

**NEW MONEY ISSUE: Book-Entry-Only**

**RATING: S&P Global Ratings: "AA"**

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Code for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, 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 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrued or receipt of interest on, the Bonds. See "Tax Matters" herein.



**Town of Montville, Connecticut**  
**\$2,500,000**  
**General Obligation Bonds, Issue of 2019**  
**Bank-Qualified**

**Dated: Date of Delivery**

**Due: Serially on April 1, as detailed below**

The Bonds will be general obligations of the Town of Montville, Connecticut 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 October 1, 2019 and semiannually thereafter on April 1 and October 1 in each year until maturity. The Bonds will be issued only as fully registered bonds, and in book-entry-only form whereby the beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, and interest payments on, the Bonds will be made by the Town or its agent to The Depository Trust Company, New York, New York ("DTC"), or its nominee, as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

**THE BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY. (See "Redemption Provisions" herein.)**

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Bonds will be U.S. Bank National Association of Hartford, Connecticut.

**Maturity Schedule and Amounts**

<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP</b>	<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP</b>
2020	\$ 250,000	___%	___%	615292___	2025	\$ 250,000	___%	___%	615292___
2021	250,000	___%	___%	615292___	2026	250,000	___%	___%	615292___
2022	250,000	___%	___%	615292___	2027	250,000	___%	___%	615292___
2023	250,000	___%	___%	615292___	2028	250,000	___%	___%	615292___
2024	250,000	___%	___%	615292___	2029	250,000	___%	___%	615292___

**Electronic bids via PARITY for the Bonds will be received until 11:30 A.M. (Eastern Time) on Thursday, March 28, 2019, at Town Hall, 310 Norwich-New London Turnpike, Montville, Connecticut 06382.**

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company in New York, New York on or about April 9, 2019.

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations not contained in this Official Statement or any supplement, which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized. 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.

The independent auditors for the Town are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in their opinion in Appendix A), and they make no representation that they have independently verified the same.

Other than as to matters expressly set forth in Appendix B as the opinion of Bond Counsel, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

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## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>Bond Issue Summary.....</b>	<b>1</b>	<b>IV. Tax Base Data.....</b>	<b>21</b>
<b>I. Bond Information.....</b>	<b>2</b>	Property Tax - Assessments.....	21
Introduction.....	2	Property Tax - Levy.....	21
Municipal Advisor.....	2	Comparative Assessed Valuations.....	22
The Bonds.....	3	Property Tax Levies and Collections.....	22
Description of the Bonds.....	3	Ten Largest Taxpayers.....	23
Redemption Provisions.....	3	Municipal Budget Expenditure Cap.....	23
Authorization and Purpose.....	3	Motor Vehicle Property Tax Rate.....	23
Proceeds of this Issue.....	4	<b>V. Debt Summary.....</b>	<b>25</b>
Book-Entry-Only Transfer System.....	4	Principal Amount of Bonded Indebtedness.....	25
DTC Practices.....	5	Short Term Debt.....	25
Replacement Bonds.....	5	Leases.....	25
Security and Remedies.....	5	Annual Bonded Debt Maturity Schedule.....	26
Qualification for Financial Institutions.....	6	Overlapping/Underlying Debt.....	26
Availability of Continuing Disclosure Information.....	6	Debt Statement.....	27
Ratings.....	6	Current Debt Ratios.....	27
Tax Matters.....	7	Authority to Incur Debt.....	28
Legal Opinion.....	8	Temporary Financing.....	28
Registrar, Transfer Agent, Paying Agent, Certifying Agent.....	8	Clean Water Fund Program.....	28
<b>II. The Issuer.....</b>	<b>9</b>	Limitation of Indebtedness.....	29
Description of the Municipality.....	9	Statement of Debt Limitation.....	30
Form of Government.....	10	Authorized But Unissued Debt.....	30
Organizational Chart.....	11	Principal Amount of Outstanding Debt.....	31
Principal Municipal Officials.....	11	Ratios of Net Long-Term Debt to Valuation	
Municipal Services.....	12	Population and Income.....	31
Educational Services.....	13	Ratio of Total Debt Service Expenditures To Total	
School Enrollment.....	13	General Fund Expenditures.....	31
School Facilities.....	13	<b>VI. Financial Administration.....</b>	<b>32</b>
Employee Relations and Collective Bargaining.....	14	Fiscal Year.....	32
Municipal Employees.....	14	Budget Adoption Procedure.....	32
Employee Relations.....	14	Annual Audit.....	32
<b>III. Economic and Demographic Information.....</b>	<b>15</b>	Summary of Accounting Principles.....	32
Local Economy.....	15	Capital Improvement Plan.....	33
Population and Density.....	16	Pension Plans.....	33
Age Distribution of the Population.....	16	Other Post-Employment Benefits.....	34
Income Distribution.....	16	Investment Policy.....	34
Income Levels.....	17	Risk Management.....	35
Educational Attainment.....	17	General Fund Revenues and Expenditures.....	36
Major Employers.....	17	Analysis of General Fund Equity.....	36
Employment by Industry.....	18	<b>VII. Legal and Other Information.....</b>	<b>37</b>
Employment Data.....	18	Legal Matters.....	37
Age Distribution of Housing.....	19	Litigation.....	37
Housing Inventory.....	19	Documents Furnished At Delivery .....	37
Owner Occupied Housing Values.....	19	Concluding Statement.....	38
Building Permits .....	20	<b>Appendix A - 2018 General Purpose Financial Statements</b>	
		<b>Appendix B - Form of Opinion of Bond Counsel</b>	
		<b>Appendix C - Continuing Disclosure Agreement</b>	
		<b>Appendix D - Notice of Sale</b>	

## ***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.*

<b><i>Date of Sale:</i></b>	Thursday, March 28, 2019 at 11:30 A.M. (Eastern Time).
<b><i>Location of Sale:</i></b>	Town Hall, 310 Norwich-New London Turnpike, Montville, Connecticut 06382.
<b><i>Issuer:</i></b>	Town of Montville, Connecticut (the "Town").
<b><i>Issue:</i></b>	\$2,500,000 General Obligation Bonds, Issue of 2019 (the "Bonds").
<b><i>Dated Date:</i></b>	Date of Delivery.
<b><i>Principal and Interest Due:</i></b>	Principal is due serially April 1, 2020 through April 1, 2029. Interest is due April 1 and October 15 in each year until maturity, commencing October 1, 2019.
<b><i>Purpose:</i></b>	The Bond proceeds will be used to fund various road improvement projects.
<b><i>Redemption:</i></b>	The Bonds are subject to redemption prior to maturity, as more fully described herein.
<b><i>Security:</i></b>	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
<b><i>Credit Rating:</i></b>	The Bonds have been rated "AA" by S&P Global Ratings.
<b><i>Bond Insurance:</i></b>	The Town has not purchased a credit enhancement facility.
<b><i>Basis of Award:</i></b>	Lowest True Interest Cost (TIC).
<b><i>Tax Matters:</i></b>	See "Tax Matters" herein.
<b><i>Bank Qualification:</i></b>	The Bonds <u>shall be</u> designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
<b><i>Continuing Disclosure:</i></b>	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.
<b><i>Registrar, Transfer Agent, Certifying Agent, and Paying Agent:</i></b>	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.
<b><i>Municipal Advisor:</i></b>	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Phone: (203) 878-4945.
<b><i>Legal Opinion:</i></b>	Pullman & Comley, LLC, of Bridgeport and Hartford, Connecticut will act as Bond Counsel.
<b><i>Delivery and Payment:</i></b>	It is expected that delivery of the Bonds in book-entry-only form will be made on or about April 9, 2019 against payment in Federal Funds.
<b><i>Issuer Official:</i></b>	Questions concerning the Official Statement should be addressed to Theresa Hart, Finance Director, Town Hall, 310 Norwich-New London Turnpike, Montville, Connecticut 06382. Telephone (860) 848-6714.

## ***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 Montville, Connecticut (the "Town") in connection with the issuance and sale of \$2,500,000 General Obligation Bonds, Issue of 2019 (the "Bonds") of the Town.

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 statement 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. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

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 and are qualified in their entirety by reference to the original official documents; and 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.

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

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement other than matters expressly set forth as its opinion and makes no representation that it has independently verified the same.

The independent auditors for the Town are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in their opinion in Appendix A), and they make no representation that they have independently verified the same.

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, with respect to the Bonds the Town will agree to provide, or cause to be provided (i) annual financial information and operating data within eight months of the end of the fiscal year, (ii) a notice of the occurrence of certain events within 10 business days of the occurrence of such events, 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. The Continuing Disclosure Agreement for the Bonds shall be executed in substantially the form attached as Appendix C to this Official Statement. 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 the Bonds.

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

### ***Municipal Advisor***

Phoenix Advisors, LLC, of Milford, Connecticut has served 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 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.

## ***The Bonds***

### ***Description of the Bonds***

The \$2,500,000 principal amount of the Bonds will be payable serially as set forth on the cover page of this Official Statement. The Bonds will be dated on the date of delivery and will pay interest on October 1, 2019 and semiannually thereafter on April 1 and October 1 in each year until maturity. Interest will be calculated on the basis of twelve thirty-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if such fifteenth day is not a business day, 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 and the Town shall agree. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be payable at the principal office of U.S. Bank National Association, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

### ***Redemption Provisions***

Bonds maturing on or before April 1, 2025 are not subject to redemption prior to maturity. Bonds maturing on April 1, 2026 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after April 1, 2025, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (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:

<b><i>Redemption Dates</i></b>	<b><i>Redemption Price</i></b>
April 1, 2025 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 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 Bonds 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 a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content 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 amounts 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 interest held by DTC 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 DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations 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 the Town, the Registrar or Paying Agent.

### ***Authorization and Purpose***

The Bonds are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, and an appropriation and bond resolution adopted by the Town Council on July 9, 2018 and approved at referendum on November 6, 2018. The Bonds are being issued to finance projects as described in "Proceeds of this Issue" on the next page.

## ***Proceeds of this Issue***

It is expected that proceeds from the Bonds will fund the following projects, as described below:

<b><i>Project</i></b>	<b><i>Bonds Authorized</i></b>	<b><i>The Bonds</i></b>
Road Improvements....	\$ 10,000,000	\$ 2,500,000

## ***Book-Entry-Only Transfer System***

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (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 S&P Global 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](http://www.dtcc.com).

Purchases of Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Agent, on 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 the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or 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 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 Bonds***

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.

### ***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 of qualified disabled persons taxable at limited amounts.

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 debt (hereafter “debt”) 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 therefore 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 such debt would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, moratorium and other similar laws affecting creditors rights heretofore or hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

Under the Federal Bankruptcy Code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title II of the United States Code, or by state law or a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes 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 OF MONTVILLE HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES***

### ***Qualification for Financial Institutions***

The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.

### ***Availability of Continuing Disclosure Information***

The Town 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. The Town provides, and will continue to provide, to the Rating Agencies 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.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreement”), 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) a notice of the occurrence of certain events within 10 business days of the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information. 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 the Bonds. (See Appendix C herein.)

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and events of notices pursuant to Rule 15c2-12(b)(5). For the past 5 years, the Town has not failed to comply in any material respects with the requirements provided in such continuing disclosure agreements.

### ***Ratings***

The Town has received a “AA” rating from S&P Global Ratings (“S&P”) on the Bonds. The Town furnished to S&P certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the views of S&P and will be subject to revision or withdrawal, which could affect the market price of the Bonds. S&P should be contacted directly for its rating on the Bonds and an explanation of such rating. No application was made to any other rating agencies for the purpose of obtaining ratings on outstanding securities of the Town.

The Town expects to furnish to S&P information and materials that S&P may request. However, the Town may issue short-term or other debt for which a rating is not required.

## ***Tax Matters***

**Federal Taxes.** In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds is not included in gross income for federal income tax purposes, and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

Bond Counsel's opinion with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Bonds, the Town will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bond proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned upon compliance by the Town with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

**Original Issue Discount.** The initial public offering prices of the Bonds of certain maturities may be less than the stated principal amount. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the cover page of this Official Statement for such Bonds is expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds are sold. Under existing law, original issue discount on the Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such Bond and will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such a Bond.

Prospective purchasers of Bonds at an original issue discount should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the case of Bond owners purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such Bonds.

**Original Issue Premium.** The initial public offering prices of certain maturities of the Bonds may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. Prospective purchasers of Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

**Other Federal Tax Matters.** Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

**State Taxes.** In the opinion of Bond Counsel, 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 is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax.

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

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 for individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Bonds.

**Changes in Federal and State Tax Law.** Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax and eliminated the tax-exempt advance refunding of tax-exempt bonds, among other things. Additionally, investors in the Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the 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 that may occur after the date of its opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The discussion above does not purport to deal with all aspects of federal or 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 own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

### ***Legal Opinion***

The legal opinion for the Bonds will be rendered by Pullman & Comley, LLC in substantially the form set forth in Appendix B to this Official Statement.

### ***Registrar, Transfer Agent, Paying Agent and Certifying Agent***

The Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds will be U.S. Bank National Association, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

## II. The Issuer



### **Description of the Municipality**

The Town of Montville (the “Town”), covering 42.02 square miles, is centrally located between Norwich and New London in eastern Connecticut. The Town is 35 miles from Connecticut’s state capital, Hartford, and 45 miles from Providence, Rhode Island, and has access to the Thames River. The Town has experienced significant growth with the location of the Mohegan Sun Casino and Resort within its borders.

Montville is served by I-395, I-95 and Connecticut Routes 2A, 32, 82, 85, 161 and 163. Passenger bus service is provided by Southeast Area Transport, and freight service is provided by Central Vermont Railway and numerous common carriers.

Primarily a suburban residential community, the Town had a 2017 American Community Survey estimated population of 19,384. There are over 5,000 single-family residences, more than 200 condominiums, and 33 apartment buildings in Town. The Town has developed gradually and still has substantial open space and over 1,000 acres of agricultural land.

The Town is also home to historic Cochegan Rock. Once owned by the Connecticut Rivers Council, Boy Scouts of America, the 100-plus acre piece of land was purchased by the Mohegan Tribe. Cochegan Rock is the largest free boulder in the United States, as it is not a part of a talus. It is also thought to be the place where the leader of the Mohegan people, Uncas, held tribal councils. Today, it is a camping ground used by boy scouts, with the permission of the Mohegan Tribe.

The Mohegan Tribe of Indians (the “Tribe”) is a federally recognized Indian tribe with a 597-acre reservation that is contiguous to the Town. In 1996, the Tribe opened a \$330 million gaming facility known as the Mohegan Sun Casino and Resort (“Mohegan Sun”) on a 240-acre site on the Tribe’s reservation overlooking the Thames River. In September 2001, the Tribe completed a \$1.4 billion expansion of its casino. The expansion included the addition of nearly 300,000 square feet of gaming space, a 1,200-room hotel and retail stores. The 400-room Earth Tower Hotel

opened in November 2016. In May of 2018, the Earth Expo and Convention Center opened offering over 275,000 square feet of meeting space. Pursuant to an agreement with the State of Connecticut and the Town, which was approved by the United States Congress, the Tribe may expand its reservation to 700 acres. The Tribe is not required to pay property taxes on reservation lands, but has consented as part of this agreement to make an annual \$500,000 payment in lieu of taxes to the Town and to pay certain other taxes to the Town. This annual payment of \$500,000 is earmarked for the Town's capital needs. The Tribe is also participating in a Regional Water Project Agreement with the Town and other local governments. The regional water system was completed in April of 2008. Under the agreement, the Tribe will pay for all water and sewer usage on the same basis as any other customer. Both the Town and the Tribe continue to maintain a positive working relationship to address the needs of the residents of the Town.

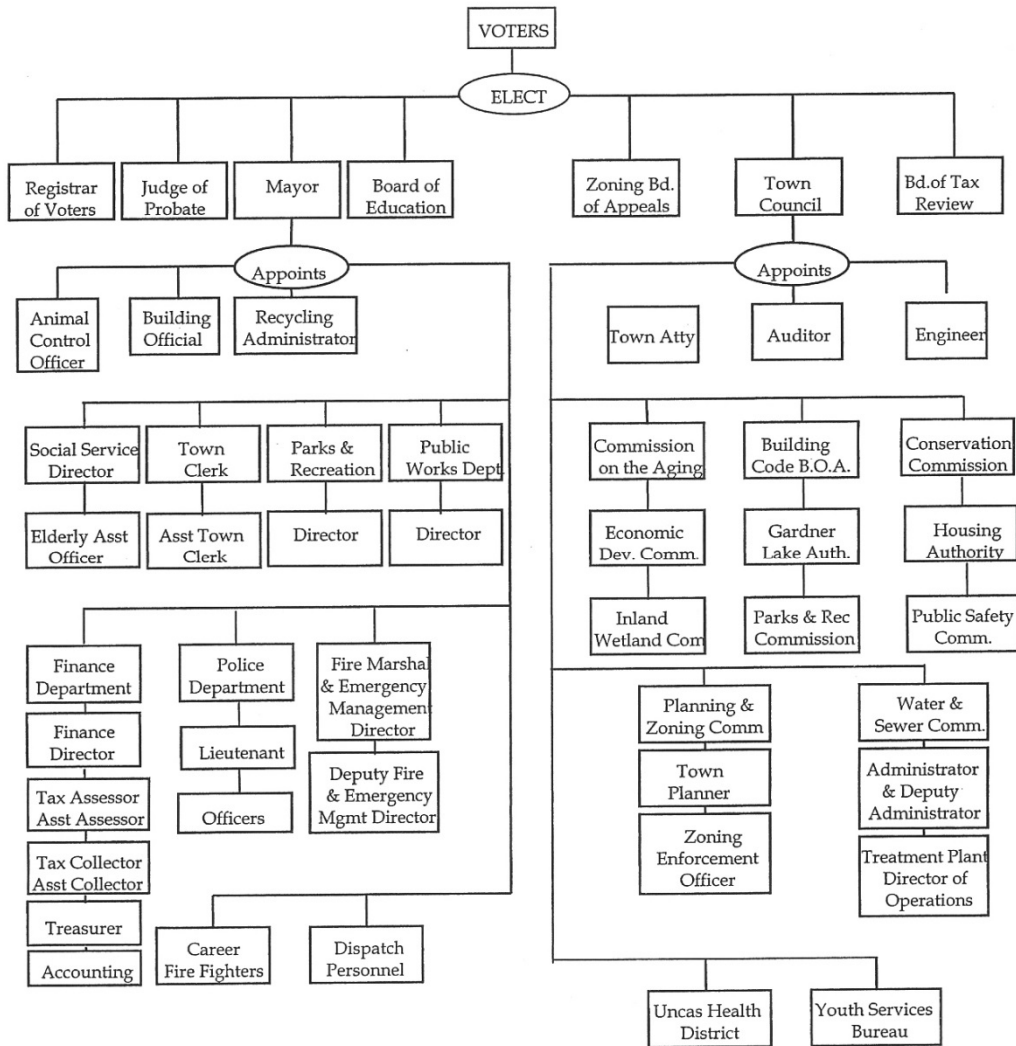
### ***Form of Government***

The Town is governed under a Town Charter, which was last revised and adopted on November 7, 1995, with a Mayor/Town Council form of government. The Mayor acts as the chief executive officer, and the Town Council is the legislative body. Council members are elected biennially for two-year terms. The Mayor is elected for a four-year term. The Director of Finance supervises the Town's financial affairs and departments, which include the Town Treasurer, Tax Collector, Tax Assessor, and the Accounting Department. Pursuant to the Charter, any resolution making a non-budgeted appropriation of less than one percent of the current tax levy shall become effective after approval by the Town Council, provided that the Director of Finance certifies that there are available unappropriated general fund resources in excess of the proposed appropriation. Such appropriations shall not exceed cumulatively two percent of the current tax levy in the current fiscal year. Any non-budgeted appropriation in excess of two percent of the current tax levy and all bonded indebtedness must be approved by the Town Council and adopted by a majority of the qualified voters at a Town meeting. In addition, any non-budgeted appropriation and any borrowing in excess of five percent of the current tax levy must be approved by the Town Council and submitted to the electors and eligible taxpayers of the Town at referendum.

The Montville public schools are governed by a popularly elected Board of Education, consisting of nine Board members. Each year, two students from Montville High School are also chosen to serve as student representatives to the Board of Education. The Superintendent of Schools oversees all facets of the day-to-day management of the Montville public schools, including, but not limited to: faculty and staff, building maintenance and management, annual budgets, curriculum development, district goals, and testing.

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## **Organizational Chart**



## **Principal Municipal Officials**

<b>Office</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Term of Office</b>	<b>Years of Service</b>
Mayor.....	Ronald K. McDaniel	Elected	4 years	11/11 to date
Town Council:				
Chairman.....	Tom McNally	Elected	2 years	11/13 to date
Deputy Chairman.....	Wills Pike	Elected	2 years	11/17 to date
Member.....	Joseph Jaskiewicz	Elected	2 years	05/13 to date
Member.....	Kathleen Pollard	Elected	2 years	11/14 to date
Member.....	Bill Caron	Elected	2 years	11/05 to date
Member.....	Joseph Rogulski	Elected	2 years	11/15 to date
Member.....	Jeff Rogers	Elected	2 years	11/17 to date
Finance Director.....	Theresa Hart	Appointed	Indefinite	2008 to date
Treasurer.....	Pamela Bonanno	Appointed	Indefinite	2003 to date
Tax Collector.....	Karen Gauthier	Appointed	Indefinite	2018 to date
Assessor.....	Lucy Beit	Appointed	Indefinite	2003 to date
Town Clerk.....	Katie Sandberg	Appointed	Indefinite	2016 to date
Town Planner.....	Marcia Vlaun	Appointed	Indefinite	1989 to date
Town Attorney.....	Matthew Willis	Appointed	2 years	1/18 to 12/19
Superintendent of Schools...	Laurie Pallen	Appointed	Indefinite	2018 to date

## ***Municipal Services***

The Town provides a full range of services, including police and fire protection; water transmission; the construction and maintenance of highways, streets and other infrastructure; education and recreational activities; and cultural events. Sanitation services are provided through a legally separate Water Pollution Control Authority, which functions, in essence, as a department of the Town.

**Police:** The Town employs 26 full-time constables, including four sergeants, one lieutenant with one additional part-time constables under the administrative jurisdiction of the Connecticut State Police. They have full powers and are headed by a Resident State Trooper permanently assigned to the Town. They are dispatched by the State police troop located in Montville, which is responsible for covering all of eastern Connecticut. Nineteen vehicles are available for 24-hour patrol duty with five on the day shift, seven on the second shift and four on the third shift.

**Fire Protection:** The Town is served by ten full-time firefighters working 25-hour shifts and an all-volunteer fire department broken down into four companies strategically located throughout the Town. Each company maintains and operates its own ambulance from its respective firehouse. Each company is headed by a chief, a deputy chief, an assistant chief, a captain, and three lieutenants and is established as a nonprofit corporation. Fire and emergency dispatching is accomplished from the Town-operated dispatching center staffed 168 hours a week by four full-time and eight part-time trained dispatchers. In addition to their individual ambulances, the four volunteer fire departments are equipped with 12 pieces of apparatus including a ladder truck, various pumpers, rescue vehicles, brush trucks and boats.

The fire marshal and deputy fire marshal are full-time paid positions. The fire marshal is the supervisor for the career and part-time firefighters and dispatch personnel.

**Public Works:** The Public Works Department is headed by a director who supervises three mechanics, two crew leaders, 12 drivers, four custodians, and one office administrator. The unit is responsible for maintenance and plowing of 119 miles of Town roads. Equipment includes 15 six-wheel snow plows, various loaders and mowers, three dump trucks, and other pieces of equipment necessary to service the Town's needs.

**Sewer:** The Town has 76 miles of sewer lines, 22 pump stations, and a sewage treatment plant under the jurisdiction of the Water Pollution Control Authority ("WPCA"). The WPCA employs eleven people. The system has a current gross capacity of 7.2 million gallons per day. The Tribe completed a major expansion project of the treatment plant and the placement of two pumping stations as part of the Mohegan Sun Sunburst Project at no cost to the Town. The Town is the owner of all of the capital equipment outside of the reservation. A March 2014 Connecticut Resolution granted a \$5 million grant-in-aid for treatment infrastructure improvements and upgrades at the Town Water Pollution Control Facility to facilitate a more environmentally friendly solution to the treatment of all waste water produced within the Town.

The Town has implemented a sewer assessment policy that captures all assessments from all properties regardless of when they are improved or assessed equal to the amount that would have been assessed at the time sewer assessments were first levied. The policy also accounts for increased usage or changes in usage. The connection fee for the Tribe's Sunburst Project was \$1.1 million. There was a down payment of \$140,000 and the balance at 6% interest was to be paid over seven years. This was paid off in a lump sum in 2011.

**Solid Waste:** The Town is currently committed to provide 10,528 tons of solid refuse annually to the Preston resource recovery plant. The town operates a 12-acre permitted transfer station at an average annual cost of \$490,000 plus tipping fees of approximately \$570,000. The town is a member of the Southeastern Connecticut Resource Recovery Authority ("SCRRA"), an authority established under the Connecticut Resource Recovery Authority ("CRRRA"), to serve the needs of twelve regional member towns. The twelve member towns of SCRRA bring their municipal solid waste to the Preston facility for disposal. This waste is then burned in a controlled, environmentally sound manner to produce energy – 18 megawatts – enough electricity to power 20,000 homes. The remaining ash – less than 10% of the incoming trash – is trucked to the Putnam landfill, a state of the art facility dedicated for ash disposal. The Preston Plant is operated by Covanta Energy - a world leader in the field, with more than 40 plants operating in 3 countries. SCRRA's fee for trash disposal has been stable at \$60 per ton for several years.

**Water:** The Town's Water Department currently has five miles of water lines and provides water to the primary residential, commercial and industrial areas. The Town is also working with area towns and the Tribe as a member of the Thames River Basin Interconnection group which was formed to construct a regional water program. On April 13, 2004, the Town referendum appropriated \$4,513,300 and authorized \$3,300,500 in bonds for the Town's share of the project. The Thames River Basin Interconnection Project has been completed. The first section of the project is now operational with the Town now receiving water from the City of Groton. The second phase was completed in the fall of 2007, and the Town began delivering water to residents in the northern section of Route 32. This project will address the Town's anticipated water needs for the next 20 years.

The Palmertown water main extension project funded through a State Department of Environmental Protection grant for \$2,058,000 was completed in the fall of 2007. The pump station on Maple Avenue was completed in 2011.

**Library:** The Raymond Library, located in the Oakdale section of the Town, is a private business supported in part by public funds. Patrons may borrow books, magazines, audios, and music CDs. The library has a large Children's Department, and many children's videos are available. Collections are updated every month with new books, and several times a year the library borrows large-print books and many audios from the State library in Willimantic. Connecticut System, photocopy machine, ILL loan system, and iMac computers with Internet access are available for use. The library also participates in a paperback book exchange and Read-Aloud Day.

## **Educational Services**

The Town's educational system serves grades kindergarten through twelve. The schools are governed by a nine-member local Board of Education. The board exercises legislative authority over the schools in accordance with the State of Connecticut General Statutes and the State Board of Education rules.

### **School Enrollment**

<b>School Year</b>	<b>K-5</b>	<b>6-8</b>	<b>9-12</b>	<b>Total</b>
		<b><u>Historical</u></b>		
2009	1,216	659	812	2,687
2010	1,236	642	786	2,664
2011	1,133	638	798	2,569
2012	1,105	597	744	2,446
2013	1,052	692	727	2,471
2014	1,005	552	727	2,284
2015	963	551	704	2,218
2016	948	559	659	2,166
2017	943	523	632	2,098
2018	909	500	589	1,998
		<b><u>Projected</u></b>		
2019	855	506	689	2,050
2020	879	490	647	2,016
2021	903	455	633	1,991

*Source: Montville Board of Education*

### **School Facilities**

<b>School</b>	<b>Grades</b>	<b>Date of Construction (Last Remodeling)</b>	<b>Number of Classrooms</b>	<b>10/1/2018 Enrollment</b>	<b>Rated Capacity</b>
Murphy .....	K-5	1970	38	290	600
Mohegan .....	K-5	2005	37	337	680
Oakdale .....	Pre-K-5	1965	26	326	605
Tyl Middle .....	6-8	1992	44	500	700
High School <sup>1</sup> .....	9-12	1962	54	602	1,186
<b>Total</b> .....			199	2,055	3,771

<sup>1</sup> Includes Palmer Memorial enrollments, an alternative grade 9-12 high school with four classrooms and a capacity of 40 students



## **Employee Relations and Collective Bargaining**

### **Municipal Employees**

<b>Fiscal Year Ending</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General Government.....	138	146	146	132	139
Board of Education.....	732	721	750	768	777
<b>Total.....</b>	<b>870</b>	<b>867</b>	<b>896</b>	<b>900</b>	<b>916</b>

Source: Town Officials

### **Employee Relations**

<b>Bargaining Groups</b>	<b>Positions Covered</b>	<b>Current Contract Expiration Date</b>
<b>General Government</b>		
Montville Association of Management Employees.....	14	6/30/2020
Town Hall - Teamsters #493.....	23	6/30/2020
Public Works - Local 1303 of Council #4, AFSCME-AFL-CIO.....	25	6/30/2020
Constables – Local 2693 of Council #15, AFSCME-AFL-CIO.....	22	6/30/2020
Montville Firefighters Association – International Association of Firefighters AFL-CIO.....	11	6/30/2019
WPCA – Local 1303-341 of Council #4, AFSCME-AFL-CIO.....	9	6/30/2020
<b>Sub-Total.....</b>	<b>104</b>	
<b>Board of Education Unions</b>		
Montville Administrators' Association.....	13	6/30/2022
Bus Drivers – Teamsters #493.....	26	8/31/2020
Civil Service Employees Affiliates, Inc.:		
Paraprofessionals.....	125	8/31/2020
Secretaries.....	24	6/30/2020
Custodial – Teamsters #493.....	20	6/30/2021
Montville Education Association.....	223	8/31/2021
<b>Sub-Total.....</b>	<b>431</b>	
<b>Grand Total.....</b>	<b>535</b>	

Source: Town of Montville

Connecticut 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 municipality 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 of the parties. 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. For binding arbitration contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of (i) 5% or less with respect to teachers' contracts, and (ii) 15% or less with respect to municipal employees, is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

### ***III. Economic and Demographic Information***

#### ***Local Economy***

The principal industries in Montville are electrical power generation, manufacturing of paperboard and paper boxes, tachometers, and storm windows. A power generation plant located in the Town is Montville Power LLC, subsidiary of NRG. Montville Power LLC has permitted a 40-megawatt biomass-fueled generation unit at the Montville station.

Montville Power LLC maintains a major power-generating plant and is the Town's third largest taxpayer with a combined assessment of \$11,270,360 on the October 1, 2018 grand list. The 82-megawatt facility uses conventional fossil fuel and steam generation equipment and feeds into the New England grid.

There are 12 manufacturing firms located in Montville. The firms range from a small start-up tool and die maker, which has recently expanded within one of the Town's new industrial parks, to Rand Whitney Containerboard, Ltd., a leading manufacturer of cardboard and paperboard. Montville is also home to the Faria Corporation, a manufacturer and worldwide exporter of tachometers, gauges and instrument panels.

The accommodations industry continues to expand in Montville. The Town currently has a Fairfield Inn & Suites by Marriott hotel and a Microtel Inn & Suites hotel; Hyatt Place Hotels opened a new hotel in November 2009. The major contributors to this sector are the Mohegan Sun Casino and Resort, located on the northern border of Montville, and Foxwoods Resort, which is located in the neighboring Town of Ledyard.

Montville is diversified across the economic spectrum with a healthy mix of finance, insurance, real estate and services, heavy and light industry and retail. Approximately 300,000 square feet of gross floor area of retail development has been constructed within the Route 32 corridor. The Town has increased its commercial tax base over 30% in the last five years. Montville's combined built industrial and commercial square footage is 1,470,615. The Town is estimated to be 60% built out residentially. The Town has an additional 7,558,132 square feet of potential commercial/industrial build-out.

The accommodation and food service industry employs 28% of Montville's work force; 28% are employed in retail and 11% are employed by the manufacturing sector.

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## Population and Density

<b>Year</b>	<b>Actual Population<sup>1</sup></b>	<b>% Increase</b>	<b>Density<sup>2</sup></b>
2017	19,384	-1.0%	442
2010	19,571	5.5%	446
2000	18,546	11.2%	422
1990	16,673	1.3%	380
1980	16,455	5.1%	375
1970	15,662	101.9%	357
1960	7,759	--	177

<sup>1</sup> U.S. Department of Commerce, Bureau of Census. 1960-2010

<sup>2</sup> Per square mile: 43.9.

Source: American Community Survey, 2013-2017.

## Age Distribution of the Population

<b>Age</b>	<b>Town of Montville</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Under 5.....	667	3.44%	186,188	5.18%
5 - 9.....	900	4.64%	206,536	5.75%
10 - 14.....	1,024	5.28%	225,831	6.28%
15 - 19.....	854	4.41%	249,777	6.95%
20 - 24.....	1,321	6.81%	245,849	6.84%
25 - 34.....	2,939	15.16%	439,239	12.22%
35 - 44.....	2,404	12.40%	433,401	12.06%
45 - 54.....	2,898	14.95%	535,611	14.90%
55 - 59.....	1,479	7.63%	266,501	7.41%
60 - 64.....	1,699	8.76%	229,788	6.39%
65 - 74.....	1,883	9.71%	318,515	8.86%
75 - 84.....	907	4.68%	167,133	4.65%
85 and over.....	409	2.11%	90,109	2.51%
<b>Total.....</b>	<b>19,384</b>	<b>100.0%</b>	<b>3,594,478</b>	<b>100.0%</b>

Median Age (Years)..... 43.5 40.8

Source: American Community Survey, 2013-2017.

## Income Distribution

<b>Income</b>	<b>Town of Montville</b>		<b>State of Connecticut</b>	
	<b>Families</b>	<b>Percent</b>	<b>Families</b>	<b>Percent</b>
\$ 0 - \$ 9,999.....	224	4.4%	27,787	3.1%
10,000 - 14,999.....	38	0.8%	16,143	1.8%
15,000 - 24,999.....	84	1.7%	41,072	4.6%
25,000 - 34,999.....	241	4.8%	52,218	5.8%
35,000 - 49,999.....	398	7.9%	82,371	9.2%
50,000 - 74,999.....	1,220	24.1%	134,356	15.0%
75,000 - 99,999.....	947	18.7%	122,244	13.6%
100,000 - 149,999.....	1,002	19.8%	186,352	20.8%
150,000 - 199,999.....	612	12.1%	100,359	11.2%
200,000 and over.....	299	5.9%	132,765	14.8%
<b>Total.....</b>	<b>5,065</b>	<b>100.0%</b>	<b>895,667</b>	<b>100.0%</b>

Source: American Community Survey, 2013-2017.

### **Income Levels**

	<b>Town of Montville</b>	<b>State of Connecticut</b>
Per Capita Income, 2017.....	\$32,796	\$41,365
Per Capita Income, 2010 .....	\$33,839	\$36,775
Median Family Income, 2017.....	\$82,174	\$93,800
Median Family Income, 2010.....	\$87,641	\$84,170
Percent Below Poverty Level 2010 .....	5.60%	6.50%

*Source: American Community Survey, 2013-2017.*

### **Educational Attainment Persons 25 Years and Older**

	<b>Town of Montville</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th grade.....	370	2.6%	104,623	4.7%
9th to 12th grade.....	1,113	6.4%	137,877	7.0%
High School graduate.....	5,300	31.6%	673,582	28.6%
Some college, no degree.....	3,359	20.4%	422,535	17.2%
Associate's degree .....	1,368	7.3%	188,481	7.3%
Bachelor's degree.....	1,720	19.4%	532,055	19.9%
Graduate or professional degree.....	1,388	12.3%	421,144	15.3%
<b>Total.....</b>	<b>14,618</b>	<b>100.0%</b>	<b>2,480,297</b>	<b>100.0%</b>
Total high school graduate or higher (%).....		89.9%		90.2%
Total bachelor's degree or higher (%).....		21.3%		38.4%

*Source: American Community Survey, 2013-2017.*

### **Major Employers As of February 2019**

<b>Employer</b>	<b>Business</b>	<b>Number of Employees</b>
Town of Montville.....	Municipality	870
Corrigan Correctional Center.....	Correctional facility	434
Stop & Shop.....	Supermarket	235
Home Depot.....	Retail	160
Hillcrest Montville LLC/Orchard Groves....	Nursing home	140
Chili's.....	Restaurant	125
Rand-Whitney Group.....	Paperboard manufacturing	122
DW Transportation.....	Trucking company	66
Montville Power LLC.....	Electric power	52
Pepsi-Co Bottlers.....	Beverages	35

*Note: The Mohegan Tribe Reservation is contiguous to the Town. The Mohegan Sun Casino employs approximately 10,000 people.*

*Source: Town of Montville*

## Employment by Industry

Sector	Town of Montville		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	15	0.4%	7,166	0.4%
Construction.....	424	5.8%	104,122	6.4%
Manufacturing.....	1,397	16.7%	191,519	11.8%
Wholesale trade.....	207	4.2%	44,741	2.7%
Retail trade.....	988	11.5%	193,016	11.1%
Transportation and warehousing, and utilities.....	271	4.6%	68,926	3.8%
Information.....	49	4.1%	42,200	2.6%
Finance, insurance, real estate, and rental and leasing.....	359	8.5%	163,810	9.5%
Professional, scientific, management, administrative, and waste management services.....	795	8.7%	208,130	10.7%
Education, health and social services.....	2,019	23.4%	478,083	24.9%
Arts, entertainment, recreation, accommodation and food services.....	2,118	5.2%	153,679	8.0%
Other services (except public administration).....	248	3.3%	82,538	4.5%
Public Administration.....	562	3.6%	67,156	3.8%
<b>Total Labor Force, Employed.....</b>	<b>9,452</b>	<b>100%</b>	<b>1,805,086</b>	<b>100%</b>

Source: American Community Survey, 2013-2017.

## Employment Data

Period	Town of Montville			Percentage Unemployed		
	Labor Force	Employed	Unemployed	Town of Montville	Norwich / New London	State of Connecticut
January 2019.....	9,387	8,918	469	5.0	4.7	4.7
<b>Annual Average</b>						
2018.....	9,529	9,139	390	4.1	4.1	4.2
2017.....	9,464	9,016	447	4.7	4.6	4.7
2016.....	9,385	8,883	503	5.4	5.4	5.3
2015.....	9,427	8,843	583	6.2	6.0	5.6
2014.....	10,255	9,568	687	6.7	6.9	6.9
2013.....	10,188	9,382	806	7.9	7.7	7.8
2012.....	10,838	10,012	826	7.6	8.0	8.2
2011.....	10,850	9,911	947	8.7	8.7	8.8
2010.....	11,298	10,312	986	8.7	8.8	9.1
2009.....	11,166	10,364	802	7.2	7.8	8.2

Source: State of Connecticut, Department of Labor.

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### Age Distribution of Housing

Year Built	Town of Montville		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	677	8.7%	338,011	22.4%
1940 to 1969.....	3,327	42.8	535,477	35.5
1970 to 1979.....	1,246	16.0	200,217	13.3
1980 to 1989.....	833	10.7	191,939	12.7
1990 to 1999.....	625	8.0	114,261	7.6
2000 or 2009.....	937	12.0	105,131	7.0
2010 or later.....	133	1.7	22,675	1.5
<b>Total Housing Units.....</b>	<b>7,778</b>	<b>100.0%</b>	<b>1,507,711</b>	<b>100.0%</b>
Percent Owner Occupied.....		84.4%		66.6%

Source: American Community Survey, 2013-2017.

### Housing Inventory

Housing Units	Town of Montville		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,411	82.4%	892,621	59.2%
1-unit, attached.....	107	1.4	81,393	5.4
2 units.....	168	2.2	123,040	8.2
3 or 4 units.....	232	3.0	130,914	8.7
5 to 9 units.....	188	2.4	82,787	5.5
10 to 19 units.....	150	1.9	56,540	3.8
20 or more units.....	126	1.6	128,477	8.5
Mobile home.....	396	5.1	11,564	0.8
Boat, RV, van, etc.....	-	-	375	0.0
<b>Total Inventory.....</b>	<b>7,778</b>	<b>100.0%</b>	<b>1,507,711</b>	<b>100.0%</b>

Source: American Community Survey 2013-2017.

### Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Montville		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	340	5.7%	24,038	2.7%
\$50,000 to \$99,000.....	198	3.3%	29,789	3.3%
\$100,000 to \$149,999.....	685	11.6%	83,320	9.2%
\$150,000 to \$199,000.....	2,021	34.1%	141,024	15.6%
\$200,000 to \$299,999.....	1,805	30.4%	244,356	26.9%
\$300,000 to \$499,999.....	765	12.9%	236,671	26.1%
\$500,000 to \$999,999.....	73	1.2%	106,192	11.7%
\$1,000,000 or more.....	42	0.7%	41,408	4.6%
<b>Total.....</b>	<b>5,929</b>	<b>100.0%</b>	<b>906,798</b>	<b>100.0%</b>
<b>Median Sales Price.....</b>	<b>\$ 192,000</b>		<b>\$ 270,100</b>	

Source: American Community Survey, 2013-2017.

## ***Building Permits***

The following is a schedule of building permits and their estimated values over the last ten years:

<b><i>Fiscal Year</i></b>	<b><i>Residential</i></b>		<b><i>Commerical/Indust.</i></b>		<b><i>Other <sup>1</sup></i></b>		<b><i>All Categories</i></b>	
<b><i>Ending 6/30</i></b>	<b><i>No.</i></b>	<b><i>Value</i></b>	<b><i>No.</i></b>	<b><i>Value</i></b>	<b><i>No.</i></b>	<b><i>Value</i></b>	<b><i>No.</i></b>	<b><i>Value</i></b>
2018	1,083	\$ 9,921,368	160	\$3,510,622	17	\$ 1,028,662	1,260	\$ 14,460,652
2017	999	7,975,400	166	4,631,465	13	614,734	1,178	13,221,599
2016	1,097	11,260,852	159	3,949,786	19	232,790	1,275	15,443,428
2015	1,113	10,835,140	171	6,639,931	9	334,045	1,293	17,809,116
2014	932	9,243,435	225	6,280,057	17	2,901,745	1,174	18,425,237
2013	954	8,795,374	173	2,560,088	11	179,935	1,138	11,535,397
2012	1,015	7,808,963	196	11,082,770	14	134,545	1,225	19,026,278
2011	998	8,304,305	176	3,284,587	24	86,200	1,198	11,675,092
2010	1,015	9,465,956	137	4,448,173	14	77,250	1,166	13,991,379
2009	1,045	9,399,180	179	5,670,193	7	19,500	1,231	15,088,873

<sup>1</sup> Includes additions, alterations, pools, etc.

Source: Building Dapartment, Town of Montville

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## **IV. Tax Base Data**

### **Property Tax - Assessments**

Public Act No. 04-2 of the May 2004 Special Session of the Connecticut General Assembly (the “Act”) modified the required cycle of revaluation and lengthened the cycle from four years to five years. Generally, the law requires revaluation every five years and a general revaluation based on physical observation where the preceding revaluation in the five-year cycle was a statistical revaluation. The Town last completed a statistical revaluation on the October 1, 2016 grand list.

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.

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.

### **Property 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 \$100, 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 lienied 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.



**Comparative Assessed Valuations  
(Exclusive of Supplemental Motor Vehicles)**

<b>Grand List of 10/1</b>	<b>Real Property (%)</b>	<b>Personal Property (%)</b>	<b>Motor Vehicle (%)</b>	<b>Gross Taxable Grand List (000s)</b>	<b>Less Exemption (000s)</b>	<b>Net Taxable Grand List (000s)</b>	<b>Percent Growth</b>
2018	78.4	12.2	9.4	\$ 1,649,977	\$ 367,168	\$ 1,282,809	0.82
2017	78.6	12.1	9.3	1,639,254	366,838	1,272,416	0.16
2016 <sup>1</sup>	78.3	11.2	10.2	1,640,413	369,988	1,270,425	(0.78)
2015	81.1	8.9	10.0	1,636,050	355,646	1,280,404	0.82
2014	81.5	8.4	10.1	1,619,701	349,761	1,269,940	0.85
2013	82.1	7.8	10.1	1,605,569	346,271	1,259,298	0.38
2012	82.6	7.4	10.0	1,602,427	347,898	1,254,529	(4.10)
2011 <sup>1</sup>	79.7	10.5	9.8	1,531,006	222,785	1,308,221	(14.60)
2010	82.9	9.2	7.9	1,745,512	213,719	1,531,793	1.02
2009	83.1	9.2	7.7	1,725,221	208,864	1,516,357	0.30

<sup>1</sup> Revaluation years.

Source: Assessor's Office, Town of Montville.

**Property Tax Levies and Collections**

<b>Grand List of 10/1</b>	<b>Fiscal Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Adjusted Annual Levy</b>	<b>Percent of Annual Levy Collected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected as of 6/30/2018</b>
2017	2019	\$1,240,846	31.73	\$ 39,836	<b>COLLECTION IN PROCESS</b>		
2016 <sup>1</sup>	2018	1,270,425	31.70	40,170	97.62%	2.38%	2.38%
2015	2017	1,280,404	30.61	38,963	98.03%	1.97%	1.18%
2014	2016	1,347,787	30.09	37,925	97.74%	2.26%	0.80%
2013	2015	1,259,298	29.37	36,795	97.60%	2.40%	0.72%
2012	2014	1,254,529	29.06	36,174	97.51%	2.49%	0.88%
2011 <sup>1</sup>	2013	1,308,221	29.33	38,212	96.14%	3.86%	0.12%
2010	2012	1,531,793	23.00	35,090	94.27%	5.73%	0.08%
2009	2011	1,516,357	22.40	33,817	98.18%	1.82%	0.06%
2008	2010	1,504,954	21.43	32,227	97.93%	2.07%	0.03%

<sup>1</sup> Revaluation.

Sources: Tax Collector's Office, Town of Montville

## Ten Largest Taxpayers

<i>Name</i>	<i>Nature of Business</i>	<i>Taxable Valuation</i>	<i>Percent of Net Taxable Grand List</i> <sup>1</sup>
Eversource.....	Utility	\$ 67,183,400	5.24%
Montville Station LLC.....	Retail Shopping Center	12,961,500	1.01%
Montville Power LLC.....	Power Generation	11,270,360	0.88%
Alogonquin Gas Transmission LLC.....	Utilities	10,731,720	0.84%
Home Depot USA Inc.....	Retail Shopping Center	10,724,360	0.84%
Rand Whitney Containerboard LTD.....	Paper/Paperboard/Cogeneration	9,711,403	0.76%
Bank of America.....	Financial Institution	8,474,090	0.66%
Yankee Gas Services.....	Utilities	8,446,700	0.66%
Jensens Inc.....	Active Adult Community	6,710,340	0.52%
Westrock Converting Co.....	Manufacturer	6,305,200	0.49%
<b>Total.....</b>		<b>\$ 152,519,073</b>	<b>11.89%</b>

<sup>1</sup>Based on October 1, 2018 Net Taxable Grand List of \$1,282,809,000.

Source: Assessor's Office, Town of Montville

## Municipal Budget Expenditure Cap

Connecticut General Statutes Section 4-66l, as amended, 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. For fiscal year ending June 30, 2019, the Town will receive municipal revenue sharing grant moneys from the State in the amount of \$578,318.

## Motor Vehicle Property Tax Rate

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.

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 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 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.

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## V. Debt Summary

### Principal Amount of Indebtedness As of April 9, 2019 (Pro Forma)

<b>Long-Term Debt</b>			<b>Amount of Original Issue</b>	<b>Outstanding After This Issue <sup>1</sup></b>	<b>Fiscal Year of Maturity</b>
<b>Date</b>	<b>Purpose</b>	<b>Rate %</b>			
02/25/10	General Purp. Refunding Bonds - Lot A.....	2.00 - 4.00	\$ 2,022,900	\$ 620,300	2022
02/25/10	School Refunding Bonds - Lot A.....	2.00 - 4.00	189,700	54,700	2022
02/25/10	General Purp. Refunding Bonds - Lot B.....	2.00 - 5.00	2,032,800	578,100	2025
02/25/10	School Refunding Bonds - Lot B.....	2.00 - 5.00	5,498,900	1,563,800	2025
02/25/10	Water Refunding Bonds - Lot B.....	2.00 - 5.00	503,300	143,100	2025
08/15/12	General Purpose Bonds.....	2.125 - 4.00	6,625,000	4,540,000	2033
08/15/12	School Bonds.....	2.125 - 4.00	4,000,000	3,005,000	2033
08/15/12	Sewer Bonds <sup>2</sup> .....	2.125 - 4.00	1,500,000	1,080,000	2033
03/07/13	General Purpose Refunding Bonds.....	1.00 - 4.00	7,080,150	6,826,050	2027
03/07/13	School Refunding Bonds - Lot B.....	1.00 - 4.00	2,114,850	2,038,950	2027
07/30/15	State of Connecticut - CWF Loan 662-DC...	2.00	245,631	194,937	2035
11/02/15	General Purpose Refunding Bonds.....	1.977	3,177,000	3,177,000	2022
11/02/15	School Refunding Bonds.....	1.977	1,271,000	1,104,000	2028
11/02/15	Water Refunding Bonds.....	1.977	1,401,000	1,218,000	2028
<b>Sub-Total.....</b>			<b>\$ 37,662,231</b>	<b>\$ 26,143,937</b>	
<b>This Issue</b>					
04/09/19	General Purpose Bonds.....	<i>tbd</i>	\$ 2,500,000	\$ 2,500,000	2029
<b>Total Bonds.....</b>			<b>\$ 40,162,231</b>	<b>\$ 28,643,937</b>	

<sup>1</sup> Excluded refunded bonds.

<sup>2</sup> Self-supporting debt.

### Short-Term Debt As of April 9, 2019 (Pro Forma)

The Town has no outstanding short term debt as of the date of this official statement.

### Leases

In 2015, the Town entered into a capital lease agreement for the purchase of a fire truck, of which remains \$272,625 in outstanding lease payments. In 2017, the Town entered into a capital lease agreement for the purchase of police vehicles and various rolling stock, of which remains \$688,000 in outstanding lease payments. The lease payments are not included in outstanding bonded debt of the Town.

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**Annual Bonded Debt Maturity Schedule <sup>1</sup>**  
**As of April 9, 2019**  
**(Pro Forma)**

<b>Fiscal Year Ended 6/30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>	<b>This Issue General Purpose</b>	<b>Total Principal</b>	<b>Cumulative Principal Retired %</b>
2019 <sup>1</sup>	\$ 2,723	\$ 970	\$ 3,693	\$ -	\$ 2,723	0.01%
2020	3,840,029	715,555	4,555,584	250,000	4,090,029	14.29%
2021	3,955,252	595,756	4,551,008	250,000	4,205,252	28.97%
2022	3,461,479	485,956	3,947,435	250,000	3,711,479	41.93%
2023	3,223,711	377,838	3,601,548	250,000	3,473,711	54.05%
2024	3,202,947	276,635	3,479,582	250,000	3,452,947	66.11%
2025	2,183,188	205,213	2,388,401	250,000	2,433,188	74.60%
2026	1,497,434	155,050	1,652,484	250,000	1,747,434	80.70%
2027	1,361,685	117,108	1,478,793	250,000	1,611,685	86.33%
2028	830,941	87,544	918,485	250,000	1,080,941	90.10%
2029	513,202	69,070	582,272	250,000	763,202	92.77%
2030	513,469	53,804	567,273	-	513,469	94.56%
2031	513,741	38,532	552,272	-	513,741	96.35%
2032	514,018	23,255	537,273	-	514,018	98.15%
2033	514,301	7,972	522,272	-	514,301	99.94%
2034	14,590	183	14,773	-	14,590	100.00%
2035	1,229	2	1,231	-	1,229	100.00%
<b>Total.....</b>	<b>\$ 26,143,937</b>	<b>\$ 3,210,443</b>	<b>\$ 29,354,380</b>	<b>\$ 2,500,000</b>	<b>\$ 28,643,937</b>	

<sup>1</sup> Excludes \$3,726,088 in principal payments and \$845,851 in interest payments from July 1, 2018 through April 9, 2019.

**Overlapping/Underlying Debt**

The Town has no overlapping or underlying debt.

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

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**Debt Statement**  
**As of April 9, 2019**  
**(Pro Forma)**

**Long-Term Debt Outstanding:**

General Purpose (Includes this issue).....	\$ 18,241,450
Schools .....	7,766,450
Water .....	1,361,100
Sewer .....	1,274,937
<b>Total Long-Term Debt.....</b>	<b>28,643,937</b>
<b>Short-Term Debt.....</b>	<b>-</b>
<b>Total Direct Debt.....</b>	<b>28,643,937</b>
Less: School Construction Grants Receivable (As of June 30, 2018) <sup>1</sup> .....	(1,136,251)
Less: Assessments Receivable (As of June 30, 2018).....	(44,752)
<b>Total Direct Net Debt.....</b>	<b>27,462,934</b>
<b>Overlapping/Underlying Debt.....</b>	<b>-</b>
<b>Total Overall Net Debt.....</b>	<b>\$ 27,462,934</b>

<sup>1</sup> The State of Connecticut will reimburse the City for eligible principal and interest costs over the life of bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

**Current Debt Ratios**  
**As of April 9, 2019**  
**(Pro Forma)**

Population <sup>1</sup> .....	19,384
Net Taxable Grand List 70% of Full Value (10/1/18) .....	\$ 1,282,809,000
Estimated Full Value .....	\$ 1,832,584,286
Equalized Grand List (10/1/16) <sup>1</sup> .....	\$ 1,791,570,396
Money Income per Capita <sup>2</sup> .....	\$32,796

	<b>Total Direct Debt \$28,643,937</b>	<b>Total Overall Net Debt \$27,462,934</b>
Per Capita.....	\$1,477.71	\$1,416.78
Ratio to Net Taxable Grand List.....	2.23%	2.14%
Ratio to Estimated Full Value.....	1.56%	1.50%
Ratio to Equalized Grand List.....	1.60%	1.53%
Debt per Capita to Money Income per Capita.....	4.51%	4.32%

<sup>1</sup> Office of Policy and Management, State of Connecticut.

<sup>2</sup> American Community Survey, 2013-2017.

## ***Authority to Incur Debt***

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes shall be authorized upon the recommendation of the Town Council and approved by the Town Meeting. Any borrowing in excess of five percent of the current tax levy shall be approved by a referendum of the electors and eligible taxpayers. Bonds and notes may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes and the Town Charter.

## ***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 all subsequent years 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 building projects) of the estimated net project cost. The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for school and sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the 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 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 issuance of such notes (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment. 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).

## ***Clean Water Fund Program***

The Town of Montville is a participant in the State of Connecticut's Clean Water Fund Program (Connecticut 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).

Loans to each municipality are made pursuant to a Project Grant and Project Loan Agreement. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Project Grant and Project Loan Agreement, or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are payable (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement and thereafter in monthly installments. Borrowers may elect to make level debt service payments or level principal payments, and may prepay their loans at any time prior to maturity without penalty.

The Town of Montville participates in this program and has entered into a Project Loan Agreement which is reflected in this Official Statement under the heading "Debt Summary."

## ***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 under CGS Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The statutes also provide for exclusion from the debt limit calculation debt issued (i) in anticipation of taxes; (ii) for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes; (iii) in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) in anticipation of the receipt of proceeds from State or federal grants evidenced by a written commitment, an allocation from the State Bond Commission or contract but only to the extent such indebtedness can be paid from such proceeds; (v) for certain water pollution control projects; and (vi) upon placement in escrow of the proceeds of refunding bonds or notes.

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**Statement of Debt Limitation**  
**As of April 9, 2019**  
**(Pro Forma)**

**Total Tax Collections** (including interest and lien fees)

Received by the Treasurer for the year ended June 30, 2018..... \$ 41,416,554

**Reimbursement For Revenue Loss:**

Tax relief for elderly <sup>1</sup>..... \$ 13,365

**Base for Debt Limitation Computation**..... \$ 41,429,919

	<b>General Purpose</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Unfunded Pension</b>
<b>Debt Limitation:</b>					
2 1/4 times base.....	\$ 93,217,318	\$ -	\$ -	\$ -	\$ -
4 1/2 times base.....	-	186,434,636	-	-	-
3 3/4 times base.....	-	-	155,362,196	-	-
3 1/4 times base.....	-	-	-	134,647,237	-
3 times base.....	-	-	-	-	124,289,757
<b>Total Debt Limitation</b> .....	<b>\$ 93,217,318</b>	<b>\$ 186,434,636</b>	<b>\$ 155,362,196</b>	<b>\$ 134,647,237</b>	<b>\$ 124,289,757</b>
<b>Indebtedness: <sup>1</sup></b>					
Bonds Outstanding.....	15,741,450	7,766,450	1,274,937	-	-
Bonds – This Issue.....	2,500,000	-	-	-	-
CWF Project Loan Obligation (PLO).....	-	-	194,937	-	-
Debt Authorized But Unissued .....	7,500,000	-	-	-	-
<b>Total Indebtedness</b> .....	<b>25,741,450</b>	<b>7,766,450</b>	<b>1,469,873</b>	<b>-</b>	<b>-</b>
Less:					
State School Grants Receivable <sup>4</sup> .....	-	(1,136,251)	-	-	-
<b>Total Net Indebtedness</b> .....	<b>25,741,450</b>	<b>6,630,199</b>	<b>1,469,873</b>	<b>-</b>	<b>-</b>
<b>DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS..</b>					
	<b>\$ 67,475,868</b>	<b>\$ 179,804,437</b>	<b>\$ 153,892,323</b>	<b>\$ 134,647,237</b>	<b>\$ 124,289,757</b>

<sup>1</sup> Excludes \$1,361,100 in outstanding Water Bonds payable as allowed under the Connecticut General Statutes.

<sup>2</sup> The State of Connecticut will reimburse the City for eligible principal and interest costs over the life of bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$290,009,433.

**Authorized but Unissued Debt**  
**As of April 9, 2019**  
**(Pro Forma)**

	<b>Bonds Authorized</b>	<b>Bonds Issued</b>	<b>Grants</b>	<b>The Bonds</b>	<b>Debt Authorized but Unissued General Purpose</b>
Road Improvements....	\$ 10,000,000	\$ -	\$ -	\$2,500,000	\$ 7,500,000

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**Principal Amount of Outstanding Debt  
Last Five Fiscal Years**

<b>Long-Term Debt</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Bonds.....	\$ 29,481,589	\$ 33,037,700	\$ 36,377,013	\$ 39,196,325	\$ 42,340,937
<b>Short-Term Debt</b>					
Bond Anticipation Notes.....	-	-	-	-	-
<b>Totals.....</b>	<b>\$ 29,481,589</b>	<b>\$ 33,037,700</b>	<b>\$ 36,377,013</b>	<b>\$ 39,196,325</b>	<b>\$ 42,340,937</b>

Source: Annual Audited Financial Statements.

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value (000's)</b>	<b>Estimated Full Value <sup>1</sup> (000's)</b>	<b>Net Long-Term Debt <sup>2</sup> (000's)</b>	<b>Ratio of Net Long-Term Debt to Assessed Value (%)</b>	<b>Ratio of Net Long-Term Debt to Estimated Full Value (%)</b>	<b>Population <sup>3</sup></b>	<b>Net Long-Term Debt per Capita</b>	<b>Ratio of Net Long-Term Debt per Capita to Per Capita Income <sup>4</sup> (%)</b>
2018	\$ 1,270,425	\$ 1,814,893	\$ 29,482	2.32	1.62	44,881	\$ 656.88	2.00
2017	1,280,404	1,829,149	33,038	2.58	1.81	44,881	736.12	2.24
2016	1,269,940	1,814,200	36,377	2.86	2.01	44,881	810.52	2.47
2015	1,259,298	1,798,997	39,196	3.11	2.18	44,881	873.34	2.66
2014	1,254,529	1,792,184	42,341	3.38	2.36	44,881	943.40	2.88

<sup>1</sup> Assessment Ratio, 70%.

<sup>2</sup> Excluded enterprise fund debt.

<sup>3</sup> State of Connecticut, U.S. Bureau of Census, American Community Survey (2013-2017)

<sup>4</sup> Money Income per Capita: Census 2013-2017: \$32,796 used for all calculations.

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

<b>Fiscal Year Ended 6/30</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures <sup>1</sup></b>	<b>Ratio of General Fund Debt Service To Total General Fund Expenditures</b>
2019 <sup>2</sup>	\$ 4,573,161	\$ 59,353,650	7.70%
2018	4,544,278	65,158,138	6.97%
2017	4,312,428	63,593,570	6.78%
2016	4,313,433	64,141,492	6.72%
2015	4,341,488	61,473,869	7.06%

<sup>1</sup> GAAP basis of accounting. Includes Transfers out.

<sup>2</sup> Budgetary Basis, Subject to Audit.

Source: Annual Audited Financial Statements. 2019 provided by Finance Department.

## **VI. Financial Administration**

### **Fiscal Year**

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

### **Budget Adoption Procedure**

The Town establishes its General Fund budget in accordance with provisions of its Town Charter and Connecticut General Statutes. The Director of Finance receives programs showing services, activities, and work accomplished in the preceding year and to be accomplished in the coming year from each department, office, or agency of the Town supported wholly or in part by Town funds or for which a specific Town appropriation is made.

#### **Date**

#### **Action**

By 100 days before the close of the  
fiscal year .....

The head of each department, office, and agency submits to the Director of Finance detailed estimates of expenditures and any revenues other than tax revenues expected to be collected.

By 75 days before the close of the  
fiscal year .....

The Mayor submits a Capital Improvement Program ("CIP") for the ensuing fiscal year and the subsequent four years to the Town Council for changes from the prior year's program. The CIP is then submitted to the Planning and Zoning Commission for approval. The Council then adopts the CIP. The CIP details the projects, cost estimates, methods of financing, time schedules, and the estimated annual cost of facility operation.

By 75 days before the close of the  
fiscal year .....

The Mayor presents a budget message, estimates of revenues and expenditures, and justifications to the Town Council.

By 60 days before the close of the  
fiscal year .....

The Town Council publishes the particulars of the budget and holds one or more public hearings. The Town Council may add, increase, delete, or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be over-ridden by a two-thirds vote of the entire Town Council.

By 30 days before the close of the  
fiscal year .....

The Town Council adopts the final budget.

If the Town Council fails to adopt a budget within the prescribed time frame, the previous year's budget prevails on a month-to-month basis until the new budget is adopted. Additional appropriations may be made during the year by resolution of the Town Council.

### **Annual Audit**

The Town, 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.

### **Summary of Accounting Principles**

The Town's accounting policies and financial statements conform with the financial reporting standards required by Governmental Accounting Standards Board ("GASB"), "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

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. In addition, the Town has three enterprise funds: the Sewer Fund, the Water Fund and the Internal Service Fund. The Sewer Fund is used to account for the activities of the Town's Sewer

Department. The Water Fund, which accounts for activities of the Town's Water Department, is a non-major fund. The Internal Service Fund is used to account for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10. The accounting policies of the Town conform to generally accepted accounting principles as applied to governmental units. (See Appendix A – "Auditor's Section, Notes to Basic Financial Statements" herein.)

### **Capital Improvement Plan**

<b>Uses</b>	<b>Fiscal Year</b>					<b>Total</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
General Government.....	\$ 15,000	\$ 95,000	\$ -	\$ -	\$ -	\$ 110,000
Recreation .....	-	492,000	365,000	436,400	339,500	1,632,900
Public Safety .....	438,600	1,016,000	125,000	836,000	125,000	2,540,600
Public Works .....	896,500	1,310,500	1,352,000	1,461,000	1,081,000	6,101,000
BOE.....	430,438	749,731	1,567,174	1,032,442	960,585	4,740,370
<b>Total.....</b>	<b>\$ 1,780,538</b>	<b>\$ 3,663,231</b>	<b>\$ 3,409,174</b>	<b>\$ 3,765,842</b>	<b>\$ 2,506,085</b>	<b>\$ 15,124,870</b>
<b>Sources</b>						
General Government .....	\$ 396,500	\$ 3,171,231	\$ 3,044,174	\$ 3,329,442	\$ 2,166,585	\$ 12,107,932
Prior Appropriation.....	191,600	-	-	-	-	191,600
Grants/Other.....	1,192,438	492,000	365,000	436,400	339,500	2,825,338
<b>Total.....</b>	<b>\$ 1,780,538</b>	<b>\$ 3,663,231</b>	<b>\$ 3,409,174</b>	<b>\$ 3,765,842</b>	<b>\$ 2,506,085</b>	<b>\$ 15,124,870</b>

### **Pension Plans**

The Town makes contributions to one public employee retirement system covering substantially all full-time municipal employees except teachers and firefighters. The Town firefighters have contributions made to individual retirement accounts, which began in 1990.

**Municipal Employees Retirement System:** This system is a cost-sharing multiple-employer public employee retirement system ("PERS") defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. This system is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The Town's contribution to the PERS for the fiscal years ended June 30, 2018, 2017 and 2016 were \$1,417,446, \$1,514,844 and \$1,346,598, respectively.

Annual cost of living adjustments ("COLA") are adjusted each July 1<sup>st</sup>. The COLA for non disability retirement will range from a minimum 2.5% to a maximum 6%. For disability retirement the COLA will range from a minimum of 2.5% to a maximum 5%. All benefits are vested after a member completes five years of continuous active service with a Connecticut Municipal Employee Retirement System participation municipality. Members who have attained age 55 with at least five years of continuous or 15 years of non-continuous active service with a CMERS participating municipality or if a member has not attained age 55, but has a total of 25 years of service, consisting of at least five years of continuous active service or 15 years of non-continuous active service with a CMER participating municipality are entitled to an annual retirement benefit, payable monthly for life. Additionally, any member regardless of age with at least 5 years of continuous active service is eligible for reduced early retirement benefits.

**Connecticut Teachers Retirement System:** All eligible teachers employed by the Town participate in the Connecticut Teachers Retirement System under Chapter 167a of the Connecticut General Statutes. The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. The Town's contribution for the fiscal year ended June 30, 2018 was \$1,214,324. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not have any liability for teacher pensions.

See Appendix A – "Auditor's Section, Notes to Financial Statements, Note I" herein.

## Other Post-Employment Benefits

The Town is in compliance with the requirements of Governmental Accounting Standards Board (“GASB”) Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their other post-employment benefit (“OPEB”) plans and include information concerning the valuation of such plans in their financial statements.

The Board of Education provides health and life insurance coverage to retirees based on various collective bargaining agreements. The retirees’ contribution toward this coverage varies based on collective bargaining agreements. As of July 1, 2017, the Town and Board of Education provides coverage to 133 retirees and 15 spouses.

The Town completed an actuarial valuation of its OPEB liability as of July 1, 2018. The accrued OPEB liability totaled \$1,753,853 assigned to the Board of Education. The annual OPEB required contribution for fiscal 2018–19 was \$123,350.

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) (b)</b>	<b>Funded (Unfunded) AAL (UAAL) (a-b)</b>	<b>Percentage Funded (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((a-b)/c)</b>
July 1, 2008	\$ -	\$ 924,746	\$ (924,746)	0.00%	N/A	N/A
July 1, 2010	-	823,001	(823,001)	0.00%	N/A	N/A
July 1, 2012	-	1,284,731	(1,284,731)	0.00%	N/A	N/A
July 1, 2014	-	1,500,164	(1,500,164)	0.00%	N/A	N/A
July 1, 2016	-	1,737,615	(1,737,615)	0.00%	N/A	N/A

## Investment Policy

Section 604 of the Montville Town Charter provides the Director of Finance, with the approval of the Mayor, the authority to set investment policy for the Town’s operating funds. The investment program undertaken by the Director of Finance seeks to earn the highest returns available taking into consideration prudent investment principles. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of principal as well as the probable income to be derived. The Director of Finance will undertake to maximize the yield on investments consistent with the requirements for safety and minimization of risk and with the requirement that funds be available for payment when due.

In addition, the Town monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, in which it places deposits or makes investments.

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Sections 3-27, 7-400, 7-401 and 7-402. The Town’s operating and working capital funds are invested under the responsibility and authority of the Town Treasurer. Currently, the Town’s short-term investments consist of: (1) various certificates of deposit with Connecticut banks; (2) the State of Connecticut Short Term Investment Fund; and (3) Connecticut Class Plus (an investment fund managed by Cutwater Investor Services Corp, which, according to Connecticut Class, invests only in (i) high-grade short-term Federal securities and variable rate obligations backed by Federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) very short-term (usually overnight) repurchase agreements secured by high-quality collateral which is valued daily and fully delivered to the program’s custodial bank to be held for the benefit of the pool’s participants.

See Appendix A – “Auditor’s Section, Notes to Financial Statements, Note 3” herein regarding the Town’s audited cash and cash equivalent investments at June 30, 2018.

## **Risk Management**

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters, and owners' and contractors' protective liability.

The Town established an internal service fund, the health insurance fund, to account for and finance the retained risk of loss for Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The health insurance fund provides coverage for all eligible full-time employees. The Town has purchased a stop-loss policy for total claims in any one year exceeding an aggregate of 130% of expected claims and for individual claims exceeding \$175,000 for combined hospital and major medical.

The Town currently insures its General Liability, Auto Liability, Professional Liability and Property exposures with the Connecticut Interlocal Risk Management Agency (CIRMA). The program is fully insured and the Town does not retain any risk of loss. CIRMA was established in 1980 and is a not-for-profit association of Connecticut municipalities operating pursuant to Section 7-479a et seq. of the Connecticut General Statutes. CIRMA is a member owned and member governed inter local risk sharing agency that provides Liability-Auto-Property and Workers' Compensation coverages to Connecticut towns, cities, schools, and local public agencies.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years, and there have not been any significant reductions in insurance coverage from the amounts held in prior years.

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**General Fund Revenues and Expenditures**  
**Four Year Summary of Audited Revenues and Expenditures (GAAP Basis),**  
**and Adopted Budget (Budgetary Basis)**

	<b>Adopted Budget<sup>1</sup> 2019</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	<b>Actual 2016</b>	<b>Actual 2015</b>
<b>Revenues:</b>					
General Property Taxes .....	\$ 41,018,727	\$ 41,516,832	\$ 39,115,831	\$ 38,055,026	\$ 36,712,292
Assessments .....	-	-	5,818	18,666	26,697
Grants and Contracts .....	15,873,000	15,181,235	17,048,209	17,607,815	17,818,892
State On-Behalf Payments .....	-	4,821,229	4,557,269	4,575,345	4,696,866
Charges for Services .....	2,114,285	3,219,298	2,900,427	2,432,442	2,536,507
Contributions .....	222,638	261,836	261,836	201,135	135,432
Investment Income .....	125,000	184,214	66,800	41,045	41,998
<b>Total.....</b>	<b>\$ 59,353,650</b>	<b>\$ 65,184,644</b>	<b>\$ 63,956,190</b>	<b>\$ 62,931,474</b>	<b>\$ 61,968,684</b>
<b>Expenditures:</b>					
General Government .....	\$ 7,556,934	\$ 7,471,486	\$ 7,216,228	\$ 6,222,840	\$ 6,155,997
Public Safety .....	4,718,022	4,500,661	4,250,111	4,145,582	3,819,285
Public Works .....	3,848,750	4,143,825	3,759,245	3,709,035	3,705,462
Health and Welfare .....	211,987	237,638	222,053	223,065	218,683
Recreation and Leisure .....	314,377	284,872	263,636	272,439	263,079
Miscellaneous .....	73,300	73,300	56,300	59,300	65,125
State On-Behalf Payments .....	-	4,821,229	4,557,269	4,575,345	4,696,866
Education .....	37,660,619	37,231,330	37,415,230	38,013,783	36,811,020
Debt Service .....	4,573,161	4,544,278	4,312,428	4,313,433	4,341,488
Capital Outlay .....	396,500	1,159,706	906,291	2,228,562	1,001,508
<b>Total.....</b>	<b>\$ 59,353,650</b>	<b>\$ 64,468,325</b>	<b>\$ 62,958,791</b>	<b>\$ 63,763,384</b>	<b>\$ 61,078,513</b>
<b>Other Financing Sources (Uses):</b>					
Capital Lease Financing.....	\$ -	\$ 800,000	\$ -	\$ 505,342	\$ 183,772
Energy Loan Financing .....	-	348,859	-	-	-
Issuance of Refunding Bonds.....	-	-	-	5,849,000	-
Payment to Refunding Escrow Agent ...	-	-	-	(5,783,171)	-
Transfer In .....	-	20,584	-	99,517	10,000
Transfer Out .....	-	(689,813)	(634,779)	(378,108)	(395,356)
<b>Total.....</b>	<b>\$ -</b>	<b>\$ 479,630</b>	<b>\$ (634,779)</b>	<b>\$ 292,580</b>	<b>\$ (201,584)</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures.....</b>	<b>\$ -</b>	<b>\$ 1,195,949</b>	<b>\$ 362,620</b>	<b>\$ (539,330)</b>	<b>\$ 688,587</b>
<b>Fund Equity, Beginning of Year.....</b>	<b>11,530,618</b>	<b>10,334,669</b>	<b>9,972,049</b>	<b>10,511,379</b>	<b>9,822,792</b>
<b>Fund Equity, End of Year.....</b>	<b>\$ 11,530,618</b>	<b>\$ 11,530,618</b>	<b>\$ 10,334,669</b>	<b>\$ 9,972,049</b>	<b>\$ 10,511,379</b>

<sup>1</sup> Budgetary Basis, Subject to Audit.

**Analysis of General Fund Equity**

	<b>Adopted Budget<sup>1</sup> 2019</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	<b>Actual 2016</b>	<b>Actual 2015</b>
Nonspendable.....	N/A	\$ -	\$ 199,644	\$ 125,836	\$ 90,287
Restricted.....	N/A	593,151	120,603	56,094	90,867
Committed.....	N/A	717,923	168,844	188,197	142,396
Assigned.....	N/A	353,170	947,813	745,621	1,431,291
Unassigned.....	N/A	9,866,374	8,897,765	8,856,301	8,756,538
<b>Total Fund Equity.....</b>	<b>N/A</b>	<b>\$ 11,530,618</b>	<b>\$ 10,334,669</b>	<b>\$ 9,972,049</b>	<b>\$ 10,511,379</b>

<sup>1</sup> Budgetary Basis, Subject to Audit.

## ***VII. Legal and Other Information***

### ***Legal Matters***

Pullman & Comley, LLC is serving as Bond Counsel with respect to the authorization and issuance of the Bonds and will render its opinion in substantially the form included in this Official Statement as Appendix B.

### ***Litigation***

Following consultation with the Town Attorney, and upon consultation with officers of the Town, the Town, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town officials' 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.

The Town has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agency. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under the terms of the grant. Based upon prior experience, Town officials believe such disallowances, if any, will not be material.

### ***Documents Furnished at Delivery***

The original purchaser of the Bonds, as appropriate, will be furnished the following documentation after the Bonds are issued:

1. 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. Receipt for the purchase price of the Bonds.
3. The approving opinion of Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut, in substantially the form attached hereto as Appendix B.
4. Executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C to this Official Statement.
5. Certificate on behalf of the Town, signed by the Mayor, the Treasurer, and the Finance Director, which will be dated the date of delivery, and which will certify, to the best of said officials' knowledge and belief, that 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.
6. The Town of Montville has prepared an Official Statement dated March \_\_, 2019. 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. Twenty-five (25) copies of the Official Statement will be made available to the successful bidder within seven business days of the acceptance of the bids on the Bonds at the office of the Town's municipal advisor.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the principal office of the Paying Agent, U.S. Bank National Association, Corporate Trust Department, 225 Asylum Street, Hartford, Connecticut 06103 and may be examined upon reasonable request.



### ***Concluding Statement***

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representation of fact, and no representation is made that any of 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. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

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

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

#### ***TOWN OF MONTVILLE, CONNECTICUT***

By: /s/  
RONALD K. MCDANIEL, *Mayor*

By: /s/  
PAMELA BONANNO, *Treasurer*

By: /s/  
THERESA HART, *Finance Director*

March \_\_, 2019

## ***Appendix A***

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

The following includes the General Purpose Financial Statements of the Town of Montville, Connecticut for the fiscal year ended June 30, 2018. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, 53 River Street, Suite #1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Town Council  
Town of Montville, 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 Montville, Connecticut (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 Montville, Connecticut, as of June 30, 2018, 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.

## **Other Matters**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the Town adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to the matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the information on pages 67 through 83 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, who 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's basic financial statements. The combining and individual fund statements and schedules on pages 84 through 102 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information has 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 28, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.



Certified Public Accountants  
Glastonbury, Connecticut  
December 28, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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The management of the Town of Montville, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$133,126,597 (net position). Of this amount, \$19,697,501 represents unrestricted net position. Of this amount, \$10,283,581 represents unrestricted net position attributed to the operations of the Town's Sewer and Water Departments (business-type activities).
- The Town's total net position increased by \$693,931 during the current fiscal year, which consisted of a current year increase of \$2,087,017 relating to the Town's governmental activities and a decrease of \$1,393,086 relating to the Town's business-type activities.
- The beginning net position of the Town was decreased by \$1,762,109 as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This decrease represented the difference between the net other post-employment benefits obligation previously recognized in accordance with GASB Statement No. 45 and the net other post-employment liability recognized in accordance with GASB Statement No. 75.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$13,040,847, a current year increase of \$1,429,726 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$9,866,374 or 15.3% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.9 months of General Fund operating expenditures.
- Overall Town debt, consisting of bonds, notes and capital leases payable, decreased \$2,949,932 or 8.7% in comparison to the prior year. This decrease was a result of current year principal payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

The statement of net position presents information on all of the Town's assets, deferred outflows/inflows of resources, and liabilities, with net position as the residual of these elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

## **OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

### **Government-wide Financial Statements *(Continued)***

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include activities such as: general government, public works, public safety, health and welfare, recreation and leisure and education. The business-type activities of the Town include sewer and water activities.

The government-wide financial statements can be found on pages 16 and 17 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 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 fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Bonded Projects Fund, both of which 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18 through 22 of this report.

## **OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

### **Fund Financial Statements *(Continued)***

#### ***Proprietary Funds***

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 23 through 25 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town'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 pages 26 and 27 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 28 through 66 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules, and other supplementary information which can be found on pages 67 through 102 of this report, respectively.



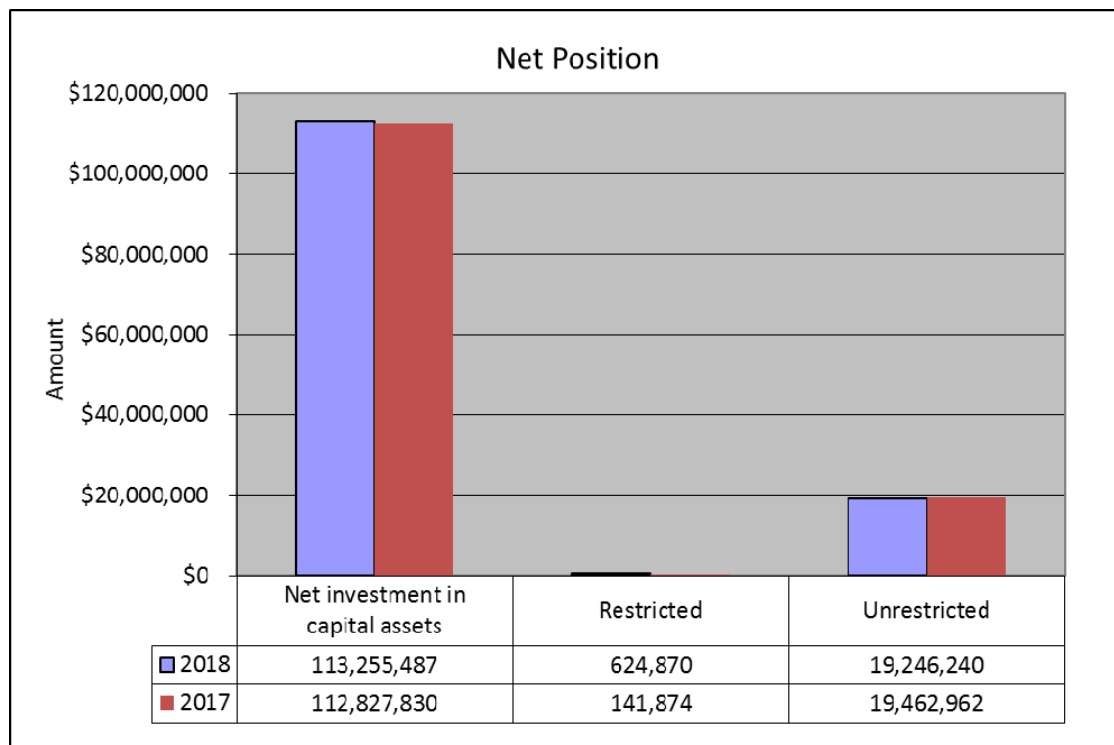
**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town (governmental and business type activities combined) totaled \$133,126,597 as of June 30, 2018 and \$132,432,666 as of June 30, 2017, as adjusted for the implementation of GASB Statement No. 75, and is summarized as follows.

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	(As Adjusted)	\$ Variance	% Variance
Current and other assets	\$ 21,495,427	\$ 11,982,306	\$ 33,477,733	\$ 32,954,249	\$ 523,484	2%
Capital assets	94,747,890	50,616,321	145,364,211	147,835,937	(2,471,726)	-2%
Total assets	<u>116,243,317</u>	<u>62,598,627</u>	<u>178,841,944</u>	<u>180,790,186</u>	<u>(1,948,242)</u>	
Deferred outflows of resources	1,925,668	158,680	2,084,348	4,145,230	(2,060,882)	-50%
Other liabilities	2,573,120	371,482	2,944,602	4,388,864	(1,444,262)	-33%
Long-term liabilities	40,929,687	3,875,085	44,804,772	48,113,886	(3,309,114)	-7%
Total liabilities	<u>43,502,807</u>	<u>4,246,567</u>	<u>47,749,374</u>	<u>52,502,750</u>	<u>(4,753,376)</u>	
Deferred inflows of resources	50,321	-	50,321	-	50,321	100%
Net position						
Net investment in capital assets	65,028,328	48,227,159	113,255,487	112,827,830	427,657	0%
Restricted	624,870	-	624,870	141,874	482,996	340%
Unrestricted	8,962,659	10,283,581	19,246,240	19,462,962	(216,722)	-1%
Total net position	<u>\$ 74,615,857</u>	<u>\$ 58,510,740</u>	<u>\$ 133,126,597</u>	<u>\$ 132,432,666</u>	<u>\$ 693,931</u>	



**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Net Position *(Continued)***

As of June 30, 2018, 85.1% of the Town's net position reflects its net investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Less than 1% of the Town's net position is subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted.

Overall, net position increased by \$693,931 in comparison with the prior year.

**Changes in Net Position**

Changes in net position for the years ended June 30, 2018 and 2017 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2017 to conform with the current year presentation. The amounts reported for the year ended June 30, 2017 have not been adjusted for the implementation of GASB Statement No. 75, since the effects of the adjustments on the statements of changes in net position are not readily available.

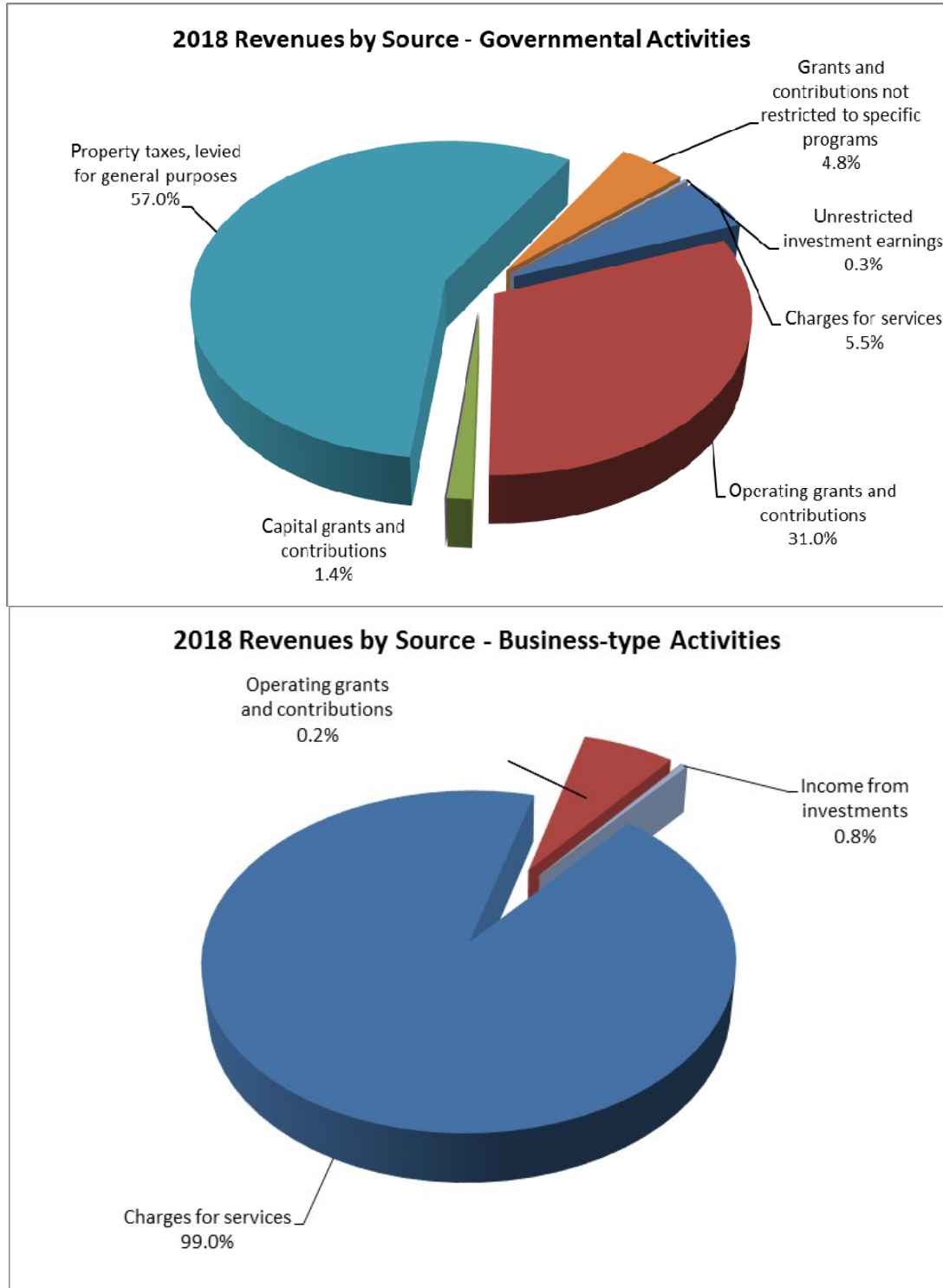
	June 30, 2018					
	Governmental Activities	Business-type Activities	Total	June 30, 2017	\$ Variance	% Variance
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,888,762	\$ 6,633,873	\$ 10,522,635	\$ 10,461,337	\$ 61,298	1%
Operating grants and contributions	22,135,704	11,740	22,147,444	21,410,913	736,531	3%
Capital grants and contributions	971,700	-	971,700	799,781	171,919	21%
General revenues:						
Property taxes, levied for general purposes	40,704,466	-	40,704,466	39,552,009	1,152,457	3%
Grants and contributions not restricted to specific programs	3,455,500	-	3,455,500	3,386,180	69,320	2%
Income from investments	190,915	50,671	241,586	108,482	133,104	123%
Total revenues	71,347,047	6,696,284	78,043,331	75,718,702	2,324,629	3%
<b>Expenses</b>						
General government	7,652,827	-	7,652,827	7,457,586	195,241	3%
Public safety	4,687,700	-	4,687,700	5,393,695	(705,995)	-13%
Public works	4,757,898	-	4,757,898	4,593,497	164,401	4%
Health and welfare	636,736	-	636,736	552,518	84,218	15%
Recreation and leisure	731,067	-	731,067	382,030	349,037	91%
Education	49,882,297	-	49,882,297	46,760,342	3,121,955	7%
Interest expense	911,505	-	911,505	976,552	(65,047)	-7%
Sewer department	-	6,076,153	6,076,153	5,566,804	509,349	9%
Water department	-	1,469,668	1,469,668	1,670,631	(200,963)	-12%
Total expenses	69,260,030	7,545,821	76,805,851	73,353,655	3,452,196	5%
Change in net position before transfers	2,087,017	(849,537)	1,237,480	2,365,047	1,127,567	48%
Loss on disposal of asset	-	(543,549)	(543,549)	-	(543,549)	100%
Change in net position	\$ 2,087,017	\$ (1,393,086)	\$ 693,931	\$ 2,365,047	\$ 584,018	25%

**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Change in Net Position *(Continued)***

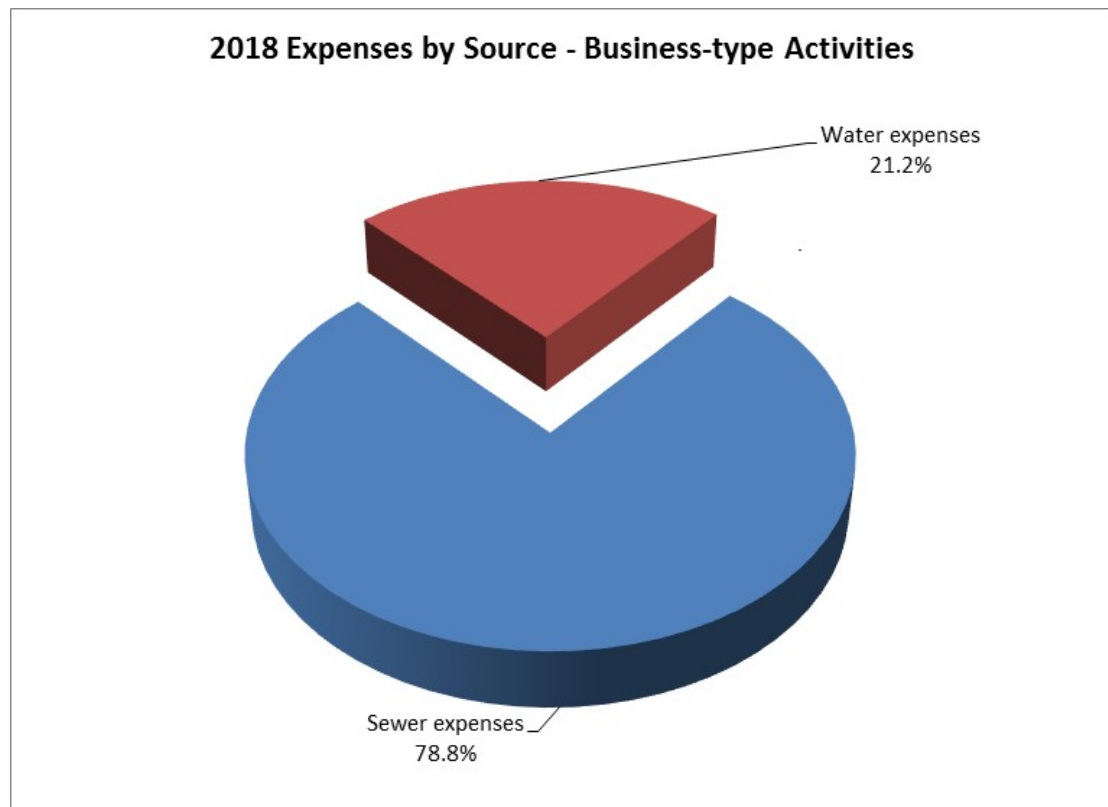
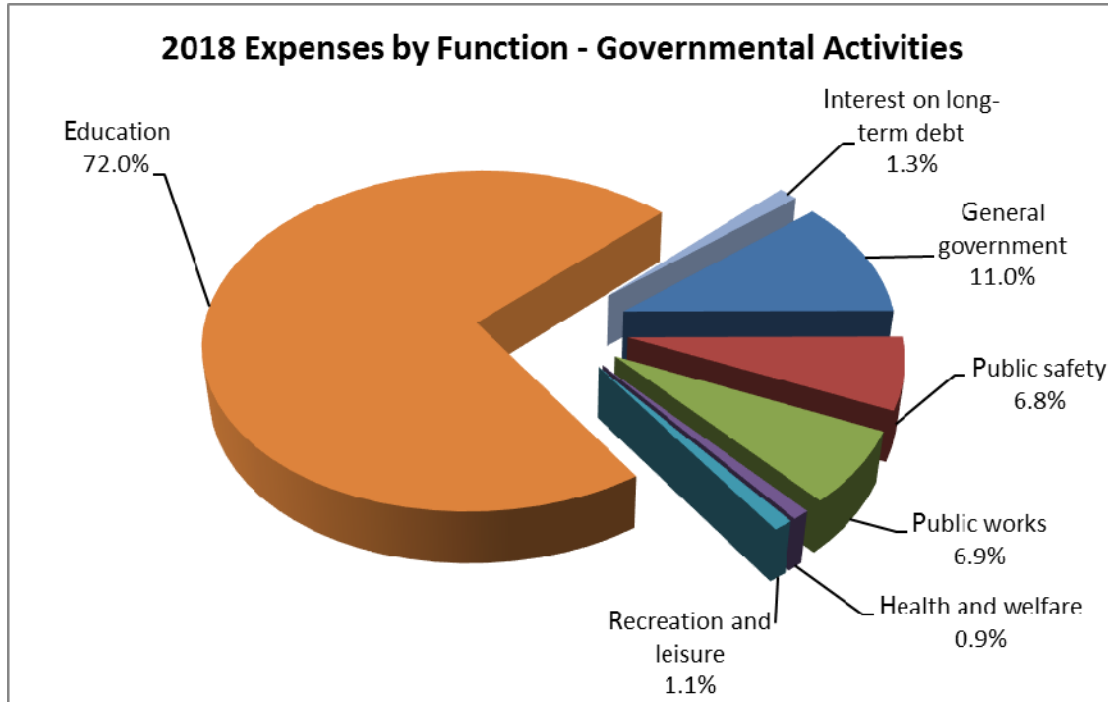


**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Change in Net Position *(Continued)***



**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Change in Net Position *(Continued)***

***Governmental Activities***

Governmental activities increased the Town's net position by a current year change of \$2,087,017. This increase is mainly attributable to the current year fund activity, less the capital asset and debt activity for the current year.

***Business-type Activities***

Business-type activities decreased the Town's net position by a current year change of \$1,393,086. The current year decrease was primarily caused by a loss on the disposal of an asset and the current year change in the net pension liability.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$13,040,847.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,866,374. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 15.3% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.9 months of General Fund operating expenditures and transfers out.

The fund balance of the Town's General Fund increased by \$1,195,949 during the current fiscal year, which was primarily due to proceeds received from an energy loan and capital lease financing entered into during the fiscal year.

**Bonded Projects Fund**

The fund balance of the Bonded Projects Fund did not change during the current fiscal year. This was primarily due to the lack of receipt of school construction grant funding from the Department of Education in the current year.

**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,723,236. Expenditures were \$411,293 less than budgeted and total budgetary revenues were \$1,929,377 more than expected due primarily to favorable tax collections. During the year ended June 30, 2018, the Town Council approved additional appropriations of \$360,000 from fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2018 totaled \$145,364,211 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, distribution and collection systems, machinery and equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$2,471,726 or 1.7%. This decrease consisted primarily of capital asset additions of approximately \$2.7 million, offset by depreciation expense of approximately \$4.3 million. Major capital asset events during the current fiscal year included the following:

- Outlays for Black Ash road in the amount of \$529,331
- Purchase of vehicles and radio systems for the Police Department totaling \$144,069
- Improvements to street lights throughout the Town totaling \$581,848

The following are tables of the investment in capital assets presented for both governmental and business-type activities:

**Town of Montville, Connecticut**  
**Capital Assets, Net**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,038,300	\$ 1,127,031	\$ 3,165,331
Construction in progress	1,254,559	-	1,254,559
Land improvements	1,334,135	-	1,334,135
Buildings and improvements	72,912,864	11,819,819	84,732,683
Infrastructure	12,105,809	-	12,105,809
Machinery and equipment	5,102,223	6,220,505	11,322,728
Distribution and collection systems	-	31,448,966	31,448,966
Totals	<u>\$ 94,747,890</u>	<u>\$50,616,321</u>	<u>\$145,364,211</u>

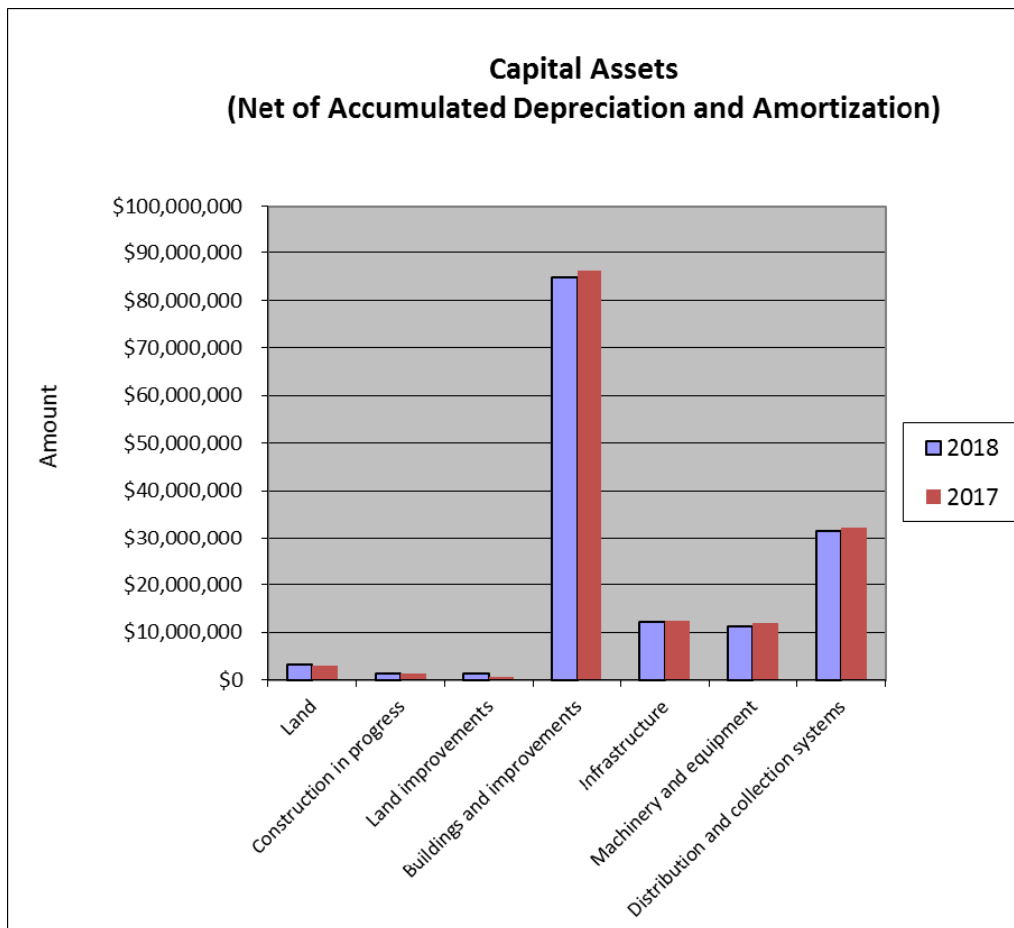
**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

**CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)***

**Capital Assets *(Continued)***

**Town of Montville, Connecticut**  
**Capital Assets, Net**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,976,030	\$ 1,127,031	\$ 3,103,061
Construction in progress	824,824	543,549	1,368,373
Land improvements	678,682	-	678,682
Buildings and improvements	73,978,843	12,234,486	86,213,329
Infrastructure	12,387,613	-	12,387,613
Machinery and equipment	5,389,445	6,475,629	11,865,074
Distribution and collection systems	-	32,219,805	32,219,805
Totals	<u>\$ 95,235,437</u>	<u>\$52,600,500</u>	<u>\$147,835,937</u>



Additional information on the Town's capital assets can be found in Note 4 of this report.

**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-term Debt**

At the end of the current fiscal year, the Town had total debt, consisting of bonds, notes and capital leases payable, outstanding of \$31,081,410. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$2,949,932 or 8.7% during the current fiscal year primarily due to scheduled principal repayments

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$290,009,433, which is significantly in excess of the Town's outstanding general obligation debt.

The following are tables of long-term bonded debt:

**Town of Montville, Connecticut**  
**Long-term Debt**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 28,293,300	\$ 1,373,700	\$29,667,000
Note payable	-	203,026	203,026
Capital lease obligations	1,119,064	92,320	1,211,384
Totals	<u>\$ 29,412,364</u>	<u>\$ 1,669,046</u>	<u>\$31,081,410</u>

**Town of Montville, Connecticut**  
**Long-term Debt**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 31,723,800	\$ 1,669,200	\$33,393,000
Note payable	-	213,623	213,623
Capital lease obligations	424,719	-	424,719
Totals	<u>\$ 32,148,519</u>	<u>\$ 1,882,823</u>	<u>\$34,031,342</u>

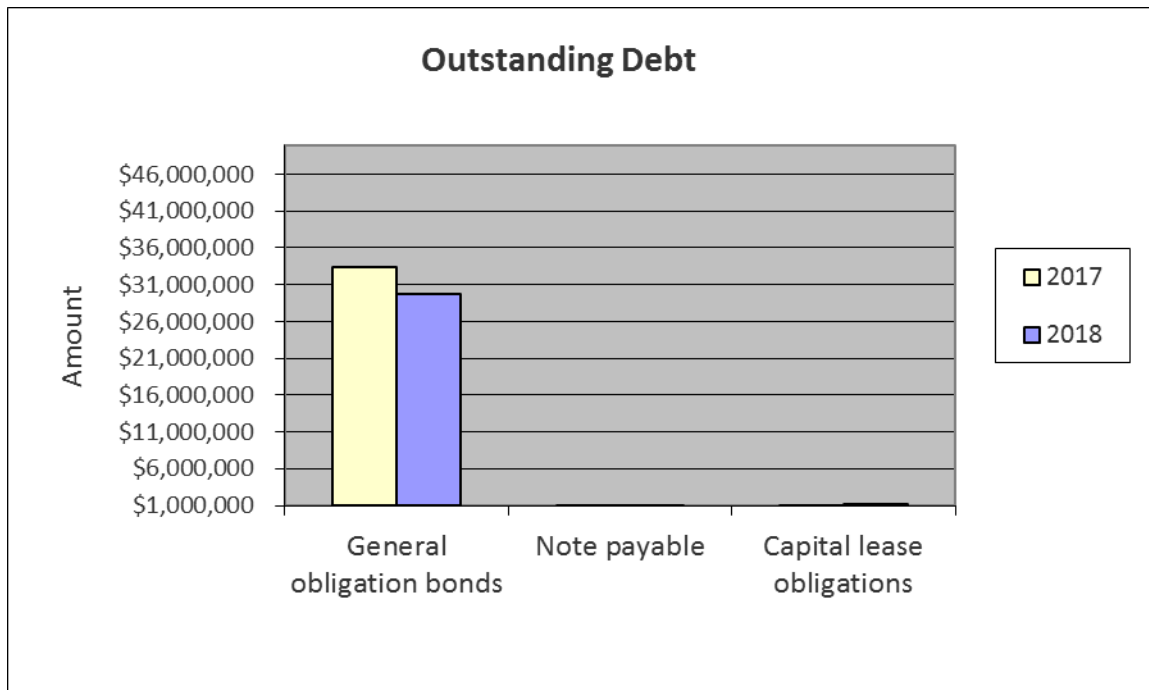


**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)***

**Long-term Debt**



Additional information on the Town's long-term debt can be found in Note 8 of this report.

**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

A summary of key economic factors affecting the Town are as follows:

- The unemployment rate for the Town as of June 30, 2018 was 3.7% compared to the state's average unemployment rate of 4.4% and the national unemployment rate of 4.0%.
- Unassigned fund balance of the General Fund totaled \$9,866,374 at June 30, 2018.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2019, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - Intergovernmental grants were based on estimates from the State.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2019. The Town's fiscal year 2019 General Fund budget was approved on May 31, 2018. The fiscal year 2019 budget contemplated expenditures of \$59,353,650, an increase of \$1,702,781, or 2.95%, over the original fiscal year 2018 budgeted expenditures. The approved mill rate for the fiscal year 2019 budget is 31.73, an increase of .03, or .09% over the fiscal year 2018 mill rate of 31.70. No use of fund balance was designated for balancing the fiscal year 2019 budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Town of Montville, 310 Norwich-New London Tpke., Uncasville, Connecticut 06382.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF MONTVILLE, CONNECTICUT**

STATEMENT OF NET POSITION

JUNE 30, 2018

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,686,157	\$ 10,289,435	\$ 26,975,592
Investments	10,000	410,367	420,367
Receivables:			
Property taxes, net	1,990,657	-	1,990,657
Interest on property taxes, net	789,625	-	789,625
Assessments and user charges receivable, net	44,752	1,327,062	1,371,814
Grants and contracts	111,362	-	111,362
Other	153,860	41,483	195,343
Internal balances	86,041	(86,041)	-
Escrow deposit	451,261	-	451,261
Other assets	8,461	-	8,461
Noncurrent assets:			
Receivables:			
Grants and contracts	1,163,251	-	1,163,251
Capital assets:			
Non-depreciable	3,292,859	1,127,031	4,419,890
Depreciable, net	91,455,031	49,489,290	140,944,321
Total assets	<u>116,243,317</u>	<u>62,598,627</u>	<u>178,841,944</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	1,162,115	31,139	1,193,254
Deferred charges on pension expense	763,553	127,541	891,094
Total deferred outflows of resources	<u>1,925,668</u>	<u>158,680</u>	<u>2,084,348</u>
<b>LIABILITIES</b>			
Accounts payable	993,729	334,653	1,328,382
Accrued liabilities:			
Salaries and benefits payable	370,287	17,267	387,554
Accrued interest	376,726	19,562	396,288
Claims payable	590,000	-	590,000
Unearned revenue	242,378	-	242,378
Noncurrent liabilities:			
Due within one year	4,136,338	343,143	4,479,481
Due in more than one year	36,793,349	3,531,942	40,325,291
Total liabilities	<u>43,502,807</u>	<u>4,246,567</u>	<u>47,749,374</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charges on OPEB expense	<u>50,321</u>	<u>-</u>	<u>50,321</u>
<b>NET POSITION</b>			
Net investment in capital assets	65,028,328	48,227,159	113,255,487
Restricted for:			
Grants and donor restrictions	173,609	-	173,609
Unrestricted	9,413,920	10,283,581	19,697,501
Total net position	<u>\$ 74,615,857</u>	<u>\$ 58,510,740</u>	<u>\$ 133,126,597</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 7,451,836	\$ 976,587	\$ 18,419	\$ -	\$ (6,456,830)	\$ -	\$ (6,456,830)
Public safety	4,687,700	447,860	56,506	38,388	(4,144,946)	-	(4,144,946)
Public works	4,757,898	549,682	7,647	1,164,686	(3,035,883)	-	(3,035,883)
Health and welfare	636,736	64,778	348,080	-	(223,878)	-	(223,878)
Recreation and leisure	731,067	269,749	11,535	-	(449,783)	-	(449,783)
Education	49,882,297	619,185	21,693,517	-	(27,569,595)	-	(27,569,595)
Interest expense	911,505	-	-	-	(911,505)	-	(911,505)
Total governmental activities	69,059,039	2,927,841	22,135,704	1,203,074	(42,792,420)	-	(42,792,420)
Business-type activities:							
Sewer department	6,619,702	5,224,022	11,740	-	-	(1,383,940)	(1,383,940)
Water department	1,469,668	1,409,851	-	-	-	(59,817)	(59,817)
	8,089,370	6,633,873	11,740	-	-	(1,443,757)	(1,443,757)
Total primary government	\$ 77,148,409	\$ 9,561,714	\$ 22,147,444	\$ 1,203,074	(42,792,420)	(1,443,757)	(44,236,177)
General revenues:							
Property taxes, levied for general purposes					40,704,466	-	40,704,466
Grants and contributions not restricted to specific programs					3,984,056	-	3,984,056
Investment income					190,915	50,671	241,586
Total general revenues					44,879,437	50,671	44,930,108
Change in net position					2,087,017	(1,393,086)	693,931
Net position - beginning, as originally reported					74,290,949	59,903,826	134,194,775
Cumulative effect of implementing new accounting standard (See Note 1)					(1,762,109)	-	(1,762,109)
Net position - beginning, as adjusted					72,528,840	59,903,826	132,432,666
Net position - ending					\$ 74,615,857	\$ 58,510,740	\$ 133,126,597

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Bonded Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,299,951	\$ -	\$ 332,157	\$ 13,632,108
Investments	-	-	10,000	10,000
Receivables:				
Property taxes, net	1,990,657	-	-	1,990,657
Interest on property taxes, net	789,625	-	-	789,625
Assessments and interest	44,752	-	-	44,752
Grants and contracts	-	1,163,251	111,362	1,274,613
Other	152,327	-	1,533	153,860
Due from other funds	1,136,172	-	2,684,030	3,820,202
Escrow deposit	451,261	-	-	451,261
Other	-	-	8,461	8,461
Total assets	<u>\$ 17,864,745</u>	<u>\$ 1,163,251</u>	<u>\$ 3,147,543</u>	<u>\$ 22,175,539</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 653,089	\$ -	\$ 340,640	\$ 993,729
Salaries and benefits payable	365,882	-	4,405	370,287
Due to other funds	2,684,030	966,201	83,930	3,734,161
Unearned revenue	240	-	242,138	242,378
Total liabilities	<u>3,703,241</u>	<u>966,201</u>	<u>671,113</u>	<u>5,340,555</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes and interest	2,586,134	-	-	2,586,134
Unavailable revenue - assessments and interest	44,752	-	-	44,752
Unavailable revenue - school construction grant	-	1,163,251	-	1,163,251
Total deferred inflows of resources	<u>2,630,886</u>	<u>1,163,251</u>	<u>-</u>	<u>3,794,137</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	8,461	8,461
Restricted	593,151	-	31,719	624,870
Committed	717,923	-	2,496,487	3,214,410
Assigned	353,170	-	-	353,170
Unassigned	9,866,374	(966,201)	(60,237)	8,839,936
Total fund balances	<u>11,530,618</u>	<u>(966,201)</u>	<u>2,476,430</u>	<u>13,040,847</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,864,745</u>	<u>\$ 1,163,251</u>	<u>\$ 3,147,543</u>	<u>\$ 22,175,539</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total fund balance for governmental funds		\$ 13,040,847
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 2,038,300	
Construction in progress	1,254,559	
Land improvements	2,173,093	
Buildings and improvements	94,263,027	
Machinery and equipment	14,653,851	
Infrastructure	20,470,955	
Less accumulated depreciation and amortization	<u>(40,105,895)</u>	
Total capital assets, net		94,747,890
Some of the Town's taxes, assessments, interest and long-term grant receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		3,794,137
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(376,726)	
Long-term debt:		
Bonds payable, net	(29,481,588)	
Deferred charge on refunding	1,162,115	
Other long-term liabilities:		
Capital lease obligations	(1,119,064)	
Energy loan	(281,025)	
Landfill post-closure care liability	(114,000)	
Early retirement incentive	(203,034)	
Compensated absences	(1,305,508)	
Net pension liability	(6,671,615)	
Total OPEB liability	<u>(1,753,853)</u>	
Total long-term liabilities		(40,144,298)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are reported in the statements of net position.		713,232
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		<u>2,464,049</u>
Net position of governmental activities		<u><u>\$ 74,615,857</u></u>

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

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

	<b>General Fund</b>	<b>Bonded Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 41,516,832	\$ -	\$ -	\$ 41,516,832
Grants and contracts	20,002,464	-	3,014,161	23,016,625
Charges for goods and services	3,219,298	-	571,861	3,791,159
Contributions and other	261,836	-	54,457	316,293
Investment income	184,214	-	23	184,237
Total revenues	<u>65,184,644</u>	<u>-</u>	<u>3,640,502</u>	<u>68,825,146</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,471,486	-	27,283	7,498,769
Public safety	4,500,661	-	21,312	4,521,973
Public works	4,143,825	-	383,988	4,527,813
Health and welfare	237,638	-	400,717	638,355
Recreation and leisure	284,872	-	85,323	370,195
Miscellaneous	73,300	-	-	73,300
Education	42,052,559	-	2,115,847	44,168,406
Debt service:				
Principal payments	3,620,913	-	-	3,620,913
Interest and fiscal charges	923,365	-	-	923,365
Capital outlays	1,159,706	-	1,041,484	2,201,190
Total expenditures	<u>64,468,325</u>	<u>-</u>	<u>4,075,954</u>	<u>68,544,279</u>
Excess (deficiency) of revenues over expenditures	716,319	-	(435,452)	280,867
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease financing	800,000	-	-	800,000
Energy loan financing	348,859	-	-	348,859
Transfers in	20,584	-	689,813	710,397
Transfers out	(689,813)	-	(20,584)	(710,397)
Total other financing sources (uses)	<u>479,630</u>	<u>-</u>	<u>669,229</u>	<u>1,148,859</u>
Net change in fund balances	1,195,949	-	233,777	1,429,726
Fund balances - beginning	<u>10,334,669</u>	<u>(966,201)</u>	<u>2,242,653</u>	<u>11,611,121</u>
Fund balances - ending	<u>\$ 11,530,618</u>	<u>\$ (966,201)</u>	<u>\$ 2,476,430</u>	<u>\$ 13,040,847</u>

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



**TOWN OF MONTVILLE, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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Net change in fund balances - total governmental funds	\$	1,429,726
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Total change in net position reported for governmental activities in the statement of activities is different because:

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

Expenditures for capital assets	\$ 2,023,670	
Depreciation and amortization expense	(2,509,367)	
Net adjustment		(485,697)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds. (1,850)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Debt issued or incurred:		
Energy loan	(348,859)	
Capital lease obligations	(800,000)	
Principal repayments:		
Bonds payable	3,430,500	
Capital lease obligations	105,655	
Energy loan	67,834	
Net adjustment		2,455,130

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Accrued interest	45,895	
Deferred charge on refunding	(142,726)	
Unamortized bond premium	125,613	
Landfill post-closure care liability	19,000	
Early retirement incentive	19,146	
Compensated absences	465,100	
Net pension liability	1,922,682	
Total OPEB liability	54,936	
Deferred charges on pension expense	(1,762,088)	
Deferred charges on OPEB expense	(50,321)	

697,237  
(Continued)

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

**TOWN OF MONTVILLE, CONNECTICUT**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2018

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Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in unavailable revenues.	\$ (818,643)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities.	<u>(1,188,886)</u>
Change in net position of governmental activities	<u><u>\$ 2,087,017</u></u>

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

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

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Sewer Department</b>	<b>Water Department</b>	<b>Total Business-type Activities</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 8,986,969	\$ 1,302,466	\$ 10,289,435	\$ 3,054,049
Investments	410,367	-	410,367	-
Receivables:				
User charges, net	1,136,368	190,694	1,327,062	-
Other	41,483	-	41,483	-
Total current assets	<u>10,575,187</u>	<u>1,493,160</u>	<u>12,068,347</u>	<u>3,054,049</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	1,086,731	40,300	1,127,031	-
Depreciable, net	38,946,562	10,542,728	49,489,290	-
Total noncurrent assets	<u>40,033,293</u>	<u>10,583,028</u>	<u>50,616,321</u>	<u>-</u>
Total assets	<u>50,608,480</u>	<u>12,076,188</u>	<u>62,684,668</u>	<u>3,054,049</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	31,139	-	31,139	-
Deferred charges on pension expense	127,541	-	127,541	-
Total deferred outflows of resources	<u>158,680</u>	<u>-</u>	<u>158,680</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	244,003	90,650	334,653	-
Salaries and benefits payable	17,267	-	17,267	-
Accrued interest	19,562	-	19,562	-
Claims payable	-	-	-	590,000
Due to other funds	86,041	-	86,041	-
Total current liabilities	<u>366,873</u>	<u>90,650</u>	<u>457,523</u>	<u>590,000</u>
Non-current liabilities:				
Due within one year	343,143	-	343,143	-
Due in more than one year	2,845,948	685,994	3,531,942	-
Total non-current liabilities	<u>3,189,091</u>	<u>685,994</u>	<u>3,875,085</u>	<u>-</u>
Total liabilities	<u>3,555,964</u>	<u>776,644</u>	<u>4,332,608</u>	<u>590,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	38,330,125	9,897,034	48,227,159	-
Unrestricted	8,881,071	1,402,510	10,283,581	2,464,049
Total net position	<u>\$ 47,211,196</u>	<u>\$ 11,299,544</u>	<u>\$ 58,510,740</u>	<u>\$ 2,464,049</u>

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

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

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Sewer Department</b>	<b>Water Department</b>	<b>Total Business-type Activities</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>				
Charges for services and premiums	\$ 5,224,022	\$ 1,409,851	\$ 6,633,873	\$ 6,276,094
Grants and contracts	11,740	-	11,740	-
Total operating revenues	5,235,762	1,409,851	6,645,613	6,276,094
<b>OPERATING EXPENSES</b>				
Personnel services	792,580	48,000	840,580	-
Supplies and administration	1,463,500	1,039,094	2,502,594	-
Maintenance	394,690	4,728	399,418	-
Energy and transportation	852,684	72,128	924,812	-
Pension	700,671	-	700,671	-
Insurance and taxes	324,628	3,500	328,128	-
Claims incurred	-	-	-	6,699,572
Administration	-	-	-	772,085
Depreciation	1,494,570	302,218	1,796,788	-
Total operating expenses	6,023,323	1,469,668	7,492,991	7,471,657
Operating loss	(787,561)	(59,817)	(847,378)	(1,195,563)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Interest income	43,341	7,330	50,671	6,678
Interest expense	(52,830)	-	(52,830)	-
Loss on write-off of asset	(543,549)	-	(543,549)	-
Total non-operating income (expense)	(553,038)	7,330	(545,708)	6,678
Changes in net position	(1,340,599)	(52,487)	(1,393,086)	(1,188,885)
Net position - beginning	48,551,795	11,352,031	59,903,826	3,652,934
Net position - ending	\$ 47,211,196	\$ 11,299,544	\$ 58,510,740	\$ 2,464,049

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

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

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Sewer Department</b>	<b>Water Department</b>	<b>Total Business-type Activities</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received for the following:				
Customers and users	\$ 5,040,668	\$ 1,374,511	\$ 6,415,179	\$ 6,276,094
Intergovernmental	11,740	-	11,740	-
Cash paid for the following:				
Personnel services	(565,043)	(48,000)	(613,043)	-
Supplies and administration	(1,485,021)	(1,171,420)	(2,656,441)	(772,085)
Maintenance	(394,690)	(4,728)	(399,418)	-
Energy and transportation	(852,684)	(72,127)	(924,811)	-
Insurance and taxes	(574,015)	(3,500)	(577,515)	-
Benefits and claims	-	-	-	(6,632,572)
Net cash provided by (used in) operating activities	<u>1,180,955</u>	<u>74,736</u>	<u>1,255,691</u>	<u>(1,128,563)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(309,686)	(8,588)	(318,274)	-
Payments collected on long-term receivables	46,870	218,274	265,144	-
Interest earned	43,341	-	43,341	-
Interest paid on capital debt	(61,315)	-	(61,315)	-
Principal paid on capital debt	(213,777)	(242,465)	(456,242)	-
Net cash used in capital and related financing activities	<u>(494,567)</u>	<u>(32,779)</u>	<u>(527,346)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	2,008,892	102,168	2,111,060	-
Interest income	-	7,330	7,330	6,678
Net cash provided by investing activities	<u>2,008,892</u>	<u>109,498</u>	<u>2,118,390</u>	<u>6,678</u>
Net increase (decrease) in cash and cash equivalents	2,695,280	151,455	2,846,735	(1,121,885)
Cash and cash equivalents, beginning of year	<u>6,291,689</u>	<u>1,151,011</u>	<u>7,442,700</u>	<u>4,175,934</u>
Cash and cash equivalents, end of year	<u>\$ 8,986,969</u>	<u>\$ 1,302,466</u>	<u>\$ 10,289,435</u>	<u>\$ 3,054,049</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating loss	\$ (787,561)	\$ (59,817)	\$ (847,378)	\$ (1,195,563)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,494,570	302,218	1,796,788	-
Changes in assets and liabilities:				
Increase in user charges receivable	(183,354)	(35,340)	(218,694)	-
Increase (decrease) in accounts payable	(21,447)	(46,418)	(67,865)	67,000
Increase in accrued liabilities	903	-	903	-
Increase in compensated absences	4,705	-	4,705	-
Increase (decrease) in due to other funds	69,985	(85,907)	(15,922)	-
Increase in net pension liability and deferred outflows/inflows	603,154	-	603,154	-
Net cash provided by (used in) operating activities	<u>\$ 1,180,955</u>	<u>\$ 74,736</u>	<u>\$ 1,255,691</u>	<u>\$ (1,128,563)</u>

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

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

	<b>Private Purpose Trust Fund - School Scholarships</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 61,935	\$ 451,239
Investments:		
Certificates of deposit	122,276	52,618
Mutual funds	289,592	-
Total assets	<u>473,803</u>	<u>\$ 503,857</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 350,727
Due to others	-	153,130
Total liabilities	<u>-</u>	<u>\$ 503,857</u>
<b>NET POSITION</b>		
Held in trust for scholarship benefits	<u>\$ 473,803</u>	

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

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

	<b>Private Purpose Trust Fund - School Scholarships</b>
<b>ADDITIONS</b>	
Investment earnings:	
Interest	\$ 10,581
Net increase in the fair value of investments	<u>13,795</u>
Total investment income	<u>24,376</u>
Total additions	<u>24,376</u>
<b>DEDUCTIONS</b>	
Awards expense	10,918
Administrative expenses	<u>88</u>
Total deductions	<u>11,006</u>
 Change in net position	 13,370
 Net position - beginning	 <u>460,433</u>
Net position - ending	<u><u>\$ 473,803</u></u>

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Montville, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**Financial Reporting Entity**

The Town of Montville, Connecticut was settled in 1786 and covers 43.9 square miles located in the Southeastern part of Connecticut. The Town operates under a Town Council/Mayor form of government and provides the following services as authorized by its charter: public safety, public works, health, social services, recreation, planning and zoning, education and other miscellaneous programs.

The legislative power of the Town is vested with the Town Council and Town Meeting. The Town Council may enact, amend or repeal ordinances and resolutions. The Town Council is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

Accounting principles generally accepted in the United States of America 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 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 and 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.

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Government-wide and Fund Financial Statements *(Continued)***

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

**General Fund** - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**Bonded Projects Fund** - This fund is used to account for the revenues and expenditures related to major capital asset construction and/or purchases.

The Town reports the following major proprietary funds:

**Sewer Department** - This fund is used to account for activities of the Town's Sewer department.

**Water Department** - This fund is used to account for activities of the Town's Water department.

In addition, the Town reports the following fund types:

**Internal Service Fund (proprietary)** - This fund accounts for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities.

**Private Purpose Trust Funds** - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. There is no requirement that any portion of the resources be preserved as capital. The Town utilizes a private purpose trust fund to account for activities of the School Scholarships Private Purpose Trust Fund.

**Agency Funds** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activities funds and the performance bonds fund. The student activities funds account for monies generated by student activities in the Town's school system. The performance bonds fund accounts for monies received to ensure that new home construction is performed per specifications.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available to be received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds consist of charges to customers for services relating to sewer and water usage. Operating expenses of the Town's enterprise funds include the cost of operations and maintenance, administrative expenses, and depreciation of capital assets. The principal operating revenues of the Town's internal service fund consist of charges for premiums. Operating expenses of the Town's internal service fund consist of claims incurred and administrative expenses. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Implementation of Accounting Standards**

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the Town's financial statements.

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures for post-employment benefits other than pensions. This standard identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this statement provides for certain required supplementary information and note disclosures about post-employment benefits other than pensions.

The Town has reported the following cumulative effect of applying GASB Statement No. 75 as an adjustment of beginning net position as of July 1, 2017.

	<b><u>Governmental Activities</u></b>
Net position - beginning, as originally reported	\$ 74,290,949
Adjustment to remove net other post-employment benefit obligation recognized under GASB Statement No. 45	46,680
Adjustment to record total other post-employment liability recognized under GASB Statement No. 75	<u>(1,808,789)</u>
	<u>(1,762,109)</u>
Net position - beginning, as adjusted	<u><u>\$ 72,528,840</u></u>

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity**

**Cash and cash Equivalents**

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

**Investments**

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools as described below.

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity (Continued)**

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the pool.

**Inventories**

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

**Property Taxes, Sewer Assessment and Usage Charges**

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$291,000 and \$227,000, respectively, as of June 30, 2018.

Upon completion of projects, water and sewer assessments are levied and assessed to the users each February. Usage charges are billed quarterly or monthly depending on the property type, beginning in January. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full. Based on historical collection experience and other factors, the WPCA has established an allowance for uncollectible sewer and water usage of \$305,000 and \$1,600, respectively, as of June 30, 2018.

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred net of interest earned on project specific debt during the construction phase of capital assets of business-type activities and enterprise funds are included as part of the capitalized cost of the assets constructed.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)***

**Capital Assets *(Continued)***

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	35 - 50
Building improvements	20
Distribution and collection systems	50 - 65
Infrastructure	30 - 50
Land improvements	30 - 50
Machinery and equipment	5 - 20

Capital assets acquired under capital lease are amortized over the life of the lease term or estimated useful life of the asset, as applicable.

**Unearned Revenue**

This liability represents resources that have been received but not yet earned.

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Town reports deferred pension expense and deferred charges on refunding in the government-wide statement of net position. Deferred pension expenses resulted from changes in the components of the Town's net pension liability and are being amortized as a component of pension expense on a systematic and rational basis. Deferred charges on refunding resulted from the difference in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Town reports unavailable revenue from property taxes and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also reports deferred charges on OPEB expense in the government-wide statement of net position, which resulted from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)***

**Compensated Absences**

Under the terms of various union contracts, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Town employees may not carry over any accumulated vacation time and may carry over a limited number of sick days to subsequent years. In the event of retirement, Town employees are reimbursed for accumulated vacation and sick days based on union contract. Board of Education employees may carry over a limited number of unused vacation days to the next fiscal year. When a Board of Education employee retires, limited accumulated unused sick leave is not paid but added to the credited service used to calculate pension benefits.

All compensated absences are accrued when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they have matured (i.e. due to resignation or retirement).

**Long-term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Net Position and Fund Balance**

The government-wide statement of net position presents the Town's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

***Net investment in capital assets*** – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

***Restricted net position*** – This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted net position*** – This component of net position is the net amount of the assets, liabilities, and deferred inflows/outflows of resources which do not meet the definition of the two preceding categories.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)***

**Net Position and Fund Balance *(Continued)***

The Town's governmental funds report the following fund balance categories:

***Nonspendable*** – Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

***Restricted*** – Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

***Committed*** – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

***Assigned*** – Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by the Town Council.

***Unassigned*** – Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

***Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Town's policy to use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned. It is the Town's policy to maintain an unassigned fund balance in the General Fund between 12% and 16% of the Town's General Fund budget. Two-thirds vote of the entire Town Council is required to decrease total fund balance below 12%. Unassigned fund balance in the General Fund as of June 30, 2018 represents 17.01% of the Town's final General Fund budget.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**Interfund Services Provided and Used**

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

**Interfund Transfers**

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash and cash equivalents as of June 30, 2018 is as follows:

Government-wide statement of net position	\$ 26,975,592
Statement of fiduciary net position	<u>513,174</u>
	27,488,766
 Add: certificates of deposit classified as investments	 595,261
Less: cash equivalents considered investments for disclosure purposes	 <u>(4,398,135)</u>
	<u><u>\$ 23,685,892</u></u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$24,767,889 of the Town's bank balance of \$23,511,890 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 21,160,701
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	 <u>2,351,189</u>
	<u><u>\$ 23,511,890</u></u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**Investments**

A reconciliation of the Town's investments as of June 30, 2018 is as follows:

Government-wide statement of net position	\$ 420,367
Statement of fiduciary net position	<u>464,486</u>
	884,853
 Add: cash equivalents considered investments for disclosure purposes	  4,398,135
Less: certificates of deposit classified as investments	<u>(595,261)</u>
	<u><u>\$ 4,687,727</u></u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Interest Rate Risk**

The Town does not have a formal investment policy that limits Town investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's investments to this risk using the segmented time distribution model is as follows:

<u>Investment type</u>	<u>Valuation Basis</u>	<u>Credit Rating</u>	<u>Value</u>	<u>Investment Maturities (In Years) Less Than 1</u>
<b>Debt Securities:</b>				
<i>Government-wide statement of net position:</i>				
Short-Term Investment Fund	Net Asset Value	AAA	\$ 4,398,135	<u>\$ 4,398,135</u>
<b>Other investments:</b>				
<i>Statement of fiduciary net position:</i>				
Mutual funds	Fair Value		289,592	
			<u>\$ 4,687,727</u>	

Because the State of Connecticut's Short-Term Investment Fund (STIF) has weighted average maturities of less than 90 days, they are presented as investments with maturities of less than one year.

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, 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's investments in external investment pools and mutual funds are not evidenced by securities and are therefore not exposed to custodial credit risk.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2018, more than 10.0% of the Town's governmental activities investments are invested in the Short-Term Investment Fund (100%), which is managed by the State of Connecticut Office of the Treasurer. As of June 30, 2018, more than 10.0% of the Town's fiduciary investments are invested in the following:

<b>Issuer</b>	<b>Investment</b>	<b>Value</b>	<b>% of Fiduciary Investments</b>
UBS Financial Services, Inc.	UBS US Allocation Class A Mutual Fund	\$ 121,418	41.9%
UBS Financial Services, Inc.	Putnam Fund for Growth & Income Mutual Fund	62,002	21.4%
UBS Financial Services, Inc.	Pace Large Co Value Equity Investment Mutual Fund	51,628	17.8%
Fidelity Investments	Fidelity Asset Manager 50% Mutual Fund	33,051	11.4%

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2018, by level within the fair value hierarchy are presented in the table below.

<b>Financial Assets Measured at Fair Value</b>	<b>Prices in Active Market (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Mutual funds	\$ 289,592	-	-	\$ 289,592

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2018

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2018 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,976,030	\$ 62,270	\$ -	\$ 2,038,300
Construction in progress	824,824	747,986	(318,251)	1,254,559
Total capital assets, not being depreciated	<u>2,800,854</u>	<u>810,256</u>	<u>(318,251)</u>	<u>3,292,859</u>
Capital assets, being depreciated:				
Land improvements	1,472,581	700,512	-	2,173,093
Buildings and improvements	93,879,540	383,487	-	94,263,027
Machinery and equipment	14,391,647	447,666	(185,462)	14,653,851
Infrastructure	20,470,955	-	-	20,470,955
Total capital assets, being depreciated	<u>130,214,723</u>	<u>1,531,665</u>	<u>(185,462)</u>	<u>131,560,926</u>
Less accumulated depreciation and amortization for:				
Land improvements	793,899	45,059	-	838,958
Buildings and improvements	19,900,697	1,449,466	-	21,350,163
Machinery and equipment	9,002,202	733,038	(183,612)	9,551,628
Infrastructure	8,083,342	281,804	-	8,365,146
Total accumulated depreciation and amortization	<u>37,780,140</u>	<u>2,509,367</u>	<u>(183,612)</u>	<u>40,105,895</u>
Total capital assets, being depreciated, net	<u>92,434,583</u>	<u>(977,702)</u>	<u>(1,850)</u>	<u>91,455,031</u>
Governmental activities capital assets, net	<u>\$ 95,235,437</u>	<u>\$ (167,446)</u>	<u>\$ (320,101)</u>	<u>\$ 94,747,890</u>

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 263,491
Public safety	298,034
Public works	489,049
Recreation and leisure	50,143
Education	<u>1,408,650</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 2,509,367</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2018

**NOTE 4 - CAPITAL ASSETS (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2018 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,127,031	\$ -	\$ -	\$ 1,127,031
Construction in progress	543,549	-	(543,549)	-
Total capital assets, not being depreciated	<u>1,670,580</u>	<u>-</u>	<u>(543,549)</u>	<u>1,127,031</u>
Capital assets, being depreciated:				
Buildings and improvements	19,862,414	-	-	19,862,414
Distribution and collection systems	51,487,323	-	-	51,487,323
Machinery and equipment	15,114,777	356,658	(18,203)	15,453,232
Total capital assets, being depreciated	<u>86,464,514</u>	<u>356,658</u>	<u>(18,203)</u>	<u>86,802,969</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	7,627,928	414,667	-	8,042,595
Distribution and collection systems	19,267,518	770,839	-	20,038,357
Machinery and equipment	8,639,148	611,282	(17,703)	9,232,727
Total accumulated depreciation and amortization	<u>35,534,594</u>	<u>1,796,788</u>	<u>(17,703)</u>	<u>37,313,679</u>
Total capital assets, being depreciated, net	<u>50,929,920</u>	<u>(1,440,130)</u>	<u>(500)</u>	<u>49,489,290</u>
Business-type activities capital assets, net	<u>\$ 52,600,500</u>	<u>\$ (1,440,130)</u>	<u>\$ (544,049)</u>	<u>\$ 50,616,321</u>

Depreciation and amortization expense was charged to programs of the Town as follows:

Business-type Activities:	
Sewer department	\$ 1,494,570
Water department	<u>302,218</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 1,796,788</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds:</b>		
General Fund	Bonded Projects Fund	\$ 966,201
	Nonmajor governmental funds	83,930
	Sewer Department	86,041
		<u>1,136,172</u>
Nonmajor governmental funds	General Fund	2,684,030
		<u>\$ 3,820,202</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
Nonmajor governmental funds	General Fund	\$ 689,813
General Fund	Nonmajor governmental funds	20,584
		<u>\$ 710,397</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 7 - FUND BALANCE**

The various components of fund balance at June 30, 2018 are as follows:

	<b>General Fund</b>	<b>Bonded Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Nonspendable:				
Inventory	\$ -	\$ -	\$ 8,461	\$ 8,461
Restricted for:				
Capital purposes	511,286	-	-	511,286
External - donations	11,951	-	31,719	43,670
Education	69,914	-	-	69,914
Committed to:				
Revaluation	12,700	-	-	12,700
Education carryover	93,569	-	-	93,569
Public safety - severance	31,500	-	-	31,500
General government	-	-	17,436	17,436
Health and welfare	-	-	195,236	195,236
Recreation	-	-	70,682	70,682
Cafeteria operations	-	-	293,881	293,881
Capital projects	580,154	-	1,919,252	2,499,406
Assigned to:				
General government encumbrances	8,823	-	-	8,823
Public safety encumbrances	2,745	-	-	2,745
Public works encumbrances	8,500	-	-	8,500
Education encumbrances	321,482	-	-	321,482
Capital outlays encumbrances	11,620	-	-	11,620
Unassigned	9,866,374	(966,201)	(60,237)	8,839,936
	<u>\$ 11,530,618</u>	<u>\$ (966,201)</u>	<u>\$ 2,476,430</u>	<u>\$ 13,040,847</u>

**Deficit Fund Balances**

The following funds have deficit fund balances as of June 30, 2018, which do not constitute a violation of statutory provisions:

<b>Fund</b>	<b>Deficit Fund Balance</b>
Bonded Projects Fund	\$ 996,201
Transfer Station Fund	60,000
Bridges Fund	237

The deficits are expected to be eliminated by future revenue sources, state grant reimbursements, and/or appropriations from the General Fund.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 8 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Beginning Balance <i>(As Adjusted)</i>	Increases	Decreases	Ending	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 31,723,800	\$ -	\$ (3,430,500)	\$ 28,293,300	\$ 3,424,300
Unamortized premium	1,313,900	-	(125,611)	1,188,289	-
Total bonds payable	33,037,700	-	(3,556,111)	29,481,589	3,424,300
Other liabilities:					
Energy loan	-	348,859	(67,834)	281,025	116,280
Capital lease obligations	424,719	800,000	(105,655)	1,119,064	173,043
Landfill post-closure care liability	133,000	-	(19,000)	114,000	19,000
Early retirement incentive	222,180	245,897	(265,043)	203,034	142,604
Compensated absences	1,770,608	-	(465,100)	1,305,508	261,111
Net pension liability	8,594,297	-	(1,922,683)	6,671,614	-
Total OPEB liability	1,808,789	-	(54,936)	1,753,853	-
	<u>\$ 45,991,293</u>	<u>\$ 1,394,756</u>	<u>\$ (6,456,362)</u>	<u>\$ 40,929,687</u>	<u>\$ 4,136,338</u>
<b>Business-type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 1,669,200	\$ -	\$ (295,500)	\$ 1,373,700	\$ 293,700
Unamortized premium	74,584	-	(9,323)	65,261	-
Total bonds payable	1,743,784	-	(304,823)	1,438,961	293,700
Other liabilities:					
Note payable	213,623	-	(10,597)	203,026	10,811
Capital lease obligations	-	116,478	(24,158)	92,320	21,832
Contract payable	928,459	-	(242,465)	685,994	-
Compensated absences	79,309	4,664	-	83,973	16,800
Net pension liability	919,527	451,284	-	1,370,811	-
	<u>\$ 3,884,702</u>	<u>\$ 572,426</u>	<u>\$ (582,043)</u>	<u>\$ 3,875,085</u>	<u>\$ 343,143</u>



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2018

**NOTE 8 - LONG-TERM LIABILITIES (Continued)**

Long-term liabilities above typically have been liquidated by the General Fund for governmental activities and the Water and Sewer Departments for business-type activities.

**General Obligation Bonds**

A summary of general obligation bonds outstanding at June 30, 2018 is as follows:

<b>Purpose of Bonds</b>	<b>Date of Issue</b>	<b>Original Issue</b>	<b>Interest Rates</b>	<b>Maturity Date</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Bonds - Series A	2010	2,212,600	2.0% - 4.0%	2022	\$ 906,300
General Obligation Bonds - Series B	2010	7,890,000	3.0% - 5.0%	2025	4,675,000
General Obligation Bonds	2013	10,625,000	2.125% - 5.0%	2033	8,205,000
General Obligation Refunding Bonds	2013	9,195,000	1.0% - 4.0%	2027	8,920,000
General Obligation Refunding Bonds	2015	5,849,000	1.97%	2033	5,587,000
					<u>\$ 28,293,300</u>
<b>Business-type Activities</b>					
Bonds Payable					
General Obligation Bonds	1999	\$ 1,350,000	6.60%	2019	\$ 70,000
General Obligation Refunding Bonds	2010	1,042,400	2.0% - 4.0%	2019	133,700
General Obligation Bonds	2013	1,500,000	2.125% - 5.0%	2033	1,170,000
					<u>\$ 1,373,700</u>

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2018:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 3,424,300	\$ 799,930	\$ 4,224,230
2020	3,739,000	679,276	4,418,276
2021	3,854,000	563,299	4,417,299
2022	3,360,000	457,325	3,817,325
2023	3,122,000	353,128	3,475,128
2024-2028	8,644,000	752,844	9,396,844
2029-2033	2,150,000	161,250	2,311,250
	<u>\$ 28,293,300</u>	<u>\$ 3,767,052</u>	<u>\$ 32,060,352</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 8 - LONG-TERM LIABILITIES *(Continued)***

**General Obligation Bonds *(Continued)***

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2019	\$ 293,700	\$ 42,932	\$ 336,632
2020	90,000	32,538	122,538
2021	90,000	28,938	118,938
2022	90,000	25,338	115,338
2023	90,000	21,648	111,648
2024-2028	370,000	76,995	446,995
2029-2033	350,000	26,250	376,250
	<u>\$ 1,373,700</u>	<u>\$ 254,639</u>	<u>\$ 1,628,339</u>

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$290,009,433 as of June 30, 2018. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2018.

**Authorized, Unissued Bonds**

As of June 30, 2018, the Town had authorized but unissued bonds totaling \$3,900,500.

**Energy Loan Payable**

The Town currently has an outstanding loan with its utility provider to finance a portion of the costs for energy conservation lighting and other related items for street lights throughout the Town. The loan is non-interest bearing with total monthly principal payments of \$9,690 through November 2020.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 8 - LONG-TERM LIABILITIES *(Continued)***

**Note Payable**

The State of Connecticut Department of Energy and Environmental Protection has provided Clean Water financing in the form of permanently financed serial notes to the Town dated January 30, 2015, in the initial amount of \$245,631. The note is payable in 240 monthly installments of \$1,231 and matures in July 2033. The note bears an interest rate of 2.0%.

Annual debt service requirements to maturity on these obligations are as follows as of June 30, 2018:

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2019	\$ 10,811	\$ 3,962	\$ 14,773
2020	11,029	3,743	14,772
2021	11,252	3,521	14,773
2022	11,479	3,924	15,403
2023	11,710	3,062	14,772
2024-2028	62,195	11,670	73,865
2029-2033	68,731	5,133	73,864
2034	15,819	185	16,004
	<u>\$ 203,026</u>	<u>\$ 35,200</u>	<u>\$ 238,226</u>

**Capital Lease Obligations**

A summary of assets acquired through capital lease is as follows as of June 30, 2018:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 1,077,761	\$ 116,478
Less: accumulated amortization	410,794	3,236
	<u>\$ 666,967</u>	<u>\$ 113,242</u>

Governmental activities amortization expense relative to leased equipment under the capital lease totaled \$136,653 for the year ended June 30, 2018. Business-type activities amortization expense relative to leased equipment under the capital lease totaled \$3,236 for the year ended June 30, 2018. Such amounts are included in depreciation and amortization expense disclosed in Note 4.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 8 - LONG-TERM LIABILITIES *(Continued)***

**Capital Lease Obligations *(Continued)***

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2018 is as follows:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 195,929	\$ 25,265
2020	193,554	25,265
2021	190,191	25,265
2022	187,837	25,264
2023	185,422	-
Thereafter	250,728	-
Total minimum lease payments	1,203,661	101,059
Less: amount representing interest	(84,597)	(8,739)
Present value of minimum lease payments	<u>\$ 1,119,064</u>	<u>\$ 92,320</u>

**Contract Payable**

The Town has entered into a long-term contract with the Mohegan Tribal Utility Authority in connection with its portion of costs from a Regional Water Extension Project. Amounts payable total \$685,994 as of June 30, 2018. The maturity date of the entire contract is September 2018.

**Landfill Post-Closure Care Liability**

The Town landfill has been closed. State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Estimated monitoring costs of \$19,000 per year for the next 6 years total \$114,000 at June 30, 2018. These amounts are based on estimates, which are subject to change due to inflation, technology or changes in applicable laws and regulations.

**Early Retirement Incentive**

The Board of Education provides early retirement incentive benefits to former employees. Benefits are paid annually based on the retirement agreement for each employee. Benefits are payable through 2021. The amount paid from General Fund appropriations during the year ended June 30, 2018 was \$265,043.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS**

**Connecticut Municipal Employees' Retirement System**

The Town participates in the Connecticut's Municipal Employees' Retirement System (CMERS). CMERS is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

Municipalities may designate which departments are to be covered under the CMERS. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

**Plan Description**

*Plan administration* - CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

*Plan membership* - All full-time employees of the Town, except for certified Board of Education personnel who are eligible for the State Teachers' Retirement System, who are age 55 or younger at the date of hire, participate in the CMERS plan for general employees with social security. Police employees of the Town participate in the CMERS plan for police and firemen with social security.

*Benefits provided* - General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1 % of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Employees are eligible for early retirement after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut Municipal Employees' Retirement System (Continued)**

**Plan Description (Continued)**

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

*Contributions* - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. The current rate is 11.74% of the annual Town employees' covered payroll and 17.13% of the Police employees' covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the CMERS for the year ended June 30, 2018 was \$1,417,446 and was equal to the required contribution for the year.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Investment policy* - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Net Pension Liability**

The total estimated net pension liability of the CMERS as of June 30, 2017 was \$248.200 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled \$8,042,425 or approximately 3.24% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on the 2016 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

The Town's proportionate share of the net pension liability was allocated to the Town's business-type activities, in the amount of \$1,370,811, based on the proportion of current year contributions made by the business-type activities to the CMERS plan. The remaining proportionate share of the net pension liability, in the amount of \$6,671,614, was allocated to the Town's governmental activities.

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

Inflation	3.25%
Salary increases	4.25% - 11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

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.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Net Pension Liability *(Continued)***

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large cap U.S. Equities	16.0%	5.80%
Developed Non-U.S. Equities	14.0%	6.60%
Emerging Markets (Non-U.S.)	7.0%	8.30%
Core Fixed Income	8.0%	1.30%
Inflation Linked Bonds	5.0%	1.00%
Emerging Market Bonds	8.0%	3.70%
High Yield Bonds	14.0%	3.90%
Real Estate	7.0%	5.10%
Private Equity	10.0%	7.60%
Alternative Investment	8.0%	4.10%
Liquidity Fund	3.0%	0.40%
	<u>100.0%</u>	

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

*Sensitivity of the net pension liability to changes in the discount rate* - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount (8.00%)</b>	<b>1% Increase (9.00%)</b>
Town proportionate share of the net pension liability (asset) as of June 30, 2018	\$ 19,821,558	\$ 8,042,425	\$ (1,872,986)

*Pension plan fiduciary net position* - Detailed information about the CMERS plan's fiduciary net position is included in the State of Connecticut's basic financial statements.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Pension Expense and Deferred Outflows of Resources**

For the year ended June 30, 2018, the Town recognized pension expense related to the CMERS of \$1,976,815. At June 30, 2018, the Town reported its proportionate share of deferred outflows of resources related to the CMERS from the following source:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 232,392	\$ 26,059	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	513,666	109,762	(40,685)	(10,072)
Other	58,180	1,792	-	-
Total	<u>\$ 804,238</u>	<u>\$ 137,613</u>	<u>\$ (40,685)</u>	<u>\$ (10,072)</u>

Amounts reported as deferred outflows of resources related to the CMERS will be recognized as a component of pension expense in future years as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Year ended June 30,		
2019	\$ 259,317	\$ 43,050
2020	578,716	111,334
2021	228,173	37,970
2022	(302,653)	(64,813)
	<u>\$ 763,553</u>	<u>\$ 127,541</u>

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

**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 MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Benefit Provisions *(Continued)***

*Normal Retirement:* Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit if 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derive from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

*Early Retirement:* Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years proceeding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

*Minimum Benefit:* Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

*Disability Retirement:* Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per years of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

*Pre-Retirement Death Benefit:* The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

**Contributions**

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Administrative Expenses**

Administrative costs of the plan are funded by the State.

**Basis of Presentation**

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measure as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2018.

**Allocation Methodology**

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2017 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$4,728,166 or 0.47% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective pension expense allocated to the Town totaled \$7,295,831. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net pension liability of participating employers for the TRS was approximately \$13.502 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$63,074,098 or approximately 0.47% of the total collective net pension liability.

**Actuarial Assumptions**

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

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

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Actuarial Assumptions *(Continued)***

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

**Long-Term Rate of Return**

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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income (Core)	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State 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.

**Proportionate Share of the Collective Net Pension Liability**

The following presents the proportionate share of the collective net pension liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount (8.00%)</b>	<b>1% Increase (9.00%)</b>
Town proportionate share of the net pension liability	\$ 78,950,171	\$ 63,074,098	\$ 49,651,872

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Board of Education Plan**

**Plan Description**

The Town administers an Other Post-Employment Benefits Plan (the "Plan"), which is a single-employer defined benefit healthcare plan. The Plan provides healthcare insurance benefits for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members, as well as certain life insurance benefits. Benefit provisions are established through negotiations between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

**Benefits Provided**

The OPEB Plan provides for medical, prescription, dental and life insurance benefits to eligible retirees, spouses and beneficiaries. Contribution requirements of the plan members and the Town are established in the Plan document and may be amended through negotiations between the Town and the unions. The Town finances the Plan on a pay-as-you-go basis. Currently, the Town contributes the following for various classes of employees covered:

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education Plan *(Continued)***

**Benefits Provided *(Continued)***

*Board of Education Administrators:* Administrators receiving benefits are required to contribute 50% of their premium costs. Administrators hired on or after July 1, 2012 are required to contribute 75% of their premium costs. Administrators are eligible for benefits upon retirement and 20 years of service regardless of age.

*Board of Education Teachers:* Teachers retiring under the Connecticut State Teachers Retirement system are eligible to receive health benefits for self and spouse. Normal retirement for teachers is the earlier of age 60 with 20 years of services, or completion of 35 years of service regardless of age. Individuals receiving benefits contribute 100% of their premium costs.

**Employees Covered by Benefit Terms**

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

Inactive plan members receiving benefits	82
Active plan members	<u>247</u>
	<u><u>329</u></u>

**Total OPEB Liability**

The Town's total OPEB liability of \$1,753,853 was measured as of June 30, 2018. The total OPEB liability was measured as of June 30, 2018 using the Alternative Measurement Method.

Actuarial assumptions and other inputs – The total OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.87% as of June 30, 2018
2016 Medical Trend Rates	8.00%
2017 Medical Trend Rates	7.00%
Ultimate Medical Trend Rates	5.00%
Year Ultimate Medical Trend Rates Reached	2019
Payroll Increase	2.50%

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Index.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected with projection scale MP-2016.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education Plan *(Continued)***

**Changes in the Total OPEB Liability**

<b>Total OPEB liability</b>	
<b>Balance at June 30, 2017</b>	\$ 1,808,789
Service cost	47,363
Interest	64,449
Changes in assumptions	(53,939)
Benefit payments, including refunds	(112,809)
Net change in total opeb liability	(54,936)
<b>Balance at June 30, 2018</b>	<u><u>\$ 1,753,853</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or higher (4.87%) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 1,951,427	\$ 1,753,853	\$ 1,586,091

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* – The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00% decreasing to 4.00%) or higher (9.00% increasing to 6.00%) than the current healthcare cost trend rates:

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease (7.00% decreasing to 4.00%)</u>	<u>Current (8.00% decreasing to 5.00%)</u>	<u>1% Increase (9.00% increasing to 6.00%)</u>
Total OPEB liability	\$ 1,522,454	\$ 1,753,853	\$ 2,040,446

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education Plan *(Continued)***

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$108,194. At June 30, 2018, the Town reported deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Inflows of Resources</u></b>
Changes in assumptions	<b><u>\$ 50,321</u></b>

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

Year ended June 30,	
2019	\$ (3,618)
2020	(3,618)
2021	(3,618)
2022	(3,618)
2023	(3,618)
Thereafter	<u>(32,231)</u>
	<b><u>\$ (50,321)</u></b>

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

**Benefit Provisions**

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Benefit Provisions *(Continued)***

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

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

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

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.

**Contributions**

Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through and annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

**Administrative Expenses**

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Basis of Presentation**

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2018.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2017.

**Allocation Methodology**

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2017.

For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$93,063 or 0.47% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective OPEB expense allocated to the District totaled \$752,391. The District has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net OPEB liability of participating employers for the TRS was approximately \$3.475 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$16,234,458 or approximately 0.47% of the total collective net OPEB liability.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense
Healthcare cost trend rates:	
Pre- Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**Long-Term Rate of Return**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2018

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**Proportionate Share of the Collective Net OPEB Liability**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 3.56%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	<b>1% Decrease (2.56%)</b>	<b>Current Discount (3.56%)</b>	<b>1% Increase (4.56%)</b>
Town proportionate share of the net OPEB liability	\$ 19,565,121	\$ 16,234,458	\$ 13,615,597

*Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase in Trend Rates</b>
Town proportionate share of the net OPEB liability	\$ 13,366,816	\$ 16,234,458	\$ 20,095,387

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**NOTE 11 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. During 2018, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

The Health Insurance Fund, an internal service fund, was established to account for and finance employee medical benefits claims for eligible full-time employees of both the Town and the Board of Education. The Town retains the risk of loss under the plan. A third party processes the claims filed under the self-insured health plan, for which the Town is charged an administrative fee. The Town has purchased a stop-loss policy for total claims in any one year exceeding an aggregate of 125% of expected claims and for individual claims exceeding \$150,000 for combined hospital and major medical.

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2018. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

A summary of claims activity for the years ended June 30, 2017 and 2018 is as follows:

<b>Year Ended June 30</b>	<b>Claims Payable, Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>Claims Payable, End of Year</b>
2017	\$ 486,000	\$ 6,314,266	\$ 6,277,266	\$ 523,000
2018	523,000	6,699,572	6,632,572	590,000

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella. Coverage has not been materially reduced, nor has settled claims exceeded commercial coverage in any of the past three years.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

There are several lawsuits pending against the Town. The Town's management believes it has meritorious defenses against these lawsuits and estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial condition of the Town.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. 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.

As of June 30, 2018, the Town has recorded \$353,170 in encumbrances. Such encumbrances have been included as part assigned fund balance within the General Fund.

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting the Statement on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting the Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting the Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2018. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 39,985,282	\$ 39,985,282	\$ 41,516,832	\$ 1,531,550
Intergovernmental	14,981,955	14,981,955	15,107,345	125,390
Charges for services	2,424,684	2,424,684	2,565,209	140,525
Use of town money	62,000	62,000	193,912	131,912
Total revenues	57,453,921	57,453,921	59,383,298	1,929,377
EXPENDITURES				
Current:				
General government	7,017,090	7,151,189	7,053,038	(98,151)
Public safety	4,346,362	4,512,162	4,503,246	(8,916)
Public works	3,908,000	3,974,201	3,942,518	(31,683)
Health and welfare	175,550	191,550	190,825	(725)
Social services	34,770	34,770	34,226	(544)
Recreation and leisure	313,074	290,974	284,701	(6,273)
Miscellaneous	73,300	73,300	73,300	-
Education	36,660,619	36,660,619	36,399,944	(260,675)
Capital outlays	690,082	690,082	687,277	(2,805)
Debt service:				
Principal payments	3,508,657	3,508,657	3,507,136	(1,521)
Interest and fiscal charges	923,365	923,365	923,365	-
Total expenditures	57,650,869	58,010,869	57,599,576	(411,293)
Excess (deficiency) of revenues over expenditures	(196,948)	(556,948)	1,783,722	2,340,670
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000	20,584	10,584
Transfers out	-	-	(85,000)	(85,000)
Cancellation of prior year encumbrances	-	-	3,930	3,930
Appropriation of fund balance	186,948	546,948	-	(546,948)
Total other financing sources	196,948	556,948	(60,486)	(617,434)
Net change in fund balances	\$ -	\$ -	\$ 1,723,236	\$ 1,723,236

*See accompanying notes to required supplementary information.*



**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>PROPERTY TAXES</b>				
Revenues from property taxes	\$ 39,622,282	\$ 39,622,282	\$ 40,543,555	\$ 921,273
Telephone access	55,000	55,000	44,314	(10,686)
Interest and lien fees	308,000	308,000	928,963	620,963
Total property taxes	39,985,282	39,985,282	41,516,832	1,531,550
<b>INTERGOVERNMENTAL REVENUES</b>				
State grants for school aid:				
ECS grant	10,936,376	10,936,376	10,997,033	60,657
Transportation	80,000	80,000	90,765	10,765
Special education	316,000	316,000	477,091	161,091
Adult education	32,767	32,767	35,000	2,233
Total state grants for school aid	11,365,143	11,365,143	11,599,889	234,746
State grants unspecified:				
In lieu of taxes - State property	1,079,480	1,079,480	1,082,647	3,167
Emergency management program	4,877	4,877	-	(4,877)
Tax relief for elderly	100,000	100,000	-	(100,000)
Tax relief for disabled	3,800	3,800	3,245	(555)
Tax relief for veterans	9,000	9,000	10,120	1,120
Municipal revenue sharing	881,541	881,541	881,541	-
MRSA Municipal Projects	528,644	528,644	528,644	-
Other grants	45,000	45,000	38,974	(6,026)
CT Fines reimbursement	12,000	12,000	9,815	(2,185)
Pequot funds	952,470	952,470	952,470	-
Total state grants unspecified	3,616,812	3,616,812	3,507,456	(109,356)
Total intergovernmental revenues	14,981,955	14,981,955	15,107,345	125,390
<b>CHARGES FOR SERVICES</b>				
Licenses and permits:				
Conveyance tax	185,000	185,000	202,746	17,746
Town clerk fees	120,000	120,000	113,933	(6,067)
Dog licenses	7,500	7,500	4,729	(2,771)
Dog services for Salem	11,185.00	11,185	14,259	3,074
Dog warden	2,000	2,000	2,055	55
Building department	230,000	230,000	183,566	(46,434)
Miscellaneous permits	15,000	15,000	12,247	(2,753)
Fire permits	45,000	45,000	59,285	14,285
Transfer station	158,500	158,500	176,149	17,649
Total licenses and permits	774,185	774,185	768,969	(5,216)
Revenue from other agencies:				
Planning and zoning board of appeals	9,000	9,000	13,996	4,996
Parks and recreation	110,240	110,240	136,695	26,455
Camp Oakdale rent	4,500	4,500	5,550	1,050
Fair oaks facility rental	1,500	1,500	1,460	(40)
Housing authority	29,620	29,620	28,556	(1,064)
Youth service program	48,139	48,139	53,064	4,925
Total revenue from other agencies	202,999	202,999	239,321	36,322

(Continued)

See accompanying notes to required supplementary information.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>CHARGES FOR SERVICES (Continued)</b>				
Charges for current services:				
Tuition regular	\$ 21,000	\$ 21,000	\$ 21,842	\$ 842
Tuition special education	100,000	100,000	114,481	14,481
School miscellaneous revenue	3,000	3,000	900	(2,100)
Personal property audits	5,000	5,000	-	(5,000)
Public works department	500	500	25	(475)
Commercial tipping fees	400,000	400,000	366,925	(33,075)
Copy money	1,000	1,000	1,043	43
Total charges for current services	530,500	530,500	505,216	(25,284)
Miscellaneous:				
St. Bernard's health service	20,000	20,000	19,566	(434)
Police reimbursement	185,000	185,000	352,987	167,987
Insurance reimbursement	65,000	65,000	59,188	(5,812)
Millstone reimbursement	15,000	15,000	31,468	16,468
Fire marshal private duty	5,000	5,000	150.00	(4,850)
All other miscellaneous	20,000	20,000	67,389	47,389
Sale of assets	100,000	100,000	14,175	(85,825)
Verizon	6,000	6,000	6,780	780
Mohegan contributions	500,000	500,000	500,000	-
Engineering review reimbursement	1,000	1,000	-	(1,000)
Total miscellaneous	917,000	917,000	1,051,703	134,703
Total charges for services	2,424,684	2,424,684	2,565,209	140,525
<b>REVENUE FROM USE OF TOWN MONEY</b>				
Investment interest	50,000	50,000	184,214	134,214
Sewer assessments	12,000	12,000	9,698	(2,302)
Total revenue from use of Town money	62,000	62,000	193,912	131,912
Total revenues	57,453,921	57,453,921	59,383,298	1,929,377
<b>OTHER FINANCING SOURCES</b>				
Cancellation of prior year encumbrances	-	-	3,930	3,930
Appropriation of fund balance	186,948	546,948	-	(546,948)
Transfers in	-	-	20,584	20,584
Transfers in WPCA Financial Services	10,000	10,000	-	(10,000)
Total other financing sources	196,948	556,948	24,514	(532,434)
Total revenues and other financing sources	\$ 57,650,869	\$ 58,010,869	\$ 59,407,812	\$ 1,396,943

See accompanying notes to required supplementary information.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT				
Mayor:				
Human services	\$ 137,600	\$ 137,600	\$ 137,355	\$ (245)
Contractual services	49,600	47,571	46,875	(696)
Commodities	9,000	8,933	7,396	(1,537)
Total mayor	196,200	194,104	191,626	(2,478)
Town council:				
Human services	18,500	18,500	16,711	(1,789)
Commodities	12,300	12,300	8,969	(3,331)
Total town council	30,800	30,800	25,680	(5,120)
Town attorney	235,000	127,900	106,103	(21,797)
Town hall / central services:				
Contractual services	188,000	202,265	202,253	(12)
Commodities	61,000	49,715	49,710	(5)
Capital	1,500	115	109	(6)
Total town hall / central services	250,500	252,095	252,072	(23)
Probate court	14,846	15,396	15,394	(2)
Finance department:				
Human services	576,600	579,135	579,098	(37)
Contractual services	80,500	82,800	82,654	(146)
Commodities	10,500	6,865	6,747	(118)
Total finance department	667,600	668,800	668,499	(301)
Insurance and taxes	3,765,575	4,053,975	4,049,455	(4,520)
Board of assessment appeals:				
Human services	250	250	52	(198)
Commodities	100	100	-	(100)
Total board of assessment appeals	350	350	52	(298)
Auditor	18,350	18,350	17,850	(500)
Other	220,000	40,550	35,600	(4,950)
Town clerk:				
Human services	135,900	137,070	136,765	(305)
Contractual services	275	425	345	(80)
Commodities	22,750	21,430	11,602	(9,828)
Total town clerk	158,925	158,925	148,712	(10,213)
				(Continued)

See accompanying notes to required supplementary information.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT (Continued)				
Registrar of voters:				
Human services	\$ 36,536	\$ 36,606	\$ 36,598	\$ (8)
Contractual services	230	256	256	-
Commodities	3,200	3,104	1,702	(1,402)
Total registrar of voters	39,966	39,966	38,556	(1,410)
Elections / referendum:				
Contractual services	25,000	12,900	12,508	(392)
Commodities	11,700	4,800	2,109	(2,691)
Total elections / referendum	36,700	17,700	14,617	(3,083)
Land use department:				
Human services	258,500	249,850	248,443	(1,407)
Contractual services	600	600	384	(216)
Commodities	21,500	20,150	14,947	(5,203)
Capital	1,600	1,600	1,480	(120)
Total land use department	282,200	272,200	265,254	(6,946)
Inlands wetlands commission:				
Human services	800	800	479	(321)
Commodities	250	250	98	(152)
Total inlands wetlands commission	1,050	1,050	577	(473)
Economic development commission:				
Human services	500	800	763	(37)
Commodities	350	350	243	(107)
Total economic development commission	850	1,150	1,006	(144)
Zoning board of appeals	600	300	148	(152)
Senior Center:				
Human services	157,950	162,371	162,139	(232)
Contractual services	37,050	31,842	28,848	(2,994)
Commodities	16,765	17,552	17,477	(75)
Total senior center	211,765	211,765	208,464	(3,301)
Youth services:				
Human services	177,000	174,900	171,110	(3,790)
Contractual services	22,738	22,608	17,063	(5,545)
Commodities	4,900	7,130	4,827	(2,303)
Total youth services	204,638	204,638	193,000	(11,638)
				(Continued)

*See accompanying notes to required supplementary information.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>GENERAL GOVERNMENT (Continued)</b>				
Private duty	\$ 105,000	\$ 265,000	\$ 259,855	\$ (5,145)
Building inspector:				
Human services	195,200	197,200	197,118	(82)
Contractual services	450	200	195	(5)
Commodities	3,250	1,900	1,609	(291)
Capital	400	-	-	-
Total building inspector	199,300	199,300	198,922	(378)
Information technology:				
Human services	134,000	134,000	132,790	(1,210)
Contractual services	237,400	237,426	224,847	(12,579)
Commodities	5,475	5,449	3,959	(1,490)
Total information technology	376,875	376,875	361,596	(15,279)
Total general government	7,017,090	7,151,189	7,053,038	(98,151)
<b>PUBLIC SAFETY</b>				
Emergency management:				
Human services	83,164	94,971	94,928	(43)
Contractual services	15,000	12,100	12,025	(75)
Commodities	2,500	2,400	1,301	(1,099)
Total emergency management	100,664	109,471	108,254	(1,217)
Police department:				
Human services	2,075,310	2,246,660	2,246,453	(207)
Contractual services	257,681	206,981	206,871	(110)
Commodities	87,950	69,550	68,422	(1,128)
Capital	18,500	16,250	16,248	(2)
Total police department	2,439,441	2,539,441	2,537,994	(1,447)
Fire marshal:				
Human services	84,633	111,983	111,933	(50)
Commodities	4,910	7,753	6,513	(1,240)
Total fire marshal	89,543	119,736	118,446	(1,290)
Animal control:				
Human services	61,836	68,226	68,178	(48)
Contractual services	3,327	1,777	1,583	(194)
Commodities	6,950	3,710	3,608	(102)
Total animal control	72,113	73,713	73,369	(344)
Public safety commission:				
Human services	1,000	1,000	440	(560)
				(Continued)

See accompanying notes to required supplementary information.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>PUBLIC SAFETY (Continued)</b>				
Dispatch:				
Human services	\$ 314,050	\$ 313,050	\$ 310,649	\$ (2,401)
Commodities	4,250	5,250	4,108	(1,142)
Total dispatch	<u>318,300</u>	<u>318,300</u>	<u>314,757</u>	<u>(3,543)</u>
Fire protection:				
Human services	765,619	799,239	799,165	(74)
Contractual services	385,332	385,333	385,332	(1)
Commodities	84,850	84,729	84,627	(102)
Total fire protection	<u>1,235,801</u>	<u>1,269,301</u>	<u>1,269,124</u>	<u>(177)</u>
Public safety building:				
Contractual services	88,000	79,700	79,539	(161)
Commodities	1,500	1,500	1,323	(177)
Total public safety building	<u>89,500</u>	<u>81,200</u>	<u>80,862</u>	<u>(338)</u>
Total public safety	<u>4,346,362</u>	<u>4,512,162</u>	<u>4,503,246</u>	<u>(8,916)</u>
<b>PUBLIC WORKS</b>				
Public works:				
Human services	1,434,300	1,440,050	1,439,607	(443)
Contractual services	309,450	468,886	468,561	(325)
Commodities	899,000	828,260	827,484	(776)
Capital	10,600	5,155	5,123	(32)
Total public works	<u>2,653,350</u>	<u>2,742,351</u>	<u>2,740,775</u>	<u>(1,576)</u>
Camp Oakdale:				
Contractual services	62,300	51,520	51,043	(477)
Commodities	16,600	15,280	15,168	(112)
Capital	500	-	-	-
Total Camp Oakdale	<u>79,400</u>	<u>66,800</u>	<u>66,211</u>	<u>(589)</u>
Solid waste:				
Human services	164,800	145,100	144,476	(624)
Contractual services	786,500	772,732	770,041	(2,691)
Commodities	34,950	38,250	37,018	(1,232)
Capital	9,000	28,968	11,075	(17,893)
Total solid waste	<u>995,250</u>	<u>985,050</u>	<u>962,610</u>	<u>(22,440)</u>
Engineering services	<u>180,000</u>	<u>180,000</u>	<u>172,922</u>	<u>(7,078)</u>
Total public works	<u>3,908,000</u>	<u>3,974,201</u>	<u>3,942,518</u>	<u>(31,683)</u>

*(Continued)*

*See accompanying notes to required supplementary information.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>HEALTH AND WELFARE</b>				
Contractual services	\$ 174,850	\$ 190,850	\$ 190,647	\$ (203)
Commodities	700	700	178	(522)
Total health and welfare	<u>175,550</u>	<u>191,550</u>	<u>190,825</u>	<u>(725)</u>
<b>SOCIAL SERVICES</b>				
Human services	32,345	32,745	32,647	(98)
Contractual services	2,250	1,850	1,531	(319)
Commodities	175	175	48	(127)
Total social services	<u>34,770</u>	<u>34,770</u>	<u>34,226</u>	<u>(544)</u>
<b>RECREATION AND LEISURE</b>				
Recreation:				
Human services	234,399	212,455	209,391	(3,064)
Contractual services	875	936	584	(352)
Commodities	41,400	41,244	39,661	(1,583)
Capital	3,600	3,539	2,632	(907)
Total recreation	<u>280,274</u>	<u>258,174</u>	<u>252,268</u>	<u>(5,906)</u>
Fair oaks building	<u>31,800</u>	<u>31,800</u>	<u>31,797</u>	<u>(3)</u>
Parks and recreation commission:				
Human services	<u>1,000</u>	<u>1,000</u>	<u>636</u>	<u>(364)</u>
Total recreation and leisure	<u>313,074</u>	<u>290,974</u>	<u>284,701</u>	<u>(6,273)</u>
<b>MISCELLANEOUS</b>				
Donations to organizations	<u>73,300</u>	<u>73,300</u>	<u>73,300</u>	<u>-</u>
<b>EDUCATION</b>	<u>36,660,619</u>	<u>36,660,619</u>	<u>36,399,944</u>	<u>(260,675)</u>
<b>CAPITAL OUTLAYS</b>	<u>690,082</u>	<u>690,082</u>	<u>687,277</u>	<u>(2,805)</u>
<b>DEBT SERVICE</b>				
Redemption of debt - principal	3,508,657	3,508,657	3,507,136	(1,521)
Interest payments	<u>923,365</u>	<u>923,365</u>	<u>923,365</u>	<u>-</u>
Total debt service	<u>4,432,022</u>	<u>4,432,022</u>	<u>4,430,501</u>	<u>(1,521)</u>
Total expenditures	<u>57,650,869</u>	<u>58,010,869</u>	<u>57,599,576</u>	<u>(411,293)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>85,000</u>
Total expenditures and other financing uses	<u>\$ 57,650,869</u>	<u>\$ 58,010,869</u>	<u>\$ 57,684,576</u>	<u>\$ (326,293)</u>

See accompanying notes to required supplementary information.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST FOUR FISCAL YEARS**  
(Rounded to nearest thousand)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.467%	0.467%	0.474%	0.474%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	63,074,000	66,544,000	52,024,000	48,086,000
Total	<u>\$ 63,074,000</u>	<u>\$ 66,544,000</u>	<u>\$ 52,024,000</u>	<u>\$ 48,086,000</u>
Town's covered payroll	\$ 18,490,000	\$ 18,654,000	\$ 18,728,000	\$ 18,347,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

*See accompanying notes to required supplementary information.*



**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	3.240%	2.860%	1.979%	4.769%
Town's proportionate share of the net pension liability	<u>\$ 8,042,425</u>	<u>\$ 9,513,824</u>	<u>\$ 6,566,284</u>	<u>\$ 4,699,674</u>
Town's covered payroll	\$ 11,026,760	\$ 12,319,105	\$ 10,870,196	\$ 10,187,832
Town's proportionate share of the net pension liability as a percentage of its covered payroll	72.9%	77.2%	60.4%	46.1%
Plan fiduciary net position as a percentage of the total pension liability	91.68%	88.29%	92.72%	96.06%

*See accompanying notes to required supplementary information.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS (UNAUDITED)**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**LAST FOUR FISCAL YEARS**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,417,446	\$ 1,514,844	\$ 1,346,598	\$ 872,911
Contributions in relation to the contractually required contribution	<u>1,417,446</u>	<u>1,514,844</u>	<u>1,346,598</u>	<u>872,911</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 11,026,760	\$ 12,319,105	\$ 10,870,196	\$ 10,187,832
Contributions as a percentage of covered employee payroll	12.85%	12.30%	12.39%	8.57%

*See accompanying notes to required supplementary information.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (UNAUDITED)**  
**OTHER POST-EMPLOYMENT BENEFITS PLAN**  
**LAST FISCAL YEAR**

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 47,363
Interest	64,449
Changes in assumptions	(53,939)
Benefit payments, including refunds	(112,809)
Net change in total OPEB liability	(54,936)
Total OPEB liability - beginning	1,808,789
Total OPEB liability - ending	<u>\$ 1,753,853</u>

*See accompanying notes to required supplementary information.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (UNAUDITED)**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST FISCAL YEAR**  
(Rounded to nearest thousand)

	<u><b>2018</b></u>
Proportion of the net OPEB liability attributed to the Town	0.467%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability attributed to the Town	16,234,000
Total	<u><u>\$ 16,234,000</u></u>
Town's covered payroll	\$ 18,490,000
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

*See accompanying notes to required supplementary information.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - BUDGETARY INFORMATION**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, in accordance with provisions of Connecticut General Statutes and annually adopted budget policies.

- By 100 days before the close of the fiscal year, the head of each department, office and agency submits to the Finance Director detailed estimates of expenditures and any revenues other than tax revenues expected to be collected. Expenditures are controlled at the department level.
- The Mayor submits a Capital Improvement Program for the ensuing fiscal year and the immediate four subsequent years to the Town Council for changes from the prior year's program by 75 days before the close of the fiscal year. It is then submitted to the Planning and Zoning Commission for approval. The Town Council then adopts the Program. The Program details the project, cost estimates, methods of financing, time schedules, and the estimated annual cost of the facility operation.
- By 75 days before the close of the fiscal year, the Mayor presents a budget message, estimates of revenues and expenditures and justifications to the Town Council.
- By 60 days before the close of the fiscal year, the Town Council publishes the particulars of the budgets and holds one or more public hearings.
- The Town Council may add, increase, delete or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor, who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be overridden by a two-thirds vote of the entire Town Council.
- The Town Council adopts the final budget before 30 days of the close of the fiscal year.
- If the Town Council fails to adopt a budget within the prescribed timeframe, the previous year's budget prevails on a month-to-month basis until the new budget is adopted.
- With written approval of a department head and the Director of Finance, transfers between line items within a department can be made. The Town Council may transfer unexpended balances between departments.
- The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- Additional appropriations may be made during the year by resolution of the Town Council. Additional appropriations from fund balance for the year ended June 30, 2018 amounted to \$360,000.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year. Generally, all unexpended appropriations lapse at year-end, except those for Capital Projects Funds and certain Special Revenue Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1 - BUDGETARY INFORMATION *(Continued)***

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2018:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources - (Uses), Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 59,383,298	\$ 57,599,576	\$ (60,486)	\$ 1,723,236
"On-behalf" payments - State Teachers Retirement Fund	4,821,229	4,821,229	-	-
Changes in encumbrances	-	590,713	(3,930)	(594,643)
Certain revenues and expenses presented net for budgetary purposes	980,117	1,364,022	-	(383,905)
Proceeds from capital lease not recorded for budgetary purposes	-	348,739	800,000	451,261
Certain transfers recorded as expenditures for budgetary purposes	-	(604,813)	(604,813)	-
Energy loan not recorded for budgetary purposes	-	348,859	348,859	-
GAAP basis	<u>\$ 65,184,644</u>	<u>\$ 64,468,325</u>	<u>\$ 479,630</u>	<u>\$ 1,195,949</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 2 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2018.

- the inflation assumption was reduced from 3.00% to 2.75%,
- the real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%,
- the payroll growth assumption was reduced from 3.75% to 3.25%, and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables.

**NOTE 3 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within the schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuations performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - There have been no changes in assumptions that have had a significant effect on the measurement of the total pension liability.

**NOTE 4 - SCHEDULE OF CONTRIBUTIONS – CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported.

**NOTE 4 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
***(Continued)***

**Methods and Assumptions Utilized**

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Level dollar, closed;
- Remaining amortization period: 23 years;
- Asset valuation method: Smoothed market with 20% recognition of investment gains and losses;
- Inflation: 3.25%;
- Investment rate of return: 8.00%;
- Salary increases: Varies 4.25% to 11.00%;
- Mortality: RP2000 Mortality Table for Annuitants and Non-Annuitants

**NOTE 5 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

The Town measures the total OPEB liability at the end of each fiscal year using the Alternative Measurement Method.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

*Assumption Changes* - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

**NOTE 6 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

*Assumption Changes* - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.



## ***Appendix B***

### ***Form of Opinion of Bond Counsel***

**Appendix B**

**Form of Opinion of Bond Counsel**

April \_\_, 2019

Town of Montville  
310 Norwich-New London Turnpike  
Uncasville, CT 06382

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Town of Montville, Connecticut (the "Town"), of its \$2,500,000 General Obligation Bonds, Issue of 2019 (the "Bonds") dated April \_\_, 2019. In such capacity, we have examined a record of proceedings of the Town authorizing the Bonds, a Tax Regulatory Agreement of the Town dated April \_\_, 2019 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

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

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

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 generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds.

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

The Town has designated the Bonds as “qualified tax exempt obligations” within the meaning of Code Section 265(b)(3) for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

In our opinion, under existing statutes and court decisions, (i) interest on the Bonds is excludable from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

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

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated March 28, 2019 and other offering material relating to the Bonds.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the Bonds.

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

Respectfully,

PULLMAN & COMLEY, LLC

## ***Appendix C***

### ***Continuing Disclosure Agreement***

## **Appendix C**

### **Form of Continuing Disclosure Agreement**

*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 the 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 the Bonds.*

### **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Agreement”) is executed and delivered as of the \_\_\_ day of April, 2019, by the Town of Montville, Connecticut (the “Town”), acting by its undersigned officers, duly authorized, in connection with the issuance of \$2,500,000 General Obligation Bonds, Issue of 2019, dated April \_\_, 2019 (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 Town, dated March \_\_, 2019, prepared in connection with the Bonds.

“Listed Events” means any of the events listed in Section 3 of this Agreement.

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

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

“Rule” means rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as of the date of this Agreement.

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

## **Section 2. Annual Financial Information.**

(a) The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and otherwise 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, 2019) as follows:

(i) Audited financial statements of the Town as of and for the year ending on its Fiscal Year End prepared in accordance with generally accepted accounting principles, as promulgated by the Government Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Town is required to prepare audited financial statements of its various funds and accounts.

(ii) In addition to the information and statements described in (i) above:

- (A) amounts of 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 or amount 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 net debt as of the close of the fiscal year,
- (F) total bonded debt of the Town per capita,
- (G) ratios of the total bonded debt of the Town to the Town'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 Town's pension benefit obligations.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight (8) months after the close of the fiscal year for which such information is being provided. The Town's fiscal year currently ends on June 30. The Town agrees that if audited information is not available eight months after the

close of any fiscal year, it shall submit unaudited information by such time and will submit audited information when available.

(c) Annual financial information or operating data may be provided in whole or in part by specific reference to other documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system, the current internet web address of which is [www.emma.msrb.org](http://www.emma.msrb.org), or filed with the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. The Town shall clearly identify each such other document so incorporated by cross-reference. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or the annual adopted budget.

(d) The Town 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 mandated statutory accounting principles as in effect from time to time, provided that the Town agrees that the exercise of any such right will be done in a manner consistent with the Rule.

(e) The Town may file information with the Repository, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the Town chooses to make a Voluntary Filing, the Town shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the Town is under no obligation to provide any Voluntary Filing.

### **Section 3. Reporting of Listed Events.**

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;

- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 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) 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 Town;

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

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



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

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

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

The Town agrees to provide, or cause to be provided, in a timely manner, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town 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 Town or by any agents which may be employed by the Town for such purpose from time to time.

#### **Section 6. Termination.**

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

#### **Section 7. Enforcement.**

The Town acknowledges that the undertakings set forth in Sections 2, 3 and 4 of 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 Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure within a reasonable time (but not exceeding thirty (30) days with respect to undertakings set forth in Section 2 of this Agreement or five (5) business days with respect to undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Mayor, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. For purposes of this section, notice to the Town should be made to the Mayor, Town of Montville, 310 Norwich-New London Turnpike, Uncasville, CT 06382.

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

**Section 8. Miscellaneous.**

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

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

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

TOWN OF MONTVILLE, CONNECTICUT

By: \_\_\_\_\_  
RONALD K. MCDANIEL, Mayor

By: \_\_\_\_\_  
THERESA HART, Director of Finance

By: \_\_\_\_\_  
PAMELA BONANNO, Treasurer

## ***Appendix D***

### ***Notice of Sale***

## **Appendix D**

### **NOTICE OF SALE**

**TOWN OF MONTVILLE, CONNECTICUT  
\$2,500,000 GENERAL OBLIGATION BONDS, ISSUE OF 2019  
(BANK QUALIFIED)  
BOOK-ENTRY-ONLY**

NOTICE IS GIVEN that ELECTRONIC BIDS solely via **PARITY**® will be received by the TOWN OF MONTVILLE, CONNECTICUT (the “Issuer”), until 11:30 A.M. (E.D.T.) on THURSDAY,

MARCH 28, 2019

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$2,500,000 General Obligation Bonds, Issue of 2019, dated April 9, 2019 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on April 1 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)</u>	<u>Maturity</u>	<u>Amount (\$)</u>
2020	250,000	2025	250,000
2021	250,000	2026	250,000
2022	250,000	2027	250,000
2023	250,000	2028	250,000
2024	250,000	2029	250,000

The Bonds will bear interest commencing October 1, 2019 and semiannually thereafter on April 1 and October 1 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

### **Optional Redemption**

The Bonds maturing on or before April 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing April 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on or after April 1, 2025, either in whole or in part at any time, in such order of maturity and amount as the Issuer may determine, and by lot within a maturity, at the respective prices (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>Period During Which Redeemed</u>	<u>Redemption Price</u>
April 1, 2025 and thereafter	100.0%

## **Nature of Obligation**

The Bonds will constitute general obligations of the Issuer, and the Issuer 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 ad valorem taxes which may be levied against all taxable property in the Issuer. All property taxation is without limit as to rate or amount, except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts.

## **Bank Qualification**

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

## **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 Issuer or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Issuer fails to identify another qualified securities depository to replace DTC, or (b) the Issuer determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Issuer 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 Issuer as of the close of business on the record date preceding each

interest payment date. The record dates for the Bonds will be the fifteenth day of March and September, or the preceding business day if such fifteenth day is not a business day, in each year.

## **Proposals**

Each bid must be for the entire \$2,500,000 of the Bonds. 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 of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity 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 ("TIC") to the Issuer, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

## **Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms**

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the responsible bidder whose bid proposes the lowest true interest cost ("TIC") to the Issuer. The TIC will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on 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 TIC, the Bonds will be sold to the responsible bidder whose proposal is selected by the Issuer by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of TIC computed and rounded to six decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in immediately available federal funds.

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 Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

## 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 Phoenix Advisors LLC to obtain CUSIP numbers for the Bonds prior to delivery, and Phoenix Advisors, LLC, will provide the CUSIP Service Bureau with the final details of the sale, including the identity of the winning bidder. The Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of Phoenix Advisors, LLC to obtain such numbers and to supply them to the Issuer in a timely manner. 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 Issuer; provided, however, that the Issuer 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.

## 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®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@i-deal.com). The Issuer 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 Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY®**, the bidder represents and warrants to the Issuer 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 Issuer 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 Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

**Disclaimer.** Each of **PARITY®** prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer 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

Issuer or **PARITY®** shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Issuer is using **PARITY®** as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the 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 shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY®** shall constitute the official time.

#### **Certifying Agent, Registrar, Paying Agent and Transfer Agent**

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

#### **Delivery, Payment and Closing Requirements**

At or prior to the delivery of the Bonds the winning bidder shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC, of Hartford, Connecticut, Bond Counsel ("Bond Counsel") (see "Bond Counsel Opinion" below); (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 Issuer 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 Issuer 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.

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer ("FAST") on or about April 9, 2019 (the "Closing Date").

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



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

### **Bond Counsel Opinion**

The legality of the issue will be passed upon by Pullman & Comley, LLC, of Hartford, Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will appear on each Bond certificate and will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion printed on the Bonds that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

### **Establishment of Issue Price**

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Sandra Dawson, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4348, E-mail: sdawson@pullcom.com and (2) the Municipal Advisor at Matthew Spoerndle, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 878-4945, E-mail: mspoerndle@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

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

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

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

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

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

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

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

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

***Competitive Sale Rule Not Met.*** In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer shall treat the first price at which ten percent (10%) of a Maturity of the Bonds is sold to the Public as the issue price of that Maturity (the "Actual Sales

Rule”). In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (E.D.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. Thereafter, and until the Actual Sales Rule has been satisfied as to each Maturity of the Bonds, the winning bidder shall promptly report to Bond Counsel (via e-mail) (i) the actual price at which the first ten percent (10%) of each Maturity has been sold to the Public and (ii) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel. This reporting requirement, which may extend beyond the Closing Date, will continue until such date that the requirements set forth above for each Maturity of the Bonds is satisfied, or until all Bonds of a given Maturity have been sold to the Public. For each Maturity for which all of the Bonds have been sold to the Public and for which the winning bidder fails to sell ten percent (10%) of such Maturity to the Public, the winning bidder shall promptly report to Bond Counsel (via e-mail) the price or prices and corresponding amounts of actual sales of Bonds to the Public of such 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 Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public, 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 Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

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

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

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

- (1) “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.
- (2) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (3) “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 definition 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).

### **Official Statement**

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated March 21, 2019 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Matthew Spoerndle, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 878-4945, E-mail: [mspoerndle@muniadvisors.com](mailto:mspoerndle@muniadvisors.com). The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser twenty-five (25) copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

### **Continuing Disclosure Agreement**

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to

the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C. The purchaser's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

TOWN OF MONTVILLE, CONNECTICUT

RONALD K. MCDANIEL  
Mayor

PAMELA BONANNO  
Treasurer

THERESA HART  
Finance Director

March 21, 2019

**ATTACHMENT A**

**ISSUE PRICE CERTIFICATE**

TOWN OF MONTVILLE, CONNECTICUT  
\$2,500,000 GENERAL OBLIGATION BONDS, ISSUE OF 2019  
Dated April 9, 2019

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF MONTVILLE, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about April 9, 2019, the Bonds at a price of par (\$2,500,000), plus an aggregate net premium of \$\_\_\_\_\_ and less an underwriter’s discount of \$\_\_\_\_\_, resulting in an aggregate net purchase price of \$\_\_\_\_\_.

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

(a) As of MARCH 28, 2019 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***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 fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 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 definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the MARCH 28, 2019.

**[UNDERWRITER]**

By: \_\_\_\_\_  
Name:  
Title:

**Schedule A to Issue Price Certificate**

<u>Maturity, April 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2020	250,000		
2021	250,000		
2022	250,000		
2023	250,000		
2024	250,000		
2025	250,000		
2026	250,000		
2027	250,000		
2028	250,000		
2029	250,000		

**Schedule B to Issue Price Certificate**



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