

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 15, 2017

NEW ISSUE: Book-Entry-Only

RATING: Moody's Investors Service: "Aaa"

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds 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. (See Appendix B "Opinion of Bond Counsel and Tax Exemption" herein.)



Town of Farmington, Connecticut
\$2,700,000
General Obligation Bonds, Issue of 2017

Dated: Date of Delivery

Due: December 1, 2018 – 2032,
As shown below:

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

Interest on the Bonds will be payable on June 1, 2018 and semiannually thereafter on December 1 and June 1 in each year until maturity. The Bonds are issuable only as fully-registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only Transfer System" herein.

The Bonds are subject to redemption prior to maturity as herein provided. See "Redemption Provisions" herein.

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

| Year | Principal | Coupon | Yield | CUSIP ¹ | Year | Principal | Coupon | Yield | CUSIP ¹ |
|------|------------|--------|-------|--------------------|------|------------|--------|-------|--------------------|
| 2018 | \$ 180,000 | ___% | ___% | 311153___ | 2026 | \$ 180,000 | ___% | ___% | 311153___ |
| 2019 | 180,000 | ___% | ___% | 311153___ | 2027 | 180,000 | ___% | ___% | 311153___ |
| 2020 | 180,000 | ___% | ___% | 311153___ | 2028 | 180,000 | ___% | ___% | 311153___ |
| 2021 | 180,000 | ___% | ___% | 311153___ | 2029 | 180,000 | ___% | ___% | 311153___ |
| 2022 | 180,000 | ___% | ___% | 311153___ | 2030 | 180,000 | ___% | ___% | 311153___ |
| 2023 | 180,000 | ___% | ___% | 311153___ | 2031 | 180,000 | ___% | ___% | 311153___ |
| 2024 | 180,000 | ___% | ___% | 311153___ | 2032 | 180,000 | ___% | ___% | 311153___ |
| 2025 | 180,000 | ___% | ___% | 311153___ | | | | | |

Electronic bids via PARITY® for the Bonds will be received until 11:30 A.M. (Eastern Time) Tuesday, November 28, 2017 at Farmington Town Hall, Development Wing Conference Room, 1 Monteith Drive, Farmington, Connecticut 06032.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC in New York, New York on or about December 7, 2017.

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



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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

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

Set forth in Appendix A – "2016 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report" hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

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

(The remainder of this page intentionally left blank)

Table of Contents

| | <i>Page</i> | | <i>Page</i> |
|---|-------------|--|-------------|
| Bond Issue Summary | 1 | IV. Tax Base Data | 21 |
| I. Bond Information | 2 | Comparative Assessed Valuations | 21 |
| Introduction | 2 | Major Taxpayers | 21 |
| Municipal Advisor..... | 2 | Property Tax Levies and Collections | 22 |
| Description of the Bonds | 2 | Property Taxes Receivable..... | 22 |
| Redemption Provisions | 3 | Tax Levy..... | 22 |
| Authorization and Purpose..... | 3 | V. Debt Section | 23 |
| Use of Proceeds..... | 3 | Outstanding Bonded Debt..... | 23 |
| Book-Entry-Only Transfer System..... | 4 | Outstanding Short-Term Debt..... | 23 |
| DTC Practices..... | 5 | State of Connecticut Clean Water Fund Program..... | 23 |
| Replacement Securities | 5 | Capital Leases..... | 24 |
| Security and Remedies..... | 6 | School Projects..... | 24 |
| Qualification for Financial Institutions | 6 | Overlapping Debt..... | 24 |
| Availability of Continuing Disclosure Information..... | 7 | Underlying Debt..... | 24 |
| Ratings..... | 7 | Bonded Debt Maturity Schedule..... | 25 |
| Bond Insurance..... | 7 | Current Debt Statement..... | 26 |
| II. The Issuer | 8 | Current Debt Ratios..... | 26 |
| Description of the Town..... | 8 | Authority to Incur Debt..... | 26 |
| Description of Government..... | 10 | Temporary Financing..... | 26 |
| Principal Municipal Officials..... | 10 | Limitation of Indebtedness | 27 |
| Summary of Municipal Services..... | 10 | Statement of Debt Limitation..... | 28 |
| Educational System..... | 12 | Authorized but Unissued Debt..... | 28 |
| School Enrollments | 13 | Five-Year Debt Statement Summary..... | 29 |
| School Facilities..... | 13 | Comparison of Annual Debt Service to GF Expenditures.. | 29 |
| Principal Public Facilities..... | 14 | Five-Year Capital Improvement Plan..... | 29 |
| Municipal Employees..... | 14 | VI. Financial Section | 30 |
| Municipal Employees Baragaining Organizations..... | 14 | Fiscal Year..... | 30 |
| III. Demographic and Economic Data Section | 15 | Basis of Accounting..... | 30 |
| Population Trends and Density..... | 15 | Budget Procedure..... | 30 |
| Age Distribution of the Population..... | 15 | Property Tax - Assessment Practices..... | 30 |
| Income Levels..... | 15 | Audit..... | 31 |
| Income Distribution..... | 16 | Liability Insurance..... | 32 |
| Educational Attainment..... | 16 | Pension Plans..... | 32 |
| Major Employers..... | 16 | Other Post Employment Benefits..... | 33 |
| Labor Force Data..... | 17 | Summary of Accounting Principles..... | 35 |
| Industry Classification..... | 17 | Comparative Balance Sheet..... | 36 |
| Commute to Work..... | 18 | General Fund Revenues and Expenditures..... | 37 |
| Building Permits..... | 18 | Intergovernmental Revenues..... | 37 |
| Age Distribution of Housing..... | 18 | State of Connecticut 2017-2019 Biennium Budget..... | 38 |
| Housing Units by Type of Structure..... | 19 | VII. Additional Information | 39 |
| Housing Unit Vacancy Rates..... | 19 | Litigation..... | 39 |
| Owner Occupied Housing Units..... | 19 | Documents Furnished at Delivery..... | 39 |
| Number and Size of Households..... | 20 | Concluding Statement..... | 40 |
| Land Use Summary | 20 | Appendix A: 2016 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report | |
| | | Appendix B: Opinion of Bond Counsel and Tax Exemption | |
| | | Appendix C: Form of Continuing Disclosure Agreement | |
| | | Appendix D: Notice of Sale | |

(This page intentionally left blank)

Bond Issue Summary

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

| | |
|---|---|
| Date of Sale: | Tuesday, November 28, 2017 at 11:30 am (Eastern Time). |
| Location of Sale: | Development Wing Conference Room, Town Hall, 1 Monteith Drive, Farmington, Connecticut 06032. |
| Issuer: | Town of Farmington, Connecticut (the "Town"). |
| Issue: | \$2,700,000 General Obligation Bonds, Issue of 2017 (the "Bonds"). |
| Dated Date: | Date of Delivery |
| Principal Due: | The Bonds are due serially, December 1, 2018 through December 1, 2032, as detailed in this Official Statement. |
| Interest Due: | June 1, 2018 and semiannually thereafter on June 1 and December 1, in each year until maturity or earlier redemption. |
| Purpose: | The Bond proceeds will be used to provide funds for various general purpose projects. (See "Use of Proceeds" herein) |
| Redemption: | The Bonds are subject to redemption prior to maturity. (See "Redemption Provisions" herein) |
| Security: | The Bonds will be general obligations of the Town of Farmington, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due. |
| Credit Rating: | The Bonds have been rated "Aaa" by Moody's Investors Service ("Moody's"). |
| Bond Insurance: | The Town does not expect to purchase a credit enhancement facility. |
| Basis of Award: | Lowest True Interest Cost (TIC), as of the dated date. |
| Tax Exemption: | See Appendix B - "Opinion of Bond Counsel and Tax Exemption". |
| Bank Qualification: | The Bonds shall NOT be designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds. |
| Continuing Disclosure: | In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of certain events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement. |
| Registrar, Transfer Agent, Certifying Agent, and Paying Agent: | U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103. |
| Municipal Advisor: | Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 283-1110. |
| Legal Opinion: | Day Pitney LLP, of Hartford, Connecticut. |
| Delivery and Payment: | It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about December 7, 2017. Delivery of the Bonds will be made against payment in Federal Funds. |
| Issuer Official: | Questions concerning the Official Statement should be addressed to Joseph Swetcky, Jr., Director of Finance, Town of Farmington, 1 Monteith Drive, Farmington, Connecticut 06032. Telephone (860) 675-2338. |

I. Bond Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Farmington, Connecticut (the "Town"), in connection with the issuance and sale of \$2,700,000 General Obligation Bonds, Issue of 2017 (the "Bonds") of the Town.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated November 15, 2017 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D for the terms and conditions of the bidding.

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

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

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

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

Municipal Advisor

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

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

Description of the Bonds

The Bonds will mature on December 1 in each of the years as set forth on the cover page hereof. The Bonds will be dated the date of delivery and bear interest at the rates per annum specified on the cover page, payable semiannually on June 1 and December 1 in each year until maturity, commencing June 1, 2018. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of May and November, in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. See "Book-Entry-Only Transfer System". The Bonds are subject to redemption prior to maturity.

U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds. The legal opinion for the Bonds will be rendered by Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. See Appendix B "Opinion of Bond Counsel and Tax Exemption".

Redemption Provisions

The Bonds maturing on or before December 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after December 1, 2023 at any time, either in whole or in part, in such amounts and in such order of maturity, (but by lot within a maturity) as the Town may determine, at the redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|--------------------------------------|-------------------------|
| December 1, 2023 and thereafter..... | 100% |

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner of the Bonds at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as Cede & Co., as nominee of the Depository Trust Company (“DTC”), is the registered owner of the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its successor nominee. Any failure of DTC to advise any Direct Participant or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its contents or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by or the responsibility of the Town, the Registrar or Paying Agent.

Authorization and Purpose

The Bonds are issued pursuant to Titles 7 and 10, as applicable, of the General Statutes of the State of Connecticut, as amended, the Charter of the Town of Farmington, and bond resolutions presented at Annual Town Meetings and approved at Referenda.

Use of Proceeds

The Bonds are being issued to provide financing for the following project:

| <u>Project</u> | <u>Aggregate Amount Authorized</u> | <u>Previously Bonded</u> | <u>New Money</u> | <u>This Issue: The Bonds</u> |
|--------------------------------------|------------------------------------|--------------------------|---------------------|------------------------------|
| Road Improvements..... | \$ 4,000,000 | \$ 1,500,000 | \$ 1,750,000 | \$ 1,750,000 |
| 2014 Open Space Acquisition..... | 3,500,000 | - | 350,000 | 350,000 |
| Fire Engine Pumpers (Southwest)..... | 600,000 | - | 600,000 | 600,000 |
| Total | \$ 8,100,000 | \$ 1,500,000 | \$ 2,700,000 | \$ 2,700,000 |

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest on, and redemption premium, if any, with respect to the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on, and redemption premium, if any, with respect to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

DTC Practices

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

Replacement Securities

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will issue fully-registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

(The remainder of this page intentionally left blank)

Security and Remedies

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of the tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

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

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

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

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

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

Qualification for Financial Institutions

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

(The remainder of this page intentionally left blank)

Availability of Continuing Disclosure Information

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form included in Appendix C to this Official Statement (the “Continuing Disclosure Agreement”), to provide or cause to be provided, in accordance with the requirements of the Securities and Exchange Commission Rule 15c2-12 (the “Rule”), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events with respect to the Bonds not in excess of ten business days after the occurrence of such events and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The winning bidder’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town of Farmington prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management, within six months of the end of its fiscal year. The Town provides, and will continue to provide, to Moody’s Investors Service ongoing disclosure in the form of the annual financial report, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

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

Rating

The Bonds have been rated “Aaa” by Moody’s Investors Service (“Moody’s”). The Town furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the view of the rating agency and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant.

The Town’s underlying rating on long-term outstanding bonds is “Aaa” by Moody’s.

Bond Insurance

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

(The remainder of this page intentionally left blank)

SECTION II – THE ISSUER



Connecticut

Description of the Town

The Town of Farmington was incorporated in 1645 from what was known as Tunxis Plantation, one of the largest single land grants in the Colonies. Known as the “Mother Town,” Farmington subsequently was partitioned into the towns of Avon, Bristol, Plainville, New Britain, Berlin, Southington, and Burlington. Today Farmington comprises 28.7 square miles along the Farmington River, lying ten miles west of Hartford, equidistant from the cities of Bristol and New Britain. The Town is bordered on the north by Avon, on the east by West Hartford, New Britain, and Newington, and on the south by Plainville. Bristol and Burlington are to the west.

Farmington is a residential suburb in the Hartford Metropolitan area that has retained its distinctive character through maintenance of its historic districts and careful land use planning for the future. The Town’s population rose to 25,340 according to the 2010 Census, up from the 2000 U.S. Census figure of 23,641. Many of Farmington’s residents are professionals or executives in the area’s insurance, financial, medical or industrial companies. According to the 2011–2015 American Community Survey of the U.S. Census Bureau, per capita income was \$52,341, 35% over the State of Connecticut figure of \$38,803. Over 95% of residents have completed high school or higher degrees and over 56% have completed four or more years of college. The Town has had zoning and subdivision regulations for many years with slightly over 42.0% of its 18,299 acres zoned for residential use.

Farmington maintains 142.38 miles of sanitary sewer and 68.4 miles of storm sewers. In 1994 the Town completed a \$21,000,000 upgrade and expansion to the wastewater treatment facility. The project was funded by grants and loans from the State of Connecticut Clean Water Fund. (See “State of Connecticut Clean Water Fund Program” herein.)

Farmington has four public elementary schools (K–4), one upper elementary school (5–6), one public middle school (7–8), and one public high school (9–12). A twelve-room addition to the high school was completed during the fall of 2005. Farmington is home to Miss Porter’s, a private girls’ school, the State-run Tunxis Community College, and the University of Connecticut Health Center.

There are two post offices in Town, and the public library has over 148,000 volumes and over 15,000 borrowers' cards outstanding. Farmington has six parks and public squares, eight churches and synagogues, two museums, several private country and field clubs and two public golf courses, one of which, Westwoods, is Town-owned. Hartford, New Britain and Bristol daily newspapers serve the Town as do a large number of local radio and television stations.

Farmington lies at the hub of major I-84 interchanges, giving it a strong location advantage as a site for central Connecticut business and industry. The Town has direct access to Connecticut Route 9 (Central Connecticut Expressway) and is also served by U.S. Highway 6 and Connecticut Routes 4, 10, 167, and 177. There are 118.14 miles of Town-owned roads and 51 miles of State roads in Town. Connecticut Transit provides commuter bus service to Hartford. Numerous motor common carriers provide the bulk of freight transportation.

The Farmington Industrial Park is headquarters for a number of manufacturing corporations, including New England Airfoil Products, Mallory Industries, and Connecticut Spring and Stamping Company. The Park also hosts the foreign firm of Trumpf America Incorporated, which sells sheet metal cutting equipment. Other firms located in Farmington include Stanley Access Technologies, United Technologies Corporation and The Jackson Laboratory. ConnectiCare, one of the State's largest HMOs, has its headquarters in Farmington.

West Farms Mall, a regional shopping center of over one million square feet valued in excess of \$185 million, has over one hundred stores. The major tenants include Nordstrom's, Macy's, J.C. Penney, and Lord & Taylor.

The University of Connecticut Health Center, the Town's largest employer with approximately 5,189 employees, is composed of the School of Medicine, School of Dental Medicine, John Dempsey Hospital, the UConn Medical Group, UCONN Health Partners and University Dentists. Founded in 1961, the Health Center pursues a mission of providing health care education in an environment of patient care, research and public service.

The main complex occupies 206 acres on a hilltop overlooking interstate 84 (I-84). The building originally contained approximately 1.2 million square feet, seven miles of corridors, and 2,000 rooms. Its first major addition, the Andrew J. Canzonetti M.D. Building, was dedicated in 1994. It added 94,000 square feet next to John Dempsey Hospital. The Health Center's newest addition, the Academic Research Building, is an 11-story structure that provides 170,000 square feet of state-of-the-art laboratory space and was opened in 1999.

John Dempsey Hospital, the University's hospital, has 224 beds and provides specialized and routine inpatient and outpatient services. The Hospital is widely recognized for its work in maternal fetal medicine, cardiology, cancer care and orthopedics. In addition, John Dempsey Hospital has the only full-service emergency department in the Farmington Valley. In 2010, the Connecticut General Assembly approved legislation that created opportunities for a major renewal of the Hospital, including renovations to the existing Hospital as well as the construction of a new patient tower.

A new \$325.8 million hospital tower was opened in the spring of 2016. The building houses staff offices, the emergency department, the intensive care unit, orthopedic and general surgery and 169 private patient rooms. The 380,000 square foot hospital tower is a key component in the UConn Health Systems' expansion. The laboratory and pharmacy renovations are about 98% complete. The construction related to the remaining phases is being delayed to coordinate with operational changes necessitated by the move to the new building. The expected substantial completion date is September 2018.

Dedicated to providing broad educational opportunities in the biomedical sciences, the Health Center offers degree programs in medicine (M.D.), dental medicine (D.M.D.), and biomedical science (Ph.D.); master's degree programs in public health and dental science; postdoctoral fellowships; residency programs providing specialty training for newly graduated physicians and dentists; and continuing education programs for practicing health-care professionals.

In January of 2012, the State of Connecticut signed an agreement with Jackson Laboratory, a Maine-based genetics research institute, whereby The Jackson Laboratory built a \$1.1 billion laboratory on the University of Connecticut Health Center campus in Farmington. The Jackson Laboratory provided \$809 million in financing through federal grants, philanthropy, and service income. The State provided \$291 million in loans and grants for construction and research. Completed in October 2014, the Jackson Laboratory building initially is 183,500 square feet and could eventually total 250,000 square feet. The Jackson Laboratory expects to create at least 300 positions within 10 years, and there are incentives if it creates additional direct jobs. In addition to the jobs that The Jackson Laboratory will bring to the area, it is expected that up to an additional 6,000 jobs may be created as a result of the business that will develop in the area around the new laboratory.

An ongoing priority has been the revitalization of the center of the Unionville section of Town. Approximately \$2.0 million in Federal and state grants and local funds have been used to restore historic buildings, implement a building façade grant program, make streetscape improvements including improvements for handicap accessibility and renovations to the town-owned Maple Village housing complex.

The Town has a total of 780 hotel rooms. The 380-room Marriott Hotel, Homewood Suites Extended Stay America, and the Hampton Inn & Suites are located in Town.

Description of Government

Farmington is administered under the Council-Manager form of government. The Town Charter, which is the primary organizational document, was first adopted in 1947 and last was revised December 4, 2003. The seven-member council, the Town’s legislative body, is elected biennially for a term of two years and serves without compensation. Minority party representation of at least two is guaranteed. The Town Manager serves as the full-time Chief Executive and is aided by an Assistant Town Manager. The Town employs a full-time Director of Finance, a Tax Collector, and an Assessor. Finances are under the control of the Town Council, the Town Manager, and the Director of Finance/Treasurer.

Principal Municipal Officials ¹

| Office | Name | Manner of Selection/Term | Length Of Service |
|------------------------------------|----------------------|---------------------------------|--------------------------|
| Chairman..... | Nancy Nickerson | Elected/2 years | 7 years |
| Member (Vice Chair) | Meredith Trimble | Elected/2 years | 3 years |
| Member | John Landry | Elected/2 years | 3 years |
| Member | Peter Mastrobattista | Elected/2 years | 3 years |
| Member | Gary Palumbo | Elected/2 years | 1 year |
| Member | Amy Suffredini | Elected/2 years | 4 years |
| Member | John W. Vibert | Elected/2 years | 8 years |
| Town Manager..... | Kathleen A. Eagen | Appointed | 16 years |
| Director of Finance/Treasurer..... | Joseph Swetcky, Jr. | Appointed | 13 years |
| Tax Collector | Christine Silansky | Appointed | 6 years |
| Town Clerk | Paula B. Ray | Elected/4 years | 17 years |
| Corporation Counsel | Halloran & Sage, LLP | Appointed | 6 years |
| Assessor | Christine Barta | Appointed | 3 years |
| Superintendent of Schools..... | Kathleen C. Greider | Appointed | 8 years |

¹ Newly elected Town Council Members will take office on January 10, 2018.

Summary of Municipal Services

Police: The Police Department currently employs a full-time Chief, a Captain, two Lieutenants, nine Sergeants, three Detectives, 30 Patrol Officers, an Animal Control Officer, a Communications Supervisor, nine Dispatchers, a Records Supervisor and three full-time clerical staff. The department employs thirty-six vehicles for patrol and transportation services. In response to citizen’s concerns the department has placed a heavy emphasis on traffic safety. The department has increased its efforts to get citizens more involved in the community by creating a “Community Emergency Response Team”. This is a volunteer program where citizens are trained in traffic control, CPR and emergency shelter management. The department is nationally accredited by the Commission on Accreditation for Law Enforcement Agencies, Inc.

Fire: Fire protection is provided by a combination department of 155 volunteer firefighters and eight paid professional, full-time firefighters. Stations are located in five areas of the Town: Farmington Center, Unionville, East Farms, Oakland Gardens, and Southwest Farmington. Fire equipment consists of eight pumpers, one rescue truck, five medical units, two utility vehicles, and one aerial ladder truck. The department has a Knox Box program in place to facilitate access to secured buildings during an emergency.

Emergency Medical Services: The Town is served by a professional ambulance company and emergency medical response from the Fire Department. The Town uses the 911 emergency telephone system for emergency service dispatched from the Farmington Police Department. The Town also provides emergency dispatch services for the Town of Burlington.

Sewers: Farmington owns and operates a sanitary sewer system, which serves approximately 85% of the population in Town plus portions of the population of the Towns of Avon, Burlington and Canton. The University of Connecticut Health Center also sends effluent to the Town’s processing plant. Wastewater treatment is provided for both domestic and industrial wastes.

Wastewater treatment operations and maintenance are accounted for through a special revenue fund. The fund is supported through the levy and collection of user fees. Individual homeowners are charged \$315.00 as an annual service fee, while commercial users are charged a rate based on water usage. For fiscal year 2017-18 the rate is \$2.73 per 100 cubic feet of water used. Sewer-related debt is partially retired by sewer assessment payments and sewer user fees with the balance of sewer debt service coming from the General Fund.

In November of 2014 Town voters approved an authorization to borrow up to \$57.2 million to upgrade the current wastewater treatment plant. Construction began in March of 2016 and is expected to take up to three years to complete. The project will be paid for through a Clean Water Fund Grant of 21.1% of the construction cost, a Clean Water Fund Loan, and assessments on the Towns of Avon, and Burlington, as well as the University of Connecticut Health Center.

Under the service contracts with the Towns of Avon, and Burlington and the University of Connecticut Health Center, each user is responsible for a pro rata share of Farmington's Clean Water Fund debt service based on their flow rate. In total, it is estimated that external users will pay almost 19% of the contractual debt service over the 20-year life of the State Loan.

Health Services: The University of Connecticut Health Center, located in Farmington, is a major hospital, teaching and research facility for the State of Connecticut. The hospital component of the Health Center offers a comprehensive range of primary and tertiary care resources. John Dempsey Hospital is a 224-bed acute-care facility with around-the-clock medical and dental emergency services and both inpatient and outpatient capabilities in pediatrics, obstetrics, psychiatry, dentistry, adult medicine and surgery, plus intensive care for adults, children and newborns.

Recreation: The Recreation Department is dedicated to providing wholesome recreation and leisure activities for the enjoyment of all Farmington residents. The department employs, a recreation supervisor and program staff. The Town maintains an extensive network of recreational facilities including soccer, baseball, softball, lacrosse and football fields, tennis courts, multiuse trail ways, and a Town-owned executive golf course.

Public Works: The Department of Public Works employs a total of 36 individuals who staff the Highway, Grounds, and Engineering Departments. The Highway and Grounds Department has eighteen dump trucks/snow plows and several heavy-duty loaders, sanders, spreaders and leaf vacuums. The department is responsible for maintaining all Town roads; grounds; trail ways and athletic fields.

Housing Authority: The Housing Authority, established in 1972, works to further affordable housing opportunities in the Town of Farmington. It also investigates alternative solutions and initiatives regarding affordable housing. The Housing Authority awards Town-owned lots to first-time homebuyers under its Cooperative Ownership Program, which began in 1981. As of December 31, 2016, a total of 37 lots have been awarded. The Town also owns eight affordable rental units of various sizes. These units are maintained through the rental fees that are collected.

The Executive Director of the Housing Authority is responsible for administering Maple Village, a 40-unit elderly housing apartment complex located in Unionville on Maple Avenue Extension. The staff of the Community Services Department provides intake and counseling services and income determinations for tenants and applicants. Built in 1975, the complex houses individuals over age 62. The complex has undergone extensive renovations over the past seven years through a combination of Federal, state and local funding.

The Farmington Housing Authority continues to participate in the State's Rental Assistance program for elderly tenants in Authority-operated housing. Additionally, the Authority administers 90 HUD Section 8 vouchers, which provide rental subsidies for persons of low income.

Service Contract – Solid Waste Disposal: The Town provides curbside solid waste and recyclables collections to residents. Residents are charged a fee of \$235.00 per year for this service. The Town entered into a long-term service contract (the "Service Contract") with the Materials Innovation and Recycling Authority ("MIRA") (formerly known as the Connecticut Resource Recovery Authority) for the disposal of solid waste through the Mid-Connecticut System (the "System"). The Service Contract became effective on October 19, 2011 and expires on June 30, 2027.

Each municipality signing a Service Contract, including the Town, has agreed to cause to be delivered to the Mid-Connecticut System all of the solid waste under the legal control of the municipality. MIRA is required to impose service payments at a uniform rate per ton for all municipalities, such that the aggregate of all such service payments received by MIRA shall be sufficient to pay for the net cost of operation of the System as defined in the Service Contract. Under the Service Contract, the Town has no obligation for a minimum tonnage commitment; however it must commit to a "flow control" provision which requires that all solid waste and residential recyclables generated within its borders be directed to the MIRA facility. A disposal fee of \$68.00 is in effect for fiscal year 2018.

MIRA is required to accept and dispose of solid waste in accordance with the Service Contract and with acceptable business standards. Each municipality retains the responsibility for the collections, disposal and treatment of solid waste that does not meet the requirements of MIRA or that it refuses or is unable to accept under the Service Contract.

Prior to the start of each contract year MIRA estimates (i) the service payments to be paid by each municipality for such contract year and (ii) the annual budget for the System and submits such information to each municipality. Each municipality is then required to make all provisions necessary to pay the service payments on a timely basis. The service payments remain in effect for the contract year with differences between the aggregate of all such service payments and the net cost of operation for each contract year being settled in the following contract year. A municipality is obligated to make service payments only if MIRA accepts solid waste delivered by the municipality.

All municipalities, including the Town, pledge their full faith and credit for the payment of all service payments and any delayed-payment charges and costs and expenses of MIRA and its representatives in collecting overdue service payments. To the extent that a municipality does not make provisions or appropriations necessary to provide for and authorize the payment by such municipality to MIRA of the payments required to be made by it under the Service Contract, the remaining municipalities, including the Town, must levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder.

Libraries: The Town provides a substantial annual contribution to the Farmington Village Green and Library Association (“FVGLA”) in order to assist FVGLA in operating a public library system in Town. FVGLA currently has two facilities, a large public library on the Town Hall campus, as well as a branch library, known as the Barney Library, in Farmington Center. The Town provides funding support for approximately 93% of the library system’s total operating budget. The remainder of the funding comes from private donations, grants and an endowment.

In recent years the Library has changed its focus to meet the changing needs of the Town. The Library has become heavily involved in technology and offers programming for all age groups. In FY 2015-16, the library offered 1,785 programs which were attended by over 42,200 people. They also provided over 150 hours of technology instruction to patrons. They also hosted 15 music programs which attracted over 1,100 attendees.

Other Services: The Town’s health service needs are met by the Farmington Valley Health District. The District is charged with protecting the public health through inspections of food service establishments, septic systems, swimming pools and private water supplies.

The Town partners with Services for the Elderly of Farmington, a nonprofit agency, to provide elderly services such as “Meals on Wheels”, congregate meals, transportation services and well visits.

The Town rents small plots of land to individuals for community gardening. The Town plows, fertilizes, and stakes the individual plots and rents them to interested parties for a minimal charge. Approximately 221 plots are available during the planting season.

Educational System

The Farmington public school system is comprised of seven schools organized into four school levels. Four elementary schools serve children in grades kindergarten through 4. Each of Farmington’s elementary schools earned distinction as Nationally Recognized Blue Ribbon Schools by the U.S. Department of Education. Students in grades 5 and 6 attend the West Woods Upper Elementary School. This 132,000-square-foot school was constructed in 2001–02 and opened in the fall of 2002. Irving A. Robbins Middle School is also a Nationally Recognized Blue Ribbon School. All Farmington students in grades 7 and 8 are served at this middle school. Farmington High School serves all students in grades 9–12 and is recognized as one of the top performing high schools in Connecticut. U.S. News and World Report ranked Farmington High School seventh on their list of “Best High Schools in Connecticut.”

For the 2017-18 school year, 4,024 students are enrolled in the Farmington public schools including Hartford students who enroll in the Farmington schools through the State’s Open Choice Program. The Board of Education employs approximately 471 professional educators and approximately 219 support staff to provide the educational programs and to support approximately 668,000 square feet of school building space.

The school system is governed by a nine-member elected Board of Education. The Board employs a Superintendent of Schools to operate as the system’s chief executive officer. Kathleen C. Greider was appointed Superintendent of Schools in 2009. The Board of Education and Superintendent are committed to a well-established system of accountability and continuous improvement reflected in the school district’s mission or over-riding purpose:

The mission of the Farmington Public Schools is to enable all students to achieve academic and personal excellence, exhibit persistent effort and live as resourceful, inquiring and contributing global citizens.

This accountability and continuous improvement system focuses directly on measurable results that are portrayed and analyzed at the school and district level each year. This achievement-oriented, value-added approach is best reflected by Farmington’s per pupil expenditure ranking in Connecticut – 88 of 169 school districts contrasted with performance on statewide tests in grades 5 and 8 in the top 10% of Connecticut school districts. Ninety-seven percent of the Class of 2013 graduating class went on to college or military service. More than 66% of recent graduates took one or more Advanced Placement or college courses while in high school. All students begin studying a world language in grade 5. A town-wide technology plan has resulted in each school building having diverse technologies available to support teaching and learning. Comprehensive and award-winning programs in the arts, music and physical education are provided at each school level.

School Enrollments

| School Year | Grades K-4 | Grades 5-6 | Grades 7-8 | Grades 9-12 | Special Education | Total Enrollment |
|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------------|-------------------------|
| Historical | | | | | | |
| 2008-09 | 1,413 | 676 | 671 | 1,360 | 25 | 4,145 |
| 2009-10 | 1,417 | 658 | 686 | 1,323 | 24 | 4,108 |
| 2010-11 | 1,453 | 603 | 688 | 1,306 | 18 | 4,068 |
| 2011-12 | 1,459 | 575 | 652 | 1,291 | 32 | 4,009 |
| 2012-13 | 1,479 | 578 | 610 | 1,319 | 28 | 4,014 |
| 2013-14 | 1,428 | 620 | 571 | 1,306 | 34 | 3,959 |
| 2014-15 | 1,399 | 673 | 570 | 1,274 | 30 | 3,946 |
| 2015-16 | 1,428 | 663 | 623 | 1,231 | 31 | 3,976 |
| 2016-17 | 1,437 | 651 | 674 | 1,186 | 30 | 3,978 |
| 2017-18 | 1,422 | 688 | 672 | 1,206 | 36 | 4,024 |
| Projected | | | | | | |
| 2018-19 | 1,408 | 663 | 663 | 1,261 | 36 | 4,031 |
| 2019-20 | 1,459 | 622 | 691 | 1,293 | 27 | 4,092 |
| 2020-21 | 1,480 | 629 | 667 | 1,346 | 27 | 4,149 |

Source: Town of Farmington, Board of Education

School Facilities

| School | Grades | Date of Construction (Additions, Remodeling) | Number of Classrooms | 10/1/2017 Enrollment | Rated Capacity |
|------------------------------|---------------|---|-----------------------------|-----------------------------|-----------------------|
| Noah Wallace..... | K-4 | 1904 (1941) | 22 | 378 | 440 |
| West District | K-4 | 1963 (1999) | 22 | 292 | 440 |
| Union | K-4 | 1939 (1999) | 21 | 329 | 420 |
| East Farms | K-4 | 1967 (1988) | 24 | 423 | 480 |
| I.A.R. Middle School..... | 7-8 | 1959 (1995) | 45 | 672 | 900 |
| West Wood Upper Elementary.. | 5-6 | 2002 | 54 | 688 | 756 |
| Farmington High | 9-12 | 1928 (2004) | 61 | 1,206 | 1,476 |
| Total | | | 249 | 3,988 | 4,912 |

Principal Public Facilities

| <u>Facility</u> | <u>Date Constructed</u> | <u>Additions & Renovations</u> | <u>Type of Construction</u> | <u>Planned Major Improvements</u> |
|------------------------------|-----------------------------|--|---------------------------------|---------------------------------------|
| Town Hall..... | 1968 | – | Steel/brick | None |
| Treatment Plant | 1961 | 1994 | Steel/brick | 2016 |
| Police Station | 2002 | – | Steel/brick | None |
| Highway Garage | 1979 | – | Steel/brick | None |
| Senior/Community Center | 2002 | – | Steel/brick | None |

Municipal Employees¹

| | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| General Government..... | 161 | 161 | 162 | 162 | 162 |
| Board of Education..... | 690 | 684 | 675 | 625 | 607 |
| Total..... | 851 | 845 | 837 | 787 | 769 |

¹ Full-time equivalent.

Source: Town of Farmington

Municipal Employees Bargaining Organizations

| <u>Board of Education Groups</u> | <u>Positions Covered</u> | <u>Current Contract Expiration Date</u> |
|---|------------------------------|---|
| Farmington Education Association (CEA/NEA) | 389 | 6/30/2020 |
| Farmington Association of School Administrators | 15 | 6/30/2021 |
| School Nurses | 6 | 6/30/2020 |
| Connecticut Independent Labor Union | 213 | 6/30/2018 |
| Organized..... | 623 | |
| Non-Union..... | 67 | |
| Sub-Total..... | 690 | |
| General Government | | |
| International Brotherhood of Police Officers | 45 | 6/30/2018 |
| AFSCME..... | 71 | 6/30/2018 |
| International Association of Fire Fighters | 8 | 6/30/2018 |
| C.S.E.A., Local 760/SEIU, AFL-CIO | 22 | 6/30/2018 |
| Organized..... | 146 | |
| Non-Union..... | 15 | |
| Sub-Total | 161 | |
| Total | 851 | |

Source: Town of Farmington

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

SECTION III – DEMOGRAPHIC AND ECONOMIC DATA SECTION

Population Trends and Densities

| Year | Population ¹ | % Increase (Decrease) | Density ² |
|-------------------|-------------------------|--------------------------|----------------------|
| 2015 ³ | 25,563 | 0.9% | 887.6 |
| 2010 | 25,340 | 7.2% | 879.9 |
| 2000 | 23,641 | 14.7% | 820.9 |
| 1990 | 20,608 | 25.6% | 715.6 |
| 1980 | 16,407 | 14.0% | 569.7 |
| 1970 | 14,390 | -- | 499.7 |

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

² Per square mile: 28.8 square miles

³ American Community Survey 2011-2015

Age Distribution of the Population

| Age | Town of Farmington | | State of Connecticut | |
|---|--------------------|---------------|----------------------|---------------|
| | Number | Percent | Number | Percent |
| Under 5 years | 1,074 | 4.2% | 191,445 | 5.3% |
| 5 to 9 years | 1,553 | 6.1 | 214,983 | 6.0 |
| 10 to 14 years | 1,629 | 6.4 | 231,075 | 6.4 |
| 15 to 19 years | 1,729 | 6.8 | 255,286 | 7.1 |
| 20 to 24 years | 1,449 | 5.7 | 237,578 | 6.6 |
| 25 to 34 years | 2,672 | 10.5 | 436,678 | 12.2 |
| 35 to 44 years | 3,293 | 12.9 | 448,840 | 12.5 |
| 45 to 54 years | 4,016 | 15.7 | 556,454 | 15.5 |
| 55 to 59 years | 1,771 | 6.9 | 259,565 | 7.2 |
| 60 to 64 years | 1,667 | 6.5 | 219,040 | 6.1 |
| 65 to 74 years | 2,529 | 9.9 | 291,955 | 8.1 |
| 75 to 84 years | 1,308 | 5.1 | 162,332 | 4.5 |
| 85 years and over | 873 | 3.4 | 87,991 | 2.4 |
| Total..... | 25,563 | 100.0% | 3,593,222 | 100.0% |
| Median Age (Years) 2015..... | 43.4 | | 40.4 | |
| Median Age (Years) 2010..... ¹ | 42.0 | | 40.0 | |

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

Source: American Community Survey 2011-2015

Income Levels

| | Town of Farmington | State of Connecticut |
|-------------------------------|-----------------------|-------------------------|
| Per Capita Income | \$52,341 | \$38,803 |
| Median Household Income | \$91,712 | \$70,331 |
| Median Family Income | \$120,026 | \$89,031 |

Source: American Community Survey 2011-2015

Income Distribution

| | Town of Farmington | | State of Connecticut | |
|---------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Families | Percent | Families | Percent |
| Less than \$10,000..... | 52 | 0.8% | 30,926 | 3.5% |
| \$10,000 to \$14,999..... | 48 | 0.7 | 18,063 | 2.0 |
| \$15,000 to \$24,999..... | 161 | 2.4 | 46,085 | 5.1 |
| \$25,000 to \$34,999..... | 237 | 3.6 | 55,715 | 6.2 |
| \$35,000 to \$49,999..... | 382 | 5.8 | 83,173 | 9.3 |
| \$50,000 to \$74,999..... | 759 | 11.5 | 139,724 | 15.6 |
| \$75,000 to \$99,999..... | 907 | 13.7 | 126,557 | 14.1 |
| \$100,000 to \$149,999... | 1,756 | 26.6 | 183,030 | 20.4 |
| \$150,000 to \$199,999... | 829 | 12.6 | 94,575 | 10.6 |
| \$200,000 or more..... | 1,466 | 22.2 | 117,791 | 13.2 |
| Total..... | 6,597 | 100.0% | 895,639 | 100.0% |

Source: American Community Survey 2011-2015

Educational Attainment

Years of School Completed – Age 25 and Over

| | Town of Farmington | | State of Connecticut | |
|--|---------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than 9th grade..... | 373 | 2.1% | 105,725 | 4.3% |
| 9th to 12th grade, no diploma..... | 489 | 2.7 | 144,132 | 5.9 |
| High School graduate (includes equivalency)... | 3,365 | 18.6 | 673,973 | 27.4 |
| Some college, no degree..... | 2,521 | 13.9 | 430,129 | 17.5 |
| Associate degree..... | 1,195 | 6.6 | 183,289 | 7.4 |
| Bachelor's degree..... | 4,980 | 27.5 | 516,001 | 21.0 |
| Graduate or professional degree..... | 5,206 | 28.7 | 409,606 | 16.6 |
| Total..... | 18,129 | 100.0% | 2,462,855 | 100.0% |
| Percent high school graduate or higher..... | | 95.2% | | 89.9% |
| Percent bachelor's degree or higher..... | | 56.2% | | 37.6% |

Source: American Community Survey 2011-2015

Major Employers As of November 2017

| Employer | Type of Business | Approximate Number of Employees |
|---|--------------------------|--|
| UCONN Health Center | Hospital/College | 5,189 |
| United Technologies Corporation | Climate Control | 2,700 |
| Town of Farmington/Board of Education | Municipal Government | 851 |
| Otis Elevator Co. | Elevator Sales & Service | 800 |
| Connecticare | Health Insurer | 745 |
| Macy's | Retail | 500 |
| Trumpf | Manufacturer | 460 |
| Tunxis Community College | Education | 450 |
| Connecticut Spring & Stamp | Manufacturer | 430 |
| American Red Cross | Regional Headquarters | 380 |
| Allied World Assurance Co. | Insurance | 273 |

Labor Force Data

| Period | Town of Farmington | | Percentage Unemployed | | |
|-----------------------|---------------------------|-------------------|------------------------------|------------------------------|-----------------------------|
| | Employed | Unemployed | Town of Farmington | Hartford Labor Market | State of Connecticut |
| | September 2017... | 13,675 | 451 | 3.2% | 4.1% |
| Annual Average | | | | | |
| 2016..... | 13,544 | 532 | 3.8 | 5.3 | 5.3 |
| 2015..... | 13,509 | 548 | 3.9 | 5.6 | 5.6 |
| 2014..... | 13,207 | 639 | 4.6 | 6.7 | 6.7 |
| 2013..... | 12,936 | 738 | 5.4 | 7.9 | 7.9 |
| 2012 | 12,963 | 801 | 5.8 | 8.4 | 8.3 |
| 2011 | 13,027 | 855 | 6.2 | 8.9 | 8.8 |
| 2010 | 12,965 | 938 | 6.7 | 9.0 | 9.0 |
| 2009 | 12,294 | 827 | 6.3 | 8.3 | 8.2 |
| 2008 | 12,501 | 563 | 4.3 | 5.7 | 5.7 |
| 2007 | 12,520 | 465 | 3.6 | 4.7 | 4.6 |

Source: Department of Labor, State of Connecticut

Industry Classification

| Sector | Town of Farmington | | State of Connecticut | |
|---|---------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Agriculture, forestry, fishing and hunting, and mining..... | 13 | 0.1% | 7,214 | 0.4% |
| Construction..... | 573 | 4.3 | 100,593 | 5.6 |
| Manufacturing..... | 1,229 | 9.3 | 191,286 | 10.7 |
| Wholesale trade..... | 224 | 1.7 | 44,581 | 2.5 |
| Retail trade..... | 1,415 | 10.7 | 193,799 | 10.9 |
| Transportation warehousing, and utilities.... | 276 | 2.1 | 66,850 | 3.8 |
| Information..... | 448 | 3.4 | 41,486 | 2.3 |
| Finance, insurance, real estate, and leasing.. | 1,848 | 13.9 | 163,822 | 9.2 |
| Professional, scientific, management, administrative, and waste management.... | 1,642 | 12.4 | 199,942 | 11.2 |
| Education, health and social services..... | 3,739 | 28.2 | 471,587 | 26.5 |
| Arts, entertainment, recreation, accommodation and food services..... | 833 | 6.3 | 153,516 | 8.6 |
| Other services (except public admin.)..... | 550 | 4.1 | 79,998 | 4.5 |
| Public Administration..... | 471 | 3.6 | 66,743 | 3.7 |
| Total Labor Force, Employed..... | 13,261 | 100.0% | 1,781,417 | 100.0% |

Source: American Community Survey 2011-2015

**Commute to Work
16 years of age and over**

| | Town of Farmington | | State of Connecticut | |
|-----------------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Drove alone | 11,274 | 86.6% | 1,369,767 | 78.3% |
| Car pools | 728 | 5.6 | 143,588 | 8.2 |
| Using public transportation | 162 | 1.2 | 84,597 | 4.8 |
| Walked | 192 | 1.5 | 53,146 | 3.0 |
| Using other means | 84 | 0.6 | 20,584 | 1.2 |
| Worked at home | 572 | 4.4 | 76,670 | 4.4 |
| Total | 13,012 | 100.0% | 1,748,352 | 100.0% |
| Mean travel to work (minutes) | 23.0 | | 25.4 | |

Source: American Community Survey 2011-2015

Building Permits

| Fiscal Year | Residential | | Comm./Industrial | | Total | |
|------------------------|--------------------|---------------|-------------------------|---------------|--------------|---------------|
| | No. | Value | No. | Value | No. | Value |
| 2017 | 1,348 | \$ 24,912,853 | 361 | \$ 20,722,814 | 1,709 | \$ 45,635,667 |
| 2016 | 1,635 | 18,568,050 | 437 | 74,665,875 | 2,072 | 93,233,924 |
| 2015 | 1,579 | 25,752,571 | 449 | 35,642,533 | 2,028 | 61,395,104 |
| 2014 | 1,430 | 18,596,973 | 482 | 69,713,813 | 1,912 | 88,310,786 |
| 2013 | 1,517 | 30,291,728 | 461 | 42,490,430 | 1,978 | 72,782,158 |
| 2012 | 1,583 | 21,212,761 | 334 | 20,815,783 | 1,917 | 42,028,544 |
| 2011 | 1,206 | 19,470,790 | 366 | 13,349,341 | 1,572 | 32,820,131 |
| 2010 | 1,285 | 22,423,499 | 271 | 13,832,294 | 1,556 | 36,255,793 |
| 2009 | 1,148 | 17,532,392 | 383 | 20,498,795 | 1,531 | 38,031,187 |
| 2008 | 1,133 | 25,362,228 | 466 | 44,013,132 | 1,599 | 69,375,360 |
| 2007 | 1,248 | 22,150,810 | 400 | 25,586,452 | 1,648 | 47,737,262 |

Source: Town of Farmington, Building Official

Age Distribution of Housing

| Year Built | Town of Farmington | | State of Connecticut | |
|---------------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1939 or earlier..... | 936 | 8.5% | 331,829 | 22.2% |
| 1940 to 1969..... | 2,786 | 25.2 | 536,501 | 36.0 |
| 1970 to 1979..... | 1,926 | 17.4 | 199,447 | 13.4 |
| 1980 to 1989..... | 2,576 | 23.3 | 193,595 | 13.0 |
| 1990 to 1999..... | 1,509 | 13.7 | 115,076 | 7.7 |
| 2000 or 2009..... | 1,240 | 11.2 | 103,911 | 7.0 |
| 2010 or later..... | 79 | 0.7 | 11,427 | 0.8 |
| Total Housing Units..... | 11,052 | 100.0% | 1,491,786 | 100.0% |

Source: American Community Survey 2011-2015

Housing Units by Type of Structure

| Housing Units | Town of Farmington | | State of Connecticut | |
|-----------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1-unit, detached..... | 6,586 | 59.6% | 882,941 | 59.2% |
| 1-unit, attached..... | 1,348 | 12.2 | 80,636 | 5.4 |
| 2 units..... | 398 | 3.6 | 121,410 | 8.1 |
| 3 or 4 units..... | 928 | 8.4 | 132,512 | 8.9 |
| 5 to 9 units..... | 604 | 5.5 | 82,727 | 5.5 |
| 10 to 19 units..... | 311 | 2.8 | 55,826 | 3.7 |
| 20 or more units..... | 868 | 7.9 | 123,561 | 8.3 |
| Mobile home..... | 9 | 0.1 | 11,898 | 0.8 |
| Boat, RV, van, etc..... | - | - | 275 | 0.0 |
| Total Inventory..... | 11,052 | 100.0% | 1,491,786 | 100.0% |

Source: American Community Survey 2011-2015

Housing Unit Vacancy Rates

| Housing Units | Town of Farmington | | State of Connecticut | |
|------------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Occupied housing units | 10,343 | 93.6% | 1,352,583 | 90.7% |
| Vacant housing units | 709 | 6.4 | 139,203 | 9.3 |
| Total | 11,052 | 100.0% | 1,491,786 | 100.0% |

Source: American Community Survey 2011-2015

Owner-occupied Housing Units

| Specified Owner-Occupied Units | Town of Farmington | | State of Connecticut | |
|---------------------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than \$50,000..... | 171 | 2.2% | 24,620 | 2.7% |
| \$50,000 to \$99,999..... | 98 | 1.3 | 28,771 | 3.2 |
| \$100,000 to \$149,999..... | 244 | 3.2 | 78,066 | 8.6 |
| \$150,000 to \$199,999..... | 759 | 10.0 | 140,544 | 15.5 |
| \$200,000 to \$299,999..... | 2,075 | 27.2 | 251,106 | 27.7 |
| \$300,000 to \$499,999..... | 2,912 | 38.2 | 235,670 | 26.0 |
| \$500,000 to \$999,999..... | 1,152 | 15.1 | 106,965 | 11.8 |
| \$1,000,000 or more..... | 215 | 2.8 | 40,485 | 4.5 |
| Total..... | 7,626 | 100.0% | 906,227 | 100.0% |
| Median Value..... | \$327,600 | | \$270,500 | |

Source: American Community Survey 2011-2015

Number and Size of Households

| Household Characteristics | Town of Farmington | | State of Connecticut | |
|---------------------------------------|---------------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Persons in households | 25,246 | - | 3,475,053 | - |
| Persons per household (average) | 2.44 | - | 2.57 | - |
| Persons per family (average) | 3.1 | - | 3.17 | - |
| Family households | 6,597 | 63.8 | 895,639 | 66.2 |
| Non-family households | 3,746 | 36.2 | 456,944 | 33.8 |
| All households | 10,343 | 100.0 | 1,352,583 | 100.0 |
| <i>Family households by type</i> | | | | |
| Married couple | 5,712 | 86.6 | 661,596 | 73.9 |
| Female householders, no spouse . | 610 | 9.2 | 175,228 | 19.6 |
| Other | 275 | 4.2 | 58,815 | 6.6 |
| Total family households | 6,597 | 100.0 | 895,639 | 100.0 |
| <i>Non-family households by type</i> | | | | |
| Householders living alone | 3,172 | 84.7 | 378,145 | 82.8 |
| Other | 574 | 15.3 | 78,799 | 17.2 |
| Total family households | 3,746 | 100.0 | 456,944 | 100.0 |

Source: American Community Survey 2011-2015

Land Use Summary As of November 2017

| Type | Acres | Percent |
|-----------------------------------|----------------|----------------|
| Residential..... | 7,760 | 42.4% |
| Commercial/industrial..... | 1,973 | 10.8 |
| Government/institutional..... | 744 | 4.1 |
| Open space..... | 6,211 | 33.9 |
| Town roads..... | 883 | 4.8 |
| State roads..... | 728 | 4.0 |
| Total | 18,299 | 100.0% |
| Vacant Residential Land | 1,988.50 Acres | |
| Vacant Non-residential Land | 242.25 Acres | |

Source: Planning and Zoning Department, Town of Farmington

SECTION IV – TAX BASE DATA

Comparative Assessed Valuations Taxable Grand List (\$ in thousands)

| Grand List As Of 10/1 | Residential Real Property (%) | Commercial & Industrial | | Other Land (%) | Personal Property (%) | Motor Vehicles (%) | Gross Taxable Grand List | Exemptions, Veterans Relief and Disabled | Net Taxable Grand List | Percent Growth |
|-----------------------|-------------------------------|-------------------------|----------------|----------------|-----------------------|--------------------|--------------------------|--|------------------------|----------------|
| | | Real Property (%) | Other Land (%) | | | | | | | |
| 2016 | 62.0 | 22.9 | 0.8 | 7.9 | 6.4 | \$ 3,664,628 | \$ 68,668 | \$ 3,595,960 | 0.6% | |
| 2015 | 62.2 | 23.0 | 0.8 | 7.6 | 6.4 | 3,638,942 | 64,121 | 3,574,821 | 1.2% | |
| 2014 | 62.6 | 23.5 | 0.3 | 7.2 | 6.4 | 3,594,688 | 61,407 | 3,533,281 | 0.9% | |
| 2013 | 63.2 | 23.6 | 0.3 | 6.5 | 6.4 | 3,540,369 | 40,175 | 3,500,194 | 0.7% | |
| 2012 ¹ | 63.0 | 24.0 | 0.3 | 6.6 | 6.3 | 3,530,896 | 54,721 | 3,476,175 | -7.2% | |
| 2011 | 65.2 | 22.6 | 0.3 | 6.1 | 5.8 | 3,801,097 | 53,301 | 3,747,796 | 0.5% | |
| 2010 | 65.3 | 22.9 | 0.3 | 6.1 | 5.4 | 3,773,377 | 46,022 | 3,727,355 | 0.6% | |
| 2009 | 65.1 | 22.9 | 0.3 | 6.4 | 5.3 | 3,752,362 | 46,141 | 3,706,221 | 0.8% | |
| 2008 | 65.2 | 22.9 | 0.3 | 6.4 | 5.2 | 3,717,361 | 41,544 | 3,675,817 | 0.7% | |
| 2007 ¹ | 65.1 | 23.2 | 0.3 | 5.8 | 5.7 | 3,687,886 | 37,180 | 3,650,706 | 34.1% | |

¹ Revaluation.

Source: Town of Farmington, Assessor's Office.

Major Taxpayers

| Name of Taxpayer | Nature of Business | Taxable Valuation | Percent of Net Taxable Grand List ¹ |
|-------------------------------------|-------------------------|-----------------------|--|
| West Farms Associates..... | Retail-Mall | \$ 147,147,660 | 4.09% |
| Dunn-Sager Affiliates..... | Real Estate Development | 55,905,490 | 1.55% |
| United Technologies..... | Manufacturing | 48,915,450 | 1.36% |
| EverSource (formerly CL&P)..... | Utility | 40,280,580 | 1.12% |
| Trumpf Inc..... | Manufacturing | 31,273,130 | 0.87% |
| Delfino, William & Thomas..... | Real Estate Development | 23,887,500 | 0.66% |
| Columbia Property Hartford LLC..... | Mariott Hotel | 22,860,660 | 0.64% |
| Price Reit Inc..... | Retail-Shopping Center | 20,196,850 | 0.56% |
| Brookdale Living Communities..... | Senior Living Complex | 18,634,880 | 0.52% |
| NIC 13 Village Gate..... | Senior Living Complex | 17,794,440 | 0.49% |
| Total..... | | \$ 426,896,640 | 11.87% |

¹ Based on the Net Taxable Grand List of October 1, 2016 of \$3,595,960,000.

Source: Town of Farmington, Assessor's Office.

Property Tax Levies and Collections

| Grand List of 10/1 | Fiscal Year Ending 6/30 | Net Taxable Grand List (000's) | Mill Rate | Adjusted Annual Levy | Percent of Annual Levy Collected at End of Fiscal Year | Percent of Annual Levy Uncollected at End of Fiscal Year | Percent of Annual Levy Uncollected as of 6/30/2017 |
|---------------------------|--------------------------------|---------------------------------------|------------------|-----------------------------|---|---|---|
| | | | | | <i>In Collection</i> | | |
| 2016 | 2018 | \$ 3,595,960 | 26.68 | \$ 95,364,405 | | | |
| 2015 | 2017 ¹ | 3,574,821 | 25.78 | 92,494,257 | 99.7% | 0.3% | 0.3% |
| 2014 | 2016 | 3,533,281 | 25.10 | 88,211,724 | 99.8% | 0.2% | 0.1% |
| 2013 | 2015 | 3,500,194 | 24.44 | 85,508,193 | 99.6% | 0.4% | 0.1% |
| 2012 | 2014 | 3,476,175 | 24.07 | 83,534,154 | 99.6% | 0.4% | 0.0% |
| 2011 | 2013 | 3,747,796 | 21.90 | 81,748,919 | 99.6% | 0.4% | 0.0% |
| 2010 | 2012 | 3,727,355 | 21.27 | 79,292,043 | 99.6% | 0.4% | 0.0% |
| 2009 | 2011 | 3,706,221 | 20.46 | 75,889,033 | 99.6% | 0.4% | 0.0% |
| 2008 | 2010 | 3,675,817 | 19.76 | 72,659,322 | 99.7% | 0.3% | 0.0% |
| 2007 | 2009 | 3,650,706 | 19.47 | 70,893,322 | 99.7% | 0.3% | 0.0% |

Source: Town of Farmington, Tax Collector

¹ Unaudited.

Property Taxes Receivable

| Fiscal Year | Ended June 30 | Current Year | Total |
|--------------------|----------------------|---------------------|--------------|
| 2017 | | \$ 272,359 | \$ 484,481 |
| 2016 | | 215,435 | 417,096 |
| 2015 | | 311,038 | 554,443 |
| 2014 | | 301,787 | 553,357 |
| 2013 | | 299,107 | 463,622 |
| 2012 | | 334,067 | 419,200 |
| 2011 | | 321,916 | 414,428 |
| 2010 | | 199,788 | 322,415 |
| 2009 | | 178,207 | 256,802 |
| 2008 | | 219,312 | 319,595 |

Tax Levy

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real estate tax bills are payable in two installments – July 1 and January 1. Real estate taxes of less than \$50, motor vehicle taxes, and personal property taxes are due in one installment in July. Supplemental motor vehicle taxes (those vehicles registered between October 2 and July 31) are due in one installment in January. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year, with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense fifteen years after the due date in accordance with state statutes.

SECTION V – DEBT SECTION

**Outstanding Bonded Debt
Pro Forma
As of December 7, 2017**

| Dated Date | Purpose | Interest Rate % | Original Issue | Amount Outstanding | Final Date of Maturity |
|---|----------------------|------------------------|-----------------------|---------------------------|-------------------------------|
| 05/12/09 | General Purpose..... | 2.25–5.00 | \$ 2,927,200 | \$ 1,277,300 | 09/15/21 |
| 05/12/09 | School..... | 2.25–5.00 | 10,547,800 | 4,602,700 | 09/15/21 |
| 06/23/11 | General Purpose..... | 2.00–4.00 | 7,401,400 | 4,367,200 | 04/01/26 |
| 06/23/11 | School..... | 2.00–4.00 | 2,930,200 | 1,717,800 | 04/01/23 |
| 06/23/11 | Sewer..... | 2.00–4.00 | 1,218,400 | 715,000 | 04/01/23 |
| 05/24/12 | General Purpose..... | 2.00–4.00 | 3,654,100 | 3,241,500 | 07/01/25 |
| 05/24/12 | School..... | 2.00–4.00 | 825,900 | 820,700 | 07/01/25 |
| 05/24/12 | Sewer..... | 2.00–4.00 | 360,000 | 357,800 | 07/01/25 |
| 02/15/13 | General Purpose..... | 2.00–3.00 | 4,220,000 | 2,880,000 | 01/15/28 |
| 04/15/15 | General Purpose..... | 2.00–4.00 | 2,275,000 | 1,965,000 | 04/15/30 |
| 04/15/15 | Schools..... | 2.00–4.00 | 1,800,000 | 1,560,000 | 04/15/30 |
| 06/17/15 | General Purpose..... | 2.00–5.00 | 5,334,000 | 2,215,000 | 09/15/20 |
| 06/17/15 | Schools..... | 2.00–5.00 | 2,106,000 | 860,000 | 09/15/20 |
| 11/18/15 | General Purpose..... | 2.00–4.00 | 1,875,000 | 1,625,000 | 11/15/30 |
| 11/18/15 | Schools..... | 2.00–4.00 | 225,000 | 195,000 | 11/15/30 |
| 10/03/16 | General Purpose..... | 2.00–4.00 | 3,600,000 | 3,350,000 | 10/01/31 |
| 10/03/16 | Schools..... | 2.00–4.00 | 1,900,000 | 1,770,000 | 10/01/31 |
| Total Outstanding Bonded Debt..... | | | \$ 53,200,000 | \$ 33,520,000 | |
| This Issue | | | | | |
| 12/07/17 | General Purpose..... | <i>tbd</i> | \$ 2,700,000 | \$ 2,700,000 | 12/01/32 |
| Sub-total..... | | | 2,700,000 | 2,700,000 | |
| Total Outstanding Bonded Debt..... | | | \$ 55,900,000 | \$ 36,220,000 | |

**Outstanding Short-term Debt
Pro Forma
As of December 7, 2017**

| Project | Aggregate Amount Authorized | The Notes Due: 5/8/18 |
|--------------------------------|------------------------------------|------------------------------|
| Waste Water Plant Upgrade..... | \$ 67,102,837 ¹ | \$42,000,000 |
| Total | \$ 67,102,837 | \$42,000,000 |

¹ Includes \$9,862,837 sewer revenue bond authorization approved by the Farmington Town Council on March 8, 2016

State of Connecticut Clean Water Fund Program

The Town of Farmington is a participant in the State of Connecticut’s Clean Water Fund Program (General Statutes Sections 22a-475 et seq., as amended), which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan).

Capital Leases

The Town of Farmington has entered into lease agreements, as lessee, to finance the acquisition of rolling stock, golf carts, street lights and for energy conservation improvements to various Town and School buildings. The leases have varying maturities from 3 years to 16 years as follows:

| <i>Date</i> | <i>Purpose</i> | <i>Interest Rate</i> | <i>Original Issue</i> | <i>Outstanding</i> | <i>Maturity</i> |
|-------------------|---------------------|----------------------|-----------------------|---------------------|-----------------|
| 10/13/17 | Streetlights..... | 1.86% | \$ 1,000,000 | \$ 1,000,000 | 10/13/2024 |
| 04/01/16 | Golf Carts..... | 4.70% | 123,967 | 90,261 | 10/1/2020 |
| 08/01/14 | Vacuum Truck..... | 1.80 | 319,371 | 109,027 | 7/10/2019 |
| 04/26/12 | Energy Conserv..... | 2.97 | 3,705,081 | 3,133,272 | 4/26/2029 |
| Total..... | | | \$ 5,148,419 | \$ 4,332,560 | |

The principal and interest on the leases is being paid from various sources including: sewer use fees, energy conservation savings and golf cart rentals.

School Projects

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

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

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

**Overlapping/Underlying Debt
Pro Forma
As of December 7, 2017**

The jurisdictions with boundaries overlapping or underlying Town boundaries is based upon information received by the Town from sources specified below. This does not reflect authorized but unissued indebtedness of those jurisdictions. The Town has not assumed responsibility to verify the information below.

Overlapping Debt

The Town of Farmington has no overlapping debt.

Underlying Debt

The Farmington Woods Tax District, Lake Garda Improvement Association and Talcott Glen Tax District have the authority to issue debt, which represents underlying debt of the Town. As of December 7, 2017, these districts do not have any outstanding indebtedness.

(The remainder of this page intentionally left blank)

**Bonded Debt Maturity Schedule
Pro Forma
As of December 7, 2017**

| Fiscal Year | Principal Payments | Interest Payments | Total Payments | This Issue The Bonds | Total Principal | Cumulative % of Principal Interest |
|--------------------|---------------------------|--------------------------|-----------------------|-----------------------------|------------------------|---|
| 2018 ¹ | \$ 1,850,000 | \$ 587,884 | \$ 2,437,884 | \$ - | \$ 1,850,000 | 5.1% |
| 2019 | 5,000,000 | 1,029,894 | 6,029,894 | 180,000 | 5,180,000 | 19.4% |
| 2020 | 5,005,000 | 813,244 | 5,818,244 | 180,000 | 5,185,000 | 33.7% |
| 2021 | 4,480,000 | 607,869 | 5,087,869 | 180,000 | 4,660,000 | 46.6% |
| 2022 | 3,690,000 | 443,369 | 4,133,369 | 180,000 | 3,870,000 | 57.3% |
| 2023 | 2,170,000 | 328,369 | 2,498,369 | 180,000 | 2,350,000 | 63.8% |
| 2024 | 2,215,000 | 256,544 | 2,471,544 | 180,000 | 2,395,000 | 70.4% |
| 2025 | 2,190,000 | 201,238 | 2,391,238 | 180,000 | 2,370,000 | 76.9% |
| 2026 | 2,165,000 | 147,731 | 2,312,731 | 180,000 | 2,345,000 | 83.4% |
| 2027 | 1,185,000 | 104,056 | 1,289,056 | 180,000 | 1,365,000 | 87.2% |
| 2028 | 1,180,000 | 78,056 | 1,258,056 | 180,000 | 1,360,000 | 90.9% |
| 2029 | 775,000 | 51,319 | 826,319 | 180,000 | 955,000 | 93.6% |
| 2030 | 765,000 | 32,606 | 797,606 | 180,000 | 945,000 | 96.2% |
| 2031 | 495,000 | 13,597 | 508,597 | 180,000 | 675,000 | 98.0% |
| 2032 | 355,000 | 3,994 | 358,994 | 180,000 | 535,000 | 99.5% |
| 2033 | - | - | - | 180,000 | 180,000 | 100.0% |
| Total..... | \$ 33,520,000 | \$ 4,699,769 | \$ 38,219,769 | \$2,700,000 | \$ 36,220,000 | |

¹ Excludes \$3,180,000 principal and \$652,335 interest payments made from July 1, 2017 through December 7, 2017.

**THE TOWN OF FARMINGTON HAS NEVER DEFAULTED IN THE PAYMENT OF ITS
DEBT OBLIGATIONS EITHER AS TO PRINCIPAL OR INTEREST**

(The remainder of this page intentionally left blank)

**Current Debt Statement
Pro Forma
As of December 7, 2017**

Long-Term Debt Outstanding:

| | |
|---|----------------------|
| General Purpose (Including This Issue)..... | \$ 23,621,000 |
| Schools | 11,526,200 |
| Sewers | 1,072,800 |
| Total Long-Term Debt | 36,220,000 |
| Short-Term Debt | 42,000,000 |
| Total Direct Debt | 78,220,000 |
| Underlying Debt | - |
| Total Overall Net Debt | \$ 78,220,000 |

**Current Debt Ratios
Pro Forma
As of December 7, 2017**

| | |
|---|------------------|
| Population (2015) ¹ | 25,563 |
| Net Taxable Grand List (10/1/16) | \$ 3,595,959,571 |
| Estimated Full Value (70%)..... | \$ 5,137,085,101 |
| Equalized Grand List (10/1/14) ² | \$ 5,115,009,589 |
| Money Income per Capita (2015) ¹ | \$ 52,341 |

| | Total Direct Debt | Total Net Direct Debt and Overall Net Debt ³ |
|---|------------------------------|--|
| Per Capita..... | \$ 3,059.89 | \$ 3,059.89 |
| Ratio to Net Taxable Grand List | 2.18% | 2.18% |
| Ratio to Estimated Full Value..... | 1.52% | 1.52% |
| Ratio to Equalized Grand List..... | 1.53% | 1.53% |
| Debt per Capita to Money Income per Capita (2015).... | 5.85% | 5.85% |

¹ American Community Survey 2011-2015
² Office of Policy and Management, State of Connecticut.
³ The Town does not have any indirect debt.

Authority to Incur Debt

The Town of Farmington has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is authorized by the Town Meeting upon the recommendation of the Town Council. Appropriations or bond authorizations of \$400,000 or more are subject to approval at an adjourned Town Meeting referendum. Notes and bonds may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

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

Limitation of Indebtedness

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

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

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

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

(The remainder of this page intentionally left blank)

**Statement of Statutory Debt Limitation
Pro Forma
As of December 7, 2017**

| | |
|--|----------------------------|
| Total Tax Collections (including interest and lien fees) for the year ended June 30, 2017 ¹ | \$ 92,566,552 ² |
| Reimbursement For Revenue Loss (Elderly Freeze Grant)..... | 128,656 ² |
| Base for Debt Limitation Computation | \$ 92,695,208 |

| | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Unfunded Pension</u> |
|---|----------------------------|----------------------|----------------------|----------------------|-----------------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times base..... | \$208,564,217 | - | - | - | - |
| 4 1/2 times base..... | - | \$417,128,434 | - | - | - |
| 3 3/4 times base..... | - | - | \$347,607,029 | - | - |
| 3 1/4 times base..... | - | - | - | \$301,259,425 | - |
| 3 times base..... | - | - | - | - | \$ 278,085,623 |
| Total Debt Limitation | \$208,564,217 | \$417,128,434 | \$347,607,029 | \$301,259,425 | \$ 278,085,623 |
| Indebtedness: | | | | | |
| Bonds Outstanding | 20,921,000 | 11,526,200 | 1,072,800 | - | - |
| Bonds – This Issue..... | 2,700,000 | - | - | - | - |
| Notes – Outstanding..... | - | - | 42,000,000 | - | - |
| Debt Authorized But Unissued..... | 4,003,051 | 218,719 | 16,373,114 | - | - |
| Total Net Indebtedness | 27,624,051 | 11,744,919 | 59,445,914 | - | - |
| DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS... | \$180,940,166 | \$405,383,515 | \$288,161,115 | \$301,259,425 | \$ 278,085,623 |

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$648,866,453

¹ Does not include tax collections of coterminous municipalities although permitted by statute.

² Subject to audit.

**Authorized but Unissued Debt
Pro Forma
As of December 7, 2017**

| <u>Project</u> | <u>Aggregate Amount Authorized</u> | <u>Previously Bonded</u> | <u>Grants / Paydowns Applied / Other Receipts</u> | <u>Outstanding Notes Due: 5/8/18</u> | <u>New Money</u> | <u>This Issue: The Bonds</u> | <u>Authorized but Unissued</u> |
|--------------------------------------|--|------------------------------|---|--|---------------------|----------------------------------|--|
| Road Improvements..... | \$ 4,000,000 | \$ 1,500,000 | \$ - | \$ - | \$ 1,750,000 | \$ 1,750,000 | \$ 750,000 |
| East Farms Roof Replacement..... | 1,000,000 | 550,000 | 231,281 | - | - | - | 218,719 |
| 2005 Open Space Acquisition..... | 1,000,000 | 830,877 | 66,072 | - | - | - | 103,051 |
| 2014 Open Space Acquisition..... | 3,500,000 | - | - | - | 350,000 | 350,000 | 3,150,000 |
| Fire Engine Pumpers (Southwest)..... | 600,000 | - | - | - | 600,000 | 600,000 | - |
| Waste Water Plant Upgrade..... | 67,102,837 | - | 8,729,723 | 42,000,000 | - | - | 16,373,114 |
| Total | \$ 77,202,837 | \$ 2,880,877 | \$ 9,027,076 | \$ 42,000,000 | \$ 2,700,000 | \$ 2,700,000 | \$ 20,594,884 |

Five-year Debt Statement Summary

| | 2016-17 ¹ | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
|---------------------------------------|----------------------|------------------|------------------|------------------|------------------|
| Population..... | 25,563 | 25,563 | 25,429 | 25,429 | 25,429 |
| Net taxable grand list..... | \$ 3,574,821,028 | \$ 3,533,281,000 | \$ 3,500,194,500 | \$ 3,476,175,110 | \$ 3,747,795,903 |
| Estimated full value..... | \$ 5,106,887,183 | \$ 5,047,544,286 | \$ 5,000,277,857 | \$ 4,965,964,443 | \$ 5,353,994,147 |
| Equalized net taxable grand list..... | \$ 5,115,009,589 | \$ 5,115,009,589 | \$ 5,214,499,137 | \$ 5,286,801,017 | \$ 5,313,947,012 |
| Per capita income | \$ 52,341 | \$ 52,341 | \$ 53,634 | \$ 53,634 | \$ 53,634 |
| Bond anticipation notes | \$ 42,000,000 | \$ 35,000,000 | \$ 725,000 | \$ - | \$ - |
| Bonded debt | 31,200,000 | 35,825,000 | 39,180,000 | 40,565,000 | 45,835,000 |
| Direct debt | 73,200,000 | 70,825,000 | 39,905,000 | 40,565,000 | 45,835,000 |
| Less: | | | | | |
| School construction grants | - | 162,932 | 334,057 | 513,287 | 709,402 |
| Sewer assessments receivable | - | 139,662 | 300,000 | 272,075 | 417,111 |
| Net direct debt | \$ 73,200,000 | \$ 70,522,406 | \$ 39,270,943 | \$ 39,779,638 | \$ 44,708,487 |

¹ Subject to audit.

Comparison of Annual Debt Service to General Fund Expenditures and Transfers Out

| Fiscal Year Ended June 30 | Debt Service | Total Expenditures and Transfers Out | Debt Service as Ratio to Total Expenditures and Transfers Out |
|------------------------------|--------------|--|---|
| 2017 ¹ | \$ 6,350,293 | \$ 99,942,805 | 6.4% |
| 2016 | 6,418,579 | 97,163,235 | 6.6% |
| 2015 | 6,469,644 | 99,577,219 | 6.5% |
| 2014 | 7,504,478 | 99,391,994 | 7.6% |
| 2013 | 8,315,421 | 94,607,047 | 8.8% |
| 2012 | 8,684,392 | 93,690,715 | 9.3% |
| 2011 | 8,974,100 | 88,921,436 | 10.1% |

¹ Subject to audit.

Five-year Capital Improvement Program

| | Adopted 2017-2018 | Projected 2018-2019 | Projected 2019-2020 | Projected 2020-2021 | Projected 2021-22 | Total |
|------------------------------|----------------------|------------------------|------------------------|------------------------|----------------------|---------------------|
| <i>Sources of Funds:</i> | | | | | | |
| General Fund..... | \$ 2,398,000 | \$ 2,905,000 | \$ 2,780,000 | \$ 2,720,000 | \$ 3,018,500 | \$13,821,500 |
| Bonds..... | - | 2,480,000 | 10,681,130 | 2,650,000 | 1,400,000 | 17,211,130 |
| Other Funds..... | 1,242,000 | 1,285,000 | 1,100,000 | 1,250,000 | - | 4,877,000 |
| Total Sources..... | 3,640,000 | 6,670,000 | 14,561,130 | 6,620,000 | 4,418,500 | 35,909,630 |
| <i>Uses of Funds:</i> | | | | | | |
| Board of Education..... | 835,000 | 975,000 | 1,436,130 | 1,030,000 | 1,130,000 | 5,406,130 |
| Engineering | 735,000 | 1,575,000 | 360,000 | 2,375,000 | 60,000 | 5,105,000 |
| Highway and Grounds | 255,000 | 700,000 | 680,000 | 1,010,000 | 1,280,000 | 3,925,000 |
| Fire Department | 165,000 | 975,000 | 10,315,000 | 815,000 | 1,578,500 | 13,848,500 |
| Police Department | 173,000 | 725,000 | 228,000 | 100,000 | 70,000 | 1,296,000 |
| Town Manager | 375,000 | 345,000 | 450,000 | 240,000 | 175,000 | 1,585,000 |
| Community & Recreation | 67,000 | 285,000 | 117,000 | 25,000 | 50,000 | 544,000 |
| Westwoods Golf Course | 35,000 | 90,000 | 75,000 | 25,000 | 75,000 | 300,000 |
| Treatment Plant | 1,000,000 | 1,000,000 | 900,000 | 1,000,000 | - | 3,900,000 |
| Total Uses..... | \$ 3,640,000 | \$ 6,670,000 | \$14,561,130 | \$ 6,620,000 | \$ 4,418,500 | \$35,909,630 |

SECTION VI – FINANCIAL SECTION

Fiscal Year

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

Basis of Accounting

See footnote number 1 in “Notes to Financial Statements” of Appendix A.

Budget Procedure

The budget-making process for the Town is outlined in Chapter 9 of the Town Charter.

| | |
|--|--|
| Not later than 65 days before the Annual Town Meeting | All Department, Office, and Agency heads (including the Board of Education) submit budget estimates to the Town Manager showing expected expenditures and revenues (other than taxes). |
| Not later than 45 days before the Annual Town Meeting the Town Manager presents to the Town Council: | <ol style="list-style-type: none">a. estimates of revenue showing the last completed fiscal year, the first seven months of the current fiscal year and revenue estimates (other than taxes) anticipated in the ensuing fiscal year;b. expenditure estimates showing actual expenditures for the last completed fiscal year and the first seven months of the current year, expenditure requests for the ensuing year, and the Manager's recommended amounts (except the Board of Education). |
| No later than 14 days before the Annual Town Meeting | The Town Council holds a public hearing on its proposed budget and then prepares its recommended budget. |
| Between third and fourth Monday in April | The Council-recommended budget is presented to the Annual Town Meeting. |
| On the tenth day after the Annual Town Meeting | Referendum on Council-recommended budget with amendments, if any, made at Annual Town Meeting. Budget is effective unless rejected by a majority of those voting at referendum in which at least 15% of the registered voters vote. |

Property Tax - Assessment Practices

The Town of Farmington last revalued its real property to be effective on its October 1, 2012 Grand List, which has been implemented in fiscal year 2013–14. The next revaluation is scheduled for October 1, 2017. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods. Prior to the completion of each revaluation, the Assessor shall conduct a field review. The Assessor must fully inspect each parcel of improved real property once in every ten assessment years, provided that the Assessor is not required to fully inspect all of a town's improved real property parcels in the same assessment year or to fully inspect any such parcel more than once during every ten assessment years. Section 12-62 provides that the full inspection requirement shall not apply to any parcel of improved real property for which the Assessor obtains satisfactory verification of data listed on the Assessor's property record by means of a questionnaire sent by the Assessor, at any time during the period in which a full inspection of an improved parcel of real property is required, to the owner of such parcel to (A) obtain information concerning the property's acquisition, and (B) obtain verification of the accuracy of data listed on the Assessor's property record for such parcel.

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion on the Grand List are the responsibilities of the Town's Assessor's office. The Grand List represents the total of assessed value for all taxable real and personal property and motor vehicles located within the Town as of October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at seventy percent (70%) of the estimated market value at the time of the latest general revaluation.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. The State of Connecticut's 2017-2019 biennium budget legislation amended that statute to provide that (1) for the assessment year October 1, 2016 (the fiscal year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 (the fiscal year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The amendment raised the mill rate cap for the assessment year October 1, 2016 from 32 mills to 37 mills after the motor vehicle property tax for the fiscal year ending June 30, 2018 had been levied reflecting a mill rate below the then 32 mills rate cap. The Town will not issue supplemental motor vehicle property tax bills for the current fiscal year as permitted up to the new 39 mills rate cap.

For the fiscal year ending June 30, 2018, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 39 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 39 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year commencing October 1, 2013 (the fiscal year ending June 30, 2015), and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 39 mills. For the fiscal year ending June 30, 2019, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year commencing October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

All personal property (commercial furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

Audit

The Town of Farmington, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent CPA firm to audit its financial records annually. The annual audits are conducted in compliance with Public Act 77-611 and contain the financial statements of the Town and the auditor's opinion thereon, in addition to specific comments and recommendations. For the fiscal year ended June 30, 2016, the Town's financial statements were audited by the accounting firm of Blum Shapiro.

Liability Insurance

See Note number 8 in “Notes to Financial Statements” of Appendix A.

Pension Plans

The Town of Farmington is the administrator of a single-employer defined-benefit pension plan (the “Plan”). The Plan is administered by the Town to provide pension benefits to substantially all full-time employees, except certified personnel of the Board of Education, who are covered under the State Teachers’ Retirement System. Both the employer and employee are obligated to contribute to the funding of the Plan. The Plan is considered to be a part of the Town’s financial reporting entity and is included in the Town’s financial reports as a pension trust fund. The Plan does not issue a separate stand-alone financial report.

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The investment of Plan assets is overseen by an eleven-member retirement board, which is appointed by the Town Council. Benefit payments are determined through contractual agreements with the Town’s various bargaining groups.

The Town budgets an annual contribution to the Plan based upon a recommendation made by the Plan’s actuary when preparing the annual actuarial valuation. The annual required contribution for the year ended June 30, 2017 was \$3,118,029 and the actual amount contributed was \$3,118,029, or 100 %. The annual required contribution for the year ending June 30, 2018 is \$3,281,473 and the budgeted contribution amount is \$3,281,473, or 100.0%. The July 1, 2016 , actuarial valuation for the Plan was prepared using the following actuarial assumptions, among others:

| | |
|---------------------------|-------------------------------------|
| Inflation | 2.75% |
| Salary Increase | 6.50% to 3.50%, including inflation |
| Investment Rate of Return | 7.00%, including inflation |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of salary, closed |
| Remaining Amortization | |
| Period as of 06-30-2017 | 26 Years |

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (“AAL”) | Unfunded AAL (UAAL) | Funded Ratio % | Covered Payroll | UAAL as a % of Covered Payroll |
|---|--|--|--------------------------------|---------------------------|----------------------------|---|
| 7/1/2013 | 69,620,427 | 93,620,239 | 23,999,812 | 74.4% | 20,141,456 | 119.2% |
| 7/1/2014 | 74,965,038 | 102,083,415 | 27,118,377 | 73.4% | 20,903,455 | 129.7% |
| 7/1/2015 | 80,097,995 | 107,273,165 | 27,175,170 | 74.7% | 21,564,107 | 126.0% |
| 7/1/2016 | 82,771,340 | 110,967,853 | 28,196,513 | 74.6% | 21,941,418 | 128.5% |

Schedule of Employer Contributions

| Fiscal Year Ended | Annual Required Contribution | Amount Contributed | Percentage Contributed |
|----------------------------------|---|-------------------------------|-----------------------------------|
| 6/30/2013 | \$ 2,108,977 | \$ 2,109,000 | 100.0% |
| 6/30/2014 | 2,267,150 | 2,270,080 | 100.1% |
| 6/30/2015 | 2,751,795 | 2,751,795 | 100.0% |
| 6/30/2016 | 3,040,676 | 3,110,676 | 102.3% |
| 6/30/2017 ¹ | 3,118,029 | 3,118,029 | 100.0% |
| 6/30/2018 ² | 3,281,473 | 3,281,473 | 100.0% |

¹ Unaudited.

² Budget.

GASB 67 Disclosure

Governmental Accounting Standards Board Statement No. 67 (“GASB 67”) requires a determination of the Total Pension Liability (“TPL”) for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability (“NPL”) is then set equal to the TPL minus the plan’s Fiduciary Net Position (“FNP”) which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (“SEIR”). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

The Town of Farmington has received an actuarial report prepared as of June 30, 2017 containing information to assist the Town in meeting the requirements of GASB 67. This report indicated the following results as of June 30, 2017 in accordance with GASB 67:

| | |
|---|---------------|
| Total Pension Liability | \$115,229,398 |
| Fiduciary Net Position | \$85,808,667 |
| Net Pension Liability | \$29,420,731 |
| Ratio of Fiduciary Net Position to Total Pension Liability | 74.47 % |

The report for the Plan as of June 30, 2017 used its long term investment rate of 7.00% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$18,258,988, or increase the NPL to \$42,564,895, respectively.

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers’ Retirement Board. The Town is not required to, and does not, contribute to this plan.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 4” herein.

Other Post-Employment Benefits

The Town offers post-employment health and life insurance benefits on a partial-pay basis to employees who retire from Town service. The Town funding and payment of post-employment benefits are accounted for in an Internal Service Fund on a pay-as-you-go basis. The Town is in the process of establishing a trust fund to irrevocably segregate assets to fund the liability associated with post-employment benefits in accordance with GASB guidelines. The Town is also developing a funding strategy to provide for normal cost and the amortization of the accrued liability. The Town anticipates that the strategy that is established will include a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability.

The Town’s annual 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 ended June 30, 2016, the amount actually contributed to the plan and changes in the Town’s net OPEB obligation:

The Town has received an actuarial report prepared as of June 30, 2016 for the Post-Retirement Medical Program.

The June 30, 2016 actuarial valuation was prepared using the following actuarial assumptions, among others:

| | |
|--|--|
| Inflation | 2.70% |
| Salary Scale | Age Increase |
| | 25 6.50% |
| | 30 5.00% |
| | 35 4.50% |
| | 40 4.25% |
| | 45 4.00% |
| | 50 3.75% |
| | 55+ 3.50% |
| Healthcare Cost Trend | 6.8% initially, reduced by decrements to an ultimate rate of 4.7% after 68 years |
| Investment Rate of Return | 4.00% |
| Actuarial Cost Method | Projected Unit Credit Cost Method |
| Amortization Method | Level Percent |
| Remaining Amortization Period as of 06-30-2016 | 30 Years |

| | |
|--|---|
| | <u>Post-Retirement Medical Program</u> |
| ARC | \$ 3,653,354 |
| Interest on Net OPEB Obligation | 420,190 |
| Adjustment to ARC | <u>(445,990)</u> |
| Annual OPEB Cost | 3,627,554 |
| Contributions Made | <u>1,234,419</u> |
| Increase in Net OPEB Obligation | 2,393,135 |
| Net OPEB Obligation, Beginning of Year | <u>10,504,758</u> |
| Net OPEB Obligation, End of Year | <u>\$ 12,897,893</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2013-17 is presented below.

| <i>Fiscal Year Ended</i> | <i>Annual OPEB Cost (AOC)</i> | <i>Actual Contribution</i> | <i>Percentage of AOC Contributed</i> |
|---|--|---------------------------------------|---|
| 6/30/2013 | \$ 2,291,036 | \$ 1,261,121 | 55.0% |
| 6/30/2014 | 3,138,817 | 1,101,272 | 35.1% |
| 6/30/2015 | 3,305,964 | 1,124,433 | 34.0% |
| 6/30/2016 | 3,510,009 | 1,144,807 | 32.6% |
| 6/30/2017 ¹ | 3,653,354 | 1,234,419 | 33.8% |

¹ Unaudited.

Schedule of Funding Progress

| <i>Actuarial Valuation Date</i> | <i>Actuarial Value of Assets</i> | <i>Actuarial Accrued Liability ("AAL")</i> | <i>Unfunded AAL (UAAL)</i> | <i>Funded Ratio</i> | <i>Covered Payroll</i> | <i>UAAL as a % of Covered Payroll</i> |
|--|---|---|---------------------------------------|--------------------------------|-----------------------------------|--|
| 6/30/2009 | \$ - | \$ 23,383,486 | \$ 23,383,486 | 0.00% | N/A | N/A |
| 6/30/2011 | - | 30,822,853 | 30,822,853 | 0.00% | N/A | N/A |
| 7/1/2013 | - | 36,108,188 | 36,108,188 | 0.00% | N/A | N/A |
| 7/1/2015 | - | 38,818,000 | 38,818,000 | 0.00% | N/A | N/A |

Schedule of Employer Contributions

| Fiscal Year Ended | Employer Contribution | Annual Required Contribution | Percentage Contributed |
|----------------------------------|----------------------------------|---|-----------------------------------|
| 6/30/2013 | \$ 1,261,121 | \$ 2,268,808 | 55.6% |
| 6/30/2014 | 1,101,272 | 3,132,286 | 35.2% |
| 6/30/2015 | 1,124,433 | 3,303,639 | 34.0% |
| 6/30/2016 | 1,144,807 | 3,517,986 | 32.5% |
| 6/30/2017 ¹ | 1,234,419 | 3,653,354 | 33.8% |
| 6/30/2018 ² | 1,328,000 | 3,653,354 | 36.4% |

¹ Unaudited.

² Budget.

See Appendix A – “Audited Financial Statements, Notes to Financial Statements, Note 5” herein.

Summary of Accounting Principles

The Town’s accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The General Fund is the general operating fund of the Town government. The Town’s General Fund accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. Proprietary Fund type revenues and expenses are recognized on the accrual basis of accounting whereby revenues and expenses are recognized when incurred. The accounting policies of the Town conform to generally accepted accounting principles as applied to governmental units. (See Appendix A – “2016 Financial Statements Excerpted from the Town’s Comprehensive Annual Financial Report, Notes to Financial Statements” herein.)

(The remainder of this page intentionally left blank)

Comparative Balance Sheets – General Fund

| Assets | <i>Actual</i> 6/30/2016 | <i>Actual</i> 6/30/2015 | <i>Actual</i> 6/30/2014 | <i>Actual</i> 6/30/2013 | <i>Actual</i> 6/30/2012 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Cash and Cash Equivalents..... | \$ 18,637,224 | \$ 15,892,471 | \$ 12,080,535 | \$ 10,094,359 | \$ 8,729,728 |
| Property Taxes Receivable, Net..... | 347,648 | 462,126 | 461,223 | 374,375 | 338,504 |
| Due From Other Governments..... | 8,791 | 11,908 | 77,933 | 141,748 | 121,198 |
| Accounts Receivable..... | 595,458 | 649,680 | 848,958 | 1,257,317 | 1,302,832 |
| Due From Other Funds..... | 1,508,078 | 1,562,560 | 1,150,468 | 3,795,826 | 3,793,328 |
| Prepaid Assets..... | - | - | - | - | 16,040 |
| Total Assets..... | 21,097,199 | 18,578,745 | 14,619,117 | 15,663,625 | 14,301,630 |
| <u>Liabilities and Fund Balance</u> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts Payable..... | 1,248,739 | 1,044,545 | 1,300,559 | 961,245 | 1,143,890 |
| Accrued Liabilities..... | - | - | - | - | - |
| Due to Other Funds..... | 7,888,636 | 5,677,909 | 2,466,890 | 4,291,222 | 3,126,519 |
| Unearned Revenue..... | 290,954 | 225,684 | 214,700 | 1,313,557 | 1,772,823 |
| Total Liabilities..... | 9,428,329 | 6,948,138 | 3,982,149 | 6,566,024 | 6,043,232 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| Unavailable Revenue..... | 323,466 | 550,850 | 689,620 | - | - |
| Advance Property Tax Collections..... | 70,383 | 218,107 | 273,158 | - | - |
| Total Deferred Inflows of Resources..... | 393,849 | 768,957 | 962,778 | - | - |
| <u>Liabilities</u> | | | | | |
| Reserved..... | - | - | - | - | - |
| Unreserved..... | - | - | - | - | - |
| Unspendable..... | - | - | - | - | 16,040 |
| Assigned..... | 370,383 | 518,355 | 122,297 | 179,726 | 178,623 |
| Unassigned..... | 10,904,638 | 10,343,295 | 9,551,893 | 8,917,875 | 8,063,735 |
| General Fund balance..... | 11,275,021 | 10,861,650 | 9,674,190 | 9,097,601 | 8,258,398 |
| Total Liabilities & Fund Balance..... | \$ 21,097,199 | \$ 18,578,745 | \$ 14,619,117 | \$ 15,663,625 | \$ 14,301,630 |
| Operating revenues..... | \$104,543,428 | \$100,764,679 | \$ 99,968,583 | \$ 97,224,880 | \$ 93,721,633 |
| Fund balance as percent of operating revenues..... | 10.8% | 10.8% | 9.7% | 9.4% | 8.8% |
| Unreserved/unassigned fund balance as percent of operating revenues..... | 10.4% | 10.3% | 9.6% | 9.2% | 8.6% |

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2013 through 2016 have been derived from audited financial statements. The fiscal year 2016-17 projected actuals and fiscal year 2017-18 budget has been provided by the Town. The financial information presented herein is the responsibility of the Town of Farmington's management (Appendix A – "Audited Financial Statements" was taken from the Comprehensive Annual Financial Report of the Town of Farmington for the fiscal year ended June 30, 2016).

| Revenues: | Adopted Budget ¹ 2017-18 | Actual ¹ 2016-17 | Actual ³ 2015-16 | Actual ³ 2014-15 | Actual ³ 2013-14 | Actual ³ 2012-13 |
|--|--|--|--|--|--|--|
| Property Taxes | \$ 96,045,433 | \$ 92,542,585 | \$ 89,179,689 | \$ 85,678,697 | \$ 83,594,831 | \$ 82,373,994 |
| Intergovernmental | 4,145,382 ² | 5,836,785 ² | 13,153,469 | 12,526,132 | 13,512,775 | 12,152,086 |
| Income on Investments..... | 150,000 | 161,549 | 98,512 | 65,555 | 70,621 | 77,326 |
| Other (including Charges for Services) | 2,406,320 | 2,448,924 | 2,111,758 | 2,494,295 | 2,790,356 | 2,621,474 |
| Total Revenues | 102,747,135 | 100,989,843 | 104,543,428 | 100,764,679 | 99,968,583 | 97,224,880 |
| Expenditures: | | | | | | |
| General government | 6,275,907 | 5,900,566 | 5,671,712 | 5,542,498 | 5,499,470 | 5,373,243 |
| Public Safety | 9,804,839 | 9,672,225 | 9,598,349 | 9,477,482 | 9,039,343 | 8,906,148 |
| Public Works | 4,873,266 | 4,655,890 | 4,231,247 | 4,126,010 | 4,151,439 | 3,927,011 |
| Culture and Recreation..... | 852,995 | 793,376 | 875,754 | 829,870 | 845,572 | 844,600 |
| Human Services | - | - | - | - | - | - |
| Pension & Employee Benefits | 7,043,787 | 6,604,787 | 6,407,090 | 5,976,301 | 5,637,982 | 5,726,404 |
| Education | 64,172,641 | 62,676,721 | 67,188,409 | 63,453,677 | 63,908,106 | 61,514,220 |
| Debt Service | 7,315,700 | 6,782,340 | 6,526,681 | 6,469,644 | 7,504,478 | 8,315,421 |
| Contingencies | 10,000 | - | - | - | - | - |
| Total Expenditures | 100,349,135 | 97,085,905 | 100,499,242 | 95,875,482 | 96,586,390 | 94,607,047 |
| Revenues over (under) expenditures | 2,398,000 | 3,903,938 | 4,044,186 | 4,889,197 | 3,382,193 | 2,617,833 |
| Other Financing Sources Uses: | | | | | | |
| Refunding Bonds Issued..... | - | - | - | - | - | 3,505,000 |
| Payment to Refunded Bond Escrow Agent..... | - | - | - | - | - | (3,608,307) |
| Premium on Bonds..... | - | - | - | - | - | 124,677 |
| Issuance of Capital Leases..... | - | - | - | - | - | - |
| Operating Transfers In | - | - | - | - | - | - |
| Operating Transfers (Out) | (2,398,000) | (2,856,900) | (3,630,815) | (3,701,737) | (2,805,604) | (1,800,000) |
| Total other Financing Sources (uses) | (2,398,000) | (2,856,900) | (3,630,815) | (3,701,737) | (2,805,604) | (1,778,630) |
| Revenues and other financing sources over (under) expenditures and other financing (uses) | \$ - | \$ 1,047,038 | \$ 413,371 | \$ 1,187,460 | \$ 576,589 | \$ 839,203 |

¹ Subject to audit.

² Budgetary basis of accounting; does not include payments made on behalf of the Town by the State of Connecticut for Teachers' Retirement System.

³ Includes the State of Connecticut's contributions to the Teachers' Pension Plan on behalf of the Town of Farmington of \$6,834,245, \$5,915,085, \$7,353,626, \$6,075,485, and \$5,870,269 for fiscal years 2015-16, 2014-15, 2013-14, 2012-13, and 2011-12, respectively.

Intergovernmental Revenues as a Percent of General Fund Revenues

| Fiscal Year Ended June 30 | Intergovernmental Revenues | General Fund Revenues | Percent |
|--------------------------------------|---------------------------------------|----------------------------------|----------------|
| 2018 ^{1,2} | \$ 4,145,382 | \$ 102,747,135 | 4.0% |
| 2017 ^{1,2} | 5,836,785 | 100,989,843 | 5.8% |
| 2016 | 13,153,469 | 104,543,428 | 12.6% |
| 2015 | 12,526,132 | 100,764,679 | 12.4% |
| 2014 | 13,512,775 | 99,968,583 | 13.5% |
| 2013 | 12,152,086 | 97,224,880 | 12.5% |
| 2012 | 11,990,375 | 93,721,633 | 12.8% |

¹ Subject to audit.

² Budgetary basis of accounting; does not include payments made on behalf of the Town by the State of Connecticut for Teachers Retirement System.

Municipal Budget Expenditures Cap

Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2017-2019 biennium budget legislation does not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2018 and June 30, 2019, but provides that such funding will resume following July 1, 2019.

State of Connecticut 2017-2019 Biennium Budget

On June 7, 2017, the regular session of the State of Connecticut General Assembly ended without the passage of the budget for the 2017-2019 biennium, beginning on July 1, 2017. On June 30, 2017, the Governor issued Executive Order No. 58, which the Governor revised on August 18, 2017, in order to continue operation of essential functions of the State in the absence of an approved appropriations act for the fiscal year ending June 30, 2018. Executive Order 58, among other things, significantly reduced disbursements of State funding to municipalities. In mid-September 2017, the Connecticut General Assembly adopted a budget for the 2017-2019 biennium which, among other things, restored significant portions of the State funding to municipalities for the current fiscal year impacted by Executive Order No. 58. The Governor vetoed the adopted budget, and the House of Representatives failed to override the Governor's veto. On October 26, 2017, the Connecticut General Assembly adopted a second budget for the 2017-2019 biennium. On October 31, 2017, the Governor signed the budget legislation into law, other than appropriations in support of a new hospital tax proposal with respect to which the Governor exercised a line-item veto. Under the 2017-2019 biennium budget, the amount of overall State aid to the Town is projected to receive in the first year of the budget decreases by approximately \$291,155 from that received in the fiscal year ending June 30, 2017.

(The remainder of this page intentionally left blank)

SECTION VII – ADDITIONAL INFORMATION

Litigation

Following consultation with the Town Attorney, and other attorneys providing legal services to the Town, Town officials advise that the Town of Farmington, Connecticut, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town Attorney's opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Documents Furnished at Delivery

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

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Town Manager and the Treasurer which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were awarded for the Bonds, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C to this Official Statement.
6. The Town of Farmington has prepared an Official Statement for the Bonds which is dated November __, 2017. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The Town will make available to the winning bidder fifty (50) copies of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder at the office of the Town's Municipal Advisor no later than seven business days of the bid opening. If the Town's Municipal Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the final Official Statement will include an additional cover page and other pages indicating the interest rates, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, and any changes on the Bonds. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchaser.

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

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds by the Town of Farmington, Connecticut and may not be reproduced or used in whole or in part for any other purpose.

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

By /s/

Kathleen A. Eagen
Town Manager

By /s/

Joseph Swetcky, Jr.
Director of Finance/Treasurer

Dated as of November __, 2017

Appendix A

2016 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report

The following includes the General Purpose Financial Statements of the Town of Farmington, Connecticut for the fiscal year ended June 30, 2016. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.

(This page intentionally left blank)

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Members of the Town Council
Town of Farmington, 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 Farmington, 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 Farmington, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 Farmington, Connecticut, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 10, the budgetary comparison information on pages 53 through 56 and the pension schedules on pages 57 through 60 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 Farmington, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016 on our consideration of the Town of Farmington, 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 Farmington, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2016

Town of Farmington, Connecticut
Management's Discussion and Analysis
June 30, 2016

As management of the Town of Farmington, Connecticut, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Farmington for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal.

Financial Highlights

The assets of the Town of Farmington exceeded its liabilities at the close of the most recent fiscal year by \$84,879,514. Of this amount, \$100,438,073 represented net investment in capital assets.

The Town of Farmington's total net position increased by \$1,372,825. Net position for the governmental activities increased \$1,146,620, while net position for business-type activities increased by \$226,205.

At the close of the current fiscal year, the Town of Farmington's governmental funds reported combined ending fund balances of \$14,093,981, a decrease of \$4,506,357 in comparison with the prior year. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,904,638, or 10.85% of total General Fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Farmington's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Town of Farmington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, education, public safety, public works and recreation. The business-type activities of the Town of Farmington include the Westwoods Golf Course and waste collection and disposal.

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 Farmington, 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 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 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Farmington maintains 20 individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, and the Capital Projects Fund, because they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibits III and IV of this report.

Proprietary Funds. The Town of Farmington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Farmington uses enterprise funds to account for the Westwoods Golf Course and for waste collection and disposal. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town of Farmington's various functions. The Town uses an internal service fund to account for employee health insurance. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Westwoods Golf Course, Waste Collection Fund and employee health insurance are the only activities in the proprietary fund financial statements; therefore, they are considered major funds and information for them is shown separately.

The basic proprietary fund statements can be found in Exhibits V through VII of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 Farmington'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 VIII and IX of this report.

Notes to the Financial Statements. The notes to the financial statements 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 financial statements can be found on pages 22-52 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Farmington's progress in funding its obligation to provide pension benefits to its employees.

The Town of Farmington adopts an annual budget for its General Fund and Water Pollution Control Authority Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 53-60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the information on Major Governmental Funds. Combining fund statements and schedules can be found on pages 70-80.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town, assets exceeded liabilities by \$84,879,514 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Farmington's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Farmington's investment in its capital assets, net of accumulated depreciation, 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.

**NET POSITION
June 30, 2016 and 2015**

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current assets | \$ 61,872,044 | \$ 28,434,132 | \$ 825,035 | \$ 685,985 | \$ 62,697,079 | \$ 29,120,117 |
| Capital assets | 143,508,801 | 136,377,551 | 1,619,346 | 1,520,054 | 145,128,147 | 137,897,605 |
| Total assets | <u>205,380,845</u> | <u>164,811,683</u> | <u>2,444,381</u> | <u>2,206,039</u> | <u>207,825,226</u> | <u>167,017,722</u> |
| Deferred outflows of resources | 11,374,706 | 7,378,976 | | | 11,374,706 | 7,378,976 |
| Current liabilities | 43,589,430 | 5,565,202 | 996,640 | 971,566 | 44,586,070 | 6,536,768 |
| Noncurrent liabilities | 87,557,847 | 81,859,322 | 114,740 | 122,577 | 87,672,587 | 81,981,899 |
| Total liabilities | <u>131,147,277</u> | <u>87,424,524</u> | <u>1,111,380</u> | <u>1,094,143</u> | <u>132,258,657</u> | <u>88,518,667</u> |
| Deferred inflows of resources | 728,760 | 1,033,241 | 68,397 | 73,497 | 797,157 | 1,106,738 |
| Net investment in capital assets | 100,438,073 | 92,204,158 | 1,504,606 | 1,397,477 | 101,942,679 | 93,601,635 |
| Unrestricted | <u>(15,558,559)</u> | <u>(8,471,264)</u> | <u>(240,002)</u> | <u>(359,078)</u> | <u>(15,798,561)</u> | <u>(8,830,342)</u> |
| Total Net Position | <u>\$ 84,879,514</u> | <u>\$ 83,732,894</u> | <u>\$ 1,264,604</u> | <u>\$ 1,038,399</u> | <u>\$ 86,144,118</u> | <u>\$ 84,771,293</u> |

Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

During the fiscal year, the government's total net position increased by \$1,372,825.

CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 12,082,856 | \$ 11,834,091 | \$ 2,265,758 | \$ 2,239,838 | \$ 14,348,614 | \$ 14,073,929 |
| Operating grants and contributions | 14,194,691 | 13,139,053 | | | 14,194,691 | 13,139,053 |
| Capital grants and contributions | 3,943,121 | 2,273,299 | 67,257 | | 4,010,378 | 2,273,299 |
| General revenues: | | | | | | |
| Property taxes | 89,079,774 | 85,676,586 | | | 89,079,774 | 85,676,586 |
| Grants and contributions not restricted to specific programs | 4,003,821 | 4,359,360 | | | 4,003,821 | 4,359,360 |
| Investment income | 139,833 | 111,892 | 29,845 | 1,065 | 169,678 | 112,957 |
| Capital contributions | | | | 23,619 | - | 23,619 |
| Miscellaneous | 157,807 | 270,242 | 19,104 | 31,026 | 176,911 | 301,268 |
| Total revenues | <u>123,601,903</u> | <u>117,664,523</u> | <u>2,381,964</u> | <u>2,295,548</u> | <u>125,983,867</u> | <u>119,960,071</u> |
| Expenses: | | | | | | |
| Education | 78,152,327 | 73,623,378 | | | 78,152,327 | 73,623,378 |
| Public safety | 15,555,472 | 14,877,800 | | | 15,555,472 | 14,877,800 |
| Public works | 9,123,730 | 8,476,511 | | | 9,123,730 | 8,476,511 |
| Culture and recreation | 2,217,159 | 2,163,703 | | | 2,217,159 | 2,163,703 |
| General administration | 10,542,768 | 9,778,229 | | | 10,542,768 | 9,778,229 |
| Plant operations | 5,733,834 | 4,810,134 | | | 5,733,834 | 4,810,134 |
| Debt service | 1,129,993 | 843,849 | | | 1,129,993 | 843,849 |
| Waste Collection | | | 1,516,563 | 1,577,806 | 1,516,563 | 1,577,806 |
| Golf Course | | | 639,196 | 687,521 | 639,196 | 687,521 |
| Total expenses | <u>122,455,283</u> | <u>114,573,604</u> | <u>2,155,759</u> | <u>2,265,327</u> | <u>124,611,042</u> | <u>116,838,931</u> |
| Change in net position | 1,146,620 | 3,090,919 | 226,205 | 30,221 | 1,372,825 | 3,121,140 |
| Net Position - July 1 | <u>83,732,894</u> | <u>80,641,975</u> | <u>1,038,399</u> | <u>1,008,178</u> | <u>84,771,293</u> | <u>81,650,153</u> |
| Net Position - June 30 | \$ <u>84,879,514</u> | \$ <u>83,732,894</u> | \$ <u>1,264,604</u> | \$ <u>1,038,399</u> | \$ <u>86,144,118</u> | \$ <u>84,771,293</u> |

Governmental Activities

Governmental activities increased the Town of Farmington's net position by \$1,146,620 thereby accounting for the majority of the increase in the net position of the Town. Key elements of the change in net position are:

72.1% of all revenues were derived from property taxes, followed by 11.5% from operating grants and contributions.

Charges for Services revenue increased by 2.1% due to sewer use charge increases.

Grants from all sources and for all purposes made up 14.7% of all revenue. This was a decrease of 2.5% from the previous year.

Investment income increased by 2.5% due to increases in interest rates and the availability of more idle funds to invest.

In total, expenses increased 6.9% over the prior year. All expense categories experienced spending increases. Expense categories experiencing the largest increases were: Debt Service (+33.9%); Plant Operations (+19.2%); General Administration (+7.8%); and, Public Works (+7.6%).

Financial Analysis of the Fund Financial Statements

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

Governmental Funds

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund's total fund balance was \$11,275,021. Of this amount, \$370,383 was assigned for encumbrances, and the remaining balance of \$10,904,638 was unassigned.

The Town of Farmington's General Fund fund balance increased by \$413,371 at the end of the fiscal year. The assigned fund balance decreased by \$147,972, and the unassigned fund balance increased by \$561,343.

The Capital Projects Fund had a fund balance of (\$575,027) at the end of the fiscal year, a decrease of \$4,344,979. The decrease was the result of expenditures exceeding revenues and transfers in. The deficit in fund balance will be made up through the issuance of debt obligations.

Proprietary Funds

The Town of Farmington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town has three proprietary funds, the Westwoods Golf Course, the Waste Collection Fund and an internal service fund used for employee health insurance.

Total Net Position of the Westwoods Golf Course at June 30, 2016 was \$433,991, an increase of \$33,728. Total Net Position was helped by a capital contribution of \$67,257 from the General Fund. The Unrestricted net position of the Westwoods Golf Course Fund at the end of the year amounted to (\$920,615), a decrease of \$48,936. This is the eleventh year out of the last twelve that the operations at the golf course resulted in a decrease in Unrestricted net position.

The Waste Collection Fund was established in order to separately account for the costs of collecting and disposing of solid and bulky waste and recyclables and for the operation of the town landfill. At fiscal year end Unrestricted Net position equaled \$680,613, an increase of \$168,012. This was primarily a result of charges for services and other revenue exceeding operating expenses.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2016, actual revenues and operating transfers in totaled \$104,543,428 while actual expenditures and operating transfers out totaled \$104,130,057. The excess of revenues and operating transfers in over expenditures and operating transfers out resulted in an increase of \$413,371 to budgetary fund equity. A detailed schedule of revenues and expenditures, budget and actual, can be found on pages 53-56 of this report.

Capital Asset and Debt Administration

Capital Assets

The Town of Farmington's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2016 amounted to \$143,508,801 and \$1,619,346 respectively. This investment in capital assets included land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges.

CAPITAL ASSETS (Net of Depreciation) June 30, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|----------------|-----------------------------|--------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 33,580,940 | \$ 33,120,557 | \$ 1,185,750 | \$ 1,185,750 | \$ 34,766,690 | \$ 34,306,307 |
| Improvements | 6,270,653 | 5,815,265 | | | 6,270,653 | 5,815,265 |
| Buildings | 54,207,822 | 56,824,619 | | | 54,207,822 | 56,824,619 |
| Machinery and equipment | 4,804,320 | 4,296,787 | 433,596 | 334,304 | 5,237,916 | 4,631,091 |
| Infrastructure | 33,608,826 | 33,899,661 | | | 33,608,826 | 33,899,661 |
| Construction in progress | 11,036,240 | 2,420,662 | | | 11,036,240 | 2,420,662 |
| Total | \$ 143,508,801 | \$ 136,377,551 | \$ 1,619,346 | \$ 1,520,054 | \$ 145,128,147 | \$ 137,897,605 |

Additional information on the Town of Farmington's capital asset activity can be found in Note 3C.

Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$35,825,000. All of the debt is backed by the full faith and credit of the Town.

OUTSTANDING DEBT June 30, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|---------------|-----------------------------|------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds | \$ 35,825,000 | \$ 39,180,000 | \$ - | \$ - | \$ 35,825,000 | \$ 39,180,000 |

The Town of Farmington's total debt had a net decrease of \$3,355,000 during the fiscal year. The decrease was a result of the Town paying its scheduled debt service. The Town undertook one debt issuance during the year. In November 2015 the Town issued \$2,100,000 of 15 year general obligation bonds with a true interest cost of 2.1433%.

The Town of Farmington's credit rating for all of its general obligation debt is AAA by Moody's Investor Services. This rating was reaffirmed by Moody's Investor Services in November 2015.

In April 2016 the Town issued \$35,000,000 in bond anticipation notes. The notes which mature in May 2017 were sold in two lots. The first lot totaled \$20,000,000 and sold at a 3% interest rate with a premium of \$473,790.20 resulting in a net interest cost of .624450%. The second lot totaled \$15,000,000 and sold at a 3% interest rate with a premium of \$350,777.00 resulting in a net interest cost of .654973%. The notes were assigned a rating of MIG 1 from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.0 times its total prior year tax collections. The current statutory debt limitation for the Town is \$625,391,522 which is significantly more than the Town of Farmington's outstanding general obligation debt.

Additional information on the Town of Farmington's long-term debt can be found in Note 3E.

Economic Factors and Next Year's Budgets and Rates

The Town of Farmington's unemployment rate was 4.4% as of June 2016, a slight increase of .7% from June 2015. The June 2016 rate remains significantly lower than the Hartford Labor Market Area rate of 6.1% and the State of Connecticut rate of 5.9%.

As of June 30, 2016, the unassigned fund balance in the General Fund was \$10,904,638 which was 10.85% of General Fund expenditures. The Town did not appropriate any of the fund balance for the fiscal year 2016-2017 budget.

The Town Council adopted a budget for FY2016/2017 that was 3.1% higher than the previous year's budget. This budget required a tax rate of 25.78 mills, which is .68 mills more than the prior year. The budget was approved by the voters at referendum on the first attempt.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the Town of Farmington'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 Finance Director, Town of Farmington, One Monteith Drive, Farmington, CT 06032.

**BASIC
FINANCIAL
STATEMENTS**

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 57,867,218 | \$ 818,483 | \$ 58,685,701 |
| Investments | 1,089,615 | | 1,089,615 |
| Receivables, net of allowance: | | | |
| Property taxes | 347,648 | | 347,648 |
| Other | 1,246,459 | 6,552 | 1,253,011 |
| Assessments | 10,708 | | 10,708 |
| Due from other governments | 405,100 | | 405,100 |
| Inventory | 16,538 | | 16,538 |
| Prepays | 64,805 | | 64,805 |
| Internal balances | 823,953 | (823,953) | - |
| Noncurrent assets: | | | |
| Capital assets, nondepreciable | 44,617,180 | 1,185,750 | 45,802,930 |
| Capital assets, net of accumulated depreciation | 98,891,621 | 433,596 | 99,325,217 |
| Total assets | <u>205,380,845</u> | <u>1,620,428</u> | <u>207,001,273</u> |
| Deferred Outflows of Resources: | | | |
| Deferred charge on refunding | 1,726,365 | | 1,726,365 |
| Changes related to projected pension investment returns | 6,963,412 | | 6,963,412 |
| Changes related to pension actuarial assumptions | 1,821,463 | | 1,821,463 |
| Changes related to pension actuarial experience | 863,466 | | 863,466 |
| Total deferred outflows of resources | <u>11,374,706</u> | | <u>11,374,706</u> |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | 4,596,530 | 172,687 | 4,769,217 |
| Bond anticipation note payable | 35,000,000 | | 35,000,000 |
| Accrued interest | 350,517 | | 350,517 |
| Unearned revenue | 3,639,220 | | 3,639,220 |
| Due to fiduciary funds | 3,163 | | 3,163 |
| Noncurrent liabilities: | | | |
| Due within one year | 5,286,336 | 15,955 | 5,302,291 |
| Due in more than one year | 82,271,511 | 98,785 | 82,370,296 |
| Total liabilities | <u>131,147,277</u> | <u>287,427</u> | <u>131,434,704</u> |
| Deferred Inflows of Resources: | | | |
| Advance tax collections | 70,383 | | 70,383 |
| Advance fee collections | | 68,397 | 68,397 |
| Changes related to pension actuarial experience | 658,377 | | 658,377 |
| Total deferred inflows of resources | <u>728,760</u> | <u>68,397</u> | <u>797,157</u> |
| Net Position: | | | |
| Net investment in capital assets | 100,438,073 | 1,504,606 | 101,942,679 |
| Unrestricted | <u>(15,558,559)</u> | <u>(240,002)</u> | <u>(15,798,561)</u> |
| Total Net Position | \$ <u>84,879,514</u> | \$ <u>1,264,604</u> | \$ <u>86,144,118</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

| Function/Program Activities | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | |
|--|-----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| Education | \$ 78,152,327 | \$ 3,712,275 | \$ 13,222,852 | \$ 247,411 | \$ (60,969,789) | \$ | \$ (60,969,789) |
| Public safety | 15,555,472 | 1,595,096 | 276,624 | | (13,683,752) | | (13,683,752) |
| Public works | 9,123,730 | 4,894,941 | 389,733 | 3,685,951 | (153,105) | | (153,105) |
| Culture and recreation | 2,217,159 | 635,081 | 10,731 | | (1,571,347) | | (1,571,347) |
| General administration | 10,542,768 | 1,245,463 | 294,751 | 9,759 | (8,992,795) | | (8,992,795) |
| Plant operations | 5,733,834 | | | | (5,733,834) | | (5,733,834) |
| Interest expense | 1,129,993 | | | | (1,129,993) | | (1,129,993) |
| Total governmental activities | <u>122,455,283</u> | <u>12,082,856</u> | <u>14,194,691</u> | <u>3,943,121</u> | <u>(92,234,615)</u> | <u>-</u> | <u>(92,234,615)</u> |
| Business-type activities: | | | | | | | |
| Westwoods Fund | 639,196 | 597,698 | | 67,257 | | 25,759 | 25,759 |
| Waste Collection Fund | 1,516,563 | 1,668,060 | | | | 151,497 | 151,497 |
| Total business type activities | <u>2,155,759</u> | <u>2,265,758</u> | <u>-</u> | <u>67,257</u> | <u>-</u> | <u>177,256</u> | <u>177,256</u> |
| Total | <u>\$ 124,611,042</u> | <u>\$ 14,348,614</u> | <u>\$ 14,194,691</u> | <u>\$ 4,010,378</u> | <u>(92,234,615)</u> | <u>177,256</u> | <u>(92,057,359)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 89,079,774 | | 89,079,774 |
| Grants and contributions not restricted to specific programs | | | | | 4,003,821 | | 4,003,821 |
| Unrestricted investment earnings | | | | | 139,833 | 29,845 | 169,678 |
| Miscellaneous | | | | | 157,807 | 19,104 | 176,911 |
| Total general revenues | | | | | <u>93,381,235</u> | <u>48,949</u> | <u>93,430,184</u> |
| Change in net position | | | | | 1,146,620 | 226,205 | 1,372,825 |
| Net Position at Beginning of Year | | | | | 83,732,894 | 1,038,399 | 84,771,293 |
| Net Position at End of Year | | | | | <u>\$ 84,879,514</u> | <u>\$ 1,264,604</u> | <u>\$ 86,144,118</u> |

The accompanying notes are an integral part of the financial statements

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

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--------------------------------------|--|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 18,637,224 | \$ 32,266,236 | \$ 2,220,893 | \$ 53,124,353 |
| Investments | | | 1,089,615 | 1,089,615 |
| Receivables: | | | | |
| Property taxes receivable, net | 347,648 | | | 347,648 |
| Due from other governments | 8,791 | 334,706 | 61,603 | 405,100 |
| Sewer assessments | 3,876 | | 6,832 | 10,708 |
| Other receivables | 591,582 | | 637,191 | 1,228,773 |
| Due from other funds | 1,508,078 | 5,743,340 | 2,106,314 | 9,357,732 |
| Inventories | | | 16,538 | 16,538 |
| Prepaid items | | | 64,805 | 64,805 |
| Total Assets | <u>\$ 21,097,199</u> | <u>\$ 38,344,282</u> | <u>\$ 6,203,791</u> | <u>\$ 65,645,272</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,248,739 | \$ 1,922,386 | \$ 505,234 | \$ 3,676,359 |
| Bond anticipation note payable | | 35,000,000 | | 35,000,000 |
| Due to other funds | 7,888,636 | | 648,306 | 8,536,942 |
| Unearned revenue | 290,954 | 1,996,923 | 1,351,343 | 3,639,220 |
| Total liabilities | <u>9,428,329</u> | <u>38,919,309</u> | <u>2,504,883</u> | <u>50,852,521</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue - property taxes | 319,590 | | | 319,590 |
| Unavailable revenue - sewer use | | | 24,492 | 24,492 |
| Unavailable revenue - sewer assessment | 3,876 | | 6,831 | 10,707 |
| Unavailable revenue - loans receivable | | | 273,598 | 273,598 |
| Advance property tax collections | 70,383 | | | 70,383 |
| Total deferred inflows of resources | <u>393,849</u> | <u>-</u> | <u>304,921</u> | <u>698,770</u> |
| Fund balances: | | | | |
| Nonspendable | | | 81,343 | 81,343 |
| Restricted | | | 1,453,688 | 1,453,688 |
| Committed | | | 2,110,821 | 2,110,821 |
| Assigned | 370,383 | | | 370,383 |
| Unassigned | 10,904,638 | (575,027) | (251,865) | 10,077,746 |
| Total fund balances | <u>11,275,021</u> | <u>(575,027)</u> | <u>3,393,987</u> | <u>14,093,981</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 21,097,199</u> | <u>\$ 38,344,282</u> | <u>\$ 6,203,791</u> | <u>\$ 65,645,272</u> |

(Continued on next page)

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

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

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

| | |
|--|---------------|
| Fund balances - total governmental funds (Exhibit III) | \$ 14,093,981 |
|--|---------------|

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

| | | |
|-------------------------------|----------------------|-------------|
| Governmental capital assets | \$ 277,350,217 | |
| Less accumulated depreciation | <u>(133,841,416)</u> | |
| Net capital assets | | 143,508,801 |

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

| | |
|--|-----------|
| Property taxes receivable greater than 60 days | 319,590 |
| Sewer usage fees | 24,492 |
| Loans receivable | 273,598 |
| Interest receivable on property taxes | 17,678 |
| Assessments receivable | 10,707 |
| Deferred outflows related to changes in pension assumptions | 1,821,463 |
| Deferred outflows related to projected pension investment earnings | 6,963,412 |
| Deferred outflows related to expected and actuarial experience | 863,466 |

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

3,822,699

Long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:

| | |
|---|------------------|
| Bonds payable | (35,825,000) |
| Deferred charges on refunding | 1,726,365 |
| Premium on bond refunding | (2,181,067) |
| Interest payable on bonds | (350,514) |
| Other postemployment benefit obligation | (10,504,758) |
| Capital lease payable | (3,601,591) |
| Net pension liability | (33,095,114) |
| Compensated absences | (2,350,317) |
| Deferred inflows related to changes in pension actuarial experience | <u>(658,377)</u> |

| | |
|---|----------------------|
| Net Position of Governmental Activities (Exhibit I) | <u>\$ 84,879,514</u> |
|---|----------------------|

The accompanying notes are an integral part of the financial statements

**TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--------------------------------------|--|---|
| Revenues: | | | | |
| Property taxes, interest and lien fees | \$ 89,179,689 | \$ | \$ | \$ 89,179,689 |
| Intergovernmental revenues | 13,153,469 | 3,755,858 | 3,648,165 | 20,557,492 |
| Charges for current services | 1,224,570 | | 8,990,735 | 10,215,305 |
| Sewer assessments | | | 16,672 | 16,672 |
| Licenses and permits | 561,006 | | 23,357 | 584,363 |
| Fines and penalties | 51,617 | | | 51,617 |
| Net investment income | 98,512 | 16,731 | 13,134 | 128,377 |
| Other local revenues | 274,565 | 233,553 | 2,751,721 | 3,259,839 |
| Total revenues | <u>104,543,428</u> | <u>4,006,142</u> | <u>15,443,784</u> | <u>123,993,354</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Education | 67,188,409 | | 8,847,091 | 76,035,500 |
| Public safety | 9,598,349 | | | 9,598,349 |
| Public works | 4,231,247 | | | 4,231,247 |
| Culture and recreation | 875,754 | | 606,562 | 1,482,316 |
| Plant operations | | | 3,282,785 | 3,282,785 |
| General government | 5,671,712 | | | 5,671,712 |
| Pension and other employee benefits | 6,407,090 | | | 6,407,090 |
| Other | | | 1,287,169 | 1,287,169 |
| Debt service | 6,526,681 | | 322,833 | 6,849,514 |
| Capital outlay | | 15,772,609 | 34,570 | 15,807,179 |
| Total expenditures | <u>100,499,242</u> | <u>15,772,609</u> | <u>14,381,010</u> | <u>130,652,861</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>4,044,186</u> | <u>(11,766,467)</u> | <u>1,062,774</u> | <u>(6,659,507)</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of general obligation bonds | | 2,100,000 | | 2,100,000 |
| Premium on general obligation bonds | | | 53,150 | 53,150 |
| Transfers in from other funds | | 5,321,488 | 125,124 | 5,446,612 |
| Transfers out to other funds | (3,630,815) | | (1,815,797) | (5,446,612) |
| Total other financing sources (uses) | <u>(3,630,815)</u> | <u>7,421,488</u> | <u>(1,637,523)</u> | <u>2,153,150</u> |
| Net Change in Fund Balances | 413,371 | (4,344,979) | (574,749) | (4,506,357) |
| Fund Balances at Beginning of Year | <u>10,861,650</u> | <u>3,769,952</u> | <u>3,968,736</u> | <u>18,600,338</u> |
| Fund Balances at End of Year | <u>\$ 11,275,021</u> | <u>\$ (575,027)</u> | <u>\$ 3,393,987</u> | <u>\$ 14,093,981</u> |

(Continued on next page)

**TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ (4,506,357)

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.

| | |
|----------------------|-------------|
| Capital outlay | 13,523,076 |
| Depreciation expense | (6,384,746) |

The statement of activities reports losses arising from the disposals of existing capital assets. Conversely, governmental funds do not report any gain or loss on capital assets. (7,080)

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

| | |
|---|-----------|
| Property taxes collected after 60 days | (89,625) |
| Sewer usage revenue | (3,324) |
| Accrued interest on property taxes | (10,290) |
| Assessment revenue | (139,868) |
| Intergovernmental revenue on school bonds | (159,801) |

Change in deferred inflows related to actuarial experience 156,757

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|---|-------------|
| General obligation bonds issued | (2,100,000) |
| Premium on bonds issued | (53,150) |
| Principal payments on bonds, notes and leases | 5,659,311 |

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.

| | |
|---|-------------|
| Change in long-term compensated absences | (143,708) |
| Change in accrued interest | (728) |
| Change in net pension liability | (7,026,387) |
| Change in net other post employment benefit obligation | (2,365,202) |
| Amortization of deferred charges on refunding | (269,672) |
| Amortization of bond premiums | 330,611 |
| Changes in deferred outflows related to pension actuarial assumptions | (433,681) |
| Changes in deferred outflows related to projected pension investment earnings | 3,835,617 |
| Changes in deferred outflows related to pension actuarial experience | 863,466 |

The net income of the internal service funds is reported with governmental activities. 471,401

Change in Net Position of Governmental Activities (Exhibit II) \$ 1,146,620

The accompanying notes are an integral part of the financial statements

TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

| | Business-Type Activities | | | Governmental |
|---|--------------------------|--------------------------|-----------------------------|--------------------------|
| | Enterprise Funds | | Total | Activities |
| | Westwoods Fund | Waste Collection Fund | Business-Type Activities | Internal Service Fund |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 34,808 | \$ 783,675 | \$ 818,483 | \$ 4,742,865 |
| Accounts receivable | | 6,552 | 6,552 | |
| Due from other funds | | 35,819 | 35,819 | |
| Total current assets | 34,808 | 826,046 | 860,854 | 4,742,865 |
| Noncurrent assets: | | | | |
| Capital assets, nondepreciable | 1,185,750 | | 1,185,750 | |
| Capital assets, net of accumulated depreciation | 283,596 | 150,000 | 433,596 | |
| Total assets | 1,504,154 | 976,046 | 2,480,200 | 4,742,865 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 29,716 | 142,971 | 172,687 | 11,579 |
| Claims payable | | | | 908,587 |
| Capital lease | 15,955 | | 15,955 | |
| Due to other funds | 859,772 | | 859,772 | |
| Total current liabilities | 905,443 | 142,971 | 1,048,414 | 920,166 |
| Noncurrent liabilities: | | | | |
| Capital lease, net of current portion | 98,785 | | 98,785 | |
| Total liabilities | 1,004,228 | 142,971 | 1,147,199 | 920,166 |
| Deferred Inflows of Resources: | | | | |
| Advance fee collections | 65,935 | 2,462 | 68,397 | |
| Net Position: | | | | |
| Net investment in capital assets | 1,354,606 | 150,000 | 1,504,606 | |
| Unrestricted | (920,615) | 680,613 | (240,002) | 3,822,699 |
| Total Net Position | \$ 433,991 | \$ 830,613 | \$ 1,264,604 | \$ 3,822,699 |

The accompanying notes are an integral part of the financial statements

**TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

| | Business-Type Activities | | | Governmental |
|--|--------------------------|--------------------------|-----------------------------|--------------------------|
| | Enterprise Funds | | Total | Activities |
| | Westwoods Fund | Waste Collection Fund | Business-Type Activities | Internal Service Fund |
| Operating Revenues: | | | | |
| Charges for services | \$ 597,698 | \$ 1,668,060 | \$ 2,265,758 | \$ |
| Other | 7,697 | 11,407 | 19,104 | 3,592 |
| Contributions | | | - | 12,321,594 |
| Total operating revenues | <u>605,395</u> | <u>1,679,467</u> | <u>2,284,862</u> | <u>12,325,186</u> |
| Operating Expenses: | | | | |
| Claims | | | | 11,865,241 |
| Operations | 597,264 | 1,466,563 | 2,063,827 | |
| Depreciation expense | 41,932 | 50,000 | 91,932 | |
| Total operating expenses | <u>639,196</u> | <u>1,516,563</u> | <u>2,155,759</u> | <u>11,865,241</u> |
| Operating Income (Loss) | (33,801) | 162,904 | 129,103 | 459,945 |
| Nonoperating Revenues: | | | | |
| Interest | <u>272</u> | <u>29,573</u> | <u>29,845</u> | <u>11,456</u> |
| Income (Loss) Before Capital Contributions | (33,529) | 192,477 | 158,948 | 471,401 |
| Capital Contributions | <u>67,257</u> | | <u>67,257</u> | |
| Change in Net Position | 33,728 | 192,477 | 226,205 | 471,401 |
| Net Position at Beginning of Year | <u>400,263</u> | <u>638,136</u> | <u>1,038,399</u> | <u>3,351,298</u> |
| Net Position at End of Year | <u>\$ 433,991</u> | <u>\$ 830,613</u> | <u>\$ 1,264,604</u> | <u>\$ 3,822,699</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

| | Business-Type Activities | | | Governmental |
|--|--------------------------|--------------------------|-----------------------------|--------------------------|
| | Enterprise Funds | | Total | Activities |
| | Westwoods Fund | Waste Collection Fund | Business-Type Activities | Internal Service Fund |
| Cash Flows from Operating Activities: | | | | |
| Receipts from customers and users | \$ 603,671 | \$ 1,715,695 | \$ 2,319,366 | \$ 12,341,979 |
| Payments to suppliers | (633,852) | (1,446,680) | (2,080,532) | (11,943,067) |
| Payments for interfund services | 11,057 | | 11,057 | 24,078 |
| Net cash provided by (used in) operating activities | <u>(19,124)</u> | <u>269,015</u> | <u>249,891</u> | <u>422,990</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Purchase of capital assets | (123,967) | | (123,967) | |
| Proceeds from capital lease | 123,967 | | 123,967 | |
| Payment on capital lease | (57,339) | (74,465) | (131,804) | |
| Net cash provided by (used in) capital and related financing activities | <u>(57,339)</u> | <u>(74,465)</u> | <u>(131,804)</u> | <u>-</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest on investments | 272 | 29,573 | 29,845 | 11,456 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (76,191) | 224,123 | 147,932 | 434,446 |
| Cash and Cash Equivalents at Beginning of Year | 110,999 | 559,552 | 670,551 | 4,308,419 |
| Cash and Cash Equivalents at End of Year | <u>\$ 34,808</u> | <u>\$ 783,675</u> | <u>\$ 818,483</u> | <u>\$ 4,742,865</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | | | |
| Operating income (loss) | \$ (33,801) | \$ 162,904 | \$ 129,103 | \$ 459,945 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 41,932 | 50,000 | 91,932 | |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 554 | 8,328 | 8,882 | 16,793 |
| (Increase) decrease in loans from other funds | | 30,722 | 30,722 | 24,078 |
| Increase (decrease) in loans to other funds | 11,057 | | 11,057 | |
| Increase (decrease) in deferred inflows | (2,278) | (2,822) | (5,100) | |
| Increase (decrease) in accounts payable | (36,588) | 19,883 | (16,705) | (19,889) |
| Increase (decrease) in claims payable | | | | (57,937) |
| Total adjustments | <u>14,677</u> | <u>106,111</u> | <u>120,788</u> | <u>(36,955)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ (19,124)</u> | <u>\$ 269,015</u> | <u>\$ 249,891</u> | <u>\$ 422,990</u> |
| Noncash Investment Activities: | | | | |
| Capital asset transfer | <u>\$ 67,257</u> | | | |

The accompanying notes are an integral part of the financial statements

TOWN OF FARMINGTON, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

| | <u>Pension Trust Fund</u> | <u>Agency Funds</u> |
|--------------------------------------|-------------------------------|-------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ <u>1,046,305</u> | \$ <u>1,468,213</u> |
| Investments: | | |
| Fixed income | 26,101,918 | 287,782 |
| Domestic equities | 31,061,769 | |
| International equities | 15,028,988 | |
| Real estate investment trust | 5,050,284 | |
| Total investments | <u>77,242,959</u> | <u>287,782</u> |
| Due from General Fund | <u>3,163</u> | |
| Total assets | <u>78,292,427</u> | <u>\$ 1,755,995</u> |
| Liabilities: | | |
| Fiduciary deposits | | \$ 1,755,995 |
| Accounts payable | <u>15,443</u> | |
| Total liabilities | <u>15,443</u> | <u>\$ 1,755,995</u> |
| Net Position Restricted for Pensions | <u>\$ 78,276,984</u> | |

The accompanying notes are an integral part of the financial statements

**TOWN OF FARMINGTON, CONNECTICUT
PENSION TRUST FUND
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Additions:

Contributions:

| | |
|---------------------|------------------|
| Employer | \$ 3,110,676 |
| Plan members | <u>1,325,776</u> |
| Total contributions | <u>4,436,452</u> |

Investment income:

| | |
|---|------------------|
| Net change in fair value of investments | (1,746,183) |
| Interest | 1,769 |
| Dividends | <u>1,596,241</u> |
| Total investment income | <u>(148,173)</u> |
| Less investment expense | <u>49,549</u> |
| Net investment income | <u>(197,722)</u> |

| | |
|-----------------|------------------|
| Total additions | <u>4,238,730</u> |
|-----------------|------------------|

Deductions:

| | |
|------------------------|------------------|
| Benefits | 6,074,150 |
| Administrative expense | <u>59,260</u> |
| Total deductions | <u>6,133,410</u> |

| | |
|------------------------|-------------|
| Change in Net Position | (1,894,680) |
|------------------------|-------------|

| | |
|-----------------------------------|-------------------|
| Net Position at Beginning of Year | <u>80,171,664</u> |
|-----------------------------------|-------------------|

| | |
|-----------------------------|----------------------|
| Net Position at End of Year | <u>\$ 78,276,984</u> |
|-----------------------------|----------------------|

The accompanying notes are an integral part of the financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Farmington, Connecticut (the Town) was settled in 1640 and incorporated in 1645. Its current charter was adopted in 1947 and amended as of 2003. The Town operates under a Council-Manager form of government. The financial statements include all of the funds of the Town that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board (GASB).

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

The Farmington Housing Authority (the Authority) has been determined to be a related organization of the Town, as the governing body of the Authority is appointed by the Town. The Authority is not included in this report, as the Town is not obligated to finance any deficit that the Authority may incur, nor does the Town significantly subsidize the Authority; the Town obtains no financial benefit, nor can it impose its will upon the Authority.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as applied to government units. The 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 nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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.

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, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirement of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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.

Agency funds use the accrual basis of accounting, but have no measurement focus since they report only assets and liabilities.

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 *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. Capital projects of greater than one year's duration have been accounted for in the capital projects fund. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants, current tax revenues and low-interest state loans.

The Town reports the following major proprietary funds:

The *Westwoods Fund* is a proprietary (enterprise) fund used to account for the operation and maintenance of the Westwoods Golf Course, which is owned by the Town and is primarily supported through charges to customers.

The *Waste Collection Fund* is a proprietary (enterprise) fund used to account for the operation and maintenance of Waste Collection and Recycling and Landfill operations within the Town and is primarily supported through charges to customers.

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

Additionally, the Town reports the following fund types:

The *Internal Service Fund* is used to account for the Town's self-insurance program, which provides health insurance coverage for Town and Board of Education employees.

The *Pension Trust Fund* is used to account for the activities of the Town's defined benefit plan, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for the various student activities and clubs and contractors deposits.

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 enterprise funds 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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include 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. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

C. Cash Equivalents

For purposes of reporting cash flows, all savings, checking and money market accounts and certificates of deposit with an original maturity of less than 90 days are considered to be cash equivalents.

D. Investments

Investments are stated at fair value.

E. Inventories and Prepaid Items

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

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

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

F. 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.”

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

Property tax receivables are shown net of an allowance for uncollectibles.

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 \$25,000 and an estimated useful life of more than five 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 Town is depreciated using the straight-line method over the following estimated useful lives.

| <u>Assets</u> | <u>Years</u> |
|---------------------------|--------------|
| Land improvements | 20-30 |
| Irrigation system | 15 |
| Buildings | 25-40 |
| Sewage treatment plant | 25 |
| Pump station and drainage | 30 |
| Vehicles | 5-15 |
| Construction equipment | 10 |
| School equipment | 10-12 |
| Public safety equipment | 5-10 |
| Office equipment | 10 |
| Roads | 40 |
| Bridges | 50 |

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 and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs and changes in investment returns. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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 and advance fee collections in the government-wide statement of net position and in the governmental funds balance sheet and proprietary funds statement of net position. Advance property tax collections and advance fee collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. The Town also reports deferred inflows related to pension in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, sewer use, sewer assessment 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. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

J. Net Other Postemployment Benefit (OPEB) Obligation

The net OPEB obligation represents the cumulative difference between the OPEB cost and the Town's contributions to the plans. The amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities in the government-wide financial statements.

K. 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.

L. Compensated Absences

Under the terms of various union contracts, Town and Board of Education employees are granted vacation in varying amounts based on length of service. Town and noncertified Board of Education employees may carry over five unused vacation days to subsequent years. Police may carry over vacation days equal to the number of days the employee was entitled to for the present year. In the event of termination of employment, employees are reimbursed for accumulated vacation.

Town employees covered by the AFSCME union agreement accumulate 1¼ sick days per month up to a maximum of 150 working days. Employees receive 35% of accumulated sick leave upon retirement or 25% upon termination of employment after at least five years of service in good standing.

Firefighters covered by the union agreement receive 35% of accumulated sick leave upon retirement. They receive no accumulated sick leave upon resignation or termination.

Other employees including Police employees are not compensated for accumulated sick leave upon retirement or termination of employment. Sick leave is expensed when incurred.

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.

M. Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

Restrictions on net position 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. The Town currently has no restricted net position.

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).

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

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 amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town Council) through the passage of a resolution.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by the Town Council or Finance Director 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.

N. Property Taxes

The Town's property tax is levied each July 1 on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. Although taxes are levied in July, the legal right to attach property does not exist until August 1. Taxes are due and payable in two installments, on July 1 following the date of the Grand List and on January 1 of the subsequent year.

Additional property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1.

Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30.

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

O. Accounting Estimates

The preparation of financial statements in conformity with GAAP 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.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town uses the following procedures in establishing the budgetary data included in the financial statements. No later than 45 days before the annual town meeting, the Town Manager submits a proposed budget for the General Fund to the Town Council. On the third Monday in April, the budget is presented to the annual town meeting; 10 days thereafter, the budget is voted on at a Town-wide referendum. Town management may transfer amounts between line items within a department, but only the Town Council is authorized to transfer the legally budgeted amounts between departmental accounts. In this function, departmental budget accounts serve as the level of management control. Formal legally adopted annual budgets are employed as a management control device in the General Fund (including capital expenditures) and the Water Pollution Control Authority (WPCA) special revenue funds. The legal level of budgetary control is at the fund level for the WPCA.

All unencumbered appropriations lapse at year-end, except for those for capital expenditures. Appropriations for these expenditures are continued until completion of applicable projects, which often last more than one fiscal year.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued, and, accordingly, encumbrances outstanding at year-end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as either restricted, committed or assigned fund balance, depending on the level of restriction.

As explained above, the Town's budgetary fund structure accounts for certain transactions differently than reporting in conformity with GAAP. A reconciliation of these differences at June 30, 2016 can be found at RSI-1 and RSI-2.

B. Fund Balance Deficits

The Capital Projects Fund has a deficit balance of \$575,027 and the Special Projects Education Fund had a deficit fund balance of \$246,634. These deficits will be funded by future bonding and grant receipts.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits 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 the Statutes 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

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

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

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s 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*, \$35,861,974 of the Town’s bank balance of \$39,149,690 was exposed to custodial credit risk as follows:

| | |
|---|----------------------|
| Uninsured and uncollateralized | \$ 31,947,005 |
| Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name | <u>3,914,969</u> |
| Total Amount Subject to Custodial Credit Risk | <u>\$ 35,861,974</u> |

Cash Equivalents

At June 30, 2016, the Town’s cash equivalents amounted to \$24,152,127. 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.

| | |
|---|----------------------------------|
| | Standard & Poor’s |
| State Short-Term Investment Fund (STIF) | <u>AAAm</u> |

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

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> |
| Interest-bearing investments: | | | | |
| Certificates of deposit | N/A | \$ 287,782 | \$ | \$ 287,782 |
| Corporate bonds | A1 | 99,520 | | 99,520 |
| Corporate bonds | Baa1 | 57,150 | | 57,150 |
| Corporate bonds | Baa3 | <u>27,570</u> | | <u>27,570</u> |
| | | 472,022 | \$ <u>-</u> | \$ <u>472,022</u> |
| Other investments: | | | | |
| Mutual funds | | 78,138,890 | | |
| Common stock | | <u>9,444</u> | | |
| Total Investments | | \$ <u>78,620,356</u> | | |

N/A - Not 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.

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as allowed by State Statutes.

Concentration of Credit Risk

The Town has a policy limiting, with some exceptions, investments in any one issuer to no more than 5% of the Town's total investments. No more than 5% of the Town's investments were invested in any one issuer.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2016, the Town had \$9,444 of uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

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

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:

| | June 30 | Fair Value Measurements Using | | |
|---------------------------------------|----------------------|-------------------------------|-------------------|---------------------|
| | 2016 | Level 1 | Level 2 | Level 3 |
| Investments by Fair Value Level: | | | | |
| Corporate Bonds | \$ 184,240 | \$ | \$ 184,240 | \$ |
| Common Stock | 9,444 | 9,444 | | |
| Mutual Funds | <u>78,138,890</u> | <u>73,088,606</u> | | <u>5,050,284</u> |
| Total Investments by Fair Value Level | <u>\$ 78,332,574</u> | <u>\$ 73,098,050</u> | <u>\$ 184,240</u> | <u>\$ 5,050,284</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.

B. Receivables

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

| | General | Capital Projects Fund | Waste Collection Fund | Nonmajor Governmental Funds and Other | Total |
|-----------------------------------|-------------------|-----------------------------|-----------------------------|---|---------------------|
| Receivables: | | | | | |
| Taxes | \$ 417,096 | \$ | \$ | \$ | \$ 417,096 |
| Less allowance for uncollectibles | <u>(69,448)</u> | | | | <u>(69,448)</u> |
| Taxes, net | 347,648 | | | | 347,648 |
| Other governments | 8,791 | 334,706 | | 61,603 | 405,100 |
| Assessments | 3,876 | | | 6,832 | 10,708 |
| Other | <u>591,582</u> | | <u>6,552</u> | <u>637,191</u> | <u>1,235,325</u> |
| Net Total Receivables | <u>\$ 951,897</u> | <u>\$ 334,706</u> | <u>\$ 6,552</u> | <u>\$ 705,626</u> | <u>\$ 1,998,781</u> |

TOWN OF FARMINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

C. 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>Ending Balance</u> |
|--|------------------------------|----------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 33,120,557 | \$ 460,383 | \$ | \$ 33,580,940 |
| Construction in progress | 2,420,662 | 11,683,209 | 3,067,631 | 11,036,240 |
| Total capital assets not being depreciated | <u>35,541,219</u> | <u>12,143,592</u> | <u>3,067,631</u> | <u>44,617,180</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 112,993,838 | 524,756 | | 113,518,594 |
| Improvements | 8,896,284 | 963,162 | | 9,859,446 |
| Machinery and equipment | 15,627,359 | 1,356,727 | 142,231 | 16,841,855 |
| Infrastructure | 90,910,672 | 1,602,470 | | 92,513,142 |
| Total capital assets being depreciated | <u>228,428,153</u> | <u>4,447,115</u> | <u>142,231</u> | <u>232,733,037</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 56,169,219 | 3,141,553 | | 59,310,772 |
| Improvements | 3,081,019 | 507,774 | | 3,588,793 |
| Machinery and equipment | 11,330,572 | 842,114 | 135,151 | 12,037,535 |
| Infrastructure | 57,011,011 | 1,893,305 | | 58,904,316 |
| Total accumulated depreciation | <u>127,591,821</u> | <u>6,384,746</u> | <u>135,151</u> | <u>133,841,416</u> |
| Net capital assets being depreciated | <u>100,836,332</u> | <u>(1,937,631)</u> | <u>7,080</u> | <u>98,891,621</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 136,377,551</u> | <u>\$ 10,205,961</u> | <u>\$ 3,074,711</u> | <u>\$ 143,508,801</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,185,750 | \$ | \$ | \$ 1,185,750 |
| Capital assets being depreciated: | | | | |
| Improvements | 253,829 | | | 253,829 |
| Machinery and equipment | 714,459 | 191,224 | | 905,683 |
| Total capital assets being depreciated | <u>968,288</u> | <u>191,224</u> | <u>-</u> | <u>1,159,512</u> |
| Less accumulated depreciation for: | | | | |
| Improvements | 253,829 | | | 253,829 |
| Machinery and equipment | 380,155 | 91,932 | | 472,087 |
| Total accumulated depreciation | <u>633,984</u> | <u>91,932</u> | <u>-</u> | <u>725,916</u> |
| Net capital assets being depreciated | <u>334,304</u> | <u>99,292</u> | <u>-</u> | <u>433,596</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 1,520,054</u> | <u>\$ 99,292</u> | <u>\$ -</u> | <u>\$ 1,619,346</u> |

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

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

| | |
|---|-------------------------|
| Governmental activities: | |
| General government | \$ 455,926 |
| Education | 1,950,047 |
| Public safety | 655,180 |
| Public works including depreciation of infrastructure | 2,103,048 |
| Treatment plant | 1,119,524 |
| Parks and recreation | <u>101,021</u> |
| Total Depreciation Expense - Governmental Activities | \$ <u>6,384,746</u> |
| Business-type activities: | |
| Westwoods Golf | \$ 41,932 |
| Waste Collection | <u>50,000</u> |
| Total Depreciation Expense - Business-type Activities | \$ <u>91,932</u> |

Construction Commitments

The Town has active construction projects as of June 30, 2016. The projects include widening and reconstruction of existing streets and bridges, the construction of pump stations, and bike/walking trails. At year end, the government’s commitments with contractors are as follows:

| | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|-----------------------|--------------------------|---------------------------------|
| Roads and Bridges | \$ 4,608,685 | \$ 6,560,242 |
| School Buildings | 3,167,539 | 1,102,461 |
| Town Buildings | 549,204 | 536,796 |
| Waste Water Treatment | 8,888,078 | 58,866,041 |
| Land Improvements | <u>1,396,057</u> | <u>4,940,113</u> |
| | \$ <u>18,609,563</u> | \$ <u>72,005,653</u> |

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

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

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2016 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds | \$ 648,306 |
| | Westwoods Fund | <u>859,772</u> |
| | | 1,508,078 |
| Capital Projects Fund | General Fund | 5,743,340 |
| Nonmajor Governmental Funds | General Fund | 2,106,314 |
| Fiduciary Funds | General Fund | 3,163 |
| Waste Collection Fund | General Fund | <u>35,819</u> |
| | | <u>\$ 9,396,714</u> |

Interfund receivables and payables represent temporary loans for operations.

Interfund transfers that occurred during the year are as follows:

| | <u>Transfers Out</u> | | |
|----------------------------|----------------------|------------------------------------|---------------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Transfers In</u> |
| Nonmajor Governmental fund | \$ 125,124 | \$ | \$ 125,124 |
| Capital Projects Fund | <u>3,505,691</u> | <u>1,815,797</u> | <u>5,321,488</u> |
| Total | <u>\$ 3,630,815</u> | <u>\$ 1,815,797</u> | <u>\$ 5,446,612</u> |

Interfund transfers represent monies used to fund projects, return excess monies to originating fund from completed projects, or to cover budget overages.

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

E. Long-Term Debt

Changes in Long-Term Liabilities

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|--------------------------|-------------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 39,180,000 | \$ 2,100,000 | \$ 5,455,000 | \$ 35,825,000 | \$ 4,625,000 |
| Issuance premiums | <u>2,458,528</u> | <u>53,150</u> | <u>330,611</u> | <u>2,181,067</u> | |
| | 41,638,528 | 2,153,150 | 5,785,611 | 38,006,067 | 4,625,000 |
| Capital lease | 3,805,902 | | 204,311 | 3,601,591 | 217,679 |
| OPEB obligation | 8,139,556 | 2,365,202 | | 10,504,758 | |
| Net pension liability | 26,068,727 | 7,026,387 | | 33,095,114 | |
| Compensated absences | <u>2,206,609</u> | <u>829,144</u> | <u>685,436</u> | <u>2,350,317</u> | <u>443,657</u> |
| Governmental Activities Long-Term Liabilities | <u>\$ 81,859,322</u> | <u>\$ 12,373,883</u> | <u>\$ 6,675,358</u> | <u>\$ 87,557,847</u> | <u>\$ 5,286,336</u> |
| Business-Type Activities: | | | | | |
| Capital lease | <u>\$ 122,577</u> | <u>\$ 123,967</u> | <u>\$ 131,804</u> | <u>\$ 114,740</u> | <u>\$ 15,955</u> |

For the governmental activities, compensated absences are generally liquidated by the fund where the employee is charged.

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

General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

| <u>Description</u> | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Interest Rate (%)</u> | <u>Date of Maturity</u> | <u>Annual Principal</u> | <u>Principal Outstanding June 30, 2016</u> |
|--------------------------|----------------------|-----------------------|--------------------------|-------------------------|----------------------------|--|
| General Obligation Bonds | 5/1/2009 | \$ 13,475,000 | 2.25-5.00 | 9/15/2021 | \$ 1,455,000- 1,560,000 | \$ 8,855,000 |
| General Obligation Bonds | 6/23/2011 | 11,550,000 | 2.00-4.00 | 4/1/2026 | 210,000- 1,085,000 | 7,850,000 |
| General Obligation Bonds | 5/24/2012 | 4,840,000 | 2.00-4.00 | 7/1/2025 | 420,000- 790,000 | 4,420,000 |
| General Obligation Bonds | 1/31/2013 | 4,220,000 | 2.00-3.00 | 1/15/2028 | 115,000- 545,000 | 3,420,000 |
| General Obligation Bonds | 4/21/2015 | 4,075,000 | 2.00-4.00 | 4/15/2030 | 270,000- 275,000 | 3,800,000 |
| General Obligation Bonds | 6/17/2015 | 7,440,000 | 2.00-5.00 | 9/15/2020 | 760,000- 2,060,000 | 5,380,000 |
| General Obligation Bonds | 11/18/2015 | 2,100,000 | 2.00-4.00 | 11/15/2030 | 140,000 | <u>2,100,000</u> |
| Total | | | | | | <u>\$ 35,825,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| | <u>Governmental Activities</u> | |
|-----------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 4,625,000 | \$ 1,233,438 |
| 2018 | 4,650,000 | 1,084,288 |
| 2019 | 4,625,000 | 889,063 |
| 2020 | 4,630,000 | 687,413 |
| 2021 | 4,105,000 | 497,038 |
| 2022-2026 | 10,595,000 | 1,030,294 |
| 2027-2031 | <u>2,595,000</u> | <u>148,050</u> |
| | <u>\$ 35,825,000</u> | <u>\$ 5,569,584</u> |

In November 2015, the Town issued \$2,100,000 of general obligation bonds with interest rates of 2.0% to 4.0%.

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

Bond Anticipation Notes

On November 18, 2015 the Town retired \$725,000 of bond anticipation notes with an interest rate of 2.0%. In May 2016, the Town issued \$35,000,000 of bond anticipation notes with a maturity date of May 9, 2017 and an interest rate of 3.0% to temporarily finance improvements to the Town's Waste Water Treatment Plant. The Town received a premium of \$802,286 on these notes, refunding the net interest cost of .64%

Legal Debt Limit

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

| <u>Category</u> | <u>Debt Limit</u> | <u>Net Indebtedness</u> | <u>Balance</u> |
|-----------------|-----------------------|-----------------------------|----------------|
| General Purpose | \$ 201,018,704 | \$ 31,822,456 | \$ 169,196,248 |
| Schools | 402,037,407 | 15,299,819 | 386,737,588 |
| Sewers | 335,031,173 | 63,807,271 | 271,223,902 |
| Urban renewal | 290,360,350 | | 290,360,350 |
| Pension deficit | 268,024,938 | | 268,024,938 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$625,391,522.

Authorized but Unissued Bonds

The total of authorized but unissued bonds at June 30, 2016 is \$40,104,546. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Capital Leases

Governmental Activities

The Town has entered into lease agreements as lessee for financing the acquisition of rolling stock and for energy conservation improvements to various Town and School buildings. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

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

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

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2017 | \$ 314,366 |
| 2018 | 322,363 |
| 2019 | 330,600 |
| 2020 | 339,084 |
| 2021 | 291,147 |
| 2022-2026 | 1,605,941 |
| 2027-2029 | 1,103,873 |
| Less amount representing interest | <u>(705,783)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 3,601,591</u> |

Business Activities

The Town has entered into a lease agreement as lessee for financing the acquisition of golf carts. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

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

| <u>Year Ending June 30</u> | <u>Business-Type Activities</u> |
|---|-------------------------------------|
| 2017 | \$ 19,920 |
| 2018 | 19,920 |
| 2019 | 19,920 |
| 2020 | 19,920 |
| 2021 | 47,759 |
| Less amount representing interest | <u>(12,699)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 114,740</u> |

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

F. Fund Balance

The components of fund balance for the governmental funds at June 30, 2016 are as follows:

| | <u>General Fund</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|-------------------------|--------------------------|-----------------------------|--|--------------------------|
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventory | \$ | \$ | \$ 16,538 | \$ 16,538 |
| Prepaid items | | | 64,805 | 64,805 |
| Restricted for: | | | | |
| General government | | | 282,011 | 282,011 |
| Education | | | 1,130,548 | 1,130,548 |
| Public safety | | | 41,129 | 41,129 |
| Committed to: | | | | |
| Public works | | | 780,187 | 780,187 |
| General government | | | 156,946 | 156,946 |
| Culture and recreation | | | 76,354 | 76,354 |
| Education | | | 871,288 | 871,288 |
| Debt Service | | | 226,046 | 226,046 |
| Assigned to: | | | | |
| Education | 370,383 | | | 370,383 |
| Unassigned | <u>10,904,638</u> | <u>(575,027)</u> | <u>(251,865)</u> | <u>10,077,746</u> |
| Total Fund Balances | <u>\$ 11,275,021</u> | <u>\$ (575,027)</u> | <u>\$ 3,393,987</u> | <u>\$ 14,093,981</u> |

Encumbrances of \$370,383 are contained in the above table in the assigned category of the General Fund.

4. EMPLOYEE RETIREMENT PLAN

Pension Trust Fund

A. Plan Description and Benefits Provided

The Town is the administrator of a single-employer defined-benefit pension plan, the Public Employee Retirement System (PERS), established and administered by the Town to provide pension benefits to substantially all full-time employees, except certified personnel of the Board of Education who are covered under the State Teachers' Retirement System. Both the employer and the employee are obligated to contribute to the Plan. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. The Plan does not issue a separate stand-alone financial report.

Management of the plan rests with a Retirement Board, which consists of eleven (11) members appointed by the Town Council. At least one member of the Board must also be a member of the Town Council and at least five members of the Retirement Board must be Town employees. The Board has all the powers necessary for the proper administration of the Plan. These powers include prescribing procedures to be followed in filing applications for benefits; having periodic actuarial valuations of the Plan undertaken by an actuary; and directing and monitoring investment Plan assets.

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

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. All eligible full-time employees must participate in the Town’s pension plan. All employees, except police, are 100% vested after 5 years of service. Police are 100% vested after 10 years of service. Employees who retire at normal retirement age receive a retirement benefit. The Town of Farmington has the authority to establish and amend the contribution requirements of the Plan. Effective July 1, 2011, the Plan was closed to all new employees, except police, fire and education employees. To be eligible, a Town employee, including fire employees, must have attained age 25 if hired before July 1, 1983; if hired after such date, the employee is eligible at date of hire. Any employees hired after July 1, 2011 are required to participate in a defined contribution plan.

Municipal employees are entitled to 2% of final earnings times years of credited service with the maximum benefit being 65% of final earnings. Firemen are entitled to 2.5% of final earnings times years of credited service with the maximum benefit being 60% of final earnings. Police are entitled to 2.5% of final earnings times years of credited service with the maximum benefit being 65% (70% for supervisors) of final earnings. Police who retire after January 12, 2012 are subject to a maximum benefit equal to 105% of the Police employee’s base salary at time of retirement. Police who are hired after June 12, 2012 are subject to a maximum benefit equal to 85% of their base salary at time of retirement. Early eligibility is available at age 55 with 5 years of service for municipal employees and age 55 with 10 years of service for firemen. Benefits are fixed by contract and may be amended by union negotiations.

Plan membership consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

| | |
|---|-------------------|
| Retirees, disabled employees, and beneficiaries currently receiving benefits | 232 |
| Terminated employees entitled to benefits but not yet receiving them | 80 |
| Current plan members | <u>343</u> |
| | <u><u>655</u></u> |

B. Summary of Significant Accounting Policies

Basis of Accounting

The Town’s Pension Plan’s financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

All funds are administered through a custodial contract with Wells Fargo Bank, N.A., and are reported at fair value.

Funding Policy

Town employees other than fire employees and police contribute 6%, while fire employees contribute 7.75% and police contribute 7% of their respective gross earnings.

The Town is required to contribute the amount necessary to finance the benefits for its employees. For the fiscal year ended June 30, 2016, the Town contributed \$3,110,676 which represents approximately 14.88% of covered payroll of \$20,903,455.

Administrative costs of the Plan are financed through investment earnings.

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

C. Investments

Investment Policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2016:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|----------------------------|--------------------------|
| Emerging Markets | 2.50 % |
| Core Fixed Income | 34.50 |
| Inflation-Indexed Bonds | 1.67 |
| Broad US Equities | 22.50 |
| Mid Cap US Equities | 5.00 |
| Small Cap US Equities | 5.00 |
| Developed Foreign Equities | 20.00 |
| Real Estate (REITS) | 5.00 |
| Commodities | 3.83 |
| | <u>100.00 %</u> |

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.25)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2016 were as follows:

| | |
|--|----------------------|
| Total pension liability | \$ 111,372,098 |
| Plan fiduciary net position | <u>78,276,984</u> |
| Net Pension Liability | <u>\$ 33,095,114</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>70.28%</u> |

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--------------------------|
| Inflation | 2.75% |
| Salary increases | Graded from 6.5% to 3.5% |
| Investment rate of return | 7.00% |

Mortality rates were based on the RP-2000 Mortality Tables for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection of future mortality improvement per Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014-June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|---|
| Core Fixed Income | 2.69 % |
| Inflation-Indexed Bonds | 1.94 |
| Broad US Equities | 5.40 |
| Mid Cap US Equities | 5.66 |
| Small Cap US Equities | 6.26 |
| Developed Foreign Equities | 6.04 |
| Real Estate (REITS) | 5.22 |
| Commodities | 3.27 |
| Emerging Markets Equity | 8.19 |

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances as of July 1, 2015 | \$ 106,240,391 | \$ 80,171,664 | \$ 26,068,727 |
| Changes for the year: | | | |
| Service cost | 2,685,011 | | 2,685,011 |
| Interest on total pension liability | 7,488,073 | | 7,488,073 |
| Differences between expected and actual experience | 1,032,773 | | 1,032,773 |
| Employer contributions | | 3,110,676 | (3,110,676) |
| Member contributions | | 1,325,776 | (1,325,776) |
| Net investment income | | (197,722) | 197,722 |
| Benefit payments, including refund to employee contributions | (6,074,150) | (6,074,150) | - |
| Administrative expenses | | (59,260) | 59,260 |
| Net changes | <u>5,131,707</u> | <u>(1,894,680)</u> | <u>7,026,387</u> |
| Balances as of June 30, 2016 | <u>\$ 111,372,098</u> | <u>\$ 78,276,984</u> | <u>\$ 33,095,114</u> |

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------------|------------------------|-------------------------------------|------------------------|
| Total Net Pension Liability | \$ 45,939,852 | \$ 33,095,114 | \$ 22,196,156 |

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

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense of \$5,714,735. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Town's Pension Plan | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 863,466 | \$ 658,377 |
| Changes of assumptions | 1,821,463 | |
| Net difference between projected and actual earnings on pension plan investments | <u>6,963,412</u> | |
| Total | <u>\$ 9,648,341</u> | <u>\$ 658,377</u> |

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

Year Ending June 30,

| | |
|------------|--------------|
| 2017 | \$ 2,382,571 |
| 2018 | 2,382,571 |
| 2019 | 2,382,570 |
| 2020 | 1,600,624 |
| 2021 | 224,697 |
| Thereafter | 16,931 |

Teachers Retirement

A. 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.

B. 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.

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

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 3 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.

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.

C. 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.

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

At June 30, 2015, 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>85,294,583</u> |
| Total | \$ | <u><u>85,294,583</u></u> |

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

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 June 30, 2014. At June 30, 2015, 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 \$6,834,245 on Exhibit II for on-behalf amounts for the benefits provided by the State.

E. 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% | 7.3% |
| Developed non-U.S. equities | 18.0% | 7.5% |
| Emerging markets (non-U.S.) | 9.0% | 8.6% |
| Core fixed income | 7.0% | 1.7% |
| Inflation linked bond fund | 3.0% | 1.3% |
| Emerging market bond | 5.0% | 4.8% |
| High yield bonds | 5.0% | 3.7% |
| Real estate | 7.0% | 5.9% |
| Private equity | 11.0% | 10.9% |
| Alternative investments | 8.0% | 0.7% |
| Liquidity fund | 6.0% | 0.4% |
| Total | <u>100.0%</u> | |

F. 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.

G. 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.

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

I. 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.

5. OTHER POSTEMPLOYMENT BENEFITS

A. Summary of Significant Accounting Policies

Basis of Accounting

The Town funding and payment of postemployment benefits are accounted for in the Internal Service Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

B. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. The RMP is a single-employer defined benefit healthcare plan administered by the Town. Retired program members and beneficiaries currently receiving benefits are required to contribute active employee premiums. The percentage contribution of the employees and retirees for these benefits vary and are detailed within the Town's various bargaining agreements. The Town does not issue a separate stand-alone financial statement for this program.

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

At July 1, 2013, plan membership consisted of the following:

| | |
|----------------------------------|-------------------|
| Retired participants and spouses | 237 |
| Active plan members | <u>752</u> |
| | <u><u>989</u></u> |

C. Funding Policy

The Town’s funding strategy for postemployment obligations is based upon characteristics of benefits on Town and Board of Education employees established within their respective collective bargaining units and/or contracts and include the following:

- All Town and Board of Education employees retiring with at least 15 years of creditable service are eligible at age 55, excluding certified school staff who are assumed to be covered by plans offered through the Connecticut Teachers Retirement Board.
- Benefits are payable to the employee and to a spouse for their lifetime, regardless of when the retiree dies.
- Police employees are covered 100%; however, Police Benevolent Association pays 25% of the premium cost. Spouses pay 50% of the premium cost.
- All other employees pay 50% of the premium cost and spouses pay 100% of the premium cost.

D. Annual OPEB Cost and Net OPEB Obligations

The Town of Farmington’s annual other postemployment 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:

| | |
|--|-----------------------------|
| Annual required contribution (ARC) | \$ 3,517,986 |
| Interest on net OPEB obligation | 325,582 |
| Adjustment to annual required contribution | <u>(333,559)</u> |
| Annual OPEB cost | 3,510,009 |
| Contributions made | <u>1,144,807</u> |
| Change in net OPEB obligation | 2,365,202 |
| Net OPEB obligation at beginning of year | <u>8,139,556</u> |
| Net OPEB Obligation at End of Year | <u><u>\$ 10,504,758</u></u> |

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2016 is presented below. The year of transition was June 30, 2009.

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Actual Contribution</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------------------|-------------------------------|----------------------------|--------------------------------------|----------------------------|
| 6/30/2014 | \$ 3,138,817 | \$ 1,101,272 | 35.09% | \$ 5,958,025 |
| 6/30/2015 | 3,305,964 | 1,124,433 | 34.01% | 8,139,556 |
| 6/30/2016 | 3,510,009 | 1,144,807 | 32.62% | 10,504,758 |

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.

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a percentage of Covered Payroll (b-a)/c</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 6/30/2009 | \$ - | \$ 23,383,486 | \$ 23,383,486 | 0% | N/A | N/A |
| 6/30/2011 | - | 30,822,853 | 30,822,853 | 0% | N/A | N/A |
| 7/1/2013 | - | 36,108,188 | 36,108,188 | 0% | N/A | N/A |

Schedule of Employer Contributions

| <u>Fiscal Year</u> | <u>Employer Contribution</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage Contributed</u> |
|--------------------|------------------------------|---|-------------------------------|
| 6/30/2014 | \$ 1,101,272 | \$ 3,132,286 | 35.16% |
| 6/30/2015 | 1,124,433 | 3,303,639 | 35.16% |
| 6/30/2016 | 1,144,807 | 3,517,986 | 34.04% |

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.

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% 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 6.8% initially, reduced by decrements to an ultimate rate of 4.7% after 70 years. The general inflation assumption is 3.5%. Projected salary increases start at 6.5% and are reduced to 3.5% depending on age. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized on a level dollar basis with a remaining amortization period at June 30, 2016 at 30 years.

6. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the years ended June 30, 2016, 2015 or 2014.

The Town's self-insurance program, which commenced July 1, 1983, is used to account health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis. The program also covers retired employees under 65, provided that they pay a yearly premium to the Town. Under the program, the Town is obligated for claim payments. A stop loss insurance contract executed with an insurance carrier covers claims in excess of 120% of expected claim payments in the aggregate for the Town and 125% of expected claim payments in the aggregate for the Board of Education. In addition, the policies on an individual basis cover claims in excess of \$100,000 (Town) and \$125,000 (Board of Education). During 2016, total claims expense was \$11,865,241, which did not exceed 120% of expected claim payments and an estimate for claims incurred but not reported as of June 30, 2016.

The Fund establishes claims liabilities based on estimates of claims that have been incurred but not reported; accordingly, the Fund recorded claims payable at June 30, 2016 of \$908,587.

Premium payments are reported as quasi-external interfund transactions for the General Fund, Enterprise Fund and the WPCA Fund, and, accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the participating funds.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimate.

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

Changes in the claims liability for the past two years are as follows:

| | <u>Accrued Liability Beginning of Fiscal Year</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Accrued Liability Claim Payments</u> | <u>Accrued Liability End of Fiscal Year</u> |
|---------|---|---|---|---|
| 2014-15 | \$ 941,324 | \$ 10,984,662 | \$ (10,959,462) | \$ 966,524 |
| 2014-16 | 966,524 | 11,865,241 | (11,923,178) | 908,587 |

B. Contingent Liabilities

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, are believed by counsel to be likely to result in judgment or judgments that could materially affect the Town’s financial position.

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. 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.

7. SUBSEQUENT EVENTS

During July 2016, the Town entered into a Project Loan and Grant Agreement totaling \$48.1 million with the State of Connecticut under the Clear Water Fund Program to finance the upgrade to the Wastewater Treatment Plant.

During October 2016, the Town was the victim of wire fraud and incurred a loss of \$2,042,449 in a fraudulent vendor scheme. There is an investigation involving several law enforcement agencies, and the Town is actively pursuing recovery from their insurance carrier and various banks. During December 2016, the Town was informed that \$861,386 was discovered at one of the banks and the Town is in the process of recovering these funds. Any further recovery cannot be determined at this time.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**TOWN OF FARMINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

| | Budget | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Property Taxes: | | | | |
| Current taxes | \$ 87,587,928 | \$ 87,587,928 | \$ 87,885,196 | \$ 297,268 |
| Delinquent taxes | 200,000 | 200,000 | 301,512 | 101,512 |
| Interest and lien fees | 200,000 | 200,000 | 246,463 | 46,463 |
| Supplemental MV taxes | 679,000 | 679,000 | 746,518 | 67,518 |
| Total property taxes | <u>88,666,928</u> | <u>88,666,928</u> | <u>89,179,689</u> | <u>512,761</u> |
| Federal and State Grants: | | | | |
| General education | 1,627,882 | 1,627,882 | 1,575,246 | (52,636) |
| School building | 162,932 | 162,932 | 162,932 | - |
| Social services grants | 12,000 | 12,000 | 8,574 | (3,426) |
| In lieu of taxes | 3,644,032 | 3,644,032 | 3,458,017 | (186,015) |
| Police grant | 105,637 | 105,637 | 185,310 | 79,673 |
| State capital improvement | | | | - |
| Highway grants | 372,988 | 372,988 | 373,341 | 353 |
| Municipal Revenue Sharing | 545,804 | 545,804 | 545,804 | - |
| Planning Grant | | | 10,000 | 10,000 |
| Total federal and state grants | <u>6,471,275</u> | <u>6,471,275</u> | <u>6,319,224</u> | <u>(152,051)</u> |
| Charges for Current Services: | | | | |
| Housing | 50,820 | 50,820 | 51,807 | 987 |
| Police services | 243,122 | 243,122 | 255,808 | 12,686 |
| Rentals | 4,000 | 4,000 | 6,042 | 2,042 |
| Sewer inspection fees | 17,000 | 17,000 | | (17,000) |
| Town clerk fees | 285,000 | 285,000 | 241,804 | (43,196) |
| Tower space rental | 144,392 | 144,392 | 175,991 | 31,599 |
| Conveyance tax | 515,000 | 515,000 | 489,653 | (25,347) |
| Busing fees | 5,500 | 5,500 | 3,465 | (2,035) |
| Total charges for current services | <u>1,264,834</u> | <u>1,264,834</u> | <u>1,224,570</u> | <u>(40,264)</u> |
| Licenses and Permits: | | | | |
| Dog licenses | 5,000 | 5,000 | 8,422 | 3,422 |
| Building permits | 825,000 | 825,000 | 526,524 | (298,476) |
| Other permits | 13,500 | 13,500 | 26,060 | 12,560 |
| Total licenses and permits | <u>843,500</u> | <u>843,500</u> | <u>561,006</u> | <u>(282,494)</u> |

(Continued on next page)

**TOWN OF FARMINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

| | Budget | | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------|----------------------|-----------------------|---|
| | Original | Final | | |
| Fines and Penalties: | | | | |
| Court fines | \$ 36,000 | \$ 36,000 | \$ 49,797 | \$ 13,797 |
| Dog fines and charges | 3,200 | 3,200 | 1,820 | (1,380) |
| Total fines and penalties | <u>39,200</u> | <u>39,200</u> | <u>51,617</u> | <u>12,417</u> |
| Investment Income | <u>75,000</u> | <u>75,000</u> | <u>98,512</u> | <u>23,512</u> |
| Other: | | | | |
| Zoning hearings | 10,000 | 10,000 | 69,675 | 59,675 |
| Other assessments | 140,000 | 140,000 | 139,662 | (338) |
| Alarm fines and connections | 14,000 | 14,000 | 13,075 | (925) |
| Miscellaneous | <u>38,000</u> | <u>38,000</u> | <u>52,153</u> | <u>14,153</u> |
| Total other | <u>202,000</u> | <u>202,000</u> | <u>274,565</u> | <u>72,565</u> |
| Total Revenues and Other Financing Sources | \$ <u>97,562,737</u> | \$ <u>97,562,737</u> | 97,709,183 | \$ <u>146,446</u> |
| Budgetary revenues are different than GAAP revenues because: State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted | | | <u>6,834,245</u> | |
| Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Exhibit - IV | | | \$ <u>104,543,428</u> | |

**TOWN OF FARMINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

| | Budget | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| General Government: | | | | |
| General administration: | | | | |
| Town Manager | \$ 393,126 | \$ 403,596 | \$ 403,594 | \$ 2 |
| Finance | 1,103,838 | 1,115,138 | 1,115,134 | 4 |
| Probate Court | 15,000 | 15,100 | 15,096 | 4 |
| Registrars | 99,227 | 99,227 | 98,598 | 629 |
| Town Council | 51,250 | 53,540 | 53,535 | 5 |
| Personnel services | 388,000 | 67,000 | 59,392 | 7,608 |
| Legal | 170,000 | 170,000 | 151,096 | 18,904 |
| Town Clerk | 312,027 | 313,862 | 313,857 | 5 |
| Economic Development | 113,983 | 128,223 | 128,219 | 4 |
| Payments to outside agencies | 2,586,549 | 2,586,549 | 2,586,389 | 160 |
| Planning and zoning | 327,260 | 359,335 | 359,324 | 11 |
| Public buildings | 228,953 | 234,423 | 159,899 | 74,524 |
| Insurance | 264,150 | 244,580 | 227,579 | 17,001 |
| | <u>6,053,363</u> | <u>5,790,573</u> | <u>5,671,712</u> | <u>118,861</u> |
| Public safety: | | | | |
| Fire marshal | 977,335 | 1,164,625 | 1,164,615 | 10 |
| Fire department | 1,525,762 | 1,525,762 | 1,482,736 | 43,026 |
| Police department | 5,703,682 | 5,705,582 | 5,689,972 | 15,610 |
| Communications center | 999,601 | 1,022,211 | 1,022,206 | 5 |
| EMS services | 62,246 | 62,446 | 62,429 | 17 |
| Building inspector | 172,108 | 176,398 | 176,391 | 7 |
| | <u>9,440,734</u> | <u>9,657,024</u> | <u>9,598,349</u> | <u>58,675</u> |
| Public works: | | | | |
| Highway and grounds | 3,663,625 | 3,663,625 | 3,626,590 | 37,035 |
| Engineering | 484,655 | 496,755 | 496,716 | 39 |
| Public works and development | 103,469 | 107,944 | 107,941 | 3 |
| | <u>4,251,749</u> | <u>4,268,324</u> | <u>4,231,247</u> | <u>37,077</u> |
| Community and recreation services: | | | | |
| Community services | 822,862 | 852,787 | 852,768 | 19 |
| Housing | 31,510 | 31,510 | 22,986 | 8,524 |
| | <u>854,372</u> | <u>884,297</u> | <u>875,754</u> | <u>8,543</u> |
| Other: | | | | |
| Benefits | 6,508,690 | 6,508,690 | 6,407,090 | 101,600 |
| Other | 10,000 | 10,000 | | 10,000 |
| | <u>6,518,690</u> | <u>6,518,690</u> | <u>6,407,090</u> | <u>111,600</u> |

(Continued on next page)

**TOWN OF FARMINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

| | Budget | | Actual | Variance with Final Budget - Positive (Negative) |
|--|---------------|---------------|----------------|---|
| | Original | Final | | |
| Debt service | \$ 6,693,496 | \$ 6,693,496 | \$ 6,526,681 | \$ 166,815 |
| Total general government | 33,812,404 | 33,812,404 | 33,310,833 | 501,571 |
| Board of Education | 60,209,643 | 60,209,643 | 60,206,192 | 3,451 |
| Total Board of Education and General Government | 94,022,047 | 94,022,047 | 93,517,025 | 505,022 |
| Other Financing Uses: | | | | |
| Transfers out: | | | | |
| Debt Service Fund | 125,124 | 125,124 | 125,124 | - |
| Capital Projects Fund | 3,415,566 | 3,415,566 | 3,505,691 | (90,125) |
| Total Expenditures, Encumbrances and Other Financing Uses | \$ 97,562,737 | \$ 97,562,737 | 97,147,840 | \$ 414,897 |
| Budgetary expenditures are different than GAAP expenditures because: | | | | |
| State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted | | | 6,834,245 | |
| Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes | | | (370,383) | |
| Encumbrances for purchases and commitments ordered in the previous fiscal year are not reported in the current fiscal year for budgetary purposes, but are shown in the year expended for financial reporting purposes | | | 518,355 | |
| Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV | | | \$ 104,130,057 | |

TOWN OF FARMINGTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TOWN PENSION PLAN
LAST THREE FISCAL YEARS

| | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------------|----------------------|----------------------|
| Total pension liability: | | | |
| Service cost | \$ 2,423,489 | \$ 2,617,259 | \$ 2,685,011 |
| Interest | 6,781,290 | 7,136,946 | 7,488,073 |
| Differences between expected and actual experience | 2,633,994 | 1,716,934 | 1,032,773 |
| Benefit payments, including refunds of member contributions | <u>(5,106,731)</u> | <u>(5,583,029)</u> | <u>(6,074,150)</u> |
| Net change in total pension liability | 6,732,042 | 5,888,110 | 5,131,707 |
| Total pension liability - beginning | <u>93,620,239</u> | <u>100,352,281</u> | <u>106,240,391</u> |
| Total pension liability - ending | <u>100,352,281</u> | <u>106,240,391</u> | <u>111,372,098</u> |
| Plan fiduciary net position: | | | |
| Contributions - employer | 2,270,080 | 2,751,795 | 3,110,676 |
| Contributions - member | 1,365,672 | 1,363,022 | 1,325,776 |
| Net investment income | 9,995,112 | 1,630,361 | (197,722) |
| Benefit payments, including refunds of member contributions | (5,106,731) | (5,583,029) | (6,074,150) |
| Administrative expense | (99,291) | (58,021) | (59,260) |
| Other | <u>34,041</u> | <u>104,128</u> | <u>(1,894,680)</u> |
| Net change in plan fiduciary net position | 8,458,883 | 104,128 | (1,894,680) |
| Plan fiduciary net position - beginning | <u>71,608,653</u> | <u>80,067,536</u> | <u>80,171,664</u> |
| Plan fiduciary net position - ending | <u>80,067,536</u> | <u>80,171,664</u> | <u>78,276,984</u> |
| Net Pension Liability - Ending | <u>\$ 20,284,745</u> | <u>\$ 26,068,727</u> | <u>\$ 33,095,114</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 79.79% | 75.46% | 70.28% |
| Covered-employee payroll | \$ 20,652,300 | \$ 20,141,456 | \$ 20,903,455 |
| Net pension liability as a percentage of covered-employee payroll | 98.22% | 129.43% | 158.32% |

**TOWN OF FARMINGTON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - TOWN PENSION PLAN
LAST TEN FISCAL YEARS**

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------|--------------------|--------------------|-------------------|------------------|--------------------|------------------|-------------------|------------------|--------------------|
| Actuarially determined contribution | \$ 854,474 | \$ 945,584 | \$ 1,135,040 | \$ 1,951,127 | \$ 2,013,158 | \$ 1,971,693 | \$ 2,108,977 | \$ 2,267,150 | \$ 2,751,795 | \$ 3,040,676 |
| Contributions in relation to the actuarially determined contribution | <u>854,474</u> | <u>992,469</u> | <u>1,183,279</u> | <u>1,291,590</u> | <u>1,950,000</u> | <u>2,055,490</u> | <u>2,109,000</u> | <u>2,270,080</u> | <u>2,751,795</u> | <u>3,110,676</u> |
| Contribution Deficiency (Excess) | \$ <u>-</u> | \$ <u>(46,885)</u> | \$ <u>(48,239)</u> | \$ <u>659,537</u> | \$ <u>63,158</u> | \$ <u>(83,797)</u> | \$ <u>(23)</u> | \$ <u>(2,930)</u> | \$ <u>-</u> | \$ <u>(70,000)</u> |
| Covered-employee payroll | \$ 17,180,785 | \$ 18,324,455 | \$ 18,748,405 | \$ 19,085,815 | \$ 19,627,086 | \$ 21,334,076 | \$ 20,652,300 | \$ 20,652,300 | \$ 20,141,456 | \$ 20,903,455 |
| Contributions as a percentage of covered-employee payroll | 4.97% | 5.42% | 6.31% | 6.77% | 9.94% | 9.63% | 10.21% | 10.99% | 13.66% | 14.88% |

Notes to Schedule

Valuation date: July 1, 2015
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Level percentage of payroll, closed
Remaining amortization period 27 years
Asset valuation method 5-year smoothed market
Inflation 2.75%
Salary increases Graded from 6.5% to 3.5%
Investment rate of return 7.00%
Retirement age Rates that vary by age and group

Mortality RP-2000 Mortality for Employees, Health Annuitants, and Disabled Annuitants, with generational projection per Scale AA

**TOWN OF FARMINGTON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - TOWN PENSION PLAN
LAST THREE FISCAL YEARS**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 13.88% | 2.03% | -0.25% |

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

| | <u>2015</u> | <u>2016</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>78,837,748</u> | <u>85,294,583</u> |
| Total | <u>\$ 78,837,748</u> | <u>\$ 85,294,583</u> |
| Town's covered-employee payroll | \$ 30,857,874 | \$ 31,383,849 |
| 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 | 61.51% | 59.50% |

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 |

Appendix B

Opinion of Bond Counsel and Tax Exemption

(This page intentionally left blank)

APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Farmington
Farmington, Connecticut

We have represented the Town of Farmington, Connecticut as Bond Counsel in connection with the issuance by the Town of \$2,700,000 General Obligation Bonds, Issue of 2017, dated as of December 7, 2017.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Farmington is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes. Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds 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.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds will ***not*** be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for

purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds 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.

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

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE DISCOUNT.

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for federal income tax purposes. Accrued original issue discount on a bond is also 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. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original

cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Owners of the Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. 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 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, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

[Remainder of page intentionally left blank]

Appendix C

Form of Continuing Disclosure Agreement

(This page intentionally left blank)

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of December 7, 2017 by the Town of Farmington, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$2,700,000 General Obligation Bonds, Issue of 2017, dated as of December 7, 2017 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated November 28, 2017 prepared in connection with the Bonds.

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

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

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

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2017) as follows:

(i) Financial statements of the Issuer's general fund, and any capital projects, proprietary, internal service and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,

- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
- (F) total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (G) ratios of the total direct debt, total net direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;

- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

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

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Treasurer,

or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Treasurer is Town Hall, One Monteith Drive, Farmington, Connecticut 06032-1053

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

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

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF FARMINGTON

By _____
Kathleen A. Eagen
Town Manager

By _____
Joseph Swetcky, Jr.
Treasurer

Appendix D

Notice of Sale

(This page intentionally left blank)

NOTICE OF SALE
\$2,700,000
Town of Farmington, Connecticut
General Obligation Bonds
(BOOK-ENTRY)

ELECTRONIC BIDS via PARITY® will be received by the Town of Farmington, Connecticut at the Development Wing Conference Room, Town Hall, 1 Monteith Drive, Farmington, Connecticut, until **11:30 A.M. Eastern Time on TUESDAY,**

NOVEMBER 28, 2017

for the purchase, when issued, at not less than par and accrued interest from the date of the Bonds to the date of delivery, of the whole of

\$2,700,000 General Obligation Bonds, Issue of 2017
Payable annually on December 1 as follows:

\$180,000 in 2018 through 2032

The Bonds will be dated December 7, 2017, with interest payable on June 1, 2018 and thereafter semiannually on each December 1st and June 1st.

The Bonds will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

DTC Book Entry. The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 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 Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal, redemption premium, if any, and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal, redemption premium, if any, and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates will be the fifteenth day of May and November (or the preceding business day if such fifteenth day is not a business day).

Redemption. Bonds maturing after December 1, 2023 are subject to redemption prior to maturity, at the option of the Town, on or after December 1, 2023, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

| <u>Period During Which Redeemed</u> | <u>Redemption Price</u> |
|-------------------------------------|-------------------------|
| December 1, 2023 and thereafter | 100% |

Proposals. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth or one eighth of one percent the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than three (3%) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

All electronic bids shall be deemed to incorporate the provisions of this Notice and the form of Proposal for Bonds.

Basis of Award. As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to December 7, 2017, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

By submitting a bid for the Bonds, a bidder represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Bonds for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "Competitive Sale Requirements") because:

- (1) the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Bonds (the "10% Test") is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The Town will not require bidders to comply with the "Hold-The-Offering-Price Rule", as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Town the prices at which the unsold Bonds of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Bonds of that maturity or the sale of all Bonds of that maturity.

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 Bonds 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 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 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, 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 Bonds 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 Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to 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 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, 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 to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "Public" means any person other than an Underwriter or a Related Party,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate)

to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds 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 Bonds to the Public),

- (iii) a purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “Sale Date” means the date that the Bonds are awarded by the Town to the winning bidder.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and the Bonds are not “private activity bonds” and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds 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 Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expense that is allocable to tax-exempt obligations.

Municipal Advisor. The Town of Farmington has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (the “Municipal Advisor”) to serve as its municipal advisor in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

Official Statement. The Town of Farmington has prepared a preliminary Official Statement for the Bond issue which is dated November 15, 2017. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's Municipal Advisor by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's Municipal Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional or revised cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2 12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for Bonds.

CUSIP Numbers. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, 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 Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about December 7, 2017 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from Mr. Joseph Swetcky, Jr., Treasurer, Town of Farmington, Town Hall, 1 Monteith Drive, Farmington, Connecticut 06032-1053 (telephone: (860) 675-2335).

KATHLEEN A. EAGEN,
Town Manager

JOSEPH SWETCKY, JR.,
Treasurer

November 15, 2017

**APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE**

Competitive Sale Requirements Satisfied

**TOWN OF FARMINGTON, CONNECTICUT
\$2,700,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Underwriter 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 Bonds used by Underwriter Short Name in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Bonds.

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

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *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.

(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 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 28, 2017.

(d) *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 Bonds 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 paragraph to participate in the initial sale of the Bonds 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 Bonds to the Public).

(e) *Issuer* means the Town of Farmington, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter 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. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the

Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2017

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

[Remainder of page intentionally left blank]

Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF FARMINGTON, CONNECTICUT
\$2,700,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. **Sale of the Bonds.** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. **Defined Terms.**

(a) "Issuer" means the Town of Farmington, Connecticut.

(b) "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.

(c) "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 50 percent common ownership, directly or indirectly.

(d) "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 Bonds 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 paragraph to participate in the initial sale of the Bonds 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 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter 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. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2017

Attachment:

**SCHEDULE A
SALE PRICES**

[Remainder of page intentionally left blank]