the budget by \$239,857; with additional revenue collected in Investment income and Other revenues by \$86,143. The original intent of using of 281,338 of fund balance ended in saving additional \$260,419.

The *Sewer Assessment* fund had a decrease in its operating revenue by \$67,064 as compared to last year and a decrease of fund balance of \$67,559.

The *CDBG Small Cities Funds* qualified as a major fund again this year due to a new rehabilitation grant that produced program income revenues of \$80,775 which increased fund balance in the same amount of \$80,775.

In the Capital Projects funds, expenditures and other financing uses exceeded revenues and other financing sources by \$1,779,266 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 \$3,021,099 and \$6,371,517 for the sewer fund at year-end. This represented an increase of \$39,863 for water and a decrease of \$186,534 for sewer. The increase in water resulted from an increase in customer user fees and a decrease in repair and maintenance expenses. The decrease in sewer is due mainly to expenses, including depreciation, not being covered by user fees. The Sewer Operating expenses were \$62,140 less than the previous fiscal year. This was mainly due to less repair and maintenance in the previous fiscal year for major pump repairs. 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 \$1,695,043 and operating expenses were \$1,121,070, when combined with non-operating expenses of \$336,961, resulted in a change in net position of \$148,816. Total net position as of June 30, 2016 was \$737,115. Operating expenses decreased by \$164,903 due to the impact of a mild winter and other energy cost savings. Our current fiscal year non-operating revenues /expenses are \$411,048 less than the previous fiscal year mainly due to a one time rebate of \$413,976 during that year.

The ECHIP Health Insurance Internal Service Fund had total revenue of \$6,516,604 and operating expenses of \$6,484,852 resulting in a change in net position of \$51,428. Although positive, the net increase to the net position was not as much as the previous fiscal year's increase of \$755,797. This is due to reduced contributions resulting from workforce reductions and higher claims than previous year. The fund was also impacted for the payment of the new federally required reinsurance payment of approximately \$47,000. The total net position as of June 30, 2016 was \$1,773,363.

General Fund Budgetary Highlights

Comparing the difference between the original budget and the final amended budget reveals an overall increase of \$31,338. The increase for the final amended budget was mainly related to a supplemental appropriation to transfer previous years Education budget savings of \$25,982 to a special reserve fund. During the year, actual revenues and other financing sources on a budgetary basis were \$54,547,288, which was below budgetary estimates by \$82,980.

Actual tax revenues were over budget by \$235,585 due to increase current year tax collections.

Actual intergovernmental revenue was under the budget by \$22,676. The major impact in this revenue shortage was due to the reduction in the State property reimbursement grant of \$50,433 which was offset partially by \$24,706 in additional Educational Cost Sharing (ECS) revenue.

Charges for current services were under the budget by \$109,004 due to a solar project and elderly housing project that didn't begin as planned. The solar project commence after July 2016. Investment income was \$30,918 over budget due to investing a portion of cash not currently needed into longer term investments for higher interest rates. Other financing sources included \$8,310 for cancellation of previous year encumbrances.

Other revenues exceeded the budget by \$55,225. Of that amount, \$24,844 was received from the Water fund to provide funding for Engineering Services and \$15,000 was received from our sports leagues to assist with the costs associated with the new Artificial Turf field.

The Town had an original budgeted appropriation for the use of fund balance in the amount of \$250,000 that was revised during the year to \$281,338. The full amount did not have to be used because of the excess revenues received in other revenue sources. \$25,982 of the increased amount

was to transfer funds the Education Reserve fund. The actual amount of fund balance was increased by \$260,419.

Actual expenditures on a budgetary basis and other financing uses totaled \$54,286,869, which was less than budgeted by \$343,399. Of this amount, savings resulting from the Board of Education were \$13,903. The remaining savings are mainly due to savings from substantial \$161,062 in the Public Works department due to a mild winter season and cost associated with snow removal; \$71,788 in the Public Safety due to a reduction in State Trooper sources; less than anticipated prior year refunds and savings resulting from employee attrition and a delay in the hiring process.

Capital Asset and Debt Administration

**TOWN OF TOLLAND’S CAPITAL ASSETS
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 14,871,215	\$ 14,728,343	\$ 50,858	\$ 50,858	\$ 14,922,073	\$ 14,779,201
Construction in progress	2,453,306	465,677			2,453,306	465,677
Buildings	81,098,845	84,005,290			81,098,845	84,005,290
Vehicles, furniture and equipment	5,748,628	5,547,759			5,748,628	5,547,759
Plant and pumping station			1,204,637	1,284,536	1,204,637	1,284,536
Water distribution system			7,450,043	7,672,018	7,450,043	7,672,018
Infrastructure	19,383,614	20,379,342			19,383,614	20,379,342
Total	<u>\$ 123,555,608</u>	<u>\$ 125,126,411</u>	<u>\$ 8,705,538</u>	<u>\$ 9,007,412</u>	<u>\$ 132,261,146</u>	<u>\$ 134,133,823</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 \$1,872,677 or approximately 1.4%, with an decrease of \$1,570,803 for governmental activities and a decrease of \$301,874 for business-type activities.

The Town's Governmental Activities type capital assets decrease of \$1,872,677 is the net result of depreciation and the addition of the following assets:

BLEACHERS	\$ 11,724
SENIOR CENTER CANOPY	24,630
ADAM'S ADVENTURE PLAYGROUND	302,098
2015 F-250 TRUCK	30,000
TIS PA SYSTEM	10,602
ADVANCED FLOOR SCRUBBER	10,075
2015 FORD F-350 PICK-UP TRUCK	36,994
2015 INTERNATIONAL DUMP TRUCK	163,861
EVEREST 14' SIDE DUMP BODY	73,714
2015 F-550 RACK BODY TRUCK	58,695
2015 FORD EXPLORER	30,853
2015 FORD F-550 DUMP TRUCK	54,168
BALLFIELD GROOMER	17,653
CATERPILLAR BACKHOE LOADER MODEL 430F2	125,140
10.96 AC BLACKINGTON PROPERTY	142,872

Business type activities decreased \$301,874 due to the net effect of depreciation.

Additional information on the Town of Tolland's capital assets can be found in Note 3D on pages 43-45 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Tolland had total bonded debt outstanding of \$33,870,000, all of which is backed by the full faith and credit of the Town.

Of this debt, \$19,092,450 is school related and \$14,777,550 is general obligation. The Town of Tolland's total debt increased by the amount of \$4,580,000 due to \$5,410,000 bond anticipation notes rolled into bonds, \$2,155,000 in new debt and the reduction of \$2,985,000 for payments made during the fiscal year.

In October 2016 the Town has been upgraded to 'AAA' from 'AA+' by Fitch rating agency based on revised criteria on prior debt issuances. The last bond rating for the Town of Tolland was in October, 2015 affirming an "AAA" rating from Standard and Poor's 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 \$295,505,581 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 46-49 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. The Committees that the Town Council formed to review technology, energy and other areas where efficiencies can be identified have begun to generate ideas and projects for cost savings. 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:

- The Planning and Zoning Commission amended the zoning regulations for the Tolland Village Area to allow larger buildings in this mixed use zone. Developers have prepared initial plans for retail and multi-family housing in this area. In an effort to increase economic development growth in this area, the Town Council created a special tax abatement program.
- The Planning and Zoning Commission created a Technology Campus Zone on Route 195, the main thoroughfare to the University of Connecticut to provide economic development opportunities for technology or research businesses that have relationships with the University. UConn is making a major investment in a research park which will bring related business to the area as well as a need for additional housing. While not located within the zone, a multi-family housing was recently approved adjacent to the zone. This development is noted here because it entails a new road, which later can be extended to serve land in the Technology Campus Zone.
- Improvements to Tolland's transportation infrastructure are underway. Construction continues to better accommodate increased traffic along 195 from I-84 to Goose Lane/ Rhodes Road. The project improves conditions for the traffic heading to and from UCONN and will improve access to businesses in the corridor. The State is in the design phase for road improvements in the Tolland Green area and the Capital Region Council of Governments initiated a corridor study that, in part, will further examine corridors leading to UConn.
- Construction is about to begin on two solar farms on town-owned properties. The projects will provide annual rebates to our electricity accounts for the next fifteen to twenty years.

The new economic indicators were taken into consideration when adopting the general fund budget for fiscal year 2016/2017. The approved State budget reduced all municipal aid categories except Educational Cost Sharing (ECS) by 5.8%. These reductions decreased our municipal aid by \$350,000. Fortunately, for one year the State increased the cap on motor vehicle taxes from 32 mills up to 37 mills. Tolland's motor vehicle mill rate is 34.19 mills, giving the Town \$300,000 in additional tax revenue. Thus the most recent reductions at the State level had a \$50,000 negative impact on the Town.

We are fortunate that we did experience a .78% increase in our October 1, 2015 Grand List. This resulted in an increase of \$319,745 in actual dollars generated based on the current mill rate. Our increase is just above the median increase of some 26 Towns in the area of .67% which demonstrates some recovery within the building industry in Tolland.

When factoring in all the changes in non-tax revenue sources including the new \$303,971 in sales tax sharing and taking into consideration the one year increase in the motor vehicle tax cap, we are experiencing a modest decrease in revenues overall in the amount of \$81,318.

In 2016/2017 the overall Town budget increased by 2.21% which required a .83 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 2016/2017 appropriation in the general fund budget are \$55,806,582, an increase of \$1,207,652 over the fiscal year 2016 budget of \$54,598,930. A combination of increased costs for fixed items such as, insurance, utilities, salaries, health benefits and other commodities and a change in professional services (the State Trooper contract, Engineering contract) along with a substantial change in the percentage decrease in State aid had the biggest impact on the fiscal year 2016/2017 budget. In order to achieve this budget level, cost savings measures were employed such as a delayed hiring and a restructuring of that unit, a reduction in positions at the Board of Education and savings in insurance premiums as a result of claim experience, revised trend assumptions, reserve balance and a reduction in the dental rate.

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, tree trimming to reduce emergency situations during severe storms, community development grants (CDBG-Small Cities) and other social service grants.

Tolland's unemployment rate increased from 3.7% as of June 2015 to 4.2% at June 2016. The State of CT unemployment rate increased from 5.6% (June 2015) to 5.9% as of June 2016.

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.

Basic Financial Statements

TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 15,812,946	\$ 513,447	\$ 16,326,393
Investments	2,685,690		2,685,690
Property taxes receivable	623,268		623,268
Intergovernmental receivable	681,243		681,243
Accounts and other receivables	1,632,959	243,653	1,876,612
Other assets	29,769		29,769
Advance to plan administrator	2,221,963		2,221,963
Restricted cash and investments	313,063		313,063
Other post employment benefit asset	176,313		176,313
Capital assets, nondepreciable	17,324,521	50,858	17,375,379
Capital assets, net of accumulated depreciation	106,231,087	8,654,680	114,885,767
Total assets	<u>147,732,822</u>	<u>9,462,638</u>	<u>157,195,460</u>
Deferred Outflow of Resources:			
Deferred charge on refunding	<u>1,333,144</u>		<u>1,333,144</u>
Liabilities:			
Accounts payable	1,625,027	70,022	1,695,049
Accrued liabilities	56,512		56,512
Accrued interest payable	690,723		690,723
Unearned revenue	127,444		127,444
Noncurrent liabilities, due within one year	4,078,494		4,078,494
Noncurrent liabilities, due in more than one year	45,999,608		45,999,608
Total liabilities	<u>52,577,808</u>	<u>70,022</u>	<u>52,647,830</u>
Deferred Inflows of Resources:			
Advance property tax collections	<u>1,762,282</u>		<u>1,762,282</u>
Net Position:			
Net investment in capital assets	76,382,043	8,705,538	85,087,581
Restricted for:			
Commitments		49,825	49,825
Endowments - nonexpendable	20,800		20,800
Perpetual care - nonexpendable	292,263		292,263
Unrestricted	<u>18,030,770</u>	<u>637,253</u>	<u>18,668,023</u>
Total Net Position	<u>\$ 94,725,876</u>	<u>\$ 9,392,616</u>	<u>\$ 104,118,492</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, 2016**

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	\$ 1,600,623	\$	\$	\$ 387,114	\$ (1,213,509)	\$	\$ (1,213,509)
Planning and community development	438,009	360,580		262	(77,167)		(77,167)
Community services	1,687,426	463,717	22,015	512,213	(689,481)		(689,481)
Public works	9,763,091	93,451	98,715	362,888	(9,208,037)		(9,208,037)
Public safety services	2,445,574	286,369	46,916		(2,112,289)		(2,112,289)
Record and financial services	875,914	105,751			(770,163)		(770,163)
Board of education	47,211,938	1,100,158	17,211,591	11,938	(28,888,251)		(28,888,251)
Interest expense	1,247,428			20,238	(1,227,190)		(1,227,190)
Total governmental activities	<u>65,270,003</u>	<u>2,410,026</u>	<u>17,379,237</u>	<u>1,294,653</u>	<u>(44,186,087)</u>	<u>-</u>	<u>(44,186,087)</u>
Business-Type Activities:							
Sewer Fund	472,864	267,256				(205,608)	(205,608)
Water Fund	<u>324,016</u>	<u>362,674</u>				<u>38,658</u>	<u>38,658</u>
Total business-type activities	<u>796,880</u>	<u>629,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,950)</u>	<u>(166,950)</u>
Total	<u>\$ 66,066,883</u>	<u>\$ 3,039,956</u>	<u>\$ 17,379,237</u>	<u>\$ 1,294,653</u>	<u>(44,186,087)</u>	<u>(166,950)</u>	<u>(44,353,037)</u>
General revenues:							
Property taxes					42,207,337		42,207,337
Grants and contributions not restricted to specific programs					318,864		318,864
Investment income					102,253	5,279	107,532
Miscellaneous					77,468		77,468
Transfers					(15,000)	15,000	-
Total general revenues and transfers					<u>42,690,922</u>	<u>20,279</u>	<u>42,711,201</u>
Change in net position					(1,495,165)	(146,671)	(1,641,836)
Net Position at Beginning of Year					<u>96,221,041</u>	<u>9,539,287</u>	<u>105,760,328</u>
Net Position at End of Year					<u>\$ 94,725,876</u>	<u>\$ 9,392,616</u>	<u>\$ 104,118,492</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<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	\$ 9,709,769	\$ 923,912	\$ 151,354	\$ 2,137,000	\$ 2,364,701	\$ 15,286,736
Investments	1,507,072			590,399	609,019	2,706,490
Receivables	487,146	635,649	886,550	132,517	77,864	2,219,726
Due from other funds				197,036		197,036
Other					29,769	29,769
Total Assets	<u>\$ 11,703,987</u>	<u>\$ 1,559,561</u>	<u>\$ 1,037,904</u>	<u>\$ 3,056,952</u>	<u>\$ 3,081,353</u>	<u>\$ 20,439,757</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 357,801	\$	\$	\$ 712,152	\$ 25,116	\$ 1,095,069
Accrued liabilities	55,917			595		56,512
Due to other funds	197,036					197,036
Unearned revenue					127,444	127,444
Total liabilities	<u>610,754</u>	<u>-</u>	<u>-</u>	<u>712,747</u>	<u>152,560</u>	<u>1,476,061</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	388,512					388,512
Unavailable revenue - special assessments		635,649			33,843	669,492
Unavailable revenue - loans receivable			886,550			886,550
Unavailable revenue - cemetery					13,625	13,625
Advance property tax collections	1,762,282					1,762,282
Total deferred inflows of resources	<u>2,150,794</u>	<u>635,649</u>	<u>886,550</u>	<u>-</u>	<u>47,468</u>	<u>3,720,461</u>
Fund balances:						
Nonspendable					342,832	342,832
Restricted			151,354	77,789	35,397	264,540
Committed	63,813	923,912		2,266,416	2,503,096	5,757,237
Assigned	1,764,973					1,764,973
Unassigned	7,113,653					7,113,653
Total fund balances	<u>8,942,439</u>	<u>923,912</u>	<u>151,354</u>	<u>2,344,205</u>	<u>2,881,325</u>	<u>15,243,235</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,703,987</u>	<u>\$ 1,559,561</u>	<u>\$ 1,037,904</u>	<u>\$ 3,056,952</u>	<u>\$ 3,081,353</u>	<u>\$ 20,439,757</u>

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

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)	\$ 15,243,235
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 215,343,094	
Less accumulated depreciation	<u>(91,787,486)</u>	123,555,608

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	190,901
Property tax, sewer use, water assessment and community development block grant receivable - accrual basis change	1,958,179
Other post employment benefit asset	176,313
School building grant receivable	544,024
Allowance for doubtful accounts on interest and liens	(17,181)

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.	2,510,478
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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	(33,922,268)
Deferred charge on refunding	1,333,144
Compensated absences	(1,519,125)
Accrued interest payable	(690,723)
Capital lease	(12,105,109)
Bond premium	<u>(2,531,600)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 94,725,876</u>
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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, 2016

	<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	\$ 42,183,337	\$	\$	\$	\$	\$ 42,183,337
Intergovernmental	16,861,099			872,507	1,116,195	18,849,801
Charges for services	585,333	151,225	80,775		1,567,762	2,385,095
Investment income	70,918			26,325	5,010	102,253
Other revenues	75,225	72		232,956	24,292	332,545
Total revenues	<u>59,775,912</u>	<u>151,297</u>	<u>80,775</u>	<u>1,131,788</u>	<u>2,713,259</u>	<u>63,853,031</u>
Expenditures:						
Current:						
Administration	3,024,034					3,024,034
Planning and community development	355,841					355,841
Community services	932,577				377,599	1,310,176
Public works	4,455,193				33,732	4,488,925
Public safety services	1,857,452				69,613	1,927,065
Record and financial services	633,230					633,230
Contingency and other	124,671					124,671
Board of Education	43,158,871				1,974,152	45,133,023
Capital outlay				5,322,867		5,322,867
Debt service	4,193,538	218,856		56,874	278,364	4,747,632
Total expenditures	<u>58,735,407</u>	<u>218,856</u>	<u>-</u>	<u>5,379,741</u>	<u>2,733,460</u>	<u>67,067,464</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,040,505</u>	<u>(67,559)</u>	<u>80,775</u>	<u>(4,247,953)</u>	<u>(20,201)</u>	<u>(3,214,433)</u>
Other Financing Sources (Uses):						
Bond anticipation note repayment				(5,410,000)		(5,410,000)
Bond issuance				7,565,000		7,565,000
Bond premiums				56,874	228,526	285,400
Transfers in	88,196			256,813	453,669	798,678
Transfers out	(652,482)				(73,000)	(725,482)
Net other financing sources (uses)	<u>(564,286)</u>	<u>-</u>	<u>-</u>	<u>2,468,687</u>	<u>609,195</u>	<u>2,513,596</u>
Net Change in Fund Balances	476,219	(67,559)	80,775	(1,779,266)	588,994	(700,837)
Fund Balances at Beginning of Year	<u>8,466,220</u>	<u>991,471</u>	<u>70,579</u>	<u>4,123,471</u>	<u>2,292,331</u>	<u>15,944,072</u>
Fund Balances at End of Year	<u>\$ 8,942,439</u>	<u>\$ 923,912</u>	<u>\$ 151,354</u>	<u>\$ 2,344,205</u>	<u>\$ 2,881,325</u>	<u>\$ 15,243,235</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, 2016**

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)	\$ (700,837)
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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	2,833,594
Depreciation expense	(4,700,694)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	387,114
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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.	(90,817)
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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	(288,931)
Increase in other post employment benefit asset	7,881
Decrease in property tax, sewer use, water assessment and community development block grant receivable - accrual basis change	(196,111)
Decrease in property tax interest and lien revenue	38,170
Decrease in property tax, sewer use and community development block grant allowance for doubtful accounts	(3,435)
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 refunding bonds	(7,565,000)
Note payment	5,410,000
Bond payments	2,985,000
Premium on bond issuance	(285,400)
Capital lease payments	354,863

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	(41,147)
Change in accrued interest	(62,074)
Amortization of deferred charge on refunding	(104,956)
Note principal payments	102,983

The net expense of the internal service funds is reported with governmental activities.	<u>200,244</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ (1,495,165)</u>
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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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Property taxes	\$ 41,947,752	\$ 41,947,752	\$ 42,183,337	\$ 235,585
Intergovernmental	11,646,841	11,646,841	11,624,165	(22,676)
Charges for services	694,337	694,337	585,333	(109,004)
Investment income	40,000	40,000	70,918	30,918
Other revenues	20,000	20,000	75,225	55,225
Total revenues	<u>54,348,930</u>	<u>54,348,930</u>	<u>54,538,978</u>	<u>190,048</u>
Expenditures:				
Current:				
Administrative	2,836,928	2,854,218	2,808,657	45,561
Planning and community development	354,117	354,447	348,251	6,196
Community services	923,295	942,392	938,655	3,737
Public works	4,470,412	4,476,379	4,315,317	161,062
Public safety services	1,862,685	1,878,447	1,806,659	71,788
Record and financial services	971,623	982,722	967,252	15,470
Contingency and other	153,049	82,023	56,341	25,682
Board of Education	38,275,831	38,275,831	38,261,928	13,903
Debt service	4,424,558	4,105,344	4,105,344	-
Total expenditures	<u>54,272,498</u>	<u>53,951,803</u>	<u>53,608,404</u>	<u>343,399</u>
Excess of Revenues over Expenditures	<u>76,432</u>	<u>397,127</u>	<u>930,574</u>	<u>533,447</u>
Other Financing Sources (Uses):				
Cancellation of prior year encumbrances			8,310	8,310
Appropriation of fund balance	250,000	281,338		(281,338)
Transfers out	(326,432)	(678,465)	(678,465)	-
Net other financing sources (uses)	<u>(76,432)</u>	<u>(397,127)</u>	<u>(670,155)</u>	<u>(273,028)</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	260,419	<u>\$ 260,419</u>
Fund Balance at Beginning of Year			<u>7,103,234</u>	
Fund Balance at End of Year			<u>\$ 7,363,653</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 495,025	\$ 18,422	\$ 513,447	\$ 818,473
Advance to plan administrator			-	2,221,963
Accounts receivable	<u>100,821</u>	<u>142,832</u>	<u>243,653</u>	
Total current assets	<u>595,846</u>	<u>161,254</u>	<u>757,100</u>	<u>3,040,436</u>
Noncurrent assets:				
Capital assets, nondepreciable:				
Land	50,858		50,858	
Capital assets, net of accumulated depreciation:				
Plant and pumping station	399,350	805,287	1,204,637	
Distribution system	<u>1,991,539</u>	<u>5,458,504</u>	<u>7,450,043</u>	
Total noncurrent assets	<u>2,441,747</u>	<u>6,263,791</u>	<u>8,705,538</u>	<u>-</u>
Total assets	<u>3,037,593</u>	<u>6,425,045</u>	<u>9,462,638</u>	<u>3,040,436</u>
Liabilities:				
Current liabilities:				
Accounts payable	16,494	53,528	70,022	81,358
Claims payable			-	448,600
Total current liabilities	<u>16,494</u>	<u>53,528</u>	<u>70,022</u>	<u>529,958</u>
Net Position:				
Net investment in capital assets	2,441,747	6,263,791	8,705,538	
Restricted for commitments	49,825		49,825	
Unrestricted	<u>529,527</u>	<u>107,726</u>	<u>637,253</u>	<u>2,510,478</u>
Total Net Position	<u>\$ 3,021,099</u>	<u>\$ 6,371,517</u>	<u>\$ 9,392,616</u>	<u>\$ 2,510,478</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, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 344,626	\$ 267,256	\$ 611,882	\$ 1,695,043
Other charges for services	18,048		18,048	
Employer contributions			-	6,516,604
Total operating revenues	<u>362,674</u>	<u>267,256</u>	<u>629,930</u>	<u>8,211,647</u>
Operating Expenses:				
Professional services	82,870	77,140	160,010	
Repairs and maintenance	42,074	22,797	64,871	
Service fees	2,497	121,324	123,821	
Materials and supplies	23,050	11,414	34,464	
Utilities	77,665	34,175	111,840	1,121,070
Administration			-	73,471
Employee benefits			-	6,411,381
Depreciation	95,860	206,014	301,874	
Total operating expenses	<u>324,016</u>	<u>472,864</u>	<u>796,880</u>	<u>7,605,922</u>
Operating Income (Loss)	<u>38,658</u>	<u>(205,608)</u>	<u>(166,950)</u>	<u>605,725</u>
Nonoperating Revenue (Expenses):				
Interest expense			-	(337,850)
Investment income	1,205	4,074	5,279	20,565
Net nonoperating revenue (expense)	<u>1,205</u>	<u>4,074</u>	<u>5,279</u>	<u>(317,285)</u>
Income (Loss) Before Transfers	<u>39,863</u>	<u>(201,534)</u>	<u>(161,671)</u>	<u>288,440</u>
Transfers In		15,000	15,000	
Transfers Out			-	(88,196)
Total transfers	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(88,196)</u>
Change in Net Position	39,863	(186,534)	(146,671)	200,244
Net Position at Beginning of Year	<u>2,981,236</u>	<u>6,558,051</u>	<u>9,539,287</u>	<u>2,310,234</u>
Net Position at End of Year	<u>\$ 3,021,099</u>	<u>\$ 6,371,517</u>	<u>\$ 9,392,616</u>	<u>\$ 2,510,478</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, 2016**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers	\$ 355,077	\$ 287,605	\$ 642,682	\$ 8,211,703
Payments to suppliers	(201,112)	(288,257)	(489,369)	(1,108,759)
Payments to providers of benefits			-	(6,536,280)
Net cash provided by (used in) operating activities	<u>153,965</u>	<u>(652)</u>	<u>153,313</u>	<u>566,664</u>
Cash Flows from Noncapital Financing Activities:				
Net transfers in		15,000	15,000	
Cash Flows from Capital and Related Financing Activities:				
Transfers out				(88,196)
Interest expense	1,205	4,074		(337,850)
Net cash provided by (used in) capital and related financing activities	<u>1,205</u>	<u>4,074</u>	<u>-</u>	<u>(426,046)</u>
Cash Flows from Investing Activities:				
Investment income	1,205	4,074	5,279	20,565
Net Increase (Decrease) in Cash and Cash Equivalents	155,170	18,422	173,592	161,183
Cash and Cash Equivalents at Beginning of Year	<u>339,855</u>	<u>-</u>	<u>339,855</u>	<u>657,290</u>
Cash and Cash Equivalents at End of Year	<u>\$ 495,025</u>	<u>\$ 18,422</u>	<u>\$ 513,447</u>	<u>\$ 818,473</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 38,658	\$ (205,608)	\$ (166,950)	\$ 605,725
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	95,860	206,014	301,874	
(Increase) decrease in accounts receivable	(7,597)	20,349	12,752	56
Increase (decrease) in due to/from other funds	21,226	(21,226)	-	
(Increase) decrease in advance to plan administrator				(88,628)
Increase (decrease) in accounts payable	5,818	(181)	5,637	12,311
Increase (decrease) in claims payable				37,200
Net Cash Provided by (Used in) Operating Activities	<u>\$ 153,965</u>	<u>\$ (652)</u>	<u>\$ 153,313</u>	<u>\$ 566,664</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Fund Stevenson Scholarship</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 25,079	\$ 647,321
Investments:			
Mutual funds	924,993		
Accounts receivable			26,683
Total assets	<u>924,993</u>	<u>25,079</u>	<u>674,004</u>
Liabilities:			
Accounts payable			<u>674,004</u>
Net Position:			
Held in Trust for Other Purposes	<u>\$ 924,993</u>	<u>\$ 25,079</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, 2016**

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Fund Stevenson Scholarship</u>
Additions:		
Interest and dividends	\$	\$ 26
Contributions	457,613	
Net change in fair value of investments	12,108	
Total additions	<u>469,721</u>	<u>26</u>
Deductions:		
Benefits	<u>333,756</u>	
Change in Net Position	135,965	26
Net Position at Beginning of Year	<u>789,028</u>	<u>25,053</u>
Net Position at End of Year	<u>\$ 924,993</u>	<u>\$ 25,079</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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.

**TOWN OF TOLLAND, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
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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 estimated fair market value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
Buildings	50-75
Building improvements	50
Land/rights of way	-
Construction in progress	-
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/Inflows 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 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.

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

I. 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.

J. 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.

K. 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.

**TOWN OF TOLLAND, CONNECTICUT
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L. 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.

M. 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. During the year, \$31,338 of additional appropriations were approved from fund balance.
- 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.

**TOWN OF TOLLAND, CONNECTICUT
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- 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.

A reconciliation of the accounting treatment required by GAAP and budgetary requirements at June 30, 2016 is as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance
Balance, budgetary basis	\$ 54,547,288	\$ 54,286,869	\$ 7,363,653
Prior year encumbrances liquidated		1,056,060	
Prior year encumbrances cancelled	(8,310)		
Prior year encumbrances still outstanding			223,367
Utility Service Fund Transfer Non-Budgeted	88,196	88,196	
Education Reserve Fund Beginning Fund Balance			75,249
Transfer to Education Reserve Fund Non-GAAP		(25,982)	25,982
Education Reserve Fund Expenditures Non-Budgeted		37,418	(37,418)
Current year encumbrances		(1,291,606)	1,291,606
State of Connecticut grants for Special Education Excess Costs, netted for budgetary purposes	1,283,735	1,283,735	
State Teachers' Retirement on-behalf payment	<u>3,953,199</u>	<u>3,953,199</u>	
Balance, GAAP basis	<u>\$ 59,864,108</u>	<u>\$ 59,387,889</u>	<u>\$ 8,942,439</u>

**TOWN OF TOLLAND, CONNECTICUT
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 JUNE 30, 2016**

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 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*, \$17,541,894 of the Town’s bank balance of \$19,369,753 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 15,610,197
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,931,697</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 17,541,894</u></u>

**TOWN OF TOLLAND, CONNECTICUT
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Cash Equivalents

At June 30, 2016, the Town's cash equivalents amounted to \$216,384. 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	

Investments

As of June 30, 2016, 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>
U.S. Government Obligation					
National Mortgage Pool	N/A	\$ 109	\$	\$ 109	\$
Certificates of Deposit*		<u>1,507,072</u>	<u>1,507,072</u>		
Total		1,507,181	<u>\$ 1,507,072</u>	<u>\$ 109</u>	<u>\$ -</u>
Other investments:					
Mutual funds		2,069,947			
Equities		<u>54,355</u>			
Total Investments		<u>\$ 3,631,483</u>			

*Subject to coverage by Federal Depository Insurance and collateralization.

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The Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. The new disclosure is presented below:

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, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
U.S. Government Agencies	\$ 109	\$ 109	\$	\$
Equities	54,355	54,355		
Mutual Funds	<u>2,069,947</u>	<u>2,069,947</u>		
Total investments by fair value level	2,124,411	<u>\$ 2,124,411</u>	<u>\$ -</u>	<u>\$ -</u>
Certificates of Deposit	<u>1,507,072</u>			
Total Investments	<u>\$ 3,631,483</u>			

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, 2016.

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.

**TOWN OF TOLLAND, CONNECTICUT
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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

	<u>Cemetery Perpetual Care Fund</u>	<u>Ratcliff Hicks Memorial School Fund</u>	<u>Total</u>
Original principal received	\$ 292,263	\$ 20,800	\$ 313,063
Net appreciation on investments	<u>2,839</u>	<u>656,942</u>	<u>659,781</u>
Total Value	<u>\$ 295,102</u>	<u>\$ 677,742</u>	<u>\$ 972,844</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.

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

**TOWN OF TOLLAND, CONNECTICUT
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- 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>Capital Projects</u>	<u>CDBG Small Cities</u>	<u>Nonmajor and Other Funds</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:								
Taxes	\$ 477,128	\$	\$	\$	\$	\$	\$	\$ 477,128
Accounts and other	27,083	635,649	31,504	886,550	78,856	100,821	142,832	1,903,295
Intergovernmental	10,515		101,013		25,691			137,219
Gross receivables	<u>514,726</u>	<u>635,649</u>	<u>132,517</u>	<u>886,550</u>	<u>104,547</u>	<u>100,821</u>	<u>142,832</u>	<u>2,517,642</u>
Less: Allowance for collection losses	<u>27,580</u>							<u>27,580</u>
Net Total Receivables	<u>\$ 487,146</u>	<u>\$ 635,649</u>	<u>\$ 132,517</u>	<u>\$ 886,550</u>	<u>\$ 104,547</u>	<u>\$ 100,821</u>	<u>\$ 142,832</u>	<u>\$ 2,490,062</u>

**TOWN OF TOLLAND, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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D. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 14,325,381	\$ 142,872	\$	\$	\$ 14,468,253
Rights of way	402,962				402,962
Construction in progress	465,677	1,987,629			2,453,306
Total capital assets not being depreciated	<u>15,194,020</u>	<u>2,130,501</u>	<u>-</u>	<u>-</u>	<u>17,324,521</u>
Capital assets being depreciated:					
Buildings and improvements	136,461,721	22,261			136,483,982
Vehicles, furniture and equipment	12,552,065	1,067,946	499,551		13,120,460
Infrastructure	48,414,131				48,414,131
Total capital assets being depreciated	<u>197,427,917</u>	<u>1,090,207</u>	<u>499,551</u>	<u>-</u>	<u>198,018,573</u>
Less accumulated depreciation for:					
Buildings and improvements	52,456,431	2,928,706			55,385,137
Vehicles, furniture and equipment	7,004,306	776,260	408,734		7,371,832
Infrastructure	28,034,789	995,728			29,030,517
Total accumulated depreciation	<u>87,495,526</u>	<u>4,700,694</u>	<u>408,734</u>	<u>-</u>	<u>91,787,486</u>
Total capital assets being depreciated, net	<u>109,932,391</u>	<u>(3,610,487)</u>	<u>90,817</u>	<u>-</u>	<u>106,231,087</u>
Governmental Activities Capital Assets, Net	<u>\$ 125,126,411</u>	<u>\$ (1,479,986)</u>	<u>\$ 90,817</u>	<u>\$ -</u>	<u>\$ 123,555,608</u>

**TOWN OF TOLLAND, CONNECTICUT
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 50,858	\$	\$	\$	\$ 50,858
Capital assets being depreciated:					
Plant and pumping stations	2,498,316				2,498,316
Water/sewer distribution system	10,758,232				10,758,232
Total capital assets being depreciated	<u>13,256,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,256,548</u>
Less accumulated depreciation for:					
Plant and pumping stations	1,213,780	79,899			1,293,679
Water/sewer distribution system	3,086,214	221,975			3,308,189
Total accumulated depreciation	<u>4,299,994</u>	<u>301,874</u>	<u>-</u>	<u>-</u>	<u>4,601,868</u>
Total capital assets being depreciated, net	<u>8,956,554</u>	<u>(301,874)</u>	<u>-</u>	<u>-</u>	<u>8,654,680</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,007,412</u>	<u>\$ (301,874)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,705,538</u>

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

Governmental Activities:

Administration	\$ 30,568
General finance	4,006
Planning and development	13,478
Development and community affairs	118,036
Public works	1,981,612
Public safety services	269,950
Board of education	<u>2,283,044</u>

Total Depreciation Expense - Governmental Activities \$ 4,700,694

Business-type activities:

Water	\$ 95,860
Sewer	<u>206,014</u>

Total Depreciation Expense - Business-Type Activities \$ 301,874

**TOWN OF TOLLAND, CONNECTICUT
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Construction Commitments

The Town has active construction projects as of June 30, 2016. 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 Fiber Optics	\$ 260,990	\$ 39,010
Various Paving and Drainage	270,877	5,423
Pavement Management	922,211	77,789
Library Expansion Project	1,201,013	1,093,077
Info Technology Improvement	18,221	37,078
Town Fiber Network Connect	704,535	57,710
Security Improvements	200,950	182,060
Resurface C P tennis Court		14,975
Pavement Management	745,326	4,674
Refurbishment of ED-340	35,818	47,066
Fire Gear	46,311	3,688
Recreation Center Heating System	16,000	2,400
Tree Trimming	20,863	18,852
Drainage Construction	9,500	90,500
TIS Parent Drop-Off	13,688	43,522
Bleachers & Parks Equipment	11,955	3,045
	<u>\$ 4,478,258</u>	<u>\$ 1,720,869</u>

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

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, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ <u>197,036</u>

All balances are expected to be repaid within a year.

**TOWN OF TOLLAND, CONNECTICUT
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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 Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Transfers out:					
General Fund	\$	\$ 15,000	\$ 183,813	\$ 453,669	\$ 652,482
Nonmajor			73,000		73,000
Internal Service Fund	<u>88,196</u>				<u>88,196</u>
Total Transfers In	<u>\$ 88,196</u>	<u>\$ 15,000</u>	<u>\$ 256,813</u>	<u>\$ 453,669</u>	<u>\$ 813,678</u>

F. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 29,290,000	\$ 7,565,000	\$ 2,985,000	\$ 33,870,000	\$ 3,435,000
Premium	2,470,588	285,400	224,388	2,531,600	
Notes payable	<u>5,410,000</u>		<u>5,410,000</u>	-	
Total bonds and notes payable	37,170,588	7,850,400	8,619,388	36,401,600	3,435,000
Sewer notes	155,251		102,983	52,268	52,268
Capital lease	12,459,972		354,863	12,105,109	372,520
Compensated absences	<u>1,477,978</u>	<u>271,452</u>	<u>230,305</u>	<u>1,519,125</u>	<u>218,706</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 51,263,789</u>	<u>\$ 8,121,852</u>	<u>\$ 9,307,539</u>	<u>\$ 50,078,102</u>	<u>\$ 4,078,494</u>

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

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.

**TOWN OF TOLLAND, CONNECTICUT
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Refunded Bonds

In prior years the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2016, \$12,500,000 of the defeased debt is outstanding, and \$12,807,810 is held by an escrow agent in an irrevocable trust fund to provide all future debt service payments on the refunded bonds.

Sewer Notes

The Town entered into another agreement with Vernon for the upgrade of the Vernon Wastewater Treatment Plant. The Town will pay Vernon for its share of principal and interest payments on the State of Connecticut Clean Water loan issued by Vernon to fund this project. The loan matures in 2016 and bears interest at 2%.

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

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Annual Principal</u>	<u>Balance Outstanding June 30, 2016</u>
General purpose:						
General obligation	9/15/06	6/30/26	4-4.25	\$ 1,965,000	Various	\$ 149,750
General obligation	9/1/07	9/1/21	3.9-5	1,872,200	Various	95,000
General obligation	9/1/08	9/1/18	3.0-4.0	2,010,000	Various	765,000
General obligation	8/1/10	8/1/30	2.0-4.0	825,000	Various	661,640
General obligation refunding	10/1/11	10/1/26	2.0-3.0	2,880,344	Various	1,750,000
General obligation	9/1/12	9/1/27	1.5-3.0	845,285	Various	909,960
General obligation refunding	9/1/12	9/1/25	3.0-5.0	160,500	Various	1,177,400
General obligation refunding	10/1/14	8/1/24	2.0-4.0	2,117,715	Various	2,069,764
General obligation	10/15/15	10/15/35	2.0-4.0	7,199,036	Various	7,199,036
Total general purpose				<u>19,875,080</u>		<u>14,777,550</u>
School:						
School improvement	9/1/05	9/1/18	4-4.25	11,000,000	Various	1,625,000
School improvement	9/15/06	8/15/26	4-4.25	7,050,000	Various	375,250
School improvement	9/1/07	9/1/27	3.9-5	2,382,800	Various	115,000
School improvement	8/1/10	8/1/30	2.0-4.0	1,700,000	Various	1,363,360
School improvement	10/1/11	10/1/26	2.0-3.0	2,662,656	Various	1,480,000
School improvement	9/1/12	9/1/27	1.5-3.0	614,715	Various	250,040
School improvement - refunding	9/1/12	9/1/25	3.0-5.0	7,864,500	Various	6,062,600
School improvement - refunding	10/1/14	8/1/27	2.0-4.0	7,517,285	Various	7,455,236
School improvement	10/15/15	10/15/35	2.0-4.0	365,964	Various	365,964
Total school				<u>41,157,920</u>		<u>19,092,450</u>
Sewer notes:						
Vernon wastewater	12/31/97	12/31/16	2	1,748,330	Various	52,268
Total sewer notes				<u>1,748,330</u>		<u>52,268</u>
Total Outstanding				<u>\$ 62,781,330</u>		<u>\$ 33,922,268</u>

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

	Bonds		Sewer Notes	
	Principal	Interest	Principal	Interest
2017	\$ 3,435,000	\$ 1,110,871	\$ 52,268	305
2018	3,465,000	1,000,671		
2019	3,145,000	892,649		
2020	2,885,000	782,137		
2021	2,880,000	674,069		
2022-2026	12,410,000	1,792,860		
2027-2031	3,750,000	515,300		
2032-2036	1,900,000	142,500		
	<u>\$ 33,870,000</u>	<u>\$ 6,911,057</u>	<u>\$ 52,268</u>	<u>\$ 305</u>

Authorized but Unissued Bonds

The total of authorized but unissued bonds at June 30, 2016 is \$4,284,740. 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	\$ 94,983,937	\$ 17,786,290	\$ 77,197,647
Schools	189,967,874	18,548,426	171,419,448
Sewers	158,306,561	1,276,000	157,030,561
Urban renewal	137,199,020		137,199,020
Pension deficit	126,645,249		126,645,249

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$295,505,581. 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. School building grants receivable of \$544,024 is reflected as deductions in the computation of net indebtedness.

**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 has an interest rate of 3.49% and matures on October 2, 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	\$ 6,190,019
Geothermal heating system	3,682,123
Less accumulated depreciation	<u>1,208,599</u>
Total	<u>\$ 8,663,543</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2016 were as follows:

Fiscal Year Ending June 30,	Governmental Activities
2017	\$ 840,102
2018	902,687
2019	906,002
2020	1,009,778
2021	1,014,028
Thereafter	<u>12,085,793</u>
Total lease payments	16,758,390
Less amount representing interest	<u>4,653,281</u>
Present Value of Future Minimum Lease Payments	<u>\$ 12,105,109</u>

**TOWN OF TOLLAND, CONNECTICUT
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4. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2016 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	\$	\$	\$	\$	\$ 29,769	\$ 29,769
Permanent fund principal					313,063	313,063
Restricted for:						
Community rehabilitation services			151,354			151,354
Unspent bond proceeds				77,789		77,789
Unspent grant proceeds					35,397	35,397
Committed to:						
Sewer capital improvements		923,912				923,912
Dog warden					26,822	26,822
Open space					118,775	118,775
Sewer escrow					24,822	24,822
Lodge furnishings					46,831	46,831
Business park improvements					17,532	17,532
Recreation					213,403	213,403
Water assessments					150,547	150,547
Food service					102,431	102,431
Education programs	63,813				852,972	916,785
Eviction storage					541	541
Cemeteries					191,707	191,707
Training center repair and replacement					7,584	7,584
Field maintenance					11,041	11,041
Veterans memorial					310	310
300th anniversary					1,828	1,828
Emergency storms					174,770	174,770
Artificial turf operation					17,031	17,031
Debt service					544,149	544,149
Special assessment projects				2,266,416		2,266,416
Assigned to:						
Purchases on order	1,514,973					1,514,973
Contribution to next fiscal budget	250,000					250,000
Unassigned	<u>7,113,653</u>					<u>7,113,653</u>
Total Fund Balances	<u>\$ 8,942,439</u>	<u>\$ 923,912</u>	<u>\$ 151,354</u>	<u>\$ 2,344,205</u>	<u>\$ 2,881,325</u>	<u>\$ 15,243,235</u>

Significant encumbrances of \$1,514,973 at June 30, 2016 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, 2016 was \$478,107 and represented 6% of covered payroll. The employees' required contributions were \$199,000 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 \$27,175 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.

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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.

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

At June 30, 2016, 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>49,337,774</u>
Total	<u>\$ 49,337,774</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2016, the Town recognized pension expense and revenue of \$3,953,199 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, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.50%. 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.

C. Annual OPEB Cost and Net OPEB Obligations

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.

At July 1, 2014, plan membership consisted of the following:

	Retiree Medical Program
	<u> </u>
Retired members and spouses of retired members	73
Active plan members	<u>279</u>
Total	<u><u>352</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	
		<u>Employee</u>	<u>Spouse</u>
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 \$457,613 were made in accordance with actuarially determined requirements. Of this amount, \$333,756 represents premium payments, and \$123,857 was contributed to prefund benefits.

Annual OPEB Cost and Net OPEB Obligations

The Town of Tolland's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation (asset):

	Retiree Medical Program
Annual required contribution (ARC)	\$ 447,781
Interest on net OPEB obligation	(10,106)
Adjustment to annual required contribution	<u>12,057</u>
Annual OPEB Cost	449,732
Contributions made	<u>457,613</u>
Change in net OPEB asset	(7,881)
Net OPEB Asset - beginning of year	<u>(168,432)</u>
Net OPEB Asset - End of Year	<u><u>\$ (176,313)</u></u>

**TOWN OF TOLLAND, CONNECTICUT
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal years ended June 30, 2016, 2015 and 2014, are presented below.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Asset</u>
6/30/2014	\$ 484,550	\$ 483,000	99.68%	\$ 164,428
6/30/2015	507,996	512,000	100.79%	168,432
6/30/2016	449,732	457,613	101.75%	176,313

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation date, is as follows:

Schedule of Funding Progress						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>(Unfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
7/1/2010	\$ 229,000	\$ 5,399,000	\$ (5,170,000)	4%	\$ n/a	n/a
7/1/2012	372,000	4,667,000	(4,295,000)	8%	22,286,770	(19)%
7/1/2014	626,658	4,623,714	(3,997,056)	14%	16,844,405	(24)%

Schedule of Employer Contributions			
<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 485,000	\$ 483,000	99.6%
6/30/2015	508,000	512,000	100.8%
6/30/2016	447,781	457,613	102.2%

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 6.2% initially, reduced by decrements to an ultimate rate of 4.7% after 69 years; imbedded within this trend rate is an estimate of the underlying inflation rate of 2.75%. Projected salary increases were 4.5%. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 19 years.

6. 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, 2016. 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.

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, 2015 and 2016, are as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2014-2015	\$ 407,600	\$ 5,965,552	\$ 5,961,752	\$ 411,400
2015-2016	411,400	6,411,381	6,374,181	448,600

B. Contingent Liabilities

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

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.

C. Subsequent Event

On October 3, 2016 the Town refinanced its existing energy lease with TD Bank. The lease interest rate was lowered from 3.49% to 2.12%. The Town saved \$1,435,458 of budgetary dollars over the remaining life of the lease or \$944,604 on a net present value basis. The Town also restructured the lease payment so that the annual payment (P&I) is relatively equal approximately \$676,488 each per year.

**Required Supplementary
Information**

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

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	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>49,337,774</u>	<u>45,543,825</u>
Total	<u>\$ 49,337,774</u>	<u>\$ 45,543,825</u>
Town's covered-employee payroll	\$ 17,285,173	\$ 17,474,844
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	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	22.4 years
Asset valuation method	4-year smoothed market