

Final Official Statement Dated October 18, 2018

NEW MONEY ISSUE: Book-Entry-Only

Ratings: S&P Global Ratings: "AA+ / SP-1+"

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, interest on the Bonds and Notes is included in the calculation of the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax in effect prior to January 1, 2018 for tax years beginning before such date. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.



Town of Stonington, Connecticut **\$7,000,000** **General Obligation Bonds, Issue of 2018**

Dated: **Date of Delivery**

Due: Serially October 15, 2019 – 2038,
As detailed on the inside cover:

Interest on the Bonds will be payable on October 15, 2019 and semiannually thereafter on April 15 and October 15 in each year until maturity. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC") New York, New York. The beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, redemption premium and interest payments on the Bonds will be made by the Town, or its agent to 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. So long as Cede & Co. is the Bondholder, as nominee for DTC, reference herein to the Bond owner or owners shall mean Cede & Co., aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry-Only System" herein.)

The Bonds are subject to redemption prior to maturity. (See "Redemption Provisions" herein).

ROOSEVELT & CROSS, INC. & ASSOCIATES

\$6,500,000 **General Obligation Bond Anticipation Notes**

Dated: October 31, 2018

Due: October 30, 2019

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders as set forth on the inside front cover, in accordance with the Notice of Sale dated October 11, 2018. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein. The Notes are NOT subject to redemption.

The Bonds and the Notes will be general obligations of the Town of Stonington, secured by the pledge of the Town's full faith and credit. See "Security and Remedies" herein.

The Bonds and the Notes are offered for delivery when, as and if issued, subject to the approving opinion of Tobin, Carberry, O'Malley, Riley & Selinger, P.C., Bond Counsel, of New London, Connecticut. It is expected that delivery of the Bonds and the Notes in book-entry-only form will be made to DTC on or about October 31, 2018.

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

Town of Stonington, Connecticut
\$7,000,000
General Obligation Bonds, Issue of 2018

Dated: **Date of Delivery**

Due: Serially October 15, 2019 – 2038,
As detailed below:

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2019	\$ 350,000	5.000%	1.800%	862029XX8	2029	\$ 350,000	3.250%	3.250%	862029YH2
2020	350,000	5.000%	2.000%	862029XY6	2030	350,000	3.375%	3.375%	862029YJ8
2021	350,000	5.000%	2.090%	862029XZ3	2031	350,000	3.500%	3.500%	862029YK5
2022	350,000	5.000%	2.150%	862029YA7	2032	350,000	3.500%	3.560%	862029YL3
2023	350,000	5.000%	2.250%	862029YB5	2033	350,000	3.625%	3.625%	862029YM1
2024*	350,000	4.000%	2.350%	862029YC3	2034*	350,000	3.750%	3.700%	862029YN9
2025*	350,000	4.000%	2.460%	862029YD1	2035	350,000	3.750%	3.750%	862029YP4
2026*	350,000	3.000%	2.700%	862029YE9	2036	350,000	3.750%	3.800%	862029YQ2
2027*	350,000	3.000%	2.850%	862029YF6	2037*	350,000	4.000%	3.720%	862029YR0
2028	350,000	3.000%	3.000%	862029YG4	2038*	350,000	4.000%	3.750%	862029YS8

* Priced assuming redemption on October 15, 2023; however any such redemption is at the option of the Town.

ROOSEVELT & CROSS, INC. & ASSOCIATES

\$6,500,000
General Obligation Bond Anticipation Notes

Dated: **October 31, 2018**
Due: **October 30, 2019**
CUSIP: **862029YT6**

Rate: **3.00%**
Yield: **2.00%**
Underwriter: **Piper Jaffray & Co.**

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No 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 or the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and the Notes 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 and the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

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 and in "Tax Matters" herein, 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.

The Bonds and the Notes have not been registered under the Securities Act of 1933, as amended, nor have the Bonds and the Notes been registered under any state securities laws.

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.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. 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 (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 on or before the date specified in the Continuing Disclosure Agreement. The Continuing Disclosure Agreements shall be executed in substantially the forms attached as Appendix C-1 and Appendix C-2 to this Official Statement.

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Bond Issue Summary

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

Date of Sale:	Thursday, October 18, 2018 at 12:00 Noon (E.D.T).
Location of Sale:	Town of Stonington, Town Offices, 173 South Broad Street, Pawcatuck 06379.
Issuer:	Town of Stonington, Connecticut (the "Town").
Issue:	\$7,000,000 General Obligation Bonds, Issue of 2018 (the "Bonds").
Dated Date:	Date of Delivery.
Interest Due:	Interest on the Bonds is due October 15, 2019 and semiannually thereafter on April 15 and October 15 in each year until maturity.
Principal Due:	Principal on the Bonds is due serially, October 15, 2019 through October 15, 2038 as detailed in this Official Statement.
Purpose:	Bond proceeds will be used for school projects.
Redemption:	The Bonds are subject to redemption prior to maturity, as provided herein.
Denominations:	\$5,000
Security:	The Bonds will be general obligations of the Town of Stonington, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due from taxes levied against taxable property within the Town.
Credit Rating:	The Town received a rating of "AA+" from S&P Global Ratings on the Bonds
Bond Insurance:	The Town does not plan on purchasing a credit enhancement facility.
Basis of Award:	The lowest True Interest Cost, as of the dated date.
Form of Legal Opinion:	See Appendix B – "Form of Legal Opinion" herein.
Bank Qualification:	The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and 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-1 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Telephone (203) 878-4945.
Legal Opinion:	Tobin, Carberry, O'Malley, Riley & Selinger, P.C., of New London, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 31, 2018. Delivery of the Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to James Sullivan, Director of Finance, Town of Stonington, 152 Elm Street, Stonington, Connecticut 06378. Telephone: (860) 535-5070.

Note Issue Summary

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

Date of Sale:	Thursday, October 18, 2018 at 11:30 A.M. (E.D.T).
Location of Sale:	Town of Stonington, Town Offices, 173 South Broad Street, Pawcatuck 06379. Telephone: (860) 599-7585.
Issuer:	Town of Stonington, Connecticut (the "Town").
Issue:	\$6,500,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	Date of Delivery.
Interest Due:	At maturity: October 30, 2019.
Principal Due:	At maturity: October 30, 2019.
Purpose:	Note proceeds will be used for various school projects.
Redemption:	The Notes are not subject to redemption prior to maturity, as provided herein.
Denominations:	\$5,000
Security:	The Notes will be general obligations of the Town of Stonington, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due from taxes levied against taxable property within the Town.
Credit Rating:	The Town received a rating of "SP-1+" from S&P Global Ratings on the Notes.
Bond Insurance:	The Town does not plan on purchasing a credit enhancement facility.
Basis of Award:	The lowest Net Interest Cost, as of the dated date.
Form of Legal Opinion:	See Appendix B – "Form of Legal Opinion" herein.
Bank Qualification:	The Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and notices of certain events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-2 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Telephone (203) 878-4945.
Legal Opinion:	Tobin, Carberry, O'Malley, Riley & Selinger, P.C., of New London, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about October 31, 2018. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to James Sullivan, Director of Finance, Town of Stonington, 152 Elm Street, Stonington, Connecticut 06378. Telephone: (860) 535-5070.

I. Bond and Note Information

Introduction

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Stonington, Connecticut, (the "Town") in connection with the issuance and sale of \$7,000,000 General Obligation Bonds, Issue of 2018 (the "Bonds") and \$6,500,000 General Obligation Bond Anticipation Notes (the "Notes") 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 and the Notes. 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. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds or the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

The Town deems this official statement to be "final" for purposes of Securities and Exchange Commission rule 15c-12(b)(1), but is subject to revision or amendment.

The Bonds and the Notes are being offered for sale at public bidding. Notices of Sale dated October 11, 2018 for the Bonds and Notes, respectively, set forth in Appendix D-1 and Appendix D-2 have been furnished to prospective bidders. Reference is made to the respective Notices of Sale for the terms and conditions of the bidding.

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

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinions) and they make no representation that they have independently verified the same.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Bonds and the Notes (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 \$7,000,000 principal amount of the Bonds will be paid as indicated on the front cover of this Official Statement.

The Bonds will be dated the Date of Delivery and will bear interest at the rate or rates per annum specified on the cover of this Official Statement, payable on October 15, 2019 and semiannually thereafter on April 15 and October 15 in each year until maturity. Interest will be calculated on the basis of a thirty-day month and a 360-day year. Interest is payable to the registered owner as of the close of business on the last business day of March and September in each year, by check mailed to the registered owner at the address as shown on the registration books of the Town kept for such purpose, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, or by such other means as DTC, the Paying Agent and the Town shall agree. A book-entry system will be employed evidencing

ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only System”.

Redemption Provisions

The Bonds maturing on or before October 15, 2023 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2023, at any time, either 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 (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:

<i>Redemption Dates</i>	<i>Redemption Price</i>
October 15, 2023 and thereafter	100.0%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner of any Bonds designated for redemption, at the address of such registered owner, as the same shall last appear on the registration books for the Bonds kept for such purposes. 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 the 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 being called for redemption, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its 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 amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interests to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Description of the Notes

The Notes will be dated October 31, 2018 and will be due and payable as to both principal and interest at maturity on October 30, 2019. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry Only Transfer System”. The Notes are NOT subject to redemption prior to maturity.

The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103. The legal opinion on the Bonds and the Notes will be rendered by Tobin, Carberry, O’Malley, Riley & Selinger, P.C. in substantially the forms set forth in Appendix B-1 and B-2 to this Official Statement.

Authorization and Purpose

Authorization: The Bonds and the Notes are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, and bond resolutions approved by the Board of Selectman of the Town. The proceeds of the Bonds and the Notes will be used to finance the projects listed below in "Use of Proceeds".

Uses of Proceeds:

Project	Authorized	Bonds Issued	Notes Due 10/31/18	This Issue	
				The Notes: Due 10/30/19	The Bonds
West Vine St School, Deans Mill and					
Pawcatuck Middle School Projects.....	\$ 69,000,000	\$ 35,003,836	\$ 20,000,000	\$ 6,500,000	\$ 7,000,000
Totals.....	\$ 69,000,000	\$ 35,003,836	\$ 20,000,000	\$ 6,500,000	\$ 7,000,000

Book-Entry-Only Transfer System

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

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying 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, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Town or Paying 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 nor the Underwriter 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 and the Notes 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 or the Notes, and the Town fails to identify another qualified securities depository for the Bonds or the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds or the Notes, the Town is authorized to issue fully registered Bond and Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds and the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds and the Notes.

Security and Remedies

The Bonds and the Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due. Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues. The Town has the power under Connecticut statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds and the Notes, 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 therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, 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 11 of the 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 HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

Qualification for Financial Institutions

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

Availability of Continuing Information

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

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 with respect to the Bonds and the Notes and notices of certain events with respect to the Bonds and the Notes, pursuant to Continuing Disclosure Agreements to be executed in substantially the forms of Appendix C-1 and Appendix C-2 to this Official Statement.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and notices of material events pursuant to SEC Rule 15c2-12(b)(5) (the “Prior Disclosure Undertakings”). The Town believes that it has complied in a timely manner with its obligations to file audited financial statements for each of the last five years. However, certain annual financial information required by the Prior Disclosure Undertakings was not filed in a timely

manner for fiscal year 2013. The Town did not file notices of these deficiencies with the MSRB in a timely manner. The Town made corrective filings with the MSRB intended to provide, clarify or cross reference required information. The Town has adopted a protocol to assure future filings are timely, accurate and complete.

Ratings

S&P Global Ratings (“Rating Agency”) has assigned a “AA+” rating on the Bonds and a “SP-1+” rating on the Notes. The Town furnished to the Rating Agency certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the views of Rating Agency and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Rating Agency should be contacted directly for its rating on the Bonds and the Notes and the explanation of such rating.

The Town expects to furnish Rating Agency with information and materials that it may request. However, the Town may issue short-term or other debt for which a rating is not requested. The Town's Municipal Advisor, Phoenix Advisors, LLC, recommends that all bonded debt be submitted for a credit rating.

Bond Insurance

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

Tax Matters

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

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Arbitrage and Use of Proceeds certificate, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds and the Notes is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations in effect prior to January 1, 2018 for tax years beginning before such date. P.L. No. 1115-97, enacted on December 22, 2017, repeals the alternative minimum tax on corporations for taxable years beginning on or after January 1, 2018.

Ownership of the Bonds and the Notes may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds and the Notes.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Legislation affecting the exclusion for federal income tax purposes from gross income of interest on State or local bonds, such as the Bonds and the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds and the Notes will not

reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds and the Notes or adversely affect the market price of the Bond and the Notes.

The opinions of Bond Counsel are rendered as of their date and are based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds and the Notes.

Original Issue Discount

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

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond or Note during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Accrued original issue discount on the Bonds and the Notes is excluded from gross income for federal income tax purposes. Original issue discount on any Bond or Note is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such Bond or Note. The original issue discount attributable to any Bond or Note for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the Bond or Note at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

Original Issue Premium

The initial public offering price of certain maturities of the Bonds and the Notes may be greater than the principal amount payable on such Bonds and Notes at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds or the Notes is sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond or Note during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Amortized original issue premium on the Bonds and the Notes is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

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II. The Issuer



Description of the Municipality

The Town of Stonington is located in the southeastern corner of Connecticut, bordering Westerly, Rhode Island to the east, Long Island Sound to the south, Groton, Ledyard and North Stonington to the west and north. Stonington is one of only two Connecticut towns facing the Atlantic Ocean. Fisher's Island and Long Island can be seen to the southwest and Block Island to the southeast. The rocky shoreline has many peninsulas, islands, coves and marshes.

Stonington boasts a combination of seaside villages, semi-rural neighborhoods and business areas. The Town is within two hours or less of major research and transportation centers in Boston, Providence, New Haven, Hartford and New York, all conveniently accessible via Interstate 95. Major airports are located nearby in Groton, Hartford, Providence and Boston. Amtrak train stations are located in the Village of Mystic located within the Town of Stonington, and in New London and Westerly, Rhode Island.

The Town of Stonington, covering 42.7 square miles in New London County, was settled in 1649. The 2016 population totals 18,477 with 10% residing in the Borough (a seaside village and political subdivision). Pawcatuck and Mystic are two other villages in the Town, which have 40% and 20% of the Town's population respectively.

The Borough of Stonington, the oldest borough in Connecticut, was incorporated in 1801. Steeped in the history of its past as a whaling port and home of the last remaining commercial fishing fleet in the State, it includes a number of large, well maintained homes of former mariners including Captain Nathaniel Palmer, the discoverer of Antarctica.

Pawcatuck has continued its proud industrial heritage as the home of global manufacturing leader Davis Standard Corporation, the premier supplier of plastic extrusion systems.

Mystic was developed around the shipbuilding industry. Today Mystic boasts three distinct visiting areas: Historic Downtown Mystic, with diverse specialty shops; Mystic Aquarium Sea Research Foundation; and the Museum of America and the Sea, which provides an inside look at New England's maritime heritage. Mystic is renowned for its village area of historic buildings and tall ships. Olde Mystic Village has over sixty shops set in a New England style village located next to Mystic Aquarium and Institute for Exploration. Old Mystic is the original community at the head of the Mystic River.

Foxwoods Resort Casino is fifteen minutes north of Mystic and the Mohegan Sun Casino is twenty minutes away from Mystic.

Form of Government

The Town adopted a charter on November 7, 1989, which establishes a Town Meeting form of government. The Town Meeting acts as the legislative body. The three-member Board of Selectmen acts as the governing body for most matters with certain boards and agencies having jurisdiction over specific areas, such as the Board of Finance, Water Pollution Control Authority, Board of Education, Planning and Zoning Commission and Zoning Board of Appeals. The First Selectman is the Chief Executive Officer, with an appointed Director of Administrative Services to maintain continuity of government services.

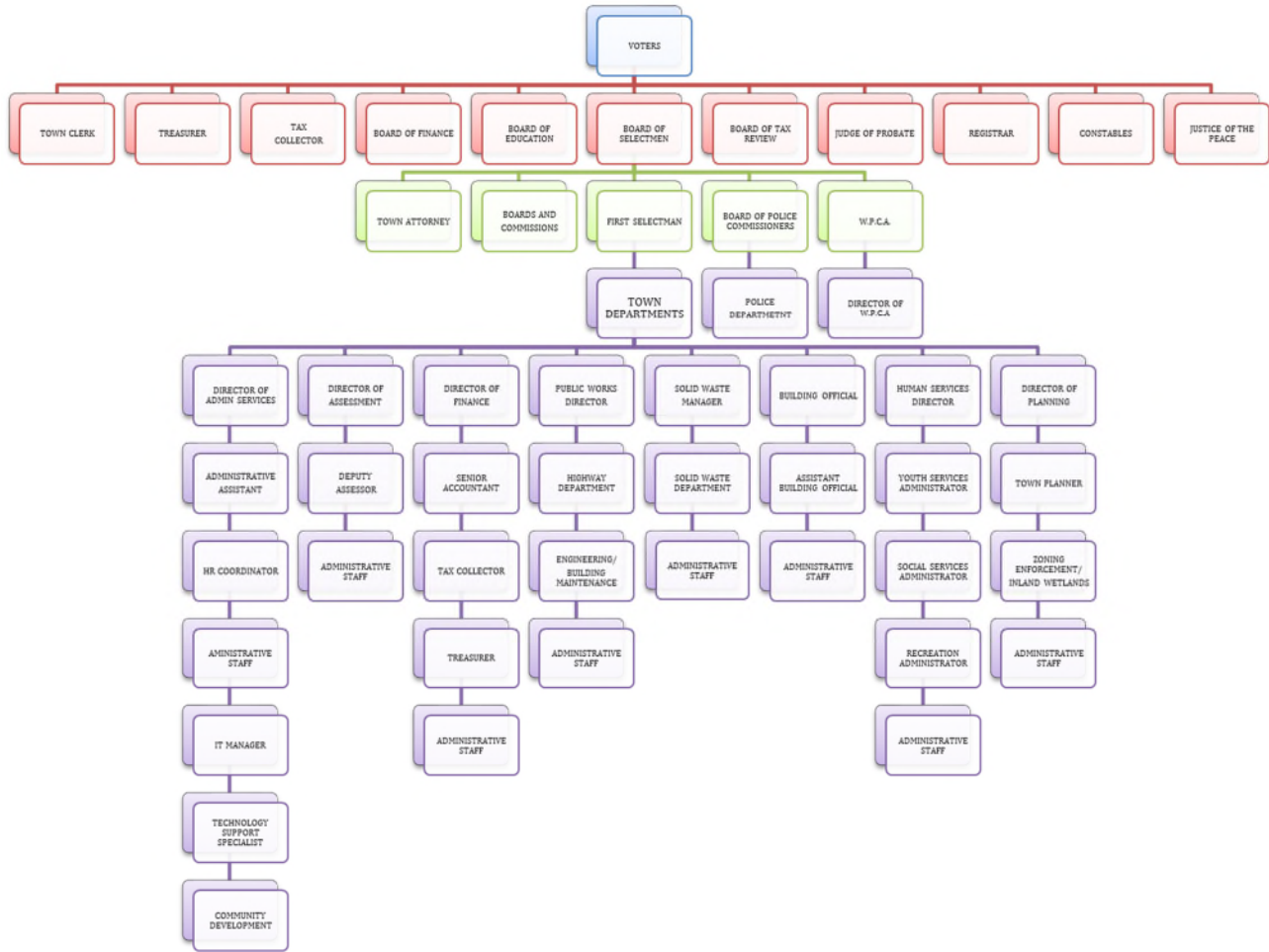
The financial administrator of the Town is the Director of Finance. The Director of Finance administers and accounts for all Town funds.

The Police Department is headed by a five-member Board of Police Commissioners.

The Town is divided into five voting districts, and Town elections are held biennially in odd-numbered years.

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Organizational Chart



Principal Municipal Officials

Office	Name	Manner of Selection	Term of Office	Years Served	Employment Last Five Years
First Selectman.....	Robert R. Simmons	Elected	11/17-11/19	3	Retired ¹
Selectman.....	John Prue	Elected	11/17-11/19	1	Self Employed
Selectwoman.....	Kate Rotella	Elected	11/17-11/19	3	Purchasing Agent
Director of Admin. Services.....	Vincent Pacileo	Appointed	Indefinite	7	Assoc. Dir. of Human Resources
Director of Finance.....	James Sullivan	Appointed	Indefinite	3	Certified Public Accountant
Treasurer.....	Sandy Grimes	Elected	11/17-11/19	5	Retired
Chief of Police.....	J. Darren Stewart	Appointed	Indefinite	10	Police Chief
Chairwoman, Board of Finance..	June Strunk	Elected	11/17-11/19	15	Financial Planner
Superintendent of Schools.....	Dr. Van Riley	Appointed	Indefinite	10	Assistant Superintendent
Tax Collector.....	Linda Camelio	Elected	11/17-11/19	20	Tax Collector
Town Clerk.....	Cynthia Costa Ladwig	Elected	11/17-11/19	19	Town Clerk
Town Attorney.....	Thomas J. Londregan	Appointed	11/17-11/19	23	Attorney
Director of Human Services.....	Leanne Theodore	Appointed	Indefinite	15	Human Services Program Coordinator
Director of Planning.....	Jason Vincent	Appointed	Indefinite	3	Vice President - Norwich Community Development Corporation
Assessor.....	Marsha L. Standish	Appointed	11/17-11/19	21	Assessor
Director, Water Pollution Control Authority.....	Douglas Nettleton	Appointed	Indefinite	3	Superintendent

¹ Mr. Robert R. Simmons was a member of the United States House of Representatives from 2001-2007, representing Connecticut's second congressional district.

Municipal Services

Police: The Police Department is headed by a five-member Board of Police Commissioners appointed by the Board of Selectmen for five-year terms, with one appointed each year. The Board is responsible for all policy as well as the formulation and administration of the Police Department's budget. The Department is administered by a Chief of Police and staffed with one Captain, two Lieutenants, six Sergeants, twenty-eight Patrolmen and eight civilian dispatchers.

Water Pollution Control: The Stonington Water Pollution Control Authority consists of a five-member Board appointed by the Board of Selectmen for five-year terms. The Board is responsible for all policy as well as the formulation and administration of the budget. The Authority is administered by a full time Director. The wastewater facilities including collection and treatment are operated under a contract with Suez Water, Inc. The contract was for a 15-year term renewable at 5-year intervals solely at the Town's option. The contract expired on November 14, 2015, but was renewed on November 15, 2015 for an additional five years through November 14, 2019.

The Authority operates the Sanitary Sewer System, which is operational for the Borough of Stonington and the Mystic and Pawcatuck areas. The plants serve approximately 4,000 residential and commercial users. The plants process 1.3 million gallons per day and have total capacity of 2.8 million gallons per day.

In November 2010, the Town approved an appropriation and bond authorization in the amount of \$18,325,000 for making improvements to the Town's Wastewater Treatment Facilities. The Mystic and Stonington Treatment Plants were upgraded in 1999 at a cost of approximately \$6,351,000. The project was completed in June of 2015.

Fire and Miscellaneous: Fire protection is provided by five volunteer fire companies and funded through eleven separate fire districts and associations with individual taxing authority. These coterminous municipalities, including the Borough of Stonington which provides other services as well, are as follows: Stonington Fire District, Borough of Stonington, Old Mystic Fire District, Quiambug Fire District, Mystic Fire District, Pawcatuck Fire District, Mason's Island Fire District, Latimer Point Fire District, Lord's Point Association, Inc., Wequetequock Fire District and Wamphaussuc Point Association. An Enhanced 911 system is connected to a central dispatch at Town Police Headquarters.

Pawcatuck Neighborhood Center: The Pawcatuck Neighborhood Center was built from the proceeds of a federally funded Community Development Block Grant from the Department of Housing and Urban Development. The Center opened in September of 1985. It is a multi-purpose facility, which offers a variety of social, educational, health and human services programs with an emphasis on community spirit. The Center provides hot lunch programs to Senior Citizens once a week. An addition to the Pawcatuck Neighborhood Center was completed in May 2009 and serves as a Senior Center for the Town.

Human Services: Established by Town Charter and housed in the Human Services Building at 166 South Broad Street in Pawcatuck, the Human Services Department is comprised of four divisions: Social Services, Youth & Family Services, Recreation and Senior Services. The mission of the Department is to enhance the quality of life for Stonington residents of all age groups and all economic backgrounds by advocating for their basic needs and promoting self-sufficiency. Services include free individual, family and group counseling, educational workshops, youth leadership and community service groups, social and recreational opportunities for residents of all ages, subsidized preschool, after school programming, Energy Assistance, medical and state program application assistance and referral, Stonington Prevention Council, a Juvenile Diversionary Board, Housing/Homelessness assistance, a prom shop and computer lab.

Solid Waste Management: In November 1985, the Town of Stonington entered into a Municipal Solid Waste Management Services Contract, as amended, (the "Service Contract") with the Southeastern Connecticut Regional Resources Recovery Authority (SCRRA) pursuant to which it participates, with eleven other southeastern Connecticut municipalities, in the Southeastern Connecticut system. The System consists of a mass-burn solid waste, disposal and electric generation facility located in the Town of Preston, Connecticut and various improvements and facilities related thereto, including landfills.

Under the terms of the Fourth Amendment to the Service Contract, effective October of 2016, the Town may deliver or cause to be delivered to the System, solid waste generated within its boundaries and under its control. The uniform per ton Disposal Fee is \$58 for 2018-19. Payments are made to the Authority based on the waste delivery made to the Facility. There is no minimum commitment requirement. As part of the agreement, the Authority also provides such services as brush grinding, HHW collection services, waste oil collection, Freon collection and florescent bulb collection to the Town at no charge.

A cost equalization factor based upon per capita is given to those municipalities farthest from the facility. Stonington, the most distant community, receives an estimated \$100,000 to be applied to reduce its net cost of tipping fees.

The Town provides for the collection of MSW and recyclables for both its residential and commercial properties. The cost of this program is offset by revenue collected through volume-based user fees. The residential collection is a “pay-per-bag” program while the commercial collection costs are recovered by billing for container size and frequency.

The Town also operates an MSW and recyclables transfer station on Greenhaven Road in the Pawcatuck section of town. Activities include drop off for MSW and recyclables, processing of bulky waste, brush chipping and leaf composting.

Economic Development

The Town of Stonington (Mystic, Old Mystic, Stonington Borough, and Pawcatuck) is part of the Southeastern Connecticut economy, which is largely driven by four core industry clusters:

INDUSTRY CLUSTER	REGIONAL ELEMENTS
1. Defense technology, engineering and advanced manufacturing	<ul style="list-style-type: none"> • Since 2016, General Dynamics Electric Boat (EB) division has reported contracts worth \$966 million, with a potential additional workload of over \$8 billion. EB, which now employs more than 15,000 workers and will need to hire about 3,000 more to reach 18,000 employees by 2030. • Nearly 450 Connecticut companies build submarine parts and systems.
2. Tourism, cultural attractions, and entertainment	<ul style="list-style-type: none"> • Tourism generates \$14.7 Billion in total business sales in Connecticut (2015) • Mohegan Sun Casino, Foxwoods Resort and Casino, Westerly (RI) beaches, Mystic Aquarium, Mystic Seaport, and historic Mystic Village combine to attract over 20 million visitors to the region. • A 2016 report found that cultural attractions create a \$168 million economic impact for the region.
3. Healthcare and biotechnology	<ul style="list-style-type: none"> • 14% of regional employment • Over \$100 million in property value in Stonington, with over 800 beds/units
4. Agriculture, fishing and food production	<ul style="list-style-type: none"> • The largest commercial fishing fleet operates from the town dock in Stonington. • Oyster and shellfish harvest is emerging growth area. Connecticut is the 5th largest shellfish producer in the U.S.

Tourism continues to be a major industry within the Town. The Mystic Aquarium and Institute for Exploration is one of the major tourist attractions in the State, along with the Mystic Seaport. Millions of visitors are drawn to these, and other area attractions annually. The Seaport has recently completed a \$12 million expansion, which creates additional indoor exhibition space for their venue. The Aquarium is in the process of building a \$3.5 million conservation, education and research facility. While largely exempt from property taxation, the facilities and activities of these institutions are significant tourist attractions that support hotels and commercial real estate occupied by restaurants, merchants and service providers.

Housing is a major driver for Stonington, with 80% of town revenue sourced from residential properties resulting from the high quality of life in the community. Since 2016, over 280 new housing units have come online, resulting in over \$68 million in new investment in the community. Many of these units will be occupied by elder residents, building upon Stonington’s reputation as a center of excellence for eldercare. These investments are attracting additional medical office demand within the community, and a 100,000-square foot medical office building has recently secured local approvals. This mixed-use development project, locally branded as “Perkins Farm,” is expected to total \$60 million at full build out.

Since 2016, the town has approved private investment proposals totaling over \$176 million. Several of these projects are actively under construction. Much of this investment will result in Grand List growth for the community. The Town's estimate pipeline of potential private investment is estimated at over \$300 million.

**Municipal Employees
(Full-time)
Fiscal Year**

	2018	2017	2016	2015	2014
General Government ¹	120	117	116	103	111
Board of Education	330	339	316	325	335
Total	450	456	432	428	446

¹ Represents full time employees.

Source: Superintendent's Office, Director of Finance, Town of Stonington.

Employee Bargaining Organizations

General Government	Positions Covered ¹	Current Contract Expiration Date
Stonington Public Administrators Association.....	14	June 30, 2019
Stonington Town Hall Employees' Union, Inc., AFSCME-AFL-CIO.....	17	June 30, 2019
United Steelworkers' Association, Inc.....	17	June 30, 2019
CT Organization for Public Safety Employees, Local 137.....	37	June 30, 2019
Board of Education		
Stonington Education Association.....	196	June 30, 2020
Stonington Public Administrators Association, Inc.....	11	June 30, 2019
AFSCME, AFL-CIO School Nurses.....	6	June 30, 2020
AFSCME, AFL-CIO School Secretaries.....	10	June 30, 2020
AFSCME, AFL-CIO School Maintenance Employees.....	21	June 30, 2020
AFSCME, AFL-CIO Paraprofessionals.....	112	June 30, 2020

¹ Based on Full Time Equivalent (FTE)

Source: Superintendent's Office, Director of Finance, Town of Stonington.

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 certificated teachers and certain other employees. The legislative body of an affected 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 shall give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel shall consider 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.

Educational System

A six-member elected Board of Education is responsible for the operations of the Town educational system which consists of six schools. Also located in the Town are St. Michael's Parochial School and Pine Point, a private country-day school.

School Facilities

School	Grades	Date of Construction/ Remodeling	Number of Classrooms	Type of Construction	Enrollment 10/1/2017	Rated Capacity
West Vine.....	K-2	1967	13	Masonry	178	311
West Broad.....	K-3-4	1899, 1967	15	Masonry	126	400
Deans Mill.....	K-4	1967, 1975	25	Masonry	383	610
Pawcatuck Middle...	5-8	1938, 1966, 1974, 1989	20	Masonry	295	380
Mystic Middle.....	5-8	1962, 2000	19	Masonry	357	525
Stonington High.....	9-12	1957, 1982, 2004	44	Masonry	694	792
Total.....					2,033	3,018

Source: Superintendent's Office, Director of Finance, Town of Stonington.

School Enrollment

School Year	Elementary Pre K-4	Middle High 5-8	High School 9-12	Total
<u>Historical</u>				
2008-2009	943	781	783	2,507
2009-2010	944	785	790	2,519
2010-2011	922	790	783	2,495
2011-2012	860	771	770	2,401
2012-2013	824	748	773	2,345
2013-2014	742	722	764	2,228
2014-2015	784	694	759	2,237
2015-2016	762	675	714	2,151
2016-2017	738	648	686	2,072
2017-2018	724	652	694	2,070
<u>Projected</u>				
2018-2019	727	645	674	2,046

Source: Superintendent's Office, Director of Finance, Town of Stonington.

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III. Economic and Demographic Information

Population and Density

Year	Actual Population	% Increase	Density	State of Connecticut	% Increase
1960	13,969	-	327	2,535,234	-
1970	15,940	14.11	373	3,032,217	19.60
1980	16,220	1.76	380	3,107,576	2.49
1990	16,919	4.31	396	3,287,116	5.78
2000	17,906	5.83	419	3,405,565	3.60
2010	18,545	3.57	434	3,510,297	3.08
2016 ²	18,477	(0.37)	433	3,588,570	2.23

Source: U.S. Census Bureau.

¹ Per square mile: 42.7 square miles.

² American Community Survey 2012-2016

Age Distribution of the Population

Age	Town of Stonington		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years.....	645	3.5%	188,812	5.3%
5 - 9 years.....	954	5.2	210,557	5.9%
10 - 14 years.....	973	5.3	228,543	6.4%
15 - 19 years.....	1,075	5.8	252,522	7.0%
20 - 24 years.....	939	5.1	242,007	6.7%
25 - 34 years.....	1,665	9.0	438,471	12.2%
35 - 44 years.....	1,864	10.1	439,606	12.3%
45 - 54 years.....	3,007	16.3	545,977	15.2%
55 - 59 years.....	1,546	8.4	263,778	7.4%
60 - 64 years.....	1,571	8.5	223,274	6.2%
65 - 74 years.....	2,194	11.9	303,959	8.5%
75 - 84 years.....	1,300	7.0	163,137	4.5%
85 years and over.....	744	4.0	87,927	2.5%
Total.....	18,477	100%	3,588,570	100%
Median Age (Years).....	48.4		40.6	

Source: American Community Survey 2012-2016

Income Distribution

Income	Town of Stonington		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	169	3.4%	29,623	3.3%
\$10,000 to \$14,999.....	141	2.8	17,060	1.9%
\$15,000 to \$24,999.....	122	2.4	44,354	5.0%
\$25,000 to \$34,999.....	196	3.9	54,456	6.1%
\$35,000 to \$49,999.....	357	7.2	81,300	9.1%
\$50,000 to \$74,999.....	733	14.7	137,336	15.4%
\$75,000 to \$99,999.....	841	16.9	124,033	13.9%
\$100,000 to \$149,999.....	1,000	20.1	186,214	20.8%
\$150,000 to \$199,999.....	676	13.6	96,075	10.7%
\$200,000 or more.....	752	15.1	123,962	13.9%
Total.....	4,987	100.0%	894,413	100.0%

Source: American Community Survey 2012-2016

Income Levels

	Town of Stonington	State of Connecticut
Per Capita Income, 2010	\$42,184	\$36,775
Per Capita Income, 2016	\$47,422	\$39,906
Median Family Income, 2016	\$97,288	\$91,274
Percent Below Poverty, 2016	7.00%	7.30%

Source: American Community Survey 2012-2016

U.S. Census Bureau, 2010 American Community Survey

Educational Attainment Population 25 Years and Over

	Town of Stonington		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	306	2.2%	103,279	4.2%
9th to 12th grade, no diploma.....	488	3.5	139,653	5.7
High School graduate (includes equivalency)...	3,536	25.5	673,220	27.3
Some college, no degree.....	2,053	14.8	427,232	17.3
Associate degree.....	1,095	7.9	184,426	7.5
Bachelor's degree.....	3,441	24.8	524,370	21.3
Graduate or professional degree.....	2,972	21.4	413,949	16.8
Total.....	13,891	100.0%	2,466,129	100.0%
Total high school graduate or higher (%).....	94.3%		90.1%	
Total bachelor's degree or higher (%).....	46.2%		38.0%	

Source: American Community Survey 2012-2016

Major Employers

<i>Name of Employer</i>	<i>Nature of Business</i>	<i>Employees</i>
Town of Stonington (Town and BOE).....	Municipality	450
Davis Standard.....	Plastic Extrusion Systems	401
Mystic Seaport.....	Maritime Museum	346
Mystic Aquarium and Institute for Exploration.....	Marine Life Aquarium	256
Mystic CT Senior Prop. LLC (Stoneridge Retirement Community).. <td>Retirement Community</td> <td>230</td>	Retirement Community	230
Pendleton Health and Rehabilitation Center.....	Rehabilitation	205
McQuades Grocery Store.....	Grocery Store	125
Big Y Grocery Store.....	Grocery Store	120
Zachry Nuclear Engineering.....	Engineering	115
General Dynamics Info Technology.....	Engineering/Technology	101
Total.....		2,349

Source: Town of Stonington.

Davis Standard

Southeastern Connecticut is also a center of excellence for the manufacturing of high-performance plastic and rubber extrusion and converting systems equipment. This segment of the advanced manufacturing cluster is grounded by Davis-Standard, one of the best and largest suppliers in the world, and is headquartered in Stonington (Pawcatuck village). Their presence attracts other firms within the cluster. In 2017, Davis-Standard completed a \$1.5 million expansion of their headquarters, and added 40 new jobs to the region via the relocation of Gloucester (Ma.) Engineering.

Mystic Seaport

Mystic Seaport is a non-profit internationally recognized maritime museum located on 19 acres along the Mystic River. The museum village consists of historic tall ships, a re-created 19th century coastal village, a working preservation shipyard and formal exhibit galleries. This 19th century experience is brought to life by the staff who apply the crafts and trades of the period. The museum has over 1,100 volunteers on its rolls.

Mystic Aquarium and Institute for Exploration

The non-profit marine life aquarium, located along Interstate 95 in Mystic, is one of the major tourist attractions in the State along with the Mystic Seaport. It contains over 12,000 marine specimens and 70 daily exhibits, as well as Seal Island and Penguin Pavilion and the Alaskan Coast Exhibit, which features beluga whales. Titanic Discoverer Robert Ballard's Institute for Exploration, specializing in deep-ocean archeology, is based at the Aquarium. The Aquarium also offers four Encounter programs; a Beluga whale encounter, Train-a-Whale, Whales Up Close and a penguin encounter as well as a marine theater featuring sea lions.

Stoneridge Retirement Community

StoneRidge is the area's only ContinuingCare™ community. They provide residents with a "safe harbor" by combining residential neighborhood charm, accommodating services and amenities and the availability of on-site health care.

Masonicare at Mystic

Masonicare at Mystic is a \$35.4 million upscale retirement community off Coogan Boulevard in Mystic. The 179-unit community was completed in December of 2016 and includes independent and assisted living rental apartments as well as assisted living space for individuals with memory care needs. While Masonicare is a not-for-profit entity, it has entered into an agreement with the Town to make PILOT payments. Its mil rate will exclude the education portion of the budget as well as any debt service attributable to the school system.

Pendleton Health and Rehabilitation Center

A 120-bed facility of this nationwide skilled nursing organization offering sub-acute care and rehabilitation services.

McQuade's Market, Inc

McQuade's Market is a grocery store with locations in Mystic, CT, Westerly, RI and Jamestown, RI. Two of the locations offer pharmacy services.

Big Y Supermarket

Big Y is a full service regional grocery store chain with one store located in Mystic, CT.

Zachry Nuclear Engineering

Zachry Nuclear Engineering is a full-service engineering firm that provides engineering, design and project management services to the nuclear power industry. The professional staff of approximately 113 includes controls, electrical, mechanical, civil and structural engineers, drafters and designers that are skilled in power plant systems, engineering analysis and the unique requirements that apply to the nuclear power industry.

General Dynamics Information Technology

General Dynamics Information Technology provides information technology (IT), systems engineering, professional services and simulation and training to customers in the defense, federal civilian government, health, homeland security, intelligence, state and local government and commercial sectors. The company delivers IT enterprise solutions, manages large-scale, mission-critical IT programs and provides mission support services.

Non-Profits

Stonington is home to approximately 50 non-profit organizations.

Employment by Industry

Sector	Town of Stonington		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	22	0.2%	7,209	0.4%
Construction	535	5.6	101,497	5.7
Manufacturing	1611	17.0	190,713	10.6
Wholesale trade	172	1.8	45,110	2.5
Retail trade	1049	11.1	193,853	10.8
Transportation and warehousing, and utilities	340	3.6	66,516	3.7
Information	165	1.7	42,374	2.4
Finance, insurance, real estate, rental & leasing	380	4.0	163,765	9.1
Professional, scientific, management, administrative, and waste mgmt services	843	8.9	206,042	11.5
Education, health and social services	2,075	21.9	474,976	26.5
Arts, entertainment, recreation, accommodation and food services	1249	13.2	153,754	8.6
Other services (except public administration)	593	6.3	81,588	4.5
Public Administration	444	4.7	66,291	3.7
Total Labor Force, Employed	9,478	100%	1,793,688	100.0%

Source: American Community Survey 2012-2016

Employment Data ¹ By Place of Residence

Period	Town of Stonington		Percentage Unemployed		
	Employed	Unemployed	Town of Stonington	New London Labor Market	State of Connecticut
August 2018	9,773	304	3.0	3.8	4
Annual Average					
2017	9,289	364	3.8	4.6	4.7
2016	9,219	405	4.2	5.4	5.3
2015	9,091	466	4.9	6.0	5.6
2014	9,425	525	5.3	6.9	6.7
2013	9,288	616	6.2	8.2	7.9
2012	9,555	630	6.2	8.7	8.3
2011	9,851	664	6.3	8.8	8.8
2010	10,020	710	6.6	8.8	9.1
2009	10,105	649	6.0	7.9	8.3
2008	10,294	453	4.2	5.5	5.6

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

Age Distribution of Housing

Year Built	Town of Stonington		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	3,040	32.2%	334,202	22.4%
1940 to 1969.....	2,244	23.8	533,202	35.7
1970 to 1979.....	1,007	10.7	200,614	13.4
1980 to 1989.....	1,356	14.4	190,755	12.8
1990 to 1999.....	902	9.6	113,584	7.6
2000 or 2009.....	804	8.5	104,308	7.0
2010 or later.....	87	0.9	17,133	1.1
Total Housing Units	9,440	100.0%	1,493,798	100.0%

Source: American Community Survey 2012-2016

Housing Inventory

Housing Units	Town of Stonington		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,553	69.4%	882,236	59.1%
1-unit, attached.....	230	2.4	80,639	5.4
2 units.....	835	8.8	123,152	8.2
3 or 4 units.....	768	8.1	130,686	8.7
5 to 9 units.....	337	3.6	82,581	5.5
10 to 19 units.....	111	1.2	56,858	3.8
20 or more units.....	378	4.0	125,758	8.4
Mobile home.....	219	2.3	11,534	0.8
Boat, RV, van, etc.....	9	0.1	354	0.0
Total Inventory.....	9,440	100.0%	1,493,798	100.0%

Source: American Community Survey 2012-2016

Building Permits

Fiscal Year Ending 6/30	Residential		Commercial / Industrial		Other		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2018	567	\$33,250,966	76	\$ 14,097,124	2	\$ 95,000	645	\$ 47,443,090
2017	516	22,786,919	83	63,546,892	1	1,042,361	600	87,376,172
2016	617	26,199,595	83	44,750,465	1	7,467	701	70,957,527
2015	562	18,874,868	68	12,935,000	-	-	630	31,809,868
2014	534	21,792,916	82	4,239,927	-	-	616	26,032,843
2013	475	17,896,723	76	4,970,919	-	-	551	22,867,642
2012	483	20,789,608	81	6,614,608	-	-	564	27,404,216
2011	470	13,419,687	81	4,827,452	6	2,361,671	557	20,608,810
2010	458	19,446,637	61	2,538,975	3	57,500	522	22,043,112
2009	403	10,803,781	57	4,988,722	1	8,000	461	15,800,503

Note: "Other" Category includes permits for additions and alterations for residential/commercial, permits for garages, swimming pools, signs, churches and clubs.

Source: Building Department, Town of Stonington

Owner-Occupied Housing Values

<i>Specified Owner-Occupied Units</i>	<i>Town of Stonington</i>		<i>State of Connecticut</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Less than \$50,000	292	5.2%	24,343	2.7%
\$50,000 to \$99,999	88	1.6	29,703	3.3
\$100,000 to \$149,999	244	4.3	81,158	9.0
\$150,000 to \$199,999	505	8.9	139,979	15.5
\$200,000 to \$299,999	1,540	27.3	246,071	27.3
\$300,000 to \$499,999	1,801	31.9	233,345	25.9
\$500,000 to \$999,999	864	15.3	104,952	11.7
\$1,000,000 or more	316	5.6	40,672	4.5
<i>Total</i>	5,650	100.0%	900,223	100.0%
<i>Median Sales Price</i>	\$315,300		\$269,300	

Source: American Community Survey 2012-2016

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IV. Tax Base Data

Property Tax

Assessments

The Town of Stonington had a general property revaluation effective October 1, 2017. Under Section 12-62 of the Connecticut General Statutes, the Town must do a statistical revaluation of real property every five years and a revaluation by physical inspection no later than ten years from the preceding physical inspection. The Town's next revaluation will be for the October 1, 2022 Grand List. Various state statutes provide for or authorize a phase-in for revaluations and exemptions, abatements and other adjustments to assessments. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List are the responsibility of the Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value. New construction complete after the October 1 assessment is prorated onto the grand list from the date the Building Official issues the Certificate of Occupancy or when the structure is occupied.

All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An assessor's check and audit is completed periodically. Assessments for personal property are computed at 70 percent of present 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 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 July 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The assessment is prorated, based on the number of months of ownership between October 1 and the following September 30th. Motor vehicles purchased in August and September are not assessed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was assessed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at 70 percent of the annual appraisal of average retail value.

Property Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1 and January 1. Real estate and personal property taxes of less than \$50 are due in full in July. Personal property taxes are payable in one installment on July 1 with motor vehicle supplemental bills payable on January 1. Payments not received by August 1 and February 1 become delinquent, with interest charged at the rate of 1.50% per month from the due date of the tax. In accordance with State law, the oldest outstanding tax is collected first. Prior to June 30, a lien is placed on outstanding real estate tax accounts; legal demands and alias tax warrants are 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 15 years after the due date in accordance with State Statutes.

Comparative Assessed Valuations

Grand List as of 10/1	Residential Real Property (%)	Commercial & Industrial Property (%)	Land and Other Property (%)	Personal Property (%)	Motor Vehicles Property (%)	Gross Taxable Grand List	Less Exemptions¹	Net Taxable Grand List	Annual Growth Rate
2017 ²	74.09	14.22	2.48	3.95	5.26	\$ 2,813,049,207	\$43,016,046	\$ 2,770,033,161	4.62%
2016	73.90	14.14	2.58	3.99	5.39	2,677,711,194	29,894,322	2,647,816,872	0.84%
2015	74.01	14.26	2.62	3.79	5.32	2,652,017,400	26,177,593	2,625,839,807	0.14%
2014	73.76	14.42	2.65	3.74	5.43	2,645,521,493	23,251,177	2,622,270,316	0.85%
2013	73.95	14.47	2.83	3.60	5.15	2,624,365,472	24,275,619	2,600,089,853	0.29%
2012 ²	73.65	14.69	2.89	3.79	4.98	2,615,191,098	22,574,472	2,592,616,626	-18.69%
2011	75.14	14.60	3.26	2.86	4.14	3,216,456,004	28,016,055	3,188,439,949	0.70%
2010	75.26	14.85	3.26	2.62	4.02	3,188,346,863	22,094,610	3,166,252,253	0.45%
2009	75.23	15.08	3.33	2.51	3.84	3,172,807,535	20,762,514	3,152,045,021	0.71%
2008	75.40	14.99	3.51	2.53	3.87	3,149,259,208	19,520,440	3,129,738,768	1.32%

¹ Connecticut General Statutes Section 12-81 (72) exempts new manufacturing equipment from property taxation by municipalities. The State of Connecticut will directly reimburse the Town for 80% of the foregone taxes beginning with the Town's October 1, 2000 Grand List.

² Revaluation. Real Estate assessments are based on 70% of fair market value at the time of the revaluation; Personal Property and Motor Vehicles are based upon 70% of current market value and are revalued annually.

Exempt Property

Public	Assessed Value
United States of America	\$ 1,793,900
State of Connecticut	3,988,760
Municipal	99,125,940
Sub-Total Private	\$ 104,908,600
Private	
Scientific, educational, historical, charitable	\$ 117,274,000
Cemeteries	4,498,200
General Hospital.....	178,000
Churches	30,745,670
Veteran's Organizations	1,150,600
Volunteer Fire Companies	7,078,950
Hospitals & Sanitariums	-
Miscellaneous	195,900
Sub-Total Private	161,121,320
Total Exempt	\$ 266,029,920
Percent Compared to Net Taxable Grand List ¹	9.60%

¹ Based on October 1, 2017 Net Taxable Grand List of \$2,770,033,161.

Source: Assessor's Office, Town of Stonington.

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Adjusted Annual Levy	Percent Annual Levy Collected at End of Fiscal Year	Uncollected	
						Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/18
2017 ²	2019 ¹	\$ 2,770,033,161	22.68	\$ 64,731,841		<i>IN COLLECTION</i>	
2016	2018 ¹	2,647,816,872	22.98	60,662,534	99.34%	0.66%	0.66%
2015	2017	2,625,839,807	22.31	58,429,283	99.74%	0.26%	0.01%
2014	2016	2,622,270,316	21.32	56,110,818	98.61%	1.39%	0.00%
2013	2015	2,600,089,853	20.43	52,968,468	99.53%	0.47%	0.00%
2012 ²	2014	2,592,616,626	19.88	51,375,516	98.93%	1.07%	0.00%
2011	2013	3,188,439,949	15.89	50,493,359	98.88%	1.12%	0.00%
2010	2012	3,166,252,253	15.63	49,539,665	98.51%	1.49%	0.00%
2009	2011	3,152,045,021	15.43	48,695,798	97.84%	2.16%	0.00%
2008	2010	3,129,738,768	15.10	47,293,278	98.45%	1.55%	0.00%

¹ Projected. Subject to audit.

² Revaluation.

Source: Tax Collector and Assessor, Town of Stonington

Ten Largest Taxpayers

Name of Taxpayer	Nature of Business	Net Assessed Value ¹	Percent of Net Taxable Grand List	Estimated Taxes Due ²
Eversource (formerly Connecticut Light & Power).....	Utility	\$ 40,069,760	1.45%	\$ 908,782
Senior Living By Masonicare (PILOT-Gen. Gov't Mill Rate).....	Retirement Community	29,599,790	1.07%	260,182
Mystic CT Senior Property LLC (Stone Ridge & ROC Seniors)...	Retirement Community	24,069,379	0.87%	545,894
Aquarion Water Company of CT.....	Utility	15,267,502	0.55%	346,267
DDH Hotel Mystic LLC (Mystic Hilton).....	Hotel	11,274,567	0.41%	255,707
Mashantucket Pequot Tribe.....	Gaming	10,973,997	0.40%	248,890
VIII-HIII Whitehall Avenue LLC (Residence Inn).....	Hotel	10,128,738	0.37%	229,720
Resnikoff Joyce O Trustee (Olde Mystic Village).....	Retail	9,360,369	0.34%	212,293
Spirit Master Funding X LLC (Davis Standard LLC)	Manufacturing	8,402,263	0.30%	190,563
Yankee Gas Services Co.	Utility	8,346,110	0.30%	189,290
Total		\$167,492,475	6.05%	\$ 3,387,588

¹ Based on October 1, 2017 Net Taxable Grand List of \$2,770,033,161.

² Based on the Town's mill rate established for the 2018-19 budget of 22.68.

³ Taxed based on PILOT agreement, whereas Masonicare pays just the General Government mill rate (8.79).

Source: Town of Stonington, Assessor's Office.

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V. Debt Summary

Principal Amount of Indebtedness As of October 31, 2018 (Pro Forma)

<i>Date</i>	<i>Purpose</i>	<i>Rate %</i>	<i>Original Issue</i>	<i>Bonds Outstanding²</i>	<i>Fiscal Year of Maturity</i>
General Purpose					
02/15/09	General Purpose Refunding	2.00-5.00	\$ 4,525,000	\$ 765,800	2020
08/23/13	General Purpose.....	2.50-4.25	4,285,000	3,210,000	2034
08/22/14	General Purpose.....	2.00-4.00	1,915,000	1,527,000	2035
11/01/16	General Purpose.....	2.00-5.00	2,216,164	2,105,000	2037
	Sub-Total		\$ 12,941,164	\$ 7,607,800	
Schools					
02/15/09	School Refunding	2.00-5.00	\$ 3,000,000	\$ 249,200	2020
02/23/12	School Refunding	2.00-4.00	16,128,000	9,076,000	2027
11/01/16	School	2.00-5.00	15,003,836	14,250,000	2037
11/01/17	School	2.50-5.00	20,000,000	20,000,000	2038
	Sub-Total		\$ 54,131,836	\$ 43,575,200	
Sewers¹					
02/23/12	Sewer Refunding.....	2.00-4.00	\$ 1,192,000	\$ 644,000	2027
04/05/12	Sewer.....	3.00-4.00	12,000,000	8,400,000	2032
08/22/14	Sewer.....	2.00-4.00	6,325,000	5,053,000	2035
	Sub-Total		\$ 19,517,000	\$ 14,097,000	
	Total Outstanding Bonds.....		\$ 86,590,000	\$ 65,280,000	
This Issue					
10/31/18	School	3.00-5.00	\$ 7,000,000	\$ 7,000,000	2039
	Total This Issue		\$ 7,000,000	\$ 7,000,000	
	Grand Total		\$ 93,590,000	\$ 72,280,000	

¹ Debt service partially supported by sewer benefit assessments.

² Excludes Capital Leases.

Short Term Debt As of October 31, 2018

<i>Project</i>	<i>Authorized</i>	<i>This Issue The Notes: Due 10/30/19</i>
West Vine St School, Deans Mill and		
Pawcatuck Middle School Projects.....	\$ 69,000,000	6,500,000
Totals.....	\$ 69,000,000	\$ 6,500,000

Other Long-Term Commitments:

The Town has entered into various capital lease arrangements. Please refer to the "Notes to Basic Financial Statements, Note III – Changes in Long-Term Obligations" in Appendix A herein for further information regarding the Town's capital leases.

General Fund¹
Annual Long-Term Bonded Debt Service
As of October 31, 2018
(Pro Forma)

Fiscal Year	Principal	Interest	Total	Pro-forma		Cumulative Principal Retired (%)
				This Issue Schools / Total	Total Principal	
2019 ¹	\$ 2,975,000	\$ 2,187,778	\$ 5,162,778	\$ -	\$ 2,975,000	4.12
2020	5,195,000	2,104,481	7,299,481	350,000	5,545,000	11.79
2021	4,690,000	1,883,781	6,573,781	350,000	5,040,000	18.76
2022	4,580,000	1,696,531	6,276,531	350,000	4,930,000	25.58
2023	4,580,000	1,515,631	6,095,631	350,000	4,930,000	32.40
2024	4,570,000	1,347,119	5,917,119	350,000	4,920,000	39.21
2025	4,325,000	1,189,047	5,514,047	350,000	4,675,000	45.68
2026	3,740,000	1,052,681	4,792,681	350,000	4,090,000	51.34
2027	3,255,000	938,813	4,193,813	350,000	3,605,000	56.32
2028	3,085,000	831,294	3,916,294	350,000	3,435,000	61.07
2029	3,085,000	725,363	3,810,363	350,000	3,435,000	65.83
2030	3,085,000	617,663	3,702,663	350,000	3,435,000	70.58
2031	3,085,000	517,463	3,602,463	350,000	3,435,000	75.33
2032	3,080,000	424,475	3,504,475	350,000	3,430,000	80.08
2033	2,480,000	328,313	2,808,313	350,000	2,830,000	83.99
2034	2,480,000	250,263	2,730,263	350,000	2,830,000	87.91
2035	2,270,000	176,419	2,446,419	350,000	2,620,000	91.53
2036	1,860,000	113,700	1,973,700	350,000	2,210,000	94.59
2037	1,860,000	57,900	1,917,900	350,000	2,210,000	97.65
2038	1,000,000	15,000	1,015,000	350,000	1,350,000	99.52
2039	-	-	-	350,000	350,000	100.00
Total.....	\$ 65,280,000	\$ 17,973,713	\$ 83,253,713	\$ 7,000,000	\$ 72,280,000	

¹ Does not include \$2,235,000 of principal payments and \$519,203 of interest payments made between July 1, 2018 and October 31, 2018.

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Overlapping/Underlying Debt

Overlapping/Underlying debt is defined as the proportionate share of debts of local government units located wholly or in part within the limits of the reporting government, which must be borne by property within each government unit.

The Town of Stonington has no overlapping debt. However, there are eleven political subdivisions and special taxing districts located within the Town. There are also other associations within the Town that do not have the power to levy taxes, and currently have no outstanding debt. The following entities have the power to issue debt or cause taxes to be levied on taxable property in the Town and have outstanding debt as follows:

District or Association	Outstanding Bonds	Outstanding Notes	Authorized But Unissued Debt
Borough of Stonington.....	\$ -	\$ -	\$ -
Latimer Point Fire District.....	-	-	-
Lord's Point Association.....	-	4,295	-
Mason's Island Fire District.....	-	-	-
Mystic Fire District. ¹	-	774,643	-
Old Mystic Fire District. ²	-	113,744	-
Pawcatuck Fire District.....	-	921,984	-
Quiambug Fire District.....	-	-	-
Stonington Fire District.....	-	-	-
Wamphassuc Point Association.....	-	-	-
Wequetequock Fire District.....	-	-	-
Total Net Underlying Debt			
(applicable to the Town of Stonington)	\$ -	\$ 1,814,666	\$ -

¹ The Mystic Fire District is a political subdivision located in the Towns of Stonington and Groton. The District has outstanding notes payable of \$774,643 as of June 30, 2018. The District's debt is prorated to each town according to the District's total October 1, 2017 Net Taxable Grand List of the District for each town. Accordingly, the Town of Stonington has 29.28% (\$226,815 notes) and the Town of Groton has 70.72% (\$547,828 notes) of the District's total debt prorated as underlying debt.

² The Old Mystic Fire District is a political subdivision located in the Towns of Stonington and Groton. The District has outstanding notes payable of \$113,744 as of June 30, 2018. The District's debt is prorated to each town according to the District's total October 1, 2017 Net Taxable Grand list of the District for each town. Accordingly, the Town of Stonington has 54.00% (\$61,422 notes) and the Town of Groton has 46.00% (\$52,322 notes) of the District's total debt.

Source: Director of Finance, Town of Stonington.

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Town of Stonington Debt Statement
As of October 31, 2018
(Pro-Forma)

Long-Term Debt:

Public Improvement	\$ 7,607,800
Schools (Includes this issue)	50,575,200
Sewers	14,097,000
Total Long-Term Debt.....	72,280,000

Short-Term Debt:

Bond Anticipation Notes (This issue: Due October 30, 2019).....	6,500,000
Total Direct Debt.....	78,780,000
Less: Sewer Assessment Receivable (as of 6/30/2018)	-
Total Net Direct Debt.....	78,780,000
Plus: Underlying Debt (applicable to the Town of Stonington).....	1,214,516
Total Overall Net Debt.....	\$ 79,994,516

Note: Excludes capital leases.

Town of Stonington - Current Debt Ratios
As of October 31, 2018
(Pro-Forma)

Population ¹	18,477
Net Taxable Grand List (10/1/17)	\$2,770,033,161
Estimated Full Value (70%)	\$3,957,190,230
Equalized Net Taxable Grand List (10/1/15) ²	\$4,024,424,141
Income per Capita (2016) ¹	\$47,422
Income per Capita (2010) ¹	\$42,184

¹ U.S. Department of Commerce Bureau of the Census.

² Office of Policy and Management, State of Connecticut.

	Total Direct Debt \$78,780,000	Total Net Direct Debt \$78,780,000	Total Overall Net Debt \$79,994,516
Per Capita	\$ 4,263.68	\$ 4,263.68	\$ 4,329.41
Ratio to Net Taxable Grand List	2.84%	2.84%	2.89%
Ratio to Estimated Full Value	1.99%	1.99%	2.02%
Ratio to Equalized Grand List	1.96%	1.96%	1.99%
Debt per Capita to Income per Capita 2016	8.99%	8.99%	9.13%
Debt per Capita to Income per Capita 2010	10.11%	10.11%	10.26%

Bond Authorization

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the procedural requirements of the Town Charter. Under the Charter, bond and note issues are authorized by the Town Meeting upon the recommendation of the Board of Finance.

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 starting at the end of the third and continuing in each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for school and sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, 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 school and 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 fifteen 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 (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 fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Limitation of Indebtedness

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

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

In no case however, shall total indebtedness exceed seven times the base.

"Annual receipts from taxation," (the "base,") are defined as total tax collections (including interest and penalties) and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt to be paid from a funded sinking fund.

Statement of Debt Limitation

As of October 31, 2018

(Pro-Forma)

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2018..... \$ 61,528,030

Total Tax Collections (including interest and lien fees of borough and all other taxing districts within the Town) for the year ended June 30, 2018..... 4,824,502

Reimbursement for Revenue Loss On:

Tax relief for elderly freeze..... -

Base for Debt Limitation Computation..... \$ 66,352,532

Debt Limitation:	General Purposes	Schools	Sewers	Urban Renewal	Past Pension
2 ¹ / ₄ times base	\$ 149,293,198	\$ -	\$ -	\$ -	\$ -
4 ¹ / ₂ times base	-	298,586,395	-	-	-
3 ³ / ₄ times base	-	-	248,821,995	-	-
3 ¹ / ₄ times base	-	-	-	215,645,729	-
3 times base	-	-	-	-	199,057,596
Total Debt Limitation	149,293,198	298,586,395	248,821,995	215,645,729	199,057,596

Indebtedness:

Outstanding Debt: ¹

Bonds	7,607,800	43,575,200	14,097,000	-	-
This Issue – The Bonds.....	-	7,000,000	-	-	-
This Issue – The Notes.....	-	6,500,000	-	-	-

Underlying Debt: ²

Bonds & Serial Notes	987,701	-	-	-	-
Authorized & Unissued	-	-	-	-	-
Authorized & Unissued	85,000	1,824,401	2,625,000	-	-

Total Indebtedness

8,680,501	58,899,601	16,722,000	-	-
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Less: Sewer Assessment Receivable.. - - - - -

Total Net Indebtedness for Debt

Limitation Calculation	\$ 8,680,501	\$ 58,899,601	\$ 16,722,000	\$ -	\$ -
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Debt Limitation in Excess of

Indebtedness	<u>\$ 140,612,697</u>	<u>\$ 239,686,794</u>	<u>\$ 232,099,995</u>	<u>\$ 215,645,729</u>	<u>\$ 199,057,596</u>
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¹ Excludes capital leases.

² Includes underlying debt of the Old Mystic Fire District, the Pawcatuck Fire District, and the Lord's Point Fire District. Stonington's prorated share, or \$226,815, of the underlying debt of the Mystic Fire District's outstanding notes of \$774,643 is not included as allowed under Public Act 91-407.

³ The State of Connecticut Bureau of School Building Grants will reimburse the Town for eligible principal and interest costs over the life of any 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 \$464,467,724.

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

**Authorized but Unissued Debt
As of October 31, 2018
(Pro Forma)**

Project	Authorized	Bonds Issued	Est. or Rec'd		This Issue		Debt Authorized but Unissued			
			The Notes: Due 10/31/18	Grants/ Paydowns	The Notes: Due 10/30/19	The Bonds	General Purpose	Schools	Sewers	Total
Mystic Middle School.....	\$ 9,135,000	\$ 5,720,000	\$ -	\$ 3,194,724	\$ -	\$ -	\$ -	\$ 220,276	\$ -	\$ 220,276
Mystic Treatment Plant Design.....	6,351,000	2,711,800	-	1,139,200	-	-	-	-	2,500,000	2,500,000
High School Building Project.....	39,700,000	28,275,000	-	10,434,035	-	-	-	990,965	-	990,965
Sewer Odor Control.....	2,175,000	2,100,000	-	-	-	-	-	-	75,000	75,000
Various Capital Projects-2004.....	800,000	700,000	-	15,000	-	-	85,000	-	-	85,000
WPCA Renovations.....	1,055,000	425,000	-	580,000	-	-	-	-	50,000	50,000
West Vine St School, Deans Mill and Pawcatuck Middle School Projects....	69,000,000	35,003,836	20,000,000	19,883,004	6,500,000	7,000,000	-	613,160	-	613,160
Totals.....	\$ 128,216,000	\$ 74,935,636	\$ 20,000,000	\$ 35,245,963	\$ 6,500,000	\$ 7,000,000	\$ 85,000	\$ 1,824,401	\$ 2,625,000	\$ 4,534,401

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

<u>Long-Term Debt</u> ¹	<u>2018</u> ²	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bonds	\$ 67,515,000	\$ 51,895,000	\$ 38,388,911	\$ 42,111,291	\$ 37,227,156
<u>Short-Term Debt</u>					
Notes	20,000,000	-	-	-	6,585,000
Total	\$ 87,515,000	\$ 51,895,000	\$ 38,388,911	\$ 42,111,291	\$ 43,812,156

¹ Includes State of Connecticut Clean Water Fund Loans.

² Subject to audit.

Source: Town of Stonington Audit Reports, 2014-2017. Finance Department, 2018 (subject to audit).

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

Fiscal Year Ended 6/30 ⁴	Net Assessed Value	Estimated Full Value	Net Long-Term Direct Debt ¹	Ratio of Net Long- Term Debt to Assessed Value	Ratio of Net Long- Term Debt to Estimated Full Value	Net Long- Term Debt per Capita	Population ²	Ratio of Net Long-Term Debt Per Capita to Per Capita Income ³
2018	\$ 2,647,816,872	\$ 3,782,595,531	\$ 67,515,000	2.55%	1.78%	3,654.00	18,477	7.71%
2017	2,625,839,807	3,751,199,724	51,895,000	1.98%	1.38%	2,808.63	18,477	5.92%
2016	2,622,270,316	3,746,100,451	38,388,910	1.46%	1.02%	2,077.66	18,477	4.38%
2015	2,600,089,853	3,714,414,076	41,942,869	1.61%	1.13%	2,270.00	18,477	4.79%
2014	2,592,616,626	3,703,738,037	37,058,735	1.43%	1.00%	1,998.96	18,539	4.22%
2013	3,188,439,949	4,554,914,213	36,108,116	1.13%	0.79%	1,948.95	18,527	4.11%
2012	3,166,252,253	4,523,217,504	39,451,042	1.25%	0.87%	2,129.27	18,528	4.49%
2011	3,152,045,021	4,502,921,459	30,972,541	0.98%	0.69%	1,675.82	18,482	3.53%

¹ Total long term debt, including State of Connecticut 2% Clean Water Fund loans less State of Connecticut School Construction Grants due to the Town of Stonington over the life of the bond issues.

² U.S. Census Bureau, American Community Survey used for respective years. Most recent data used for years 2016-2018 are 2012-2016 estimates.

³ U.S. Census Bureau, American Community Survey, 2012-2016: Money Income Per Capita \$43,749.

⁴ Subject to audit.

**Ratio of Annual Debt Service Expenditures for Total
Long-Term Debt to General Fund Expenditures
Including Operating Transfers Out**

Fiscal Year				Total	Ratio of Total Debt
Ended 6/30	Principal	Interest	Total	General Fund	To Total General Fund
				Expenditures	Expenditures
2018	\$4,380,000	\$ 1,978,706	\$ 6,358,706	\$ 70,503,911 ¹	9.02%
2017	3,713,911	1,286,189	5,000,100	67,233,735	7.44%
2016	3,722,380	1,407,005	5,129,385	60,902,724	8.42%
2015	3,355,866	1,382,707	4,738,573	61,526,070	7.70%
2014	3,334,381	1,297,293	4,631,674	62,251,724	7.44%
2013	3,342,926	1,346,155	4,689,081	60,021,874	7.81%
2012	3,256,500	790,596	4,047,096	57,250,163	7.07%
2011	3,256,500	1,142,754	4,399,254	56,647,811	7.77%
2010	3,714,612	1,422,858	5,137,470	55,638,897	9.23%

¹ An estimate for the State of Connecticut's Teacher's Retirement fund payment has been added to this number to be consistent with prior years.

Source: Town of Stonington Audit Reports, 2010-2017. Finance Department, 2018 (subject to audit).

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VI. Financial Information

Fiscal Year

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

Accounting Policies and Basis of Accounting

The financial statements of the Town of Stonington, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town has changed its financial reporting to comply with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended June 30, 2004. Please refer to Appendix A "Notes to Basic Financial Statements" herein for compliance and implementation details.

The new reporting model includes the following segments:

Management's Discussion and Analysis – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

Government-wide financial statements – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary funds (employee retirement system and agency funds). Capital assets, including infrastructure and long-term obligations are included along with current assets and liabilities.

Fund financial statements – provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize a different basis of accounting.

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A "Notes to Basic Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements as well as the fiduciary fund financial statements of the Town of Stonington.

Budget Procedures

A. Form of Budget. Not later than January 1, each Department, Office, Board or Commission of the Town, supported wholly or in part by Town funds, or for which a specific Town appropriation is made, except the Board of Education, prepares and submits to the First Selectman a detailed estimate of the expenditures to be made and the anticipated revenue other than tax revenue to be received during the ensuing fiscal year. The Board of Education submits its budget request by March 1. The First Selectman, after consultation with the Director of Finance and Board of Education or its agent, prescribes the format for budget presentation which includes, at a minimum, comparative statistics for the current and preceding fiscal year operations.

B. Duties of the First Selectman on the Budget. Not later than the fifteenth day of March, the First Selectman presents to the Board of Finance and the Board of Selectmen an itemized annual operating budget, including the Board of Education budget.

C. Duties of the Board of Finance on the Budget. The Board of Finance holds one or more public hearings no later than the first Monday of May at which time any elector or taxpayer may have an opportunity to be heard regarding appropriations for the ensuing fiscal year. Following receipt of the estimates from the First Selectman, the Board of Finance causes these estimates to be made available for review in the office of the Town Clerk. At least five days before the aforementioned public hearing, the Board of Finance publishes in a newspaper having a substantial circulation in the Town a notice of the public hearing and a summary of the proposed budget estimates which show the amount to be raised by taxation.

The Board of Finance has the authority to increase or decrease the budget submitted by the First Selectman. Within fifteen days after holding the final such public hearing, the Board of Finance approves an operating budget and files the same with the Town Clerk for submission to the Annual Town Budget Meeting.

D. Adoption of Budget. A Town Meeting for consideration of the Budget is held no later than the third Monday in May and at such place and time as the Board of Selectmen may determine. The Meeting may be recessed as necessary to the next subsequent Monday. If any subsequent Meeting falls on a Monday which is a legal holiday, the Meeting is held on the following day. The Budget adoption procedure is as follows:

1. If the Budget has not been submitted or petitioned to a Referendum, the Budget as presented may be adopted by a majority vote of those present and voting thereon. If the Budget is rejected, it is returned to the Board of Finance who reconsiders the Budget and resubmits a Budget to the recessed Town Meeting which is held not more than three weeks after the rejection with at least five days published notice thereof.
2. The same steps and procedures, including published notices of meetings, are followed as outlined above until a Budget has been adopted.
3. Any resubmitted Budget may be submitted or petitioned to a Referendum.
4. In the event a budget has not been approved by June 15, the Board of Selectmen is empowered to set a mill rate in order to facilitate the preparation and mailing of tax bills at a level that in its best judgment will meet the needs of the Town for the ensuing year. In the event a budget has been adopted prior to June 15, the Board of Finance meets and sets the mill rate at a level sufficient to meet the needs of the Town for the ensuing year.

E. Adoption of Budget. Upon approval of the Budget by vote of the Town Meeting or Referendum, the Budget is deemed to constitute the appropriation to each Department, or sub-Department thereof, and to each Office, Board, Agency and Commission of the Town.

F. Expenditures Before Adoption of the Budget. Expenditures prior to the final adoption of the Budget shall be in accordance with Section 7-405 of the General Statutes.

Annual Audit

Pursuant to Connecticut Law, the Town is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2017, the examination was conducted by PKF | O'Connor Davies LLP of Wethersfield, Connecticut.

Investment Policies and Practices

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, and money market mutual funds.

The Town of Stonington manages the investment of its funds in compliance with its Charter and the Connecticut General Statutes.

The Town's investment policies and investments relative to the Town's retirement and deferred compensation funds are available upon request to the Director of Finance.

Pension Plans

The Town has two pension plans covering substantially all full-time employees and non-certified Board of Education employees. One plan covers employees of the police department (CMERS) and the other plan covers all other employees. The plan covering non-police Town employees is a defined benefit plan, however this plan was closed to new participants as of January 1, 2014. Employees hired subsequent to the plan closure date participate in a 401a defined contribution plan. The certified faculty and administrative personnel at the Board of Education participate in a contributory retirement plan administered by the State Teachers' Retirement Board. The Town does not contribute to this plan. Please refer to the "Notes to Basic Financial Statements, Note IV C. – Pension Plans" in Appendix A herein for further information regarding the Town's pension plans.

Other Post Employment Benefits (OPEB)

The Town of Stonington does not provide benefits other than pension to its retirees; however, employees are allowed to remain on the Town's insurance at their own cost until Medicare eligible. The Town will be subject to the implicit rate subsidy. The Town of Stonington has set up a trust to account for the Annual Required Contributions; as of June 30, 2018, the balance in the trust is \$1,318,748. The Town has an actuarial valuation prepared every two years and funds the recommended amount.

The Town of Stonington has a defined contribution healthcare plan covering police officers which was established in July 2014. The plan provides for retiree health care benefits through reimbursement of eligible medical care expenses. The Town matches employee contributions of 2% of officers' base pay.

Insurance

Please refer to the "Notes to Basic Financial Statements, Note IV – Risk Management" in Appendix A herein for further information regarding the Town's insurance coverage.

Risks Related to State Budget

For fiscal year 2019, the Town has budgeted \$1,715,870 of State aid. The amount and timing of State aid is dependent on many factors, including the negotiation and adoption of the State's fiscal year 2019 budget and the timing of payments by the State to the Town. If the State ultimately provides less revenue to the Town in Fiscal Year 2019 than the amounts the Town has budgeted in Fiscal Year 2019, the Town may take various measures to address the reduction, including revenue enhancement, use of fund surplus and/or reduction of expenditures.

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**Statement of Revenues, Expenditures and Changes in Fund Balance
Four Years (GAAP Basis)
and Estimated Actuals and Adopted Budget (Budget Basis)**

		<i>Estimated</i>				
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<i>Revenues:</i>	<i>2018-19¹</i>	<i>2017-18¹</i>	<i>2016-17</i>	<i>2015-16</i>	<i>2014-15</i>	<i>2013-14</i>
Property Taxes	\$ 62,770,541	\$ 61,552,871	\$ 59,233,240	\$ 56,448,889	\$ 53,836,879	\$ 51,736,929
Intergovernmental Revenues ²	1,402,345	1,621,846	6,201,708	5,989,782	5,473,746	6,672,590
Charges for Services and Assessments.....	3,083,600	3,443,943	2,947,780	3,427,219	2,746,774	2,902,421
Income from Investments	100,000	165,524	141,033	127,388	189,134	195,066
Other Revenues.....	-	-	-	-	-	-
Total Revenues	\$ 67,356,486	\$ 66,784,184	\$ 68,523,761	\$ 65,993,278	\$ 62,246,533	\$ 61,507,006
<i>Expenditures:</i>						
General Government.....	\$ 9,048,524	\$ 7,680,669	\$ 7,457,339	\$ 7,776,329	\$ 7,266,648	\$ 7,182,511
Public Safety.....	5,648,014	5,207,263	5,043,119	4,901,169	4,616,011	4,377,609
Highway department.....	2,516,115	2,405,478	2,312,828	2,370,891	2,480,175	2,344,922
Sanitation and Waste Removal.....	2,960,762	2,801,059	2,467,210	2,373,770	2,385,461	2,340,832
Human Services.....	447,006	427,585	401,274	375,583	312,949	341,696
Social Services.....	313,880	307,125	294,958	271,266	255,329	231,527
Recreation.....	120,354	112,829	99,579	96,547	91,093	92,277
Libraries.....	330,500	330,500	329,500	319,500	304,810	284,810
Payments to Other Civic Divisions.....	192,950	187,677	197,370	172,177	175,700	221,747
Education ²	38,016,336	37,028,652	40,063,154	38,884,087	37,234,199	37,748,407
Debt Service.....	8,146,981	6,358,706	5,004,612	5,129,384	4,738,573	4,631,674
Capital Outlay.....	-	-	-	-	-	-
Total Expenditures	67,741,422	62,847,543	63,670,943	62,670,703	59,860,948	59,798,012
Revenues over (under) expenditures.....	(384,936)	3,936,641	4,852,818	3,322,575	2,385,585	1,708,994
<i>Other Financing Sources Uses:</i>						
Bond Premiums.....	-	-	-	-	140,902	-
Use of Fund Balance.....	2,850,000	-	-	-	-	-
Operating Transfers in.....	45,000	45,000	45,000	45,000	45,000	-
Operating transfers (out).....	(2,510,064)	(3,454,937)	(3,562,792)	(2,149,561)	(1,665,122)	(2,453,712)
Total other Financing Sources (uses)	384,936	(3,409,937)	(3,517,792)	(2,104,561)	(1,479,220)	(2,453,712)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 526,704	\$ 1,335,026	\$ 1,218,014	\$ 906,365	\$ (744,718)
Fund Balance, July 1	17,051,069	16,524,365	15,189,339	13,971,325	13,064,960	13,809,678
Fund Balance, June 30	\$ 17,051,069	\$ 17,051,069	\$ 16,524,365	\$ 15,189,339	\$ 13,971,325	\$ 13,064,960

¹ Budgetary basis. Subject to audit.

² Does not include State of Connecticut Teacher's requirement on-behalf contributions in fiscal year 2018 and FY 2019.

Analysis of General Fund Equity

	<i>Estimated</i>				
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<i>Fund Balances</i>	<i>2017-18¹</i>	<i>2016-17</i>	<i>2015-16</i>	<i>2014-15</i>	<i>2013-14</i>
Nonspendable.....	N/A	\$ 606,341	\$ -	\$ -	\$ -
Restricted.....	N/A	-	-	-	-
Committed.....	N/A	-	-	-	-
Assigned.....	N/A	2,223,432	854,412	431,163	427,574
Unassigned.....	N/A	13,694,592	14,334,927	13,540,162	12,637,386
Total Fund Equity	N/A	\$ 16,524,365	\$ 15,189,339	\$ 13,971,325	\$ 13,064,960

¹ Budgetary basis. Subject to audit.

Capital Improvement Program

The Town of Stonington prepares and approves a Capital Improvement Program (CIP) annually. The CIP is a long-term planning and policy document. Projects are evaluated and prioritized by the Town in terms of need, cost effectiveness, ability to generate economic benefit, and sources of funding. The Town maintains a Capital Reserve Fund which is funded annually. The CIP is approved at Town Meeting as part of the budget process.

Proposed Projects	Fiscal Year					Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
<i>Board of Education</i>	\$ 879,402	\$ 1,735,999	\$ 1,251,000	\$ 1,066,000	\$ 976,000	\$ 5,908,401
<i>General Government:</i>						
General Operations.....	80,001	80,000	80,000	80,000	80,000	400,001
Police Services.....	643,049	258,000	190,000	199,000	190,000	1,480,049
Planning Department.....	50,000	7,121,000	6,471,000	3,486,000	136,000	17,264,000
Finance Department.....	85,000	70,000	70,000	70,000	70,000	365,000
Highway.....	1,376,182	1,535,573	1,925,049	1,859,009	1,300,220	7,996,033
Sanitation and Waste Removal...	49,001	119,000	89,000	5,000	30,000	292,001
General/Town Facilities.....	99,361	150,000	90,000	50,000	165,000	554,361
Outside Agencies.....	111,593	290,000	-	-	-	401,593
<i>Total General Government</i>	<i>2,494,187</i>	<i>9,623,573</i>	<i>8,915,049</i>	<i>5,749,009</i>	<i>1,971,220</i>	<i>28,753,038</i>
Total Project Costs	\$ 3,373,589	\$ 11,359,572	\$ 10,166,049	\$ 6,815,009	\$ 2,947,220	\$ 34,661,439
Funding Sources						
General Fund.....	\$ 2,510,064	\$ 2,600,000	\$ 2,650,000	\$ 2,700,000	\$ 2,750,000	\$ 13,210,064
General Obligation Bonds	-	-	-	-	-	-
Fund Balance	550,000	-	-	-	-	550,000
Other	313,525	8,759,572	7,516,049	4,115,009	197,220	20,901,375
Total Funding Sources	\$ 3,373,589	\$ 11,359,572	\$ 10,166,049	\$ 6,815,009	\$ 2,947,220	\$ 34,661,439

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VII. Legal and Other Information

Litigation

The Town Attorney advises that the Town of Stonington, its agencies, boards, officers, and employees are defendants in several miscellaneous litigation matters. It is the opinion of the Town Attorney 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 have a materially adverse effect upon its financial position.

Transcript and Closing Documents

The original purchaser of the Bonds and Notes will be furnished the following documentation when the Bonds and the Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them.

2. A Certificate on behalf of the Town signed by the First Selectman, Director of Administrative Services, and the Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief that, at the time bids on the Bonds and the Notes were accepted, the description 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 or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.

3. A receipt for the purchase price of the Bonds and the Notes.

4. The approving opinion of Tobin, Carberry, O'Malley, Riley & Selinger, P.C. of New London, Connecticut, Bond Counsel in substantially the forms attached hereto as Appendix B-1 and Appendix B-2 to this Official Statement.

5. An executed Continuing Disclosure Agreement for the Bonds or the Notes in substantially the forms attached hereto as Appendix C-1 and Appendix C-2 to this Official Statement.

6. The Issuer will provide to the winning bidder of the Bonds 50 copies of the Official Statement, prepared for this Bond issue at the Issuer's expense, and to the winning purchaser of the Notes five (5) copies and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidders at their own expense by arrangement with the printer. If the Issuer's municipal advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and the Notes.

A record of the proceedings taken by the Town in authorizing the Bonds and the Notes will be kept on file at the principal office of the Certifying Agent, U.S. Bank National Association, 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 any of the Bonds or Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any 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.

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

TOWN OF STONINGTON, CONNECTICUT

By: /s/ *Robert R. Simmons*

Robert R. Simmons, *First Selectman*

By: /s/ *James Sullivan*

James Sullivan, *Director of Finance*

By: /s/ *Vincent Pacileo III*

Vincent Pacileo III, *Director Administrative Services*

Dated: October 18, 2018

Appendix A

General Purpose Financial Statements

The following includes the General Purpose Financial Statements of the Town of Stonington, Connecticut for the fiscal year ended June 30, 2017. 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 Auditors' Report

Board of Finance
Town of Stonington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Stonington, Connecticut ("Town"), as of and for the year ended June 30, 2017, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

**Board of Finance
Town of Stonington, Connecticut**

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Stonington, Connecticut, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension plan and other post-employment benefit plan schedules on pages 5 to 13 and pages 71 to 82, respectively, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stonington, Connecticut's basic financial statements. The introductory section, supplemental schedules and trend information section are presented for purposes of additional analysis and are not a required part of the basic financial statements

The supplemental 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Board of Finance
Town of Stonington, Connecticut**

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Town of Stonington, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stonington, Connecticut's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP
Wethersfield, Connecticut
December 22, 2017



TOWN OF STONINGTON

152 Elm Street • Stonington, Connecticut 06378

Tel: 860 535-5070

Fax: 860 535-0602

Management's Discussion and Analysis For the Year Ended June 30, 2017

As management of the Town of Stonington, Connecticut ("Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements immediately following this section.

Financial Highlights

- During the fiscal year, the Town implemented GASB 74 and 75 related to other post-employment obligations (OPEB). GASB 75 requires that the net OPEB liability be recorded on the government-wide financial statements. The result of implementing GASB 75 was a net prior period adjustment as of July 1, 2016 to record the net OPEB liability of \$5,333,274. OPEB expense was \$490,403 and the net OPEB liability was \$5,450,868.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$111,890,326 (net position). Of this amount, \$20,095,164 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$2,763,353. The increase is due to a positive operation of the general fund of \$1,335,026 and the capital and nonrecurring fund of \$1,531,547.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$37,182,044, an increase of \$15,416,559 in comparison with the prior year. The majority the increase is due to the positive operations of the general fund and capital nonrecurring fund noted above and the issuance of bonds to fund the PreK-5 school construction project, \$11,659,474 of which was unspent at year end.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,694,592, or 21.7% of total general fund budgetary expenditures and transfers.
- The Town's bonded debt and notes payable increased by \$13,560,153 during the current fiscal year due to the issuance of new debt for the Mystic River Boat House Park property purchase and the bonds issued to fund the PreK-5 school construction project, offset by scheduled principle payments.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Stonington'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 financial statements. The statement of fiduciary net position is used to present financial information about activities for which the Town acts solely as an agent for the benefit of employees and others.

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 of resources, liabilities and deferred inflows of resources with the difference between these accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, highway department, sanitation and waste removal, human services, library, recreation and education.

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 a Town's near-term financing requirements.

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

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, Sewer Usage Fund and PreK-5 School Construction Fund, 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 on Schedules 4 and 5.

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

Proprietary funds

The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its self-insured medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds

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

Notes to financial statements

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

Other information

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other post-employment benefits.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$111,890,326 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (80.6%) reflects its investment in capital assets (e.g., land, construction in progress, land and building improvements, buildings, machinery, equipment, infrastructure and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-Wide Financial Analysis

Statements of Net Position

	2017	2016 (as restated)
Current and other assets	\$ 46,889,822	\$ 32,916,210
Capital assets (net)	<u>133,613,228</u>	<u>129,836,010</u>
Total assets	<u>180,503,050</u>	<u>162,752,220</u>
Deferred outflows of resources	<u>5,511,288</u>	<u>4,755,558</u>
Other liabilities	10,041,892	8,349,444
Long-term liabilities	<u>64,071,542</u>	<u>49,783,103</u>
Total liabilities	<u>74,113,434</u>	<u>58,132,547</u>
Deferred inflows of resources	<u>10,578</u>	<u>248,258</u>
Net position:		
Net investment in capital assets	90,224,341	90,575,409
Restricted	1,570,821	1,556,418
Unrestricted	<u>20,095,164</u>	<u>16,995,146</u>
Total net position	<u>\$ 111,890,326</u>	<u>\$ 109,126,973</u>

A small portion of the Town's net position, 1.4%, represents resources that are subject to external restrictions on how they may be used.

The remaining balance, or 18.0%, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in the three categories of net position for the Town as a whole.

Government-Wide Financial Analysis (continued)
Statements of Changes in Net Position

	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 6,430,274	\$ 6,645,188
Operating grants and contributions	7,911,926	6,731,104
Capital grants and contributions	1,676,993	427,362
General revenues:		
Property taxes	58,995,604	56,279,632
Grants and contributions not restricted to specific programs	461,343	357,458
Investment income	155,775	138,095
Miscellaneous	42,828	48,953
Total revenues	<u>75,674,743</u>	<u>70,627,792</u>
Expenses:		
General government	7,980,223	8,330,574
Public safety	5,436,321	6,772,583
Highway department	4,613,473	4,287,328
Sanitation and waste removal	5,652,720	5,436,017
Human services	1,652,941	936,054
Libraries	329,500	319,500
Recreation	250,966	274,055
Education	44,882,290	42,323,983
Interest expense	2,112,956	1,290,904
Total expenses	<u>72,911,390</u>	<u>69,970,998</u>
Increase in net position	2,763,353	656,794
Net position - July 1	109,126,973	113,803,453
Restatement for net OPEB liability	-	(5,333,274)
Net position - June 30	<u>\$ 111,890,326</u>	<u>\$ 109,126,973</u>

Property taxes comprise 77.9% of revenues, followed by grants and contributions 13.3%, charges for services 8.5% and investment earnings/miscellaneous 0.3%.

Significant revenue related changes are as follows:

- Operating grants and contributions increased by \$1,180,822 substantially due to an increase in the amount of on-behalf amount recorded for State Teachers Retirement of \$420,432, and an increase in CDBG grant funds of \$730,000.
- Capital grants and contributions increased by \$1,249,631 primarily due to the school construction grant in the amount of \$804,000 for the PreK-5 school renovation project, and an increase in Local Capital Improvement Grant (LOCIP) funding of \$575,000.

Government-Wide Financial Analysis (continued)

With respect to expenses, 61.6% of the Town's expenses relates to education, followed by 10.9% to general government, 7.4% to sanitation and waste removal, 7.8% to public safety, 6.3% to highway department, 2.9% to interest on long-term debt, 2.3% to human services, 0.5% to library and 0.3% to recreation.

- ♦ Public safety expenses decreased by \$1,336,262 primarily due to a reduction in MERS pension expense of \$1,312,000.
- ♦ Human services expenses increased by \$716,887 due to the expenditure of the Community Development Block Grant program proceeds of \$731,000 for improvements to the Edythe K. Richmond housing complex.
- ♦ Education expenses increased by \$2,558,307 primarily due to the annual budget increase of \$910,000, a \$420,432 increase in the on-behalf amount recorded for State Teachers Retirement and capital grant of \$804,000 for the school projects.
- ♦ Interest on long term debt increased by \$822,052 due to the issuance of new debt.

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 expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

The Town reports fund balance in 5 categories. The following are the categories and definitions:

- Nonspendable fund balance – not in spendable format such as inventories and prepaid expenses.
- Restricted fund balance - limitations imposed by external parties, grantors or by legislation.
- Committed fund balance - can only be spent for specific purposes as established by the government's highest level of decision-making authority or contractual obligations.
- Assigned fund balance - amounts that are intended for a specific purpose but do not meet the definition of restricted or committed (i.e., designated for subsequent year's budget).
- Unassigned fund balance - amounts available for any purpose.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$37,182,044, an increase of \$15,416,559 in comparison with the prior year. \$13,692,261, or 36.8%, of this total amount constitutes unassigned fund balance.

Governmental funds (continued)

The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending due to the following:

1. Nonspendable for prepaids (\$606,341).
2. Restricted due to grant restrictions or legal requirements (\$2,238,320).
3. Committed for capital projects (\$17,259,157).
4. Assigned for subsequent year's budget, encumbrances or specific purposes (\$3,385,965).

General Fund. The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,694,592, while total fund balance reached \$16,524,365. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.7% of total general fund budgetary expenditures and transfers out, while total fund balance represents 26.1% of that same amount.

During the current fiscal year, the fund balance of the Town's general fund increased by \$1,335,026. The increase was substantially attributable to property tax revenues exceeding the amount budgeted by \$816,527 and charges for services exceeding the amount budgeted by \$350,480. In addition, the budget was underspent by a total of \$1,007,759, led by general government underspent by \$391,027 due to the under expending of several salary line items and associated benefits.

The other significant line item underspent was the public safety line which has a positive variance of \$308,526 due to the under expenditure of officer salaries and associated benefits.

These items were partially offset by the Town budgeting the use of fund balance of \$550,000 and additional appropriations of \$259,864 which are discussed in more detail below.

Sewer Usage Fund. The fund accounts for the Town's sewer usage operations. During the year, expenditures exceeded revenues and operating transfers in by \$113,962. Net position at year end was \$637,268.

PreK-5 School Construction. The fund accounts for financial resources to be used for PreK - 5 school construction project. During the year, the fund had expenditures of \$3,896,598. Funding sources include a state grant for school construction progress payments and a debt issuance totaling \$15,003,836 and a related premium of \$814,055. This effectively increased the fund deficit of \$(1,065,970) in the prior year to fund balance of 11,659,474.

Proprietary Fund

The internal service fund is the Town's only proprietary fund. Unrestricted net position in the fund at year end was \$3,058,588, a decrease of \$621,228 from the prior year.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$259,864. The significant additional appropriations and budget transfers were as follows:

- ♦ Increase of \$220,798 to transfers out to the capital nonrecurring fund for the Bayview Avenue Drainage project, the PNC generator purchase, and the acquisition of a dump truck for the Public Works Department.
- ♦ Increase of \$148,749 to public safety for 2016-2017 salary increases made mid- year.
- ♦ Increase of \$55,742 to operation and maintenance of town property to several facility maintenance line items.

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets amounts to \$133,316,228 (net of accumulated depreciation). This investment in capital assets is as follows:

Capital Assets (Net of Depreciation)

	2017	2016
	<hr/>	<hr/>
Land	\$ 12,709,836	\$ 11,028,391
Construction in progress	24,595,014	20,054,449
Land and building improvements	6,364,759	6,599,550
Buildings	32,392,084	33,667,675
Machinery and equipment	2,307,135	1,378,070
Infrastructure	53,830,228	55,509,551
Vehicles	1,414,172	1,598,324
	<hr/>	<hr/>
Total	<u>\$ 133,613,228</u>	<u>\$ 129,836,010</u>

The capital assets (net of depreciation) increased in the current year by \$3,777,218. The increase is due to capital additions exceeding depreciation expense. In the current year, the Town had capital asset additions totaling \$8,302,003. Major capital asset additions consisted of the following:

- ♦ PreK-5 Construction project – construction in progress of \$3,822,362
- ♦ Mystic River Boathouse Park land purchase of \$1,681,445
- ♦ Board of Education technology upgrades of \$1,126,177

Additional information on the Town's capital assets can be found in Note III C.

Long-term debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$51,949,064. All debt is backed by the full faith and credit of the Town.

	Outstanding Debt	
	2017	2016
General obligation bonds	\$ 51,895,000	\$ 38,235,000
Notes	54,064	153,911
Total	<u>\$ 51,949,064</u>	<u>\$ 38,388,911</u>

During the current fiscal year, the Town's total bonded debt increased by a net \$13,660,000. The increase was due to the issuance of new bonded debt for the Mystic River Boat House Park property purchase and the bonds issued to fund the PreK-5 school construction project totaling \$17,220,000 offset by scheduled principle payments on outstanding bonded debt of \$3,560,000.

In addition, the Town made the last payments on the clean water fund loans of \$153,911 and incurred new loans totaling \$54,064 for energy related improvements.

The Town maintains an "Aa1" credit rating from Moody's Investor Service. In November 2017 the Town received a rating from Standard and Poors of AA+.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$445,896,248, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

As of June 2017, the unemployment rate for the Town was at 4.1%, which compares favorably to the state's average unemployment rate of 5.8% and a national unemployment rate of 4.9%.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, James P. Sullivan, CPA, Town of Stonington, 152 Elm Street, Stonington, CT 06378.

Basic Financial Statements

Town of Stonington, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2017

<u>Assets</u>	
Current assets:	
Cash	\$ 20,840,460
Investments	20,514,017
Restricted investments	767,652
Receivables:	
Property taxes	375,364
Loans	
Assessments/user charges	876,426
Intergovernmental	778,825
Other	333,723
Prepaid expenses	606,341
Other	21,366
Total current assets	45,114,174
Noncurrent assets:	
Receivables (net):	
Property taxes	125,923
Loans	224,200
Assessments/user charges	162,540
Total receivables (net)	512,663
Other noncurrent assets:	
Net pension asset	1,262,985
Capital assets (net of accumulated depreciation):	
Land	12,709,836
Construction in progress	24,595,014
Land and building improvements	6,364,759
Buildings	32,392,084
Machinery and equipment	2,307,135
Infrastructure	53,830,228
Vehicles	1,414,172
Total capital assets	133,613,228
Total noncurrent assets	135,388,876
Total assets	180,503,050
<u>Deferred Outflows of Resources</u>	
Deferred outflows related to pensions	4,248,191
Deferred charges on refunding	1,263,097
Total deferred outflows of resources	5,511,288

(Continued)

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2017

Liabilities

Current liabilities:

Accounts payable	\$ 2,334,581
Retainage payable	148,817
Accrued payroll and related liabilities	443,772
Accrued interest payable	729,210
Unearned revenue	109,340
Performance bonds and customer deposits	770,652
Bonds and notes payable	4,393,517
Capital leases	580,549
Compensated absences	506,454
Landfill postclosure costs	25,000

Total current liabilities	<u>10,041,892</u>
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Noncurrent liabilities:

Bonds, notes, and related liabilities	50,175,931
Capital leases	1,161,461
Compensated absences	1,519,361
Landfill postclosure costs	175,000
Heart and hypertension	907,282
Net pension liability	4,681,639
Net OPEB liability	5,450,868

Total noncurrent liabilities	<u>64,071,542</u>
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Total liabilities	<u>74,113,434</u>
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Deferred Inflows of Resources

Deferred inflows related to OPEB	<u>10,578</u>
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Net Position

Net investment in capital assets	90,224,341
Restricted for:	
Public safety	7,469
Highway department	410,392
Sanitation and waste removal	1,130,388
Human services	8,949
Education	13,623
Unrestricted	<u>20,095,164</u>
Total net position	<u>\$ 111,890,326</u>

(Concluded)

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut
Statement of Activities
Governmental Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net Expenses and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 7,980,223	\$ 888,589	\$ 120,521	\$ 574,983	\$ (6,396,130)
Public safety	5,436,321	400,093	117,501	-	(4,918,727)
Highway department	4,613,473	366,819	-	297,859	(3,948,795)
Sanitation and waste removal	5,652,720	4,019,320	-	-	(1,633,400)
Human services	1,652,941	-	733,844	-	(919,097)
Libraries	329,500	-	-	-	(329,500)
Recreation	250,966	149,830	18,011	-	(83,125)
Education	44,882,290	605,623	6,922,049	804,151	(36,550,467)
Interest expense	2,112,956	-	-	-	(2,112,956)
Total	\$ 72,911,390	\$ 6,430,274	\$ 7,911,926	\$ 1,676,993	\$ (56,892,197)
General revenues:					
Property taxes					\$ 58,995,604
Grants and contributions not restricted to specific programs					461,343
Investment income					155,775
Miscellaneous					42,828
Total general revenues					59,655,550
Change in net position					2,763,353
Net position - July 1, 2016 (as restated)					109,126,973
Net position - June 30, 2017					\$ 111,890,326

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Balance Sheet
Governmental Funds
June 30, 2017

	General	Sewer Usage Fund	Pre K-5 School Construction	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 10,228,417	\$ 1,206,171	\$ -	\$ 6,529,305	\$ 17,963,893
Investments	20,514,017	-	-	-	20,514,017
Restricted investments	757,626	10,026	-	-	767,652
Receivables (net):					
Property taxes	581,927	-	-	-	581,927
Loans	-	-	-	224,200	224,200
Assessments/use charges	-	1,037,309	-	1,657	1,038,966
Intergovernmental	11,996	-	-	766,829	778,825
Other	284,829	3,134	-	45,760	333,723
Prepays	606,341	-	-	-	606,341
Due from other funds	910,311	-	11,798,548	2,057,513	14,766,372
Other	21,366	-	-	-	21,366
Total assets	<u>\$ 33,916,830</u>	<u>\$ 2,256,640</u>	<u>\$ 11,798,548</u>	<u>\$ 9,625,264</u>	<u>\$ 57,597,282</u>
<u>Liabilities</u>					
Accounts payable	\$ 1,117,034	\$ 92,103	\$ 139,074	\$ 328,790	\$ 1,677,001
Accrued payroll and related liabilities	443,772	-	-	-	443,772
Retainage payable	-	-	-	148,817	148,817
Due to other funds	14,677,516	476,934	-	451,523	15,605,973
Unearned revenue	-	-	-	109,340	109,340
Performance bonds and customer deposits	757,626	13,026	-	-	770,652
Total liabilities	<u>16,995,948</u>	<u>582,063</u>	<u>139,074</u>	<u>1,038,470</u>	<u>18,755,555</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
Property taxes	396,517	-	-	-	396,517
Sewer charges and assessments	-	1,037,309	-	1,657	1,038,966
Loans receivable	-	-	-	224,200	224,200
Total deferred inflows of resources	<u>396,517</u>	<u>1,037,309</u>	<u>-</u>	<u>225,857</u>	<u>1,659,683</u>
<u>Fund Balances</u>					
Nonspendable	606,341	-	-	-	606,341
Restricted	-	637,268	-	1,601,052	2,238,320
Committed	-	-	11,659,474	5,599,683	17,259,157
Assigned	2,223,432	-	-	1,162,533	3,385,965
Unassigned	13,694,592	-	-	(2,331)	13,692,261
Total fund balances	<u>16,524,365</u>	<u>637,268</u>	<u>11,659,474</u>	<u>8,360,937</u>	<u>37,182,044</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,916,830</u>	<u>\$ 2,256,640</u>	<u>\$ 11,798,548</u>	<u>\$ 9,625,264</u>	<u>\$ 57,597,282</u>

(Continued)

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Reconciliation of Fund Balances to Net Position
June 30, 2017

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balances (Exhibit C, Page 1)	\$ 37,182,044
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	129,836,010
Current year additions	8,178,634
Depreciation expense	(4,394,258)
Disposal of capital assets	(7,158)

Other long-term assets and deferred outflows are not available resources and, therefore, are not reported in the funds:

Property tax interest and lien accrual	78,360
Allowance for doubtful accounts	(159,000)
Net pension asset	1,262,985
Deferred outflows related to pensions	4,248,191
Deferred charges on refunding	1,263,097

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

Property tax, sewer assessments and CDBG loan receivable-accrual basis change	1,659,683
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Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	3,058,588
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Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bond, BAN's and notes payable	(51,949,064)
Premiums	(2,620,384)
Capital lease obligations	(1,742,010)
Compensated absences	(2,025,815)
Landfill postclosure costs	(200,000)
Heart and hypertension	(907,282)
Net OPEB obligation	(5,450,868)
Net pension liability	(4,681,639)
Accrued interest payable	(729,210)
Deferred inflows related to OPEB	(10,578)

Net position	<u>\$ 111,890,326</u>
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(Concluded)

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>Sewer Usage Fund</u>	<u>Pre K-5 School Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 59,233,240	\$ -	\$ -	\$ -	\$ 59,233,240
Intergovernmental	6,201,708	-	804,151	3,044,403	10,050,262
Charges for services	2,947,780	2,168,721	-	1,189,949	6,306,450
Income from investments	141,033	-	-	11,486	152,519
Other	<u>-</u>	<u>1,151</u>	<u>-</u>	<u>41,677</u>	<u>42,828</u>
Total revenues	<u>68,523,761</u>	<u>2,169,872</u>	<u>804,151</u>	<u>4,287,515</u>	<u>75,785,299</u>
Expenditures:					
Current:					
General government	7,457,339	-	-	176,874	7,634,213
Public safety	5,043,119	-	-	389,901	5,433,020
Highway department	2,312,828	-	-	481,103	2,793,931
Sanitation and waste removal	2,467,210	2,583,834	-	-	5,051,044
Human services	401,274	-	-	776,482	1,177,756
Social services	294,958	-	-	-	294,958
Recreation	99,579	-	-	151,387	250,966
Libraries	329,500	-	-	-	329,500
Payments to other civic divisions	197,370	-	-	-	197,370
Education	40,063,154	-	-	1,813,789	41,876,943
Debt service	5,004,612	-	-	617,429	5,622,041
Capital outlay	<u>-</u>	<u>-</u>	<u>3,896,598</u>	<u>5,524,429</u>	<u>9,421,027</u>
Total expenditures	<u>63,670,943</u>	<u>2,583,834</u>	<u>3,896,598</u>	<u>9,931,394</u>	<u>80,082,769</u>
Excess (deficiency) of revenues over expenditures	<u>4,852,818</u>	<u>(413,962)</u>	<u>(3,092,447)</u>	<u>(5,643,879)</u>	<u>(4,297,470)</u>
Other financing sources (uses):					
Issuance of debt	-	-	15,003,836	2,216,164	17,220,000
Capital leases	-	-	-	1,679,974	1,679,974
Bond premium	-	-	814,055	-	814,055
Transfers in	45,000	300,000	-	3,262,792	3,607,792
Transfers out	<u>(3,562,792)</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>(3,607,792)</u>
Net other financing sources (uses)	<u>(3,517,792)</u>	<u>300,000</u>	<u>15,817,891</u>	<u>7,113,930</u>	<u>19,714,029</u>
Net change in fund balances	1,335,026	(113,962)	12,725,444	1,470,051	15,416,559
Fund balances - July 1, 2016	<u>15,189,339</u>	<u>751,230</u>	<u>(1,065,970)</u>	<u>6,890,886</u>	<u>21,765,485</u>
Fund balances - June 30, 2017	<u>\$ 16,524,365</u>	<u>\$ 637,268</u>	<u>\$ 11,659,474</u>	<u>\$ 8,360,937</u>	<u>\$ 37,182,044</u>

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2017

Amounts reported in the statement of activities (Exhibit B) are different due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 15,416,559
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	8,178,634
Depreciation expense	(4,394,258)
Total	3,784,376

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold

(7,158)

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

Change in property tax, sewer assessments and CDBG loans receivable - accrual basis change	17,278
Change in property tax interest and lien revenue	(24,090)
Change in property tax allowance for doubtful accounts	(107,000)
Total	(113,812)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of debt	(17,220,000)
Issuance of notes payable	(54,064)
Premiums	(814,055)
Capital leases	(1,679,974)
Principal payments:	
General obligation bonds	3,560,000
Notes payable	153,911
Premiums	210,019
Capital leases	577,248
Deferred charges on refunding	(84,207)
Total	(15,351,122)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	(570,790)
Accrued interest payable	(330,638)
Pension expense	548,305
OPEB expense	(28,754)
Heart and hypertension	12,615
Landfill postclosure costs	25,000
Total	(344,262)

Internal service funds are used by management to charge costs of medical insurance premiums to individual departments (change in net position)

(621,228)

Change in net position (Exhibit B)	\$ 2,763,353
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The notes to the financial statements are an integral part of this statement.

Town of Stonington, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 58,416,713	\$ 58,416,713	\$ 59,233,240	\$ 816,527
Intergovernmental	2,276,500	2,276,500	2,152,136	(124,364)
Charges for services	2,597,300	2,597,300	2,947,780	350,480
Revenues from use of Town money and property	119,500	119,500	141,033	21,533
Total revenues	63,410,013	63,410,013	64,474,189	1,064,176
Expenditures:				
Current:				
General government	8,080,379	7,943,925	7,552,898	391,027
Public safety	5,202,896	5,351,645	5,043,119	308,526
Highway department	2,398,140	2,411,266	2,320,233	91,033
Sanitation and waste removal	2,597,310	2,600,980	2,467,210	133,770
Human services	419,088	427,547	401,274	26,273
Social services	296,000	296,000	294,958	1,042
Recreation	98,829	100,345	99,579	766
Libraries	329,500	329,500	329,500	-
Payments to other civic divisions	197,370	197,370	197,370	-
Education	36,045,407	36,045,407	35,991,573	53,834
Debt service	5,006,100	5,006,100	5,004,612	1,488
Total expenditures	60,671,019	60,710,085	59,702,326	1,007,759
Excess of revenues over expenditures	2,738,994	2,699,928	4,771,863	2,071,935
Other financing sources (uses):				
Appropriation of fund balance	550,000	809,864	-	(809,864)
Cancellation of prior year encumbrances	8,000	8,000	55,235	47,235
Transfers in	45,000	45,000	45,000	-
Transfers out	(3,341,994)	(3,562,792)	(3,562,792)	-
Net other financing sources (uses)	(2,738,994)	(2,699,928)	(3,462,557)	(762,629)
Net change in fund balance	\$ -	\$ -	1,309,306	\$ 1,309,306
Fund balance - July 1, 2016			14,884,927	
Fund balance - June 30, 2017			\$ 16,194,233	

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Statement of Net Position
 Proprietary Funds
 June 30, 2017

	Internal Service Fund
	<hr/>
<u>Assets</u>	
Current assets:	
Cash	\$ 2,876,567
Due from other funds	<hr/> 767,021
Total current assets	<hr/> 3,643,588
<u>Liability</u>	
Current liability:	
Claims payable	<hr/> 585,000
<u>Net Position</u>	
Unrestricted	<hr/> <hr/> \$ 3,058,588

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Internal Service Fund</u>
Operating revenues:	
Charges for services	<u>\$ 7,431,114</u>
Operating expenses:	
Medical claims	6,732,146
Administration and other	<u>1,323,452</u>
Total operating expenses	<u>8,055,598</u>
Operating income (loss)	(624,484)
Nonoperating revenues:	
Investment income	<u>3,256</u>
Change in net position	(621,228)
Net position - July 1, 2016	<u>3,679,816</u>
Net position - June 30, 2017	<u><u>\$ 3,058,588</u></u>

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash received for charges	\$ 7,358,272
Cash paid for claims and other	(6,653,146)
Cash paid for administration	<u>(1,323,452)</u>
Net cash provided by (used in) operating activities	(618,326)
Cash flows from investing activities:	
Investment income	<u>3,256</u>
Net increase (decrease) in cash and cash equivalents	(615,070)
Cash - July 1, 2016	<u>3,491,637</u>
Cash - June 30, 2017	<u><u>\$ 2,876,567</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (624,484)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	(72,842)
Increase (decrease) in:	
Claims payable	<u>79,000</u>
Net cash provided by (used in) operating activities	<u><u>\$ (618,326)</u></u>

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Pension Trust Fund	Police OPEB Trust Fund	OPEB Trust Fund	Private- Purpose Trust Fund	Agency Funds
<u>Assets</u>					
Cash	\$ -	\$ 7,050	\$ 4,656	\$ 18,554	\$ 467,172
Accounts receivable	30,000	-	-	-	-
Investments:					
Certificates of deposit	-	248,588	150,359	113,224	-
Mutual funds:					
Money market mutual funds	627,523	92,515	70,893	-	-
Fixed income mutual funds	-	88,122	121,654	-	-
Bond mutual funds	10,039,675	-	-	-	-
Equity mutual funds	21,193,376	287,068	200,014	-	-
Equities		449,310	305,242	-	-
Corporate bonds	-	253,913	284,603	-	-
U.S. government agency obligations	-	25,014	25,021	-	-
Municipal bonds	-	134,014	19,524	-	-
Total investments	31,860,574	1,578,544	1,177,310	113,224	-
Due from other funds	-	25,001	-	-	47,579
Total assets	31,890,574	1,610,595	1,181,966	131,778	514,751
<u>Liability</u>					
Accounts payable	-	-	-	-	514,751
<u>Net Position</u>					
Restricted for pension benefits, OPEB benefits and other purposes	\$ 31,890,574	\$ 1,610,595	\$ 1,181,966	\$ 131,778	\$ -

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Pension Trust Fund	Police OPEB Trust Fund	OPEB Trust Fund	Private- Purpose Trust Fund
Additions:				
Contributions:				
Employer	\$ 997,631	\$ 79,681	\$ 461,649	\$ -
Employee	205,299	54,681	-	-
Total contributions	1,202,930	134,362	461,649	-
Investment income (loss):				
Net change in fair value of investments	2,654,550	70,797	51,638	-
Interest and dividends	512,238	40,261	28,082	238
Total investment income (loss)	3,166,788	111,058	79,720	238
Less investment expense	29,058	-	12,575	-
Net investment income (loss)	3,137,730	111,058	67,145	238
Total additions	4,340,660	245,420	528,794	238
Deductions:				
Benefits	1,605,602	5,712	371,649	-
Administration	37,332	16,928	2,000	-
Other	-	-	-	6,956
Total deductions	1,642,934	22,640	373,649	6,956
Change in net position	2,697,726	222,780	155,145	(6,718)
Net position - July 1, 2016	29,192,848	1,387,815	1,026,821	138,496
Net position - June 30, 2017	<u>\$ 31,890,574</u>	<u>\$ 1,610,595</u>	<u>\$ 1,181,966</u>	<u>\$ 131,778</u>

The notes to financial statements are an integral part of this statement.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**History and organization**

The Town of Stonington, Connecticut ("Town") is located in the southeastern corner of Connecticut, bordering Rhode Island to the east, Long Island Sound to the south and Groton, Ledyard and North Stonington to the west and north. The Town, which covers 42.7 square miles, was settled in 1649. The Town operates under a Selectmen-Town Meeting form of government as prescribed by the Connecticut General Statutes and its charter, which was adopted November 7, 1989. The Town provides the following services as authorized by its charter: public safety, public works (streets and highways), sanitation, culture and recreation, planning, zoning, public health and social services, sewers and education encompassing grades Pre-K through 12.

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

B. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for using 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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 the governmental funds.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The *Sewer Usage Fund* accounts for the Town's sewer use operations.

The *Pre K-5 School Construction Fund* accounts for the financial revenues to be used for the renovation and expansion of West Vine Street and Deans Mill elementary schools.

The Town reports the following major proprietary fund:

The *Internal Service Fund* accounts for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10.

Additionally, the Town reports the following fund types:

The *Pension Trust Fund* accounts for the activities of the Stonington Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Police OPEB Trust Fund* accounts for the activities of the Stonington Retiree Health Care Savings Account Plan, which accumulates resources for retiree health care benefits to qualified employees.

The *OPEB Trust Fund* accounts for the activities of the Town's OPEB Plan, which accumulates resources for retiree medical insurance benefits.

The *Private-Purpose Trust Fund* accounts for the activities of the Town's scholarships, which accumulates resources for local student education.

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

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town of Stonington retirement plan, the Connecticut Municipal Employees Retirement System (MERS) and the Connecticut State Teachers' Retirement System (TRS) have been determined on the same basis as they are reported by the Town of Stonington retirement plan, MERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity**1. Deposits and investments**

Deposits - The Town's cash and cash equivalents consists of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

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

The Town's pension funds are regulated by an approved investment policy, which is reviewed annually by the pension committee. The Town has agreements with the investment advisors, who manage the investment portfolios and have full authority for the investment and reinvestment of pension fund assets.

Investments for the Town are reported at fair value.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**2. Receivables and payables****a. Interfunds**

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

b. Property taxes and other receivables

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2% to 50% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, property taxes receivables which have not been collected within sixty days of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the sixty day period have been recorded as revenue.

Loan receivables consist of Community Development Block Grant loans. The Town provides the low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicles taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for improvements and \$50,000 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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

3. Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
Land and building improvements	20-50
Buildings	50
Machinery and equipment	5-15
Infrastructure	20-65
Vehicles	5-10

4. Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement.

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. The vesting method, using historical data, was used to calculate the liability.

5. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**6. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports the deferred charge on refunding and the deferred outflows related to pensions in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows applicable to pensions are related to contributions made by the Town after the measurement date and the net difference between projected and actual earnings on pension plan investments. The deferred outflows related to contributions made after the measurement date are recognized in the subsequent fiscal year. The deferred outflow for the net difference between projected and actual earnings on pension plan investments is amortized over a 5 year period. Deferred outflows for the differences between expected and actual experience and changes in assumptions are amortized over the average remaining service life of the plan members.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows related to OPEB in this category. When the Town reports a deferred inflow for the net difference between projected and actual earnings on pension plan investments it is amortized over a 5 year period. Deferred inflows for the differences between expected and actual experience and changes in assumptions are amortized over the average remaining service life of the plan members.

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenue from four sources: property taxes, sewer charges and assessments, loans receivable and intergovernmental receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Fund equity and net position

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

Net investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Town which is not restricted.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**7. Fund equity and net position (continued)**

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by Town Meeting.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by the Board of Finance or by a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

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 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 consider restricted - net position to have been depleted before unrestricted - net position is applied.

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 consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****8. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance and accountability**A. Budgets and budgetary accounting**

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The general fund is the only fund for which a legal budget is adopted.

- No later than January 1, each Department, Office, Board or Commission of the Town, supported wholly or in part by Town funds, or for which a specific Town appropriation is made, except the Board of Education, shall prepare and submit to the First Selectman a detailed estimate of the expenditures to be made and the anticipated revenue other than tax revenue to be received during the ensuing fiscal year. The Board of Education shall submit its budget request by March 1st to the Board of Finance. The First Selectman, after consultation with the Director of Finance, shall prescribe the format for budget presentation which shall include, at a minimum, comparative statistics for the current and preceding fiscal year operations.
- No later than March 15th, the First Selectman shall present to the Board of Finance an itemized annual operating budget, including the Board of Education budget.
- The Board of Finance shall hold one (1) or more public hearings no later than the first Monday of May, at which time any elector or taxpayer may have an opportunity to be heard regarding appropriations for the ensuing fiscal year. Following receipt of the estimates from the First Selectman, the Board of Finance shall cause said estimates to be made available for review in the office of the Town Clerk. At least five (5) days before the aforementioned public hearing, the Board of Finance shall cause to be published in a newspaper having a substantial circulation in the Town, a notice of such public hearing and a summary of said proposed budget estimates which show the amount to be raised by taxation.

The Board of Finance shall have the authority to increase or decrease the budget submitted by the First Selectman. Within fifteen (15) days after holding the final such public hearing, the Board of Finance shall approve an operating budget and file the same with the Town Clerk for submission to the Annual Town Budget Meeting.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**A. Budgets and budgetary accounting (continued)**

- There shall be a Town Meeting for the consideration of the budget to be held no later than the third Monday in May and at such place and time as the Board of Selectmen may determine. Said meeting may be recessed as necessary. The budget adoption procedure shall be the following:
 - If the budget has not been submitted or petitioned to a Referendum, the budget as presented may be adopted by a majority vote of those present and voting thereon.
 - If the budget is rejected, it shall be returned to the Board of Finance who shall reconsider the budget and resubmit a budget to the recessed Town Meeting to be held no more than three (3) weeks after said rejection with at least (5) days published notice thereof.
 - The same steps and procedures, including published notices of meetings, shall be followed as outlined above until a budget has been adopted.
 - Any resubmitted budget may be submitted or petitioned to a Referendum.
 - In the event a budget has not been approved by June 15, the Board of Selectmen shall be empowered to set a mill rate in order to facilitate the preparation and mailing of tax bills at a level that in its best judgment will meet the needs of the Town for the ensuing year. In the event a budget has been adopted prior to June 15, the Board of Finance shall meet and set the mill rate at a level sufficient to meet the needs of the Town for the ensuing year.
- The Board of Finance, in accordance with the provisions of the Charter and the Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another. Management may not authorize any additional appropriations. All additional appropriations up to \$20,000 require Board of Finance approval. Those in excess of \$20,000 require full legislative approval (Town Meeting). The Board of Selectmen and the Board of Finance may approve additional appropriations cumulating no more than 0.5% of the current year operating budget. There were additional appropriations of \$259,864 made during the year.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over \$20,000, Town Meeting approval.

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

A. Budgets and budgetary accounting (continued)

- 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 (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Budget - GAAP reconciliation

A reconciliation of revenues, expenditures and fund balance between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis, Exhibit F	\$64,474,189	\$59,702,326	\$16,194,233
Encumbrances outstanding at June 30, 2016 liquidated during the year ended June 30, 2017	-	249,177	-
Encumbrances outstanding at June 30, 2017, charged to budgetary expenditures	-	(330,132)	330,132
State Teachers' Retirement on-behalf payment	<u>4,049,572</u>	<u>4,049,572</u>	<u>-</u>
Balance, GAAP Basis, Exhibit D	<u>\$68,523,761</u>	<u>\$63,670,943</u>	<u>\$16,524,365</u>

C. Donor-restricted endowments

The Town has received certain endowments for various scholarship purposes. The amounts are reflected in net position as restricted for endowments. Investment income for scholarship funds is approved for expenditure by the individual Boards of the benefiting activities and is included in restricted net position.

D. Capital projects authorizations

The following is a summary of certain capital projects:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Wastewater treatment facilities improvements	\$ 18,325,000	\$ 16,769,938	\$ 1,555,062
Various school renovations	69,000,000	4,962,568	64,037,432
Mystic River Boathouse Park	2,216,164	1,681,621	534,543
Athletic fields & facilities	<u>2,700,000</u>	<u>2,642,907</u>	<u>57,093</u>
Totals	<u>\$ 92,241,164</u>	<u>\$ 26,057,034</u>	<u>\$ 66,184,130</u>

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

III. Detailed notes**A. Cash and investments**

1. Deposits - Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year end, \$21,988,512 of the Town's bank balance of \$29,444,664 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 16,187,122
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>5,801,390</u>
Total amount subject to custodial credit risk	<u><u>\$ 21,988,512</u></u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

2. Investments - The Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	N/A	Investment Maturities in Years			
			Less than One Year	1-5 Years	5-10 Years	Over 10 Years
<u>Mutual Funds:</u>						
Fixed income	\$ 209,776	\$ -	\$ 209,776	\$ -	\$ -	\$ -
Equity	21,680,458	21,680,458	-	-	-	-
Money market	790,931	-	790,931	-	-	-
Corporate bond	10,039,675	-	-	856,003	7,603,665	1,580,007
Certificates of deposit / MM	21,300,329	-	20,901,384	176,158	222,787	-
Pooled fixed income	493,510	-	493,510	-	-	-
U.S. government agency securities	50,035	-	-	25,021	25,014	-
Common stock	754,552	754,552	-	-	-	-
Corporate bonds	538,516	-	25,120	334,154	179,242	-
Municipal bonds	<u>153,538</u>	<u>-</u>	<u>-</u>	<u>106,082</u>	<u>47,456</u>	<u>-</u>
	<u>\$ 56,011,320</u>	<u>\$22,435,010</u>	<u>\$ 22,420,721</u>	<u>\$ 1,497,418</u>	<u>\$8,078,164</u>	<u>\$1,580,007</u>

Fair value of investments

The Town measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted prices; and
- Level 3: Unobservable inputs

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

A. Cash and investments (continued)

The Town had the following recurring fair value measurements:

		Quoted Market Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs
Investments by fair value level	Amount	Level 1	Level 2	Level 3
<u>Mutual Funds:</u>				
Money market	\$ 790,931	\$ 790,931	\$ -	\$ -
Equity	21,680,458	21,680,458	-	-
Bond	10,039,675	10,039,675	-	-
Fixed income	209,776	209,776	-	-
Common stock	754,552	754,552	-	-
U.S. government agency securities	50,035	-	50,035	-
Municipal bonds	153,538	-	153,538	-
Corporate bonds	538,516	-	538,516	-
Total investments by fair value level	34,217,481	\$ 33,475,392	\$ 742,089	\$ -
<u>Other Investments</u>				
Money markets/CDs	21,300,329			
Pooled fixed income	493,510			
Total other investments	21,793,839			
Total investments	\$ 56,011,320			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using quoted prices for identical securities in the markets that are not active.

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

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

The Town's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Ratings	Pooled Fixed Income	Municipal and Corporate Bonds	U.S Government Agency Securities	Bond Mutual Funds	Money Market Mutual Funds	Fixed Income Mutual Funds
AAA	\$ 493,510	\$ 48,715	\$ 50,035	\$ 856,003	\$ 790,931	\$ 115,132
AA	-	179,526	-	-	-	-
A	-	385,719	-	1,580,007	-	-
B	-	26,879	-	6,081,692	-	60,371
BBB	-	51,215	-	-	-	-
Unrated	-	-	-	1,521,973	-	34,273
Total	<u>\$ 493,510</u>	<u>\$ 692,054</u>	<u>\$ 50,035</u>	<u>\$ 10,039,675</u>	<u>\$ 790,931</u>	<u>\$ 209,776</u>

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

A. Cash and investments (continued)

Custodial credit risk - The Town does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, debentures, certificates of deposit and money funds.

The following Town investments are held by the counterparty's trust department or agent but not in the Town's name and, therefore, are subject to custodial credit risk.

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject to Custodial Credit Risk</u>
U.S. government agency securities	\$ 50,035	\$ -	\$ 50,035
Common stock	754,552	500,000	254,552
Corporate bonds	538,516	500,000	38,516
Municipal bonds	<u>153,538</u>	<u>-</u>	<u>153,538</u>
	<u>\$ 1,496,641</u>	<u>\$ 1,000,000</u>	<u>\$ 496,641</u>

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

	<u>Property Taxes</u>			<u>Police Outside Services</u>
	<u>Taxes</u>	<u>Interest & Lien Fees</u>	<u>Total</u>	
Current portion	<u>\$ 355,689</u>	<u>\$ 19,680</u>	<u>\$ 375,364</u>	<u>\$ 60,094</u>
Long-term portion	\$ 226,243	\$ 58,680	\$ 284,923	\$ -
Less allowance for uncollectibles	<u>(120,000)</u>	<u>(39,000)</u>	<u>(159,000)</u>	<u>(15,000)</u>
Net	<u>\$ 106,243</u>	<u>\$ 19,680</u>	<u>\$ 125,923</u>	<u>\$ 45,094</u>

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Receivables (continued)**

	<u>Sewer Use</u>				
	<u>Use</u>	<u>Interest & Lien Fees</u>	<u>Total</u>	<u>Sewer Assessment</u>	<u>Total</u>
Current portion	<u>\$ 871,892</u>	<u>\$ 2,877</u>	<u>\$ 874,769</u>	<u>\$ 1,657</u>	<u>\$ 876,426</u>
Long-term portion	<u>\$ 180,663</u>	<u>\$ 2,877</u>	<u>\$ 183,540</u>	<u>\$ -</u>	<u>\$ 183,540</u>
Less allowance for uncollectibles	<u>(21,000)</u>	<u>-</u>	<u>(21,000)</u>	<u>-</u>	<u>(21,000)</u>
Net long-term portion	<u>\$ 159,663</u>	<u>\$ 2,887</u>	<u>\$ 162,540</u>	<u>\$ -</u>	<u>\$ 162,540</u>

C. Capital assets

Capital asset activity for the fiscal year was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 11,028,391	\$ 1,681,445	\$ -	\$ 12,709,836
Construction in progress	<u>20,054,449</u>	<u>4,663,934</u>	<u>123,369</u>	<u>24,595,014</u>
Total capital assets, not being depreciated	<u>31,082,840</u>	<u>6,345,379</u>	<u>123,369</u>	<u>37,304,850</u>
Capital assets, being depreciated:				
Land and building improvements	11,054,962	50,000	-	11,104,962
Buildings	66,497,368	-	-	66,497,368
Machinery and equipment	6,507,943	1,568,030	-	8,075,973
Infrastructure	89,788,422	192,852	-	89,981,274
Vehicles	<u>3,992,974</u>	<u>145,742</u>	<u>176,650</u>	<u>3,962,066</u>
Total capital assets being depreciated	<u>177,841,669</u>	<u>1,956,624</u>	<u>176,650</u>	<u>179,621,643</u>
Total capital assets	<u>208,924,509</u>	<u>8,302,003</u>	<u>300,019</u>	<u>216,926,493</u>
Less accumulated depreciation for:				
Land and building improvements	4,455,412	284,791	-	4,740,203
Buildings	32,829,693	1,275,591	-	34,105,284
Machinery and equipment	5,129,873	638,965	-	5,768,838
Infrastructure	34,278,871	1,872,175	-	36,151,046
Vehicles	<u>2,394,650</u>	<u>322,736</u>	<u>169,492</u>	<u>2,547,894</u>
Total accumulated depreciation	<u>79,088,499</u>	<u>4,394,258</u>	<u>169,492</u>	<u>83,313,265</u>
Total capital assets, being depreciated, net	<u>98,753,170</u>	<u>(2,437,634)</u>	<u>7,158</u>	<u>96,308,378</u>
Capital assets, net	<u>\$ 129,836,010</u>	<u>\$ 3,907,745</u>	<u>\$ 130,527</u>	<u>\$ 133,613,228</u>

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Capital assets (continued)**

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

General government	\$1,719,059
Public safety	214,010
Highway department	213,694
Sanitation and waste removal	589,997
Human services	8,453
Education	<u>1,649,045</u>
Total depreciation expense	<u>\$4,394,258</u>

D. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances is as follows:

<u>Major funds</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund:			
Town Aid Road Fund	N/A	\$ -	\$ 410,392
Shellfish Fund	N/A	891	-
Dog License Fund	N/A	-	10,750
Youth Service Activity Fund	N/A	13,985	-
Miscellaneous	N/A	51,969	-
Community Development Block Grant	N/A	20	-
Recreation Commission Fund	N/A	20,111	-
Human Services Grant	N/A	-	37,208
Mystic Harbor Management	N/A	-	24,748
Stonington Harbor Management	N/A	-	22,831
Miscellaneous	N/A	-	177,730
Statewide Narcotics Grant	N/A	-	796
State Assets Forfeiture	N/A	-	2,163
Planning and Development Grant funds	N/A	-	96,688
Prepaid Education Grants	N/A	198,456	-
Bonded Capital Projects	N/A	-	1,303,640
Capital Nonrecurring	N/A	147,945	-
PreK-5 Construction	N/A	-	11,798,548
Sewer Usage Fund	N/A	476,934	-
Health Care Fund	N/A	-	707,021
Town Dock Reserve	N/A	-	60,000
Police OPEB Trust Fund	N/A	<u>-</u>	<u>25,001</u>
Total General Fund	N/A	<u>910,311</u>	<u>14,677,516</u>
Sewer Usage Fund:			
General fund	N/A	<u>-</u>	<u>476,934</u>
Pre K-5 School Construction:			
General Fund	N/A	<u>11,798,548</u>	<u>-</u>

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Interfund accounts (continued)

1. Interfund payables and receivables (continued)

<u>Nonmajor funds</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
Special revenue funds:			
Town Aid Road Fund	General fund	\$ 410,392	\$ -
Shellfish Fund	General fund	-	891
Dog License Fund	General fund	10,750	-
Youth Service Activity Fund	General fund	-	13,985
Youth Service Activity Fund	Recreation	-	13,599
Youth Service Activity Fund	Human Services Grants	1,028	-
Miscellaneous	General fund	-	51,969
Community Development Block Grant	General fund	-	20
Recreation Commission Fund	General fund	-	20,111
Recreation Commission Fund	Youth Service	13,599	-
Human Services Grant	General fund	37,208	-
Human Services Grant	Youth Service	-	1,028
Miscellaneous	General fund	180,689	-
Human Services Grants	Hot Lunch Program	3,519	-
Planning and Development Grant Fund	General fund	96,688	-
Planning and Development Grant Fund	Bonded Capital Projects	140	-
Prepaid Education Grants Fund	General fund	-	198,456
Hot Lunch Program	Human Services Grants	-	3,519
Capital projects funds:			
Capital Nonrecurring	General fund	-	147,945
Bonded Capital Projects	General fund	<u>1,303,500</u>	<u>-</u>
Total nonmajor governmental funds		<u>2,057,513</u>	<u>451,523</u>
Internal service funds		<u>767,021</u>	<u>-</u>
Fiduciary funds:			
Police OPEB Trust Fund	General fund	<u>25,001</u>	<u>-</u>
Agency funds:			
Stonington Harbor Management	General fund	22,831	-
Mystic Harbor Management	General fund	<u>24,748</u>	<u>-</u>
Total agency funds		<u>47,579</u>	<u>-</u>
Grand total		<u>\$ 15,605,973</u>	<u>\$ 15,605,973</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for various activities.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Interfund accounts (continued)

2. Interfund transfers

A summary of interfund transfers for the fiscal year is as follows:

<u>Major Funds</u>	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:			
Miscellaneous	N/A	\$ -	\$ 221,714
Sewer Assessment Fund	N/A	45,000	-
Sewer Usage Fund	N/A	-	300,000
Capital Nonrecurring	N/A	-	3,041,078
Total general fund		<u>45,000</u>	<u>3,562,792</u>
Sewer usage fund:			
General fund	N/A	<u>300,000</u>	<u>-</u>
<u>Nonmajor Funds</u>			
Special Revenue Funds:			
Sewer Assessment Fund	General Fund	-	45,000
Miscellaneous	General Fund	221,714	-
Capital Projects Fund:			
Capital and Nonrecurring	General Fund	<u>3,041,078</u>	<u>-</u>
Total Nonmajor Funds		<u>3,262,792</u>	<u>45,000</u>
Grand Total		<u>\$ 3,607,792</u>	<u>\$ 3,607,792</u>

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

E. Changes in long-term obligations

1. Summary of changes

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2016 (as restated)	Additions	Deductions	Balance June 30, 2017	Current Portion	Long-term Portion
<u>Bonds:</u>										
General purpose:										
Refunding bond	\$4,525,000	02/15/09	05/15/20	2.0%-5.0%	\$ 1,558,100	\$ -	\$ 403,700	\$ 1,154,400	\$ 388,600	\$ 765,800
Refunding bond	1,192,000	02/23/12	09/01/24	2.25%-4.0%	971,000	-	110,000	861,000	109,000	752,000
Improvement bond	4,285,000	08/14/13	08/15/33	2.5%-4.25%	3,855,000	-	215,000	3,640,000	215,000	3,425,000
Road Improvement bond	1,915,000	08/22/14	08/15/34	2.0%-4.0%	1,818,000	-	97,000	1,721,000	97,000	1,624,000
Mystic River Park	2,216,164	11/01/16	11/01/17	2.0%-5.0%	-	2,216,164	-	2,216,164	111,164	2,105,000
Total general purpose					8,202,100	2,216,164	825,700	9,592,564	920,764	8,671,800
School:										
Refunding bond	3,000,000	02/15/09	05/15/20	2.0%-5.0%	831,900	-	296,300	535,600	286,400	249,200
Refunding bond	16,128,000	02/23/12	09/01/26	2.0%-4.0%	13,594,000	-	1,520,000	12,074,000	1,501,000	10,573,000
Pre K-5 School Project	15,003,836	11/01/16	11/01/17	2.0%-5.0%	-	15,003,836	-	15,003,836	753,836	14,250,000
Total school					14,425,900	15,003,836	1,816,300	27,613,436	2,541,236	25,072,200
Sewer:										
Improvement bond	12,000,000	04/05/12	04/01/32	4.125%-5.5%	9,600,000	-	600,000	9,000,000	600,000	8,400,000
Improvement bond	6,325,000	08/22/14	08/15/34	2.0%-4.0%	6,007,000	-	318,000	5,689,000	318,000	5,371,000
Total sewer					15,607,000	-	918,000	14,689,000	918,000	13,771,000
Total bonds					38,235,000	17,220,000	3,560,000	51,895,000	4,380,000	47,515,000
<u>Notes:</u>										
Clean water loans:										
Clean water loan	1,563,519	1998	2017	2.0%	75,155	-	75,155	-	-	-
Clean water loan	1,148,280	06/30/00	2016	2.0%	78,756	-	78,756	-	-	-
Total clean water loans					153,911	-	153,911	-	-	-
Energy loans	54,064	6/16/2017	06/16/21		-	54,064	-	54,064	13,517	40,547
Total bond and notes					38,388,911	17,274,064	3,713,911	51,949,064	4,393,517	47,555,547
Premiums					2,016,348	814,055	210,019	2,620,384	-	2,620,384
Total bonds, notes and related liabilities					40,405,259	18,088,119	3,923,930	54,569,448	4,393,517	50,175,931
Capital leases					639,284	1,679,974	577,248	1,742,010	580,549	1,161,461
Compensated absences					1,455,025	1,453,869	883,079	2,025,815	506,454	1,519,361
Landfill postclosure costs					225,000	-	25,000	200,000	25,000	175,000
Heart and hypertension					919,897	36,135	48,750	907,282	-	907,282
Net pension liability					4,878,508	4,106,459	4,303,328	4,681,639	-	4,681,639
Net OPEB liability					5,432,692	544,970	526,794	5,450,868	-	5,450,868
Total long-term obligations					\$53,955,665	\$25,909,526	\$10,288,129	\$69,577,062	\$5,505,520	\$64,071,542

All long-term liabilities are generally liquidated by the general fund.

In November 2017, the Town issued \$20,000,000 of general obligation bonds and \$20,000,000 of general obligation bonds anticipation notes. These bonds mature through 2027 and carry interest rates of 2.0 - 4.0%. These BANs mature in October of 2018 and carry coupon interest rate of 2.0%.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**E. Changes in long-term obligations**

The annual requirements to amortize bonds and loans payable are as follows:

Fiscal Year End June 30,	Bonds			Energy Loans		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 4,380,000	\$ 1,978,706	\$ 6,358,706	\$ 13,517	\$ -	\$ 13,517
2019	4,210,000	1,561,981	5,771,981	13,516	-	13,516
2020	4,195,000	1,399,482	5,594,482	13,515	-	13,515
2021	3,690,000	1,228,781	4,918,781	13,516	-	13,516
2022	3,580,000	1,091,532	4,671,532	-	-	-
2023	3,580,000	960,630	4,540,630	-	-	-
2024	3,570,000	842,119	4,412,119	-	-	-
2025	3,325,000	734,047	4,059,047	-	-	-
2026	2,740,000	642,681	3,382,681	-	-	-
2027	2,255,000	568,813	2,823,813	-	-	-
2028	2,085,000	501,294	2,586,294	-	-	-
2029	2,085,000	435,363	2,520,363	-	-	-
2030	2,085,000	367,662	2,452,662	-	-	-
2031	2,085,000	299,962	2,384,962	-	-	-
2032	2,080,000	231,974	2,311,974	-	-	-
2033	1,480,000	163,312	1,643,312	-	-	-
2034	1,480,000	115,262	1,595,262	-	-	-
2035	1,270,000	71,419	1,341,419	-	-	-
2036	860,000	38,700	898,700	-	-	-
2037	860,000	12,900	872,900	-	-	-
TOTALS	\$ 51,895,000	\$ 13,246,619	\$ 65,141,619	\$ 54,064	\$ -	\$ 54,064

2. Statutory debt limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 143,323,794	\$ 11,725,293	\$ 131,598,501
Schools	286,647,588	27,613,436	259,034,152
Sewers	238,872,990	14,689,000	224,183,990
Urban renewal	207,023,258		207,023,258
Pension deficit	191,098,392		191,098,392

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$445,896,248.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

E. Changes in long-term obligations (continued)**3. Prior years' advance refunding**

In the prior years, the Town had defeased a bond issue by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Town's financial statements. The amount of defeased debt outstanding but removed from the Town's financial statements amounted to \$1,100,000.

4. Authorized/unissued bonds

The amount of authorized, unissued bonds for improvements to the Town's school building renovations is \$53,996,164.

5. Capital leases

The Town is committed under multiple leases for vehicles and student laptop computers. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Vehicles and student laptop computers totaling \$1,777,961 and accumulated amortization of \$497,394 are recorded under capital leases. Amortization of vehicles under capital leases is included with depreciation expense.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments:

Year Ending <u>June 30,</u>	
2018	627,672
2019	627,673
2020	443,665
2021	<u>138,100</u>
Total	1,837,110
Less amount representing interest	<u>(95,100)</u>
Present value of minimum lease payments	<u>\$1,742,010</u>

6. Landfill closure and postclosure care costs

The Town closed its landfill in 1995. State and Federal laws and regulations require landfill closures to meet certain standards. Monitoring costs and estimated repairs and maintenance for the next 8 years at \$25,000 per year are \$200,000. These amounts are based on estimates which are subject to change due to inflation, technology or applicable laws and regulations.

F. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$1,806,836.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**G. Fund balance classifications**

Fund balances are composed of the following:

Fund Balance Component	General Fund	Sewer Usage Fund	Pre K-5 School Construction	Other Governmental Funds	Total
<u>Nonspendable:</u>					
General government	\$ 606,341	\$ -	\$ -	\$ -	\$ 606,341
<u>Restricted:</u>					
Public safety	-	-	-	7,469	7,469
Highway department	-	-	-	410,392	410,392
Sanitation and waste removal	-	637,268	-	1,130,388	1,767,656
Human services	-	-	-	8,949	8,949
Education	-	-	-	43,854	43,854
Total Restricted	-	637,268	-	1,601,052	2,238,320
<u>Committed:</u>					
General government	-	-	-	201,078	201,078
Approved CNR Projects	-	-	11,659,474	5,398,605	17,058,079
Total Committed	-	-	11,659,474	5,599,683	17,259,157
<u>Assigned:</u>					
Subsequent years' budget	1,893,300	-	-	-	1,893,300
General government	125,023	-	-	740,578	865,601
Public safety	-	-	-	3,283	3,283
Highway department	26,353	-	-	-	26,353
Recreation	-	-	-	176,013	176,013
Education	178,756	-	-	242,659	421,415
Total assigned	2,223,432	-	-	1,162,533	3,385,965
Unassigned	13,694,592	-	-	(2,331)	13,692,261
Total	\$ 16,524,365	\$ 637,268	\$11,659,474	\$ 8,360,937	\$ 37,182,044

H. Deficit fund balances

The Community Development Block Grant had a deficit fund balance at year end of \$2,331. The deficit will be reduced or eliminated in future years as amounts are received for additional grants or charges for services.

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

IV. Other information**A. Risk management**

The Town is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town established as an internal service fund, the health insurance fund, to account for and finance the retained risk of loss for Town employees. A third party administers the plan for which the fund pays a fee. The self-insurance fund provides coverage for all eligible Town employees. The Town has purchased a stop loss policy for total claims in any one year exceeding an aggregate of 120% of expected claims and for individual claims exceeding \$100,000 for hospital and major medical.

Only the Town participates in this health insurance program and payments to the fund are based upon estimates by number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability reported in the fund is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded.

The internal service fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used to compute claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, including the effects of specific, incremental claim adjustment expenditures, salvage and subrogation; allocated claim adjustment expenditures are not included.

	Claims Payable <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims <u>Paid</u>	Claims Payable <u>June 30</u>
2015-2016	\$495,000	\$5,740,185	\$5,729,185	\$506,000
2016-2017	506,000	6,732,146	6,653,146	585,000

The Town is currently a member in Connecticut Interlocal Risk Management Agency ("CIRMA"), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-47-a et. seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk sharing pool. The Town paid CIRMA for provisions of general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year End June 30, 2017**A. Risk management (continued)**

The Town is also a member of CIRMA's Workers' Compensation Pool, a risk sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an insured loss retrospective rating plan, and losses incurred in the coverage period 2016-2017 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

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 amounts held in prior years.

B. Commitments and litigation

Amounts received or receivable from Federal and state grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

C. Pension plans**1. Pension plans**Summary

The Town contributes to two pension plans covering substantially all full time employees and noncertified Board of Education employees. One plan covers employees of the police department ("MERS") and the other plan covers all other employees ("PERS"). The certified faculty and administrative personnel at the Board of Education participate in a contributory retirement plan administered by the State Teachers' Retirement Board. The Town does not contribute to this plan.

2. Town of Stonington Retirement Plan (PERS)**A. Plan administration**

The Town contributes to the Town of Stonington retirement plan, a single employer Public Employee Retirement System ("PERS"). The plan is administered by a Selectmen appointed, five-member retirement board. The responsibility for the holding and investment of plan assets lies with the trustee appointed by the Selectmen. The trustees shall be the bank or Trust company having the power to act as trustee in the State of Connecticut. The current trustee is Wells Fargo. The PERS is considered part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. All full time employees including the First Selectman, Town Clerk and Tax Collector but excluding police officers, teachers and other elected officials are eligible to participate. The plan does not issue separate, stand-alone financial reports.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)

B. Plan membership

At July 1, 2016, PERS membership consisted of:

Retirees and beneficiaries receiving benefits	134
Terminated plan members entitled to but not yet receiving benefits	50
Active plan members	<u>159</u>
Total Plan Participants	<u>343</u>

C. Benefit provisions

Benefits are 50% vested after five years of service with the Town for the contributory plan and are fully vested after ten years of service. Benefits are 50% vested after 10 years of service with the Town for the non-contributory plan and are fully vested after 15 years. Normal retirement is the earlier of the member having reached his 62nd birthday or having completed 35 years of credited service. For the contributory plan, a member who retires on his normal retirement date shall receive an annual retirement benefit equal to 1.75% of such member's final average earnings multiplied by such member's years of credited service. For the non-contributory plan, a member who retires on his normal retirement date shall receive an annual retirement benefit equal to 1.50% of such member's final average earnings multiplied by such member's years of credited service. Final average earnings are determined by the member's 60 highest consecutive calendar months before retirement or termination, if earlier. The plan also provides for an actuarially reduced earlier retirement date, death and disability benefits. These benefit provisions and all other requirements are established by Town ordinance.

D. Contributions required

For the contributory plan, participants are required to contribute 3% of their annual salary.

For the non-contributory plan, there are no required participants contributions.

E. Investments

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Town of Stonington Pension Board by a majority vote of its members. It is the policy of the Town of Stonington Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Pension Board periodically reviews the asset allocation and strategic objectives in light of market conditions, benefit payments, expenses, and expected contributions from the Town of Stonington. The Pension Board adopted an asset allocation policy, which is a blend of Higher Risk, Lower Risk, and Liquid assets. These blends translate into the following allocation:

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	32.00%	2.20%
Global fixed income	5.00%	2.50%
Large cap	24.50%	5.55%
Small cap	11.00%	5.85%
Developed international equities	19.00%	5.85%
Emerging international equities	5.50%	6.80%
Commodities	3.00%	2.50%
Total	100.00%	

Long-term inflation expectation 2.25%

Long-term expected nominal return 6.64%

F. Long-term rate of return

Best estimates of geometric nominal rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are summarized in the preceding table.

Rate of return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations: There were no investments in any one organization that represented 5% or more of the pension plan's net position.

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

C. Pension plans (continued)**G. Net pension liability**

The Town's net pension liability is \$4,681,639. The components of the net pension liability were as follows:

Total pension liability	\$ 36,572,213
Plan fiduciary net position	<u>31,890,574</u>
Net pension liability	<u>\$ 4,681,639</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87.20%</u>
Covered payroll	<u>\$ 8,441,906</u>
Net pension liability as a percentage of covered payroll	<u>55.46%</u>

H. Actuarial assumptions used to calculate Net pension liability

Actuarial cost method	Entry age normal
Amortization method	20 year period
Asset valuation method	Fair Value
Valuation date	July 1, 2016
Discount rate	6.75%
Inflation	3.0%
Cost of living increase	None
Salary projection	Graded schedule based on age of participant ranging from age 20 at 6.5% to age 52+ at 3.00%
Mortality	RP2000 Mortality Table, separate male and female rates with no collar adjustment, combined tables for non-annuitants and annuitants, projected to the valuation date with Scale AA
Retirement Age	Earlier of 62.6 or 35 years of credited service or valuation date plus 1 year.

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

C. Pension plans (continued)**I. Discount rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on the plan's current net pension liability and current contribution policy, the pension plan's projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rate of return on pension plan investments (6.75%) was used to discount plan liabilities.

J. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 6.75% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$8,911,026	\$4,681,639	\$1,101,334

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)**L. Changes in the Net Pension Liability**

The Town's net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2016	\$ 34,071,356	\$ 29,192,848	\$ 4,878,508
Service cost	785,169	-	785,169
Interest	2,299,512	-	2,299,512
Differences between expected and actual experience	106,186	-	106,186
Changes in assumptions	915,592	-	915,592
Contributions - employer	-	997,631	(997,631)
Contributions - member	-	205,299	(205,299)
Net investment income	-	3,137,730	(3,137,730)
Benefit payments, including refunds of member contributions	(1,605,602)	(1,605,602)	-
Administrative expenses	-	(37,332)	37,332
Net change	2,500,857	2,697,726	(196,869)
Balance at June 30, 2017	\$ 36,572,213	\$ 31,890,574	\$ 4,681,639

M. Pension Expense and Deferred Outflows and Inflows of Resources

The Town recognized pension expense of \$1,181,804.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description of Outflows/Inflows</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 76,690
Changes in assumptions	661,261
Net difference between projected and actual earnings on pension plan investments	<u>1,075,818</u>
Total	<u>\$ 1,813,769</u>

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

C. Pension plans (continued)

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive employees, which was also 5 years.

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

Year ending <u>June 30,</u>	
2018	851,772
2019	851,774
2020	346,583
2021	<u>(236,360)</u>
Total	<u>\$1,813,769</u>

3. Pension plans – Connecticut Municipal Employees Retirement System (MERS)**a. Plan description**

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees Retirement System (MERS). This designation may be the result of collective bargaining. 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 four 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

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**3. Pension plans – Connecticut Municipal Employees Retirement System (MERS)****b. Benefit provisions**

The plan provides retirement, disability and death benefits.

General Employees

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.

Policemen and Firemen

Compulsory retirement age for police and fire members is age 65.

Normal Retirement: 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 ½% 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.

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

Disability Retirement: 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 nonservice-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.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**3. Pension plans – Connecticut Municipal Employees Retirement System (MERS)****c. Contributions**Employer

Participating municipalities make 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.

Employees

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 ¼% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

d. Pension liabilities, pension assets, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The Town reported \$1,262,985 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Town's proportionate share of the net pension asset was based upon the Town's 2016 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2016, the Town's proportional share was 2.2422% of one sub plan.

Subsequent to the measurement date, there were no changes in benefit terms or any expected changes that will have an impact on the measurement of net pension liability.

The Town recognized pension expense of \$698,828. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**4. Pension plans – Connecticut Municipal Employees Retirement System (MERS)**

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 890,476	\$ -
Change in proportional share	140,616	-
Difference between expected and actual experience	928,777	-
Town contributions subsequent to measurement date	<u>474,553</u>	<u>-</u>
Total	<u>\$ 2,434,422</u>	<u>\$ -</u>
Net amount of deferred inflow and outflow excluding Town contributions subsequent to measurement date		<u>\$ 1,959,869</u>

The amount reported as deferred outflows of resource related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	\$ 483,019
2019	483,019
2020	578,958
2021	<u>414,873</u>
Total	<u>\$ 1,959,869</u>

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

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

3. Pension plans – Connecticut Municipal Employees Retirement System (MERS)

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).

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase the CPI up to 6%. The minimum annual COLA is 2.5%, the maximum is 6%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	<u>3.0%</u>	0.4%
Total	<u>100.0%</u>	

f. 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 employer 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.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**3. Pension plans – Connecticut Municipal Employees Retirement System (MERS)****g. Sensitivity of the net pension asset to changes in the discount rate**

The following presents the Town's proportional share of the net pension liability of MERS, calculated using the discount rate of 8.00%, as well as what the net pension asset 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:

	1% Decrease <u>(7.00%)</u>	Current Discount <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Town's proportional share of the net pension asset (liability)	\$ (1,237,445)	\$ 1,262,985	\$3,342,129

h. Plan fiduciary net position

Detailed information about the Connecticut Municipal Employees Retirement System plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

i. Payable to the pension plan

The Town has completed its installment agreement with respect to the plan and therefore there are \$0 of accounts payable to the Connecticut Municipal Employees Retirement System plan outstanding at year end.

4. Pension plans - Connecticut State Teachers' Retirement Plan**a. Plan description**

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

b. Benefit provisions

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

Normal Retirement: Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**4. Pension plans - Connecticut State Teachers' Retirement Plan**

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

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

c. ContributionsState of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement 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 amount to finance any unfunded accrued liability.

Employer (School Districts)

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

Employees

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

Town of Stonington, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

4. Pension plans - Connecticut State Teachers' Retirement Plan**d. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>59,130,448</u>
Total	<u>\$ 59,130,448</u>

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

During the year the Town recognized pension expense and revenue of \$4,049,572 for on-behalf amounts for the benefits provided by the State.

e. Actuarial assumptions

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

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

Mortality rates were based on the RP-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.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

4. Pension plans - Connecticut State Teachers' Retirement Plan

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

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

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

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**4. Pension plans - Connecticut State Teachers' Retirement Plan****f. 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 employer 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.

g. Sensitivity of the net pension liability to changes in the discount rate

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

h. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

D. Other Post-Employment Benefit Plan**1. Plan description****A. Plan administration**

The Town administers a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions ("OPEB") for certain full-time employees. Management of the plan is vested in the Board of Finance. The plan does not issue stand-alone financial reports.

B. Benefit provided

The Town plan provides for medical and dental benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Benefits are provided by a third party insurer and the full cost of benefits is covered by the plan.

C. Contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town's total contribution to the plan was \$461,649. There are no required employee contributions.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Other Post-Employment Benefit Plan****D. Employees Covered by Benefit Terms**

As of July 1, 2015, the following employees are covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	36
Active plan members	<u>413</u>
Total	<u>449</u>

2. Investments**a. Investment Policy**

The OPEB plans' policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Town's Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy for the OPEB plan:

<u>Asset Class</u>	<u>Target Allocation</u>
US cash	6.50%
US core fixed income	51.10%
US government bonds	2.45%
US equity market	39.05%
Global equity	<u>0.90%</u>
Total	<u>100.00%</u>

b. Concentrations

There were no investments in any one organization that represents 5% or more of the OPEB plans' net position.

3. Rate of Return

The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Other Post-Employment Benefit Plan (continued)****4. Net OPEB Liability**

The Town's total OPEB liability of \$5,450,868 was measured as of June 30, 2017, and was determined by an actuarial valuation as July 1, 2015.

Total OPEB liability	\$ 6,632,834
Plan fiduciary net position	<u>1,181,966</u>
Net OPEB liability	<u>\$ 5,450,868</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>17.82%</u>

5. Actuarial methods and other inputs

The total OPEB liability was determined based upon a July 1, 2015 actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	6.25%
Inflation	2.70%
<u>Healthcare cost trend rates:</u>	
Medical trend rate	6.26-4.60% - over 78 years
Ultimate medical trend rate	4.60%

The discount rate was based on the S&P municipal bond 20 year high grade index as of the measurement date.

Mortality rates were based on the RP-2014 adjusted to 2006 with generational mortality improvement to current year under Projection Scale MP-2015.

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Other Post-Employment Benefit Plan (continued)**5. Actuarial methods and other inputs (continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 geometric means real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US cash	0.58%
US core fixed income	2.52%
US government bonds	1.78%
US equity market	3.81%
Global equity	4.10%

6. Discount rate

The discount rate used to measure the total OPEB liability was 6.25% for the OPEB plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Other Post-Employment Benefit Plan (continued)**7. Changes in the net OPEB liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2016	\$ 6,459,513	\$ 1,026,821	5,432,692
Service cost	143,707		143,707
Interest	401,263		401,263
Contributions - employer	-	461,649	(461,649)
Net investment income	-	67,145	(67,145)
Benefit payments, including refunds of member contributions	(371,649)	(371,649)	-
Administrative expenses	-	(2,000)	2,000
Net change	173,321	155,145	18,176
Balance at June 30, 2017	\$ 6,632,834	\$ 1,181,966	\$ 5,450,868

8. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate:

	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
OPEB liability			
Discount rate sensitivity	\$ 6,217,900	\$ 5,450,868	\$ 4,798,978

9. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	1% Decrease	Current Trend	1% Increase
OPEB liability			
Healthcare cost trend rate - sensitivity	\$ 4,611,393	\$ 5,450,868	\$ 6,468,895

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Other Post-Employment Benefit Plan (continued)****10. OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the fiscal year the Town recognized OPEB expense of \$490,403. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description of Outflows/Inflows	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 10,578

Actual investment earnings below (or above) projected earnings are amortized over 5 years.

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

Year Ending June 30,	
2018	\$ 2,645
2019	2,645
2020	2,645
2021	2,643
Total	\$ 10,578

E. Retiree health care defined contribution plan

The Town has a defined contribution healthcare plan covering police officers that was established in July 2004. The plan provides for retiree health care benefits through reimbursement of eligible medical care expenses, including the reimbursement of retiree healthcare premiums upon retirement from the Town. Participation in the plan is mandatory for all eligible police officers. The employee contribution is 2% of base pay with an equivalent Town match. Upon normal retirement, the participant's account balance shall be a minimum of \$32,000. If the account balance is less than \$32,000, the Town shall make contributions necessary to bring the account balance to \$32,000. Total Town and employee contributions year ended were \$79,681 and \$54,681, respectively.

Town of Stonington, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**F. Prior period adjustment**

The government-wide net position was restated as follows:

Net position as previously reported at June 30, 2016	\$ 114,460,247
To remove net OPEB obligation previously recorded	99,418
To record beginning net OPEB liability (NOL)	<u>(5,432,692)</u>
Net position as restated at July 1, 2016	<u>\$ 109,126,973</u>

**Required
Supplementary
Information**

Town of Stonington, Connecticut
Town of Stonington Employees' Pension Plan
Required Supplementary Information
Last Four Years

Schedule of Changes in Net Pension Liability

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 785,169	\$ 807,690	\$ 784,165	\$ 761,325
Interest	2,299,512	2,223,435	2,337,106	2,210,832
Change of benefit terms	-	-	783,451	-
Differences between expected and actual experience	106,186	(365,705)	(504,935)	-
Change of assumptions	915,592	-	(253,207)	-
Benefit payments, including refunds of member contributions	(1,605,602)	(1,428,980)	(1,353,367)	(1,270,805)
Net change in total pension liability	2,500,857	1,236,440	1,793,213	1,701,352
Total pension liability - July 1	34,071,356	32,834,916	31,041,703	29,340,351
Total pension liability - June 30 (a)	36,572,213	34,071,356	32,834,916	31,041,703
Plan fiduciary net position:				
Contributions - employer	997,631	1,029,505	1,103,588	1,147,449
Contributions - member	205,299	216,143	219,235	257,396
Net investment income (loss)	3,137,730	(79,775)	233,513	3,765,012
Benefit payments, including refunds of member contributions	(1,605,602)	(1,428,980)	(1,353,367)	(1,270,805)
Administration expenses	(37,332)	(34,399)	(32,251)	(47,133)
Net change in plan fiduciary net position	2,697,726	(297,506)	170,718	3,851,919
Plan fiduciary net position - July 1	29,192,848	29,490,354	29,319,636	25,467,717
Plan fiduciary net position - June 30 (b)	31,890,574	29,192,848	29,490,354	29,319,636
Net pension liability (asset) - June 30 (a)-(b)	\$ 4,681,639	\$ 4,878,508	\$ 3,344,562	\$ 1,722,067

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Stonington, Connecticut

Town of Stonington Employees' Pension Plan

Required Supplementary Information
Last Four YearsSchedule of Net Pension Liability

	2017	2016	2015	2014
Total pension liability	\$ 36,572,213	\$ 34,071,356	\$ 32,834,916	\$ 31,041,703
Plan fiduciary net position	(31,890,574)	(29,192,848)	(29,490,354)	(29,319,636)
Net pension liability	\$ 4,681,639	\$ 4,878,508	\$ 3,344,562	\$ 1,722,067
Plan fiduciary net position as a percentage of the total pension liability	87.20%	85.68%	89.81%	94.45%
Covered payroll	\$ 8,441,906	\$ 8,535,124	\$ 9,007,063	9,124,324
Net pension liability as a percentage of covered payroll	55.46%	57.16%	37.13%	18.87%

Schedule of Investment Returns

	2017	2016	2015	2014
Annual money weighted rate of return, net investment expense	10.89%	-0.28%	0.83%	15.07%

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Stonington, Connecticut

Town of Stonington Employees' Pension Plan

Required Supplementary Information
Last Ten YearsSchedule of Contributions

Actuarial Valuation Date July 1,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 1,015,388	\$ 997,631	\$ (17,757)	\$ 8,441,906	11.8%
2016	927,734	1,029,505	101,771	8,535,124	12.1%
2015	1,044,301	1,103,588	59,287	9,007,063	12.3%
2014	1,083,331	1,147,449	64,118	9,124,324	12.6%
2013	1,108,457	1,130,478	22,021	8,958,441	12.6%
2012	1,119,643	1,342,122	222,479	9,071,534	14.8%
2011	1,171,692	1,471,967	300,275	9,342,487	15.8%
2010	1,163,837	1,010,472	(153,365)	8,843,202	11.4%
2009	937,874	944,785	6,911	8,332,324	11.3%
2008	869,139	890,080	20,941	7,899,350	11.3%

Town of Stonington, Connecticut

Employees' Pension Plan

Notes to Required Supplementary Information
Last Four Years

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	Actuarial valuations are performed July 1 of each year to determine the contribution for the following plan year.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	20 years - open
Asset Valuation Method	Fair value, adjusted to phase in gains and losses over a five-year period at a rate of 20% per year
Inflation	2.75%
Salary Increases	Graded schedule based on age ranging from 2.75% to 6.25%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates	Based on RP2000 Mortality Table, separate male and female rates with no collar adjustment, combined tables for non-annuitants and annuitants, projected to the valuation date with Scale AA

Town of Stonington, Connecticut

State Teachers' Retirement System

Required Supplementary Information
Last Three Years**Schedule of Proportionate Share of the Net Pension Liability**

	2017	2016	2015
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with Town	<u>59,130,448</u>	<u>45,293,369</u>	<u>41,864,643</u>
Total	<u>\$ 59,130,448</u>	<u>\$ 45,293,369</u>	<u>\$ 41,864,643</u>
Town's covered payroll	(2) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Schedule of Contributions

	2017	2016	2015
Contractually required contribution (1)	(1) \$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	(2) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net pension liability

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Stonington, Connecticut

State Teachers' Retirement System

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
Changes of assumptions	2016: 1. Reduce the inflation assumption from 3.00% to 2.75%. 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%. 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%. 4. Slightly modify the merit portion of the salary scale. 5. Reduce the payroll growth assumption from 3.75% to 3.25%. 6. Update mortality tables to projected versions of the RPH-2014 mortality tables. 7. Increase normal retirement rates for females at most ages and prorable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8. Increase rates of withdrawal. 9. Decrease rates of disability for males.
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	21.4 years
Asset Valuation Method	4 year smoothed market
Inflation	2.75%
Salary Increases	3.25%-6.00%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

Town of Stonington, Connecticut
Connecticut Municipal Employees Retirement System
Required Supplementary Information
Last Three Years

Schedule of Proportionate Share of the Net Pension Liability (Asset)

	2017	2016	2015 (as restated)
Town's proportion of the net pension liability	<u>2.2422%</u>	<u>2.3765%</u>	<u>2.4649%</u>
Town's proportionate share of the net pension liability (asset)	<u>\$ (1,262,985)</u>	<u>\$ (1,999,744)</u>	<u>\$ (2,353,578)</u>
Town's covered payroll	<u>\$ 3,428,033</u>	<u>\$ 3,351,915</u>	<u>\$ 3,215,266</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>-(36.84)%</u>	<u>-(59.66)%</u>	<u>-(73.20)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</u>

Schedule of Contributions

	2017	2016	2015
Contractually required contribution	\$ 513,519	\$ 494,982	\$ 457,302
Contributions in relation to the contractually required contribution	<u>513,519</u>	<u>494,982</u>	<u>457,302</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>\$ 3,428,033</u>	<u>\$ 3,351,915</u>	<u>\$ 3,215,266</u>
Contributions as a percentage of covered payroll	<u>14.98%</u>	<u>14.77%</u>	<u>14.22%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Stonington, Connecticut

Connecticut Municipal Employees Retirement System

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
Changes of assumptions	In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.
Actuarial Cost Method	Entry age
Amortization Method	Level dollar, closed
Remaining Amortization Period	25 years
Asset Valuation Method	5 year smoothed market (20% recognition of investment gains and losses)
Inflation	3.25%
Salary Increases	4.25%-11.00%, average, including inflation
Cost-of-living Adjustments	After January 1, 2002; 2.5% Prior to January 1, 2002, 2.5% up to age 65. 3.25% afterwards
Social Security Wage Base	3.50%
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

Town of Stonington, Connecticut

Other Post-Employment Benefits Plan

Required Supplementary Information
For the Year Ended June 30, 2017Schedule of Changes in Net OPEB Liability

Total OPEB liability:	
Service cost	\$ 143,707
Interest	401,263
Benefit payments, including refunds of member contributions	<u>(371,649)</u>
Net change in total OPEB liability	173,321
Total OPEB liability - July 1	<u>6,459,513</u>
Total OPEB liability - June 30 (a)	<u><u>\$ 6,632,834</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 461,649
Net investment income (loss)	67,145
Benefit payments, including refunds of member contributions	(371,649)
Administration expenses	<u>(2,000)</u>
Net change in plan fiduciary net position	155,145
Plan fiduciary net position - July 1	<u>1,026,821</u>
Plan fiduciary net position - June 30 (b)	<u>1,181,966</u>
Net OPEB liability (asset) - June 30 (a)-(b)	<u><u>\$ 5,450,868</u></u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Stonington, Connecticut

Other Post-Employment Benefit Plan

Required Supplementary Information
As of and For the Year Ended June 30, 2017Schedule of Net OPEB Liability

Total OPEB liability	\$ 6,632,834
Plan fiduciary net position	<u>(1,181,966)</u>
Net OPEB liability	<u>\$ 5,450,868</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>17.82%</u>
Covered payroll	<u>\$ 25,305,169</u>
Net OPEB liability as a percentage of covered payroll	<u>21.54%</u>

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net investment expense	<u>7.45%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Stonington, Connecticut
Other Post-Employment Benefits Plan
Required Supplementary Information
Last Nine Years

Schedule of Contributions

<u>Fiscal year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution excess (deficiency)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2017	\$ 446,489	\$ 461,649	\$ 15,160	\$ 25,305,169	1.82%
2016	431,821	349,443	(82,378)	28,389,610	1.23%
2015	412,037	327,071	(84,966)	28,389,610	1.15%
2014	731,000	694,000	(37,000)	26,065,000	2.66%
2013	699,000	668,000	(31,000)	26,065,000	2.56%
2012	729,000	1,070,000	341,000	N/A	N/A
2011	698,000	671,000	(27,000)	N/A	N/A
2010	687,000	603,000	(84,000)	N/A	N/A
2009	658,000	568,000	(90,000)	N/A	N/A

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information available.

N/A - Information is not available.

Town of Stonington, Connecticut

Other Post-Employment Benefit Plan

**Notes to Required Supplementary Information
Last Two Years**

Changes of benefit terms	None
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Changes of assumptions	None
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The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected Unit Credit Cost Method
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Amortization Method	Level percentage
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Remaining Amortization Period	30 years closed
-------------------------------	-----------------

Investment Rate of Return	6.25%
---------------------------	-------

Healthcare Inflation Rate	6.26% - 4.60% - over 78 years
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Inflation Rate	2.70%
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Mortality Rates	Mortality rates were based on the RP-2014 adjusted to 2006 with generational mortality improvement to current year under Projection Scale MP-2015.
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Appendix B-1

Form of Legal Opinion - Bonds

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October 31, 2018

Town of Stonington
152 Elm Street
Stonington, Connecticut 06378

RE: Town of Stonington, Connecticut \$7,000,000 General Obligation
Bonds, Issue of 2018, dated October 31, 2018 (the "Bonds")

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Stonington, Connecticut (the "Town"), an Arbitrage and Use of Proceeds Certificate of the Town dated October 31, 2018 (the "Arbitrage and Use of Proceeds Certificate") and other proofs submitted to us relative to the issuance and sale of Town of Stonington, Connecticut \$7,000,000 General Obligation Bonds, Issue of 2018 maturing on October 15 in each of the following years in the principal amounts and bearing interest payable semiannually on April 15 and October 15 in each year, commencing October 15, 2019 until maturity, at rates per annum, set forth as follows (the "Bonds"):

<u>Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>CUSIP</u>	<u>Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>CUSIP</u>
2019	\$350,000	5.000%	862029XX8	2029	\$350,000	3.250%	862029YH2
2020	350,000	5.000%	862029XY6	2030	350,000	3.375%	862029YJ8
2021	350,000	5.000%	862029XZ3	2031	350,000	3.500%	862029YK5
2022	350,000	5.000%	862029YA7	2032	350,000	3.500%	862029YL3
2023	350,000	5.000%	862029YB5	2033	350,000	3.625%	862029YM1
2024	350,000	4.000%	862029YC3	2034	350,000	3.750%	862029YN9
2025	350,000	4.000%	862029YD1	2035	350,000	3.750%	862029YP4
2026	350,000	3.000%	862029YE9	2036	350,000	3.750%	862029YQ2
2027	350,000	3.000%	862029YF6	2037	350,000	4.000%	862029YR0
2028	350,000	3.000%	862029YG4	2038	350,000	4.000%	862029YS8

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except as to our opinion set forth therein) or other offering material relating to the Bonds and we express no opinion relating thereto.

The Bonds are issued in fully registered form without interest coupons, in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions which will maintain a book entry system for recording the ownership interest in the Bonds. Purchase of ownership interest

in the Bonds is being made in book entry form in denominations of \$5,000 or any integral multiple thereof.

In our opinion, such proceedings and proofs show lawful authority for the issuance and sale of said Bonds under authority of the Constitution and laws of the State of Connecticut and said Bonds are a valid and legally binding general obligation of the Town payable as to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount, except as to certain 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.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at or subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes under the Code. The Town has covenanted in the Arbitrage and Use of Proceeds Certificate delivered with respect to the Bonds that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; and (ii) such interest is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code; however, interest on the Bonds may be includable in the calculation of adjusted current earnings for purposes of calculating the alternative minimum tax imposed on certain corporations in effect prior to January 1, 2018 for tax years beginning before such date. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing 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 Arbitrage and Use of Proceeds Certificate, and (ii) compliance by the Town with the covenants and procedures contained in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

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

Other than the record of proceedings, we have not been requested to examine or review and have not examined or reviewed the accuracy or sufficiency of any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of said Bonds, and we express no opinion with respect to any such financial or other information or the accuracy or sufficiency thereof.

The rights of owners of the Bonds and the enforceability of the Bonds may limited by bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and may be subject to the exercise of judicial discretion.

Very truly yours,

TOBIN, CARBERRY, O'MALLEY,
RILEY & SELINGER, P.C.

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Appendix B-2

Form of Legal Opinion - Notes

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October 31, 2018

Town of Stonington
152 Elm Street
Stonington, Connecticut 06378

RE: Town of Stonington, Connecticut \$6,500,000 General Obligation
Bond Anticipation Notes, dated October 31, 2018 (the "Notes")

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Stonington, Connecticut (the "Town"), an Arbitrage and Use of Proceeds Certificate of the Town dated October 31, 2018 (the "Arbitrage and Use of Proceeds Certificate") and other proofs submitted to us relative to the issuance and sale of Town of Stonington, Connecticut \$6,500,000 General Obligation Bond Anticipation Notes maturing on October 30, 2019.

<u>Principal</u>	<u>Coupon</u>	<u>CUSIP</u>
\$6,500,000	3.000%	862029YT6

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except as to our opinion set forth therein) or other offering material relating to the Notes and we express no opinion relating thereto.

The Notes are issued in fully registered form without interest coupons, in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions which will maintain a book entry system for recording the ownership interest in the Notes. Purchase of ownership interest in the Notes is being made in book entry form in denominations of \$5,000 or any integral multiple thereof.

In our opinion, such proceedings and proofs show lawful authority for the issuance and sale of said Notes under authority of the Constitution and laws of the State of Connecticut and said Notes are a valid and legally binding general obligation of the Town payable as to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount, except as to certain 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.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at or subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under the Code. The Town has covenanted in the Arbitrage and Use of Proceeds Certificate delivered with respect to the Notes that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code; and (ii) such interest is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code; however, interest on the Notes may be includable in the calculation of adjusted current earnings for purposes of calculating the alternative minimum tax imposed on certain corporations in effect prior to January 1, 2018 for tax years beginning before such date. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

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

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes 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. We express no opinion regarding other state income tax consequences caused by ownership or disposition of the Notes.

Other than the record of proceedings, we have not been requested to examine or review and have not examined or reviewed the accuracy or sufficiency of any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of said Notes, and we express no opinion with respect to any such financial or other information or the accuracy or sufficiency thereof.

The rights of owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and may be subject to the exercise of judicial discretion.

Very truly yours,

TOBIN, CARBERRY, O'MALLEY,
RILEY & SELINGER, P.C.

Appendix C-1

Form of Continuing Disclosure Agreement - Bonds

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CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will execute a Continuing Disclosure Agreement, for the Bonds substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds:

Continuing Disclosure Agreement for Bonds

In connection with the issuance and sale of

TOWN OF STONINGTON, CONNECTICUT

\$7,000,000 General Obligation Bonds, Issue of 2018

Dated: October 31, 2018

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of October 31, 2018 by the Town of Stonington, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of Town of Stonington, Connecticut, \$7,000,000 General Obligation Bonds, Issue of 2018 dated as of October 31, 2018 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

R E C I T A L S:

WHEREAS, the Issuer has heretofore authorized the issuance of \$7,000,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2018, dated as of October 31, 2018 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement dated October 18, 2018 describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer has heretofore acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to its duly adopted resolutions authorizing the Bonds and pursuant to Section 3-20e of the General Statutes of Connecticut to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is being made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

W I T N E S S E T H:

Section 1. Definitions.

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

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

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

"Official Statement" means the final official statement of the Issuer dated October 18, 2018, as defined in paragraph (f)(3) of the Rule, prepared in connection with the Bonds.

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

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

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be filed with the MSRB, 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, 2018) as follows:

- (i) Audited financial statements as of and for each year ending on its Fiscal Year End for the general fund, capital projects funds, special revenue funds, enterprise funds, trust or agency funds, and the general long-term obligations account group prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and
- (ii) The following financial information and operating data to the extent customarily prepared by the Issuer and publicly available and not included in the financial statements described in (i) above:
 - (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
 - (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
 - (C) amount of the annual property tax levy, percentage collected and amount uncollected as of the close of the fiscal year,
 - (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
 - (E) calculation of total direct debt and total net direct debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
 - (F) total direct debt and total net direct debt of the Issuer per capita,

- (G) ratios of the total direct debt and total net direct debt of the Issuer to the Issuer's net taxable grand list,
 - (H) statement of statutory debt limitation and debt margins as of the close of the fiscal year, and
 - (I) funding status of the Issuer's pension benefit obligation.
- (b) The financial information and operating data described above will be provided on or before the date eight months after the close of the Fiscal Year End for which such information is being provided. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information when available.
 - (c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously filed with the MSRB. If the document to be referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.
 - (d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.
 - (e) Any filing under this Agreement shall be made by transmitting such filing to the MSRB in an electronic format as prescribed by the MSRB.

Section 3. Listed Events.

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt 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 of similar event of the Issuer;
- (m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all the assets of Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Section 3 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is: Town of Stonington, 152 Elm Street, P.O. Box 352, Stonington, Connecticut 06378.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and

agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. General.

- (a) The Issuer shall have no obligation to provide or file any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing or filing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide or file any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide or file 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 provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information filed on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial activities for the Issuer.

[signatures to follow]

TOWN OF STONINGTON

By: _____
Robert R. Simmons
First Selectman

By: _____
James Sullivan
Director of Finance

By: _____
Vincent Pacileo III
Director of Administrative Services

Appendix C-2

Form of Continuing Disclosure Agreement - Notes

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CONTINUING DISCLOSURE AGREEMENT FOR NOTES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will execute a Continuing Disclosure Agreement, for the Notes substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Notes 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 Notes:

Continuing Disclosure Agreement for \$6,500,000 General Obligation Bond Anticipation Notes

In connection with the issuance and sale of

TOWN OF STONINGTON, CONNECTICUT

\$6,500,000 General Obligation Bond Anticipation Notes

Dated: October 31, 2018

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of October 31, 2018 by the Town of Stonington, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of Town of Stonington, Connecticut, \$6,500,000 General Obligation Bond Anticipation Notes, dated as of October 31, 2018 (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

R E C I T A L S:

WHEREAS, the Issuer has heretofore authorized the issuance of \$6,500,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes, dated as of October 31, 2018 and to mature on October 30, 2019 as set forth in the Issuer's Official Statement dated October 18, 2018 describing the Notes (the "Official Statement"); and

WHEREAS, the Issuer has heretofore acknowledged that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Notes to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Notes in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to its duly adopted resolutions authorizing the Notes and pursuant to Section 3-20e of the General Statutes of Connecticut to make representations and agreements for the benefit of the beneficial owners of the Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement is being made, executed and delivered in connection with the issuance of the Notes, all for the benefit of the beneficial owners of the Notes, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

W I T N E S S E T H:

Section 1. Definitions.

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

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

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

"Official Statement" means the final official statement of the Issuer dated October 18, 2018, as defined in paragraph (f)(3) of the Rule, prepared in connection with the Notes.

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

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

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be filed with the MSRB, 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, 2018) as follows:

- (i) Audited financial statements as of and for each year ending on its Fiscal Year End for the general fund, capital projects funds, special revenue funds, enterprise funds, trust or agency funds, and the general long-term obligations account group prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and
- (ii) The following financial information and operating data to the extent customarily prepared by the Issuer and publicly available and not included in the financial statements described in (i) above:
 - (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
 - (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
 - (C) amount of the annual property tax levy, percentage collected and amount uncollected as of the close of the fiscal year,
 - (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
 - (E) calculation of total direct debt and total net direct debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
 - (F) total direct debt and total net direct debt of the Issuer per capita,

- (G) ratios of the total direct debt and total net direct debt of the Issuer to the Issuer's net taxable grand list,
 - (H) statement of statutory debt limitation and debt margins as of the close of the fiscal year, and
 - (I) funding status of the Issuer's pension benefit obligation.
- (b) The financial information and operating data described above will be provided on or before the date eight months after the close of the Fiscal Year End for which such information is being provided. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information when available.
- (c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously filed with the MSRB. If the document to be referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.
- (d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.
- (e) Any filing under this Agreement shall be made by transmitting such filing to the MSRB in an electronic format as prescribed by the MSRB.

Section 3. Listed Events.

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

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

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

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Section 3 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Director of Finance is: Town of Stonington, 152 Elm Street, P.O. Box 352, Stonington, Connecticut 06378.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and

agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 8. General.

- (a) The Issuer shall have no obligation to provide or file any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing or filing such additional information, data or notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide or file any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide or file 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 provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes, and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information filed on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial activities for the Issuer.

[signatures to follow]

TOWN OF STONINGTON

By: _____
Robert R. Simmons
First Selectman

By: _____
James Sullivan
Director of Finance

By: _____
Vincent Pacileo III
Director of Administrative Services

Appendix D-1

Notice of Sale - Bonds

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NOTICE OF SALE

**TOWN OF STONINGTON, CONNECTICUT
\$7,000,000
GENERAL OBLIGATION BONDS ISSUE OF 2018**

(BOOK-ENTRY ONLY)

Electronic bids (as described herein) will be received by the TOWN OF STONINGTON, CONNECTICUT (the "Town") at the Stonington Town Hall, 152 Elm Street, Stonington, CT 06378, until **12:00 NOON (E.S.T.) on**

Thursday, October 18, 2018

for the purchase of all, but not less than all, of the Town of Stonington, Connecticut, \$7,000,000 General Obligation Bonds, Issue of 2018 (the "Bonds"). Bids must be submitted via *PARITY®* in the manner specified below. (See "Bidding Procedures").

The Bonds

The Bonds will be dated October 31, 2018 and will be payable to the registered owner on October 15 in the year of their respective maturity, as further described in the Preliminary Official Statement for the Bonds dated October 11, 2018 (the "Preliminary Official Statement"). The Bonds will bear interest (which interest shall be computed on a 360-day year, twelve 30-day month basis) payable on October 15, 2019 and semiannually thereafter on April 15 and October 15 in each year until maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase.

The Bonds will mature on October 15 in the following amounts and years:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2019	\$350,000	___%	2029	\$350,000	___%
2020	350,000	___%	2030	350,000	___%
2021	350,000	___%	2031	350,000	___%
2022	350,000	___%	2032	350,000	___%
2023	350,000	___%	2033	350,000	___%
2024	350,000	___%	2034	350,000	___%
2025	350,000	___%	2035	350,000	___%
2026	350,000	___%	2036	350,000	___%
2027	350,000	___%	2037	350,000	___%
2028	350,000	___%	2038	350,000	___%

The Bonds maturing on or before October 15, 2023 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2023, 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 (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, together with interest accrued and unpaid to the redemption date:

Redemption Date
October 15, 2023 and thereafter

Redemption Price
100.0%

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 bond certificates will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereto 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 winning bidder, 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 or such other name as may be requested by an authorized representative of DTC. Principal of and interest on the Bonds will be payable by the Town or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Nature of Obligation

The Bonds will be general obligations of the Town for payment of which the Town's full faith and credit will be pledged as discussed in more detail in the Preliminary Official Statement section entitled "Security and Remedies". The Bonds are payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without 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.

Bank Qualification

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

Bidding Procedures

Any prospective bidder must submit its electronic bid through the facilities of *PARITY*®. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the Town will neither confirm any subscription nor be responsible for the failure of any prospective bidder to so subscribe.

A bid made through the facilities of *PARITY*® shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, *PARITY*®, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale shall conflict with information provided by *PARITY*® as the approved provider of bidding services, this Notice of Sale shall control. Further information about *PARITY*®, including any fee charged, may be obtained from *PARITY*®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 404-8102 – email notice: parity@i-deal.com).

For purposes of the bidding process, the time as maintained by *PARITY*® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described in this Notice of Sale, and in the written form of Proposal for Bonds. All bids shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Bonds.

Bid Specifications/Basis of Award

Proposals for the purchase of the Bonds must be submitted electronically, in accordance with the requirements prescribed herein. Each bid must be for the entire \$7,000,000 of the Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 3%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected, the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals.

True interest cost will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to October 31, 2018, the dated date of the Bonds, results in an amount equal to the purchase price of the Bonds, excluding interest accrued to the date of delivery of the Bonds. The Bonds will be awarded or all bids will be rejected promptly after the bid opening, but not later than 5:00 P.M. (E.D.T.) on October 18, 2018. The purchase price must be paid in Federal funds.

The Town reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Town further reserves the right to postpone the sale to another time and date in its sole and absolute discretion for any reason, including, without limitation, internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

By submitting a bid for the Bonds, the bidder represents and warrants to the Town that such bidder's bid for the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract for the purchase of the Bonds on the terms described in this Notice of Sale.

Closing Documents and Legal Opinion

The Bonds will be certified by U.S. Bank, National Association, of Hartford, Connecticut. The legality of the issue will be passed upon by Tobin, Carberry, O'Malley, Riley & Selinger, P.C., of New London, Connecticut, Bond Counsel to the Town, and the winning bidders will be furnished with their opinion without charge. Each winning bidder will also be furnished with an Issuance and No Litigation Certificate, a Town Clerk Certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Town relating to the accuracy and completeness of information contained in the Official Statement, and an executed Continuing Disclosure Agreement.

The legal opinion will further state that, under existing statutes and court decisions (i) interest on the Bonds is excluded from gross income for Federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the Federal alternative minimum tax; but is, however, included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations in effect prior to January 1, 2018 for tax years beginning before such date, (iii) 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 (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax. In rendering the legal opinion, Bond Counsel will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Arbitrage and Use of Proceeds Certificate entered into by the Town for the benefit of the owners of the Bonds, and further, will assume compliance by the Town with the covenants and procedures set forth in such Arbitrage and Use of Proceeds Certificate. A signed opinion and transcript of proceedings will be filed with U.S. Bank, National Association, of Hartford, Connecticut, and will be available for examination upon request.

Obligation to Deliver Issue Price Certificate

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

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

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

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

(c) In the event that the competitive sale requirements are not satisfied, the Town shall so advise the winning bidder. In such event, the Town may elect to treat (i) the first price at which ten percent (10%) of each maturity of the Bonds (the "10% test") is actually sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The winning bidder shall advise the Town if the Bonds satisfy the 10% test as of the date and time of the award of the Bonds. The Town shall promptly advise the winning bidder, at or before the time of award of the Bonds, whether Bonds of a maturity that do not meet the 10% test, thereafter shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. **Bids will not be subject to cancellation in the event that the Town determines to apply the hold-the-offering-price rule to the Bonds. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.**

(d) If the competitive sale requirements are not satisfied, and the Town does not elect to apply the hold-the-offering-price rule, then until the 10% test has been satisfied as to the Bonds, the winning bidder agrees to promptly report to the Town the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds or until all Bonds have been sold to the public.

(e) If the competitive sale requirements are not satisfied and the Town elects to apply the hold-the-offering-price rule, by submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of the award at the offering price ("the initial offering price"), or at the corresponding yield, set forth in the bid submitted by the winning bidder, and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) The close of the fifth (5th) business day after the sale date; or

- (2) The date on which the underwriters have sold at least 10% of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Town when the underwriters have sold 10% of the Bonds to the public at prices that are no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business date after the sale date.

(f) The Town acknowledges that, in making the representation set for the above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) 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 (A) report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds or all Bonds have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the 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 (A) report the prices at which it sells to the public the Bonds until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds or all Bonds have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are

partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) "sale date" means the date that the Bonds are awarded by the Town to the winning bidder.

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain events with respect to the Bonds; and (iii) timely notice of its failure to provide such 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.

Settlement of the Bonds

It is anticipated that the Bonds will be delivered to DTC in New York City on or about October 31, 2018. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Town will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereto to accept delivery of and pay for the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid by the purchaser.

The Preliminary Official Statement is in a form "deemed final" by the Town for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 50 copies of the Official Statement prepared for the Bonds at the Town's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidder no later than seven business days after the bid opening. If the Town's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rate, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Related Information

For more information regarding this issue and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement containing financial information and pertinent information relating to the issuance, sale and security of the Bonds, may be obtained from the undersigned, or from Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, (203) 878-4945.

TOWN OF STONINGTON, CONNECTICUT

By: _____
James Sullivan
Director of Finance

October 11, 2018

\$7,000,000
TOWN OF STONINGTON, CONNECTICUT
GENERAL OBLIGATION BONDS
CERTIFICATE WITH RESPECT TO "ISSUE PRICE"

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ("[SHORT NAME OF UNDERWRITER]") [(the "Representative") on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group")], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned, single maturity obligations (the "Bonds").

Select appropriate provisions below

1. *[Alternative 1-Competitive Sale Rule Applies]* **Reasonably Expected Initial Offering Price.**

(i) As of the Sale Date, the reasonably expected initial offering price of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] [the Representative] is \$_____ (the "Expected Offering Price"). The Expected Offering Price is the price for the Bonds used by [SHORT NAME OF UNDERWRITER] [the Representative] in formulating its bid to purchase the Bonds. Attached as Schedule A is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] [the Representative] to purchase the Bonds.

(j) [SHORT NAME OF UNDERWRITER] [the Representative] was not given the opportunity to review other bids prior to submitting its bid

(k) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

1. *[Alternative 2-Bonds sold under General Rule]* **Sale of the Bonds.** As of the date of this certificate, the first price at which at least 10% of the Bonds was sold to the Public is \$_____.

1. *[Alternative 3-Hold the Offering Price Rule Applies]* **Hold the Offering Price of the Bonds.**

(1) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the initial offering price of \$_____ (the "Initial Offering Price") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(2) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) [it][they] would neither offer nor sell any of the Bonds to any person at a price that is higher than the Initial Offering Price during the Holding Period (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold the Bonds at a price that is higher than the respective Initial Offering Price for the Bonds during the Holding Period.

2. ***Defined Terms.***

(a) *Town* means the Town of Stonington, Connecticut.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or with the same maturity date but different stated interest rates, would be treated as separate Maturities.

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is October 18, 2018.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

[Use with Alternative 3

(e) *Holding Period* means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of the Bonds to the Public at prices that are no higher than the Initial Offering Price.]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER] [THE REPRESENTATIVE]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Town with respect to certain of the representations set forth in the Arbitrage and Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Tobin, Carberry, O'Malley, Riley & Selinger, P.C., Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Town from time to time relating to the Bonds.

Dated: [Closing Date]

[UNDERWRITER]

By: _____

Name: _____

Title: _____

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Appendix D-2

Notice of Sale - Notes

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NOTICE OF SALE

TOWN OF STONINGTON, CONNECTICUT \$6,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

(BOOK-ENTRY ONLY)

Telephone bids or electronic bids (as described herein) will be received by the TOWN OF STONINGTON, CONNECTICUT (the "Town") at the Stonington Town Hall, 152 Elm Street, Stonington, CT 06378, until **11:30 A.M. (E.S.T.) on**

Thursday, October 18, 2018

for the purchase of all or a portion of the Town of Stonington, Connecticut, \$6,500,000 General Obligation Bond Anticipation Notes (the "Notes"). Bids must be submitted via telephone at (860) 599-7585 or by an electronic bid through *PARITY*® in the manner specified below. (See "Bidding Procedures").

The Notes

The Notes will be dated October 31, 2018 and will be due and payable to the registered owner as to both principal and interest at maturity on October 30, 2019, as further described in the Preliminary Official Statement for the Notes dated October 11, 2018 (the "Preliminary Official Statement"). The Notes will bear interest (which interest shall be computed on a 360-day year, twelve 30-day month basis) at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/1000 of 1% per annum.

The Notes are not subject to redemption prior to maturity.

The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and note certificates will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereto 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 winning bidder, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co or such other name as may be requested by an authorized representative of DTC. Principal of and interest on the Notes will be payable by the Town or its agent in same-day funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Nature of Obligation

The Notes will be general obligations of the Town for payment of which the Town's full faith and credit will be pledged as discussed in more detail in the Preliminary Official Statement section entitled "Security and Remedies." The Notes are payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without 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.

Bank Qualification

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

Bidding Procedures

Any bidder must either submit its bid by telephone at the following phone number: (860) 599-7585, or by an electronic bid through the facilities of *PARITY*®. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the Town will neither confirm any subscription nor be responsible for the failure of any prospective bidder to so subscribe.

A bid made by telephone or through the facilities of *PARITY*® shall be deemed an irrevocable offer to purchase the Notes on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, *PARITY*®, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale shall conflict with information provided by *PARITY*® as the approved provider of bidding services, this Notice of Sale shall control. Further information about *PARITY*®, including any fee charged, may be obtained from *PARITY*®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 404-8102 – email notice: parity@i-deal.com).

For purposes of the bidding process, the time as maintained by *PARITY*® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest cost to the Town, as described in this Notice of Sale. All bids shall be deemed to incorporate the provisions of this Notice of Sale.

Bid Specifications/Basis of Award

Unless all bids are rejected, the Notes will be awarded to the bidder offering to purchase the Notes at the lowest net interest cost. A proposal may be for all or any part of the Notes but any proposal for a part must be for not less than \$100,000, or a whole multiple thereof, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid. As between proposals resulting in the same lowest net interest cost (rounded to six decimal places) to the Town, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Town with respect to the Notes awarded is the same as the contained in the bidder's proposal with respect to the entire amount bid, rounded to six decimal places. The Notes will be awarded or all bids will be rejected promptly after the bid opening, but not later than 4:30 P.M. (E.D.T.) on October 18, 2018. The purchase price must be paid in Federal funds.

The Town reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Town further reserves the right to postpone the sale to another time and date in its sole and absolute discretion for any reason, including, without limitation, internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless rejected or postponed, the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any.

By submitting a bid for the Notes, the bidder represents and warrants to the Town that such bidder's bid for the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract for the purchase of the Notes on the terms described in this Notice of Sale.

Closing Documents and Legal Opinion

The Notes will be certified by U.S. Bank, National Association, of Hartford, Connecticut. The legality of the issue will be passed upon by Tobin, Carberry, O'Malley, Riley & Selinger, P.C., of New London, Connecticut, Bond Counsel to the Town, and the winning bidders will be furnished with their opinion without charge. Each winning bidder will also be furnished with an Issuance and No Litigation Certificate, a Town Clerk Certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Town relating to the accuracy and completeness of information contained in the Official Statement, and an executed Continuing Disclosure Agreement.

The legal opinion will further state that, under existing statutes and court decisions (i) interest on the Notes is excluded from gross income for Federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the Federal alternative minimum tax; but is, however, included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations in effect prior to January 1, 2018 for tax years beginning before such date, (iii) under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax. In rendering the legal opinion, Bond Counsel will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Arbitrage and Use of Proceeds Certificate entered into by the Town for the benefit of the owners of the Notes, and further, will assume compliance by the Town with the covenants and procedures set forth in such Arbitrage and Use of Proceeds Certificate. A signed opinion and transcript of proceedings will be filed with U.S. Bank, National Association, of Hartford, Connecticut, and will be available for examination upon request.

Obligation to Deliver Issue Price Certificate

(a) The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's municipal advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's municipal advisor.

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

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

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

(c) In the event that the competitive sale requirements are not satisfied, the Town shall so advise the winning bidder. In such event, the Town may elect to treat (i) the first price at which ten percent (10%) of Notes

(the "10% test") is actually sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of the Notes as the issue price of that maturity (the "hold-the-offering-price rule"). The winning bidder shall advise the Town if the Notes satisfy the 10% test as of the date and time of the award of the Notes. The Town shall promptly advise the winning bidder, at or before the time of award of the Notes, whether Notes shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. **Bids will not be subject to cancellation in the event that the Town determines to apply the hold-the-offering-price rule to the Notes. Bidders should prepare their bids on the assumption that the Notes will be subject to the hold-the-offering-price rule in order to establish the issue price of the Notes.**

(d) If the competitive sale requirements are not satisfied, and the Town does not elect to apply the hold-the-offering-price rule, then until the 10% test has been satisfied as to the Notes, the winning bidder agrees to promptly report to the Town the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Notes or until all Notes have been sold to the public.

(e) If the competitive sale requirements are not satisfied and the Town elects to apply the hold-the-offering-price rule, by submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the Public on or before the date of the award at the offering price ("the initial offering price"), or at the corresponding yield, set forth in the bid submitted by the winning bidder, and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) The close of the fifth (5th) business day after the sale date; or
- (2) The date on which the underwriters have sold at least 10% of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Town when the underwriters have sold 10% of the Notes to the public at prices that are no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business date after the sale date.

(f) The Town acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes or all Notes have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be

employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the Notes until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Notes or all Notes have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the Town to the winning bidder.

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain events with respect to the Notes; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for the Notes.

Settlement of the Notes

It is anticipated that the Notes will be delivered to DTC on or about October 31, 2018. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Notes prior to delivery, and the Town will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereto to accept delivery of and pay for the Notes. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid by the purchaser.

The Preliminary Official Statement is in a form "deemed final" by the Town for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 5 copies of the Official Statement prepared for the Notes at the

Town's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidder no later than seven business days after the bid opening. If the Town's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rate, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Notes.

Related Information

For more information regarding this issue and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement containing financial information and pertinent information relating to the issuance, sale and security of the Notes, may be obtained from the undersigned, or from Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, (203) 878-4945.

TOWN OF STONINGTON, CONNECTICUT

James Sullivan
Director of Finance

October 11, 2018

\$6,500,000
TOWN OF STONINGTON, CONNECTICUT
GENERAL OBLIGATION BOND ANTICIPATION NOTES
CERTIFICATE WITH RESPECT TO "ISSUE PRICE"

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ("[SHORT NAME OF UNDERWRITER]") [(the "Representative") on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group")], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned, single maturity obligations (the "Notes").

Select appropriate provisions below

1. *[Alternative 1-Competitive Sale Rule Applies]* **Reasonably Expected Initial Offering Price.**

(i) As of the Sale Date, the reasonably expected initial offering price of the Notes to the Public by [SHORT NAME OF UNDERWRITER] [the Representative] is \$_____ (the "Expected Offering Price"). The Expected Offering Price is the price for the Notes used by [SHORT NAME OF UNDERWRITER] [the Representative] in formulating its bid to purchase the Notes. Attached as Schedule A is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] [the Representative] to purchase the Notes.

(j) [SHORT NAME OF UNDERWRITER] [the Representative] was not given the opportunity to review other bids prior to submitting its bid

(k) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Notes.

1. *[Alternative 2-Notes sold under General Rule]* **Sale of the Notes.** As of the date of this certificate, the first price at which at least 10% of the Notes was sold to the Public is \$_____.

1. *[Alternative 3-Hold the Offering Price Rule Applies]* **Hold the Offering Price of the Notes.**

(1) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Notes to the Public for purchase at the initial offering price of \$_____ (the "Initial Offering Price") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this certificate as Schedule B.]

(2) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) [it][they] would neither offer nor sell any of the Notes to any person at a price that is higher than the Initial Offering Price during the Holding Period (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold the Notes at a price that is higher than the respective Initial Offering Price for the Notes during the Holding Period.

2. ***Defined Terms.***

(a) *Town* means the Town of Stonington, Connecticut.

(b) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or with the same maturity date but different stated interest rates, would be treated as separate Maturities.

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Notes. The Sale Date of the Notes is October 18, 2018.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

[Use with Alternative 3

(e) *Holding Period* means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of the Notes to the Public at prices that are no higher than the Initial Offering Price.]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER] [THE REPRESENTATIVE]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Town with respect to certain of the representations set forth in the Arbitrage and Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Tobin, Carberry, O'Malley, Riley & Selinger, P.C., Bond Counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Town from time to time relating to the Notes.

Dated: [Closing Date]

[UNDERWRITER]

By: _____
Name: _____
Title: _____